Annual Report 2006

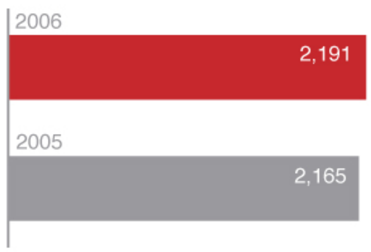
Key Figures Group

Key Figures Group

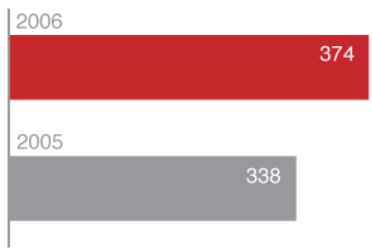
in € millions	2003 IFRS	2004 IFRS	2005 IFRS	2006 IFRS	Change year-on-year
Revenues	**2,321**	**2,402**	**2,392**	**2,376**	**- 0.7 %**
thereof advertising and circulation revenues	2,038	2,115	2,165	2,191	1.2 %
EBITA [1]	**215**	**336**	**338**	**374**	**10.7 %**
EBITA margin	**9.3 %**	**14.0 %**	**14.1 %**	**15.7 %**	
Net income	**112**	**148**	**231**	**291**	**26.0 %**
EBIT [1]	194	316	330	373	13.0 %
EBITDA [1]	290	433	414	433	4.6 %
Total assets	2,115	2,392	2,612	3,124	19.6 %
Equity	678	873	1,185	1,795	51.5 %
Equity ratio	32.1 %	36.5 %	45.4 %	57.5 %	
Capital expenditures	159	131	82	72	- 12.2 %
Cash flow from operating activities	317	305	224	254	13.4 %
Earnings per share (in €)	3.26	4.66	7.38	9.20	24.7 %
Dividend (in €)	1.20	1.20	1.70	3.50	
Special dividend (in €)		0.25			
Year-end share price (in €)	70.00	86.00	108.00	136.45	26.3 %
Number of employees (average)	10,949	10,700	10,166	9,733	- 4.3 %

[1] Adjusted for non-recurring items.

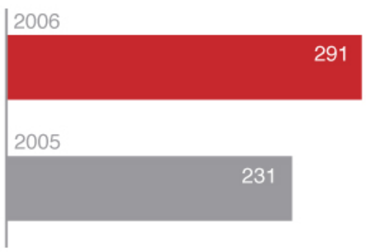
Advertising and Circulation Revenues
in € millions



EBITA
in € millions



Net Income
in € millions



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Foreword

Dr Mathias Döpfner
Chairman and
Chief Executive Officer

Dear Shareholders!

What did the year 2006 bring to Axel Springer AG and its shareholders?

- The placement of another 10 percent of our shares on the stock market, which significantly boosted the liquidity and attractiveness of the company on the capital market.
- An increase in the share price of 26 percent.
- Another record financial year.
- Four major acquisitions.
- Three large investment projects in our online business.
- The successful launch of another newspaper.
- And a major project with the objective of making Axel Springer AG Europe's most customer-friendly media company by 2010 at the latest.

Let us take the developments in order: The year 2006 began with a noticeable disappointment. The German Federal Cartel Office rejected the acquisition of ProSiebenSat.1 Media AG. The decision was all that more bitter when you compare the price that we negotiated in the purchase contract with the amount that a consortium of financial investors paid for the company at the end of the year. The significantly higher price again shows that the acquisition would have been a wise strategic move and a fantastic bargain as well.

Our employees can be proud of how they reacted to the news of the rejection of this well-negotiated deal, which ultimately had no financial or legal consequences for the company. Most amazing was how they quickly recovered from the disappointment and were able to concentrate on the future. Over the last five years we have been pursuing two paths of growth: Internationalization and digitization. After it became impossible to expand our digitization models to include TV operations in Germany – as we had successfully done with our print business – we continued on our previous course of expansion through small steps. Watching our employees in action – with their competitive, highly professional spirit – was one of the most rewarding career experiences of 2006 for me. There were no complaints; no tears were shed over spilt deals. Instead, it was full speed ahead with "aggressiveness and moderation" as we called it back then.

There was no rush to take hectic action. As in the past, we stuck to our strategy of keeping costs and prices down while continuing to implement our growth priorities. This started at the beginning of the year with the establishment of a concrete strategy for online acquisitions abroad and ended with the acquisition of the Swiss Jean Frey Group, which we announced on December 19, 2006. With the advice and news magazine BEOBACHTER, the TV guide TV STAR and the business magazine BILANZ we were able to acquire the Swiss market leaders in three highly attractive segments with tremendous potential for the successful digitization of these brands and markets.

Attractive TV Acquisitions in Poland and Turkey

Our activities abroad included the acquisition of a 25-percent stake in Doğan TV, by far the leading TV group in Turkey. This is currently the largest stake that can be legally acquired in Turkey by foreign investors. It is hard to find a European television market at the moment that is growing as fast as the Turkish TV market with its annual advertising growth rate of 20 to 30 percent since 2003. We want to profit from this development and view our partnership with Turkey's most successful media company as the first step toward tapping this fascinating market.

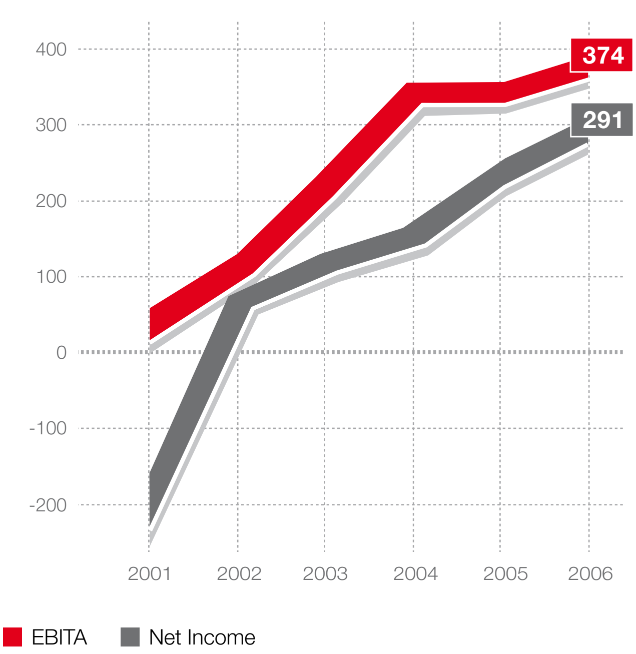
We now enjoy a 42-percent share of the Polish national daily newspaper market as measured by paid circulation. When the opportunity arose to acquire a 25.1-percent stake in Polsat, one of Poland's two leading private television groups, we took it. The deal is still subject to approval by the Polish Cartel Office authorities. The acquisition of a company in a TV market that is growing at the rate of around ten percent annually is an attractive and highly profitable deal in itself. The deal is also tied to a value-securing mechanism, which is an advantage for us.

Investments in Digital Media Projects Have Priority

In Germany we acquired a 74.9-percent stake in Idealo, an already profitable online price search engine that we are continuing to expand in close cooperation with our print and online media. We are also investing in existing online activities: A sum in the low single-digit millions for the purpose of transforming the brand WELT ONLINE into a premium brand that targets the top of the digital reader pyramid and another sum in the double-digit millions in our online real estate portal IMMONET.DE. We now own 100 percent of Immonet after having acquired a 25.1-percent stake during the previous year. IMMONET.DE is currently the number two portal in this segment; it is growing fast and gaining market share – a development that we would like to accelerate.

We remain convinced that written and moving pictures are indispensable for the digital media products of the future. We therefore founded Axel Springer Digital TV GmbH to operate Internet television, which is still in the start-up stag. The company will produce moving pictures content for our existing websites as well as create and operate truly interactive television programming. We want to establish ourselves early on in this segment in order to have a TV strategy for the marketing channels of the future without having to worry about regulatory interference.

EBITA and Net Income
in € millions



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

You see: Online investment is assuming an increasingly greater priority in our strategic considerations. The transfer of existing brands, content expertise and customer groups to the digital world is without question our most important challenge. The tremendous success of BILD.T-ONLINE shows that this is possible.

Of the three objectives we have pursued over the last six years: Expansion of our market leadership in Germany, internationalization and digitization, the latter is the most important. However, the print business and its potential are not to be underestimated.
Of course, we must take the structural challenges seriously. But I am convinced that the crisis talk that has cast a collective cloud over the newspaper sector is exaggerated.

New Publications are More Successful than Ever

Newspaper circulation worldwide has grown by ten percent over the last five years. For the first time there are more than 10,000 publications or some 13 percent more newspapers than in 2001 with an approximate advertising volume of USD 180 billion. This is more than the advertising volume of radio, outdoor, cinema, magazine and Internet advertising combined. And the earnings and cash flows are still the envy of other industries. It should come as no surprise that the circulation of existing print publications in mature markets is declining as the result of the growing number of publications and increasing transfer content to digital channels. When you compare the structural transformation processes of the media sector with those of other industries, it becomes apparent that media business is developing in an advantegeous fashion, because publishing houses are encountering more opportunities than risks.

In short, I am convinced that the grumbling that is rampant in our sector does not always reflect economic reality.

In any case, our job experience has been extremely encouraging. Classified job advertising in our regional newspapers is currently growing by partly more than 20 percent over the previous year. Together with its subsidiary brand WELT KOMPAKT, DIE WELT has enjoyed an increase in circulation of over 25 percent with advertising business keeping pace. BERLINER MORGENPOST has become the reach leader in the capital city. It is not only the most widely read newspaper in Berlin but is highly profitable as well. And our new publications are more successful than ever. FAKT, Poland’s biggest selling newspaper, made the transition to the profit column in less than two years. I cannot remember any newspaper, even during earlier times, the so-called golden era, that reached the break-even point in such a short time. We were so encouraged by this development that we also decided to launch a premium newspaper in Poland. Shortly after its introduction in April 2006, the circulation of DZENNIK had risen to over 200,000 copies per day – 50,000 more than our business plan had called for. To put it briefly, if this is a crisis, then we love crises.

Third Record Year in a Row

For us 2006 was the third consecutive record year. We invested more than € 60 million in organic growth, that is in expanding our newspaper, magazine and online business models. Although this effected our financial results, we again succeeded in raising EBITA – this time from € 338 million for the previous year to € 374 million. When adjusted for the contribution from the Kirch insolvency, the EBITA came to € 340 million. This increase is impressive in view of the fact that our previous EBITA margin of 14.1 percent already made us the most profitable major publishing house in Germany by far. And our EBITA margin improved again to 15.7 in 2006. And our shareholders are enjoying the effects. Earnings per share rose from € 7.38 to € 9.20. The share price improved by 26 percent to € 136 at year's end. The proposed dividend is expected to more than double to € 3.50 per share. We made this recommendation, because the capital structure of the company – with its current net liquidity of € 477 million – makes it possible to take this step. We are looking forward to putting this liquidity to work in generating strategic, value-generating growth during the current financial year.

We also want our employees to benefit financially from our third consecutive record year. Our newly approved, calculable, profit-based participation program is designed to generate even greater employee motivation as we jointly pursue the creation of added value.

Customer Orientation is the Key to Success

While on the topic of added value, it should be pointed out that – despite the fact that our new launches have been more successful than those of most of our competitors with respect to profitability – Axel Springer shares have been traded in the past at below value rather than at a premium. This was due to the lack of liquidity of our stock resulting from the low free float and the resulting low trading volume. The placement of half of the shares held by Hellman & Friedman was an important step toward raising liquidity. The free float share of Axel Springer AG stock is now 25.6 percent, and the share price has improved considerably over the placement price of € 122.

Axel Springer AG is currently Germany's most creative and profitable major publishing house. And we want to remain that way. But we also want to continue to improve. In order to achieve this objective we announced at our management meeting last summer a new, ambitious plan to become Europe's most customer-friendly media company by 2010 at the latest. Whether dealing with readers, advertising customers, other business associates or internal company clients, customer orientation is the key to success in both the analog but especially the digital worlds. However, customer orientation with regard to the content business of media companies remains underdeveloped. We want to change this. We have therefore enlisted the aid of an international market research institute to jointly develop an extremely differentiated monitoring and evaluation system, which will allow us to uncompromisingly quantify and measure our successes (or failures) with respect to customer orientation. We are currently collecting the results of a base measurement. I will keep you informed here about the developments.

We are looking forward to your continued loyalty as shareholders and as customers!

Yours,

Dr Mathias Döpfner
Chairman and Chief Executive Officer

PS: Last summer I acquired two percent of the shares of Axel Springer AG from Friede Springer. You can thus rest assured that I am even more motivated to ensure that the long-term value of this wonderful company continues to grow.

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 nine meetings during the period under review: Six during the first half of the calendar year and three meetings during the second half of the calendar year. Supervisory Board member Brian Powers did not attend three meetings due to a potential conflict of interest in conjunction with plans to acquire ProSiebenSAT.1 Media AG, and one meeting in conjunction with plans to acquire a stake in Doğan TV Radyo. Furthermore, one Supervisory Board member was unable to attend two meetings, and two Supervisory Board members were unable to attend one meeting.

The consultations of the Supervisory Board during the 2006 financial year focused on: Maintaining company profitability and the ability of the company to compete by continuing restructuring measures; the safeguarding of the future of the company through new launches at home and abroad in the print segment and with increasing focus on the TV and online markets, decisions on share transferability matters in conjunction with the secondary placement of Axel Springer shares.

Among other things, the Supervisory Board also discussed the financial statements and consolidated financial statements as at December 31, 2006, the agenda for the 2006 shareholders' meeting, corporate and investment planning for the 2007 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 2006 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 Website on a permanent basis. Axel Springer AG complies with the recommendations to a very large extent. The statement of compliance appears on page 75 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 three times 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 recommendations in connection with the auditors and examined risk management issues and the activities of the internal auditor. The audit committee met six times in 2006.

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

Comments on the Disclosures in the Management Report Pursuant to § 289 (4) and § 315 (4) of the German Commercial Code:

The required disclosures pursuant to § 289 (4) and § 315 (4) of the German Commercial Code are provided in the Management Report under the headings "Stock Exchange Listing, Shareholder Structure", "Restrictions on Voting Rights and Transfer of Shares", "Appointment and Dismissal of Management Board Members", "Amendments to the Articles of Incorporation", "Authorization of the Management Board to Issue or Repurchase Shares" and "Compensation Agreements in Case of a Corporate Takeover." The Supervisory Board concurs with the disclosures made therein, which do not require any further explanation. By way of clarification, we wish to point out the following: There are no Company shares endowed with special rights, nor employee participation programs, nor any significant agreements made by the Company, that would be subject to the condition of a change of control resulting from a takeover offer. Therefore, the disclosures in the Management Report pursuant to § 289 and § 315 HGB were not necessary. The share transfer restriction agreements mentioned under the heading "Restrictions on voting rights and transfer of shares" are explained below.

Under the share transfer restriction agreement with Hellman & Friedman, Hellman & Friedman expressly acknowledged the restrictions on the transfer of shares set forth in the Company's articles of incorporation as binding upon it and its affiliated companies. In exchange, the Company promised to support a widely distributed sale of the shares held by Hellman & Friedman on the stock exchange or by means of a secondary placement (subject to the condition that no more than 4 % of the Company's share capital would be transferred to a single investor) and to take all the necessary steps to obtain a stock exchange listing for the shares of Axel Springer AG on the Frankfurt Stock Exchange. It is expressly stipulated in the share transfer restriction agreement that the support obligations of the Company shall not contravene the share transfer restrictions set forth in the Company's articles of incorporation. A secondary placement has occurred, in the partial sale of the Company shares held by Hellman & Friedman (9.8 % of the Company's share capital).

In the share transfer restriction agreement with Michael Lewis, the companies participating on the side of Michael Lewis promised to observe the share transfer restrictions set forth in the Company's articles of incorporation with regard to all indirect and direct purchases, disposals and encumbrances of the Company's shares. Under the supplementary agreement of July 31/September 11, 2006, the Company granted its prior consent to the acquisition of up to 340,000 additional shares (representing 1 % of the Company's existing share capital) by Good Media Investment Holdings S.à r.l. and the parties agreed to apply the obligations under the share transfer restriction agreement of February 16, 2006 to the shares to be acquired in the future.

Under the share transfer restriction agreement with Dr Mathias Döpfner, the acquisition and disposal of the shares of Axel Springer AG by Brilliant 310. GmbH and of the shares of Brilliant 310. GmbH and other legal steps concerning Brilliant 310. GmbH were made contingent on the prior consent of Axel Springer AG, in accordance with the Company's articles of incorporation.

Financial Statements and Consolidated Financial Statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Berlin office, 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 2006 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 February 21, 2006 and March 5, 2007. 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 2006 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, Frankfurt am Main, Berlin office, was also submitted to the Supervisory Board. Both reports were submitted to every member of 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 para. 3 of the Stock Corporation Act (AktG).

Berlin, March 5, 2007
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, Switzerland

Oliver Heine
Lawyer, Hamburg

Klaus Krone
Businessman, Berlin

Prof. Dr Wolf Lepenies
University Professor, Berlin

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

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

Steffen Naumann
Chief Operating Officer and
Chief Financial Officer

Born 1966, Master's degree in business administration and economics. Career milestones: McKinsey & 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.

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.

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

The thrill of

Le mouvement fait partie de notre nature. – Motion is part of our nature. This quote is as true today as it was when French philosopher Blaise Pascal uttered it 350 years ago. It is our nature to want to attain goals. It is our aspiration to get from point A to point B. It is our ambition to get ahead. We are compelled to move, to change, to be dynamic. And to capture it on film.

Capturing motion in a photo (a self-contradiction?) has always been a special challenge for artists, for photographers. The photos on the following pages show how differently this paradox can be accomplished.

All of the photos presented here were selected from among the many millions of vintage-to-modern prints, slides and digital photos in the collection of ullstein bild, the globally networked photo agency of Axel Springer AG.

Cover Photo: Photo Safari in Paris

Armed with huge lens cases and cameras to match, a dozen French photographers set out on an odyssey in search of the answer to the question: “Who is the fastest reporter in Paris?” Their quest took them all over the city on the Seine: The photos for Ullstein’s “Berliner Illustrirte Zeitung” were provided by the renowned Agence Trampus on the Rue du Bouloi near the Louvre.

Classic Puddle-Jumper

When does a photo theme become a classic? Perhaps when it is copied by another master. This is precisely what happened here when Richard Avedon paid homage one of the icons of photography, Martin Munkacsi. The woman with the umbrella is the Berlin-born dancer Marianne Winklestern (1910–1966). She is caught here jumping over a London puddle in 1934 shortly before her marriage to a member of the British nobility.

capturing motion

Following the “Goal of the Century”

With head bowed, Uwe Seeler is led from London’s Wembley Stadium following Germany’s 4:2 loss to England in the World Cup final on July 30, 1966. Coach Helmut Schön (far right) follows Seeler off the pitch. The match is perhaps best known for the controversial goal that gave England a 3:2 lead in extra time. The moving photo seen around the world was taken by Sven Simon, son of Axel Springer. The picture made media history as the “sports photo of the century.”

Tower of White Players

Like the painting “Tower of Blue Horses” by Franz Marc, this “tower” photo is a modern icon. The photo from the ullstein’s agency Camera4 is perhaps also destined to become an evergreen. The picture was snapped during the 2006 FIFA World Cup match between France and Spain in Hanover. French player Patrick Vieira (bottom) had just scored to give France a 2:1 lead. The photo captures the feeling of pure joy.

“Wave Swinger”, “Ringelspiel” …

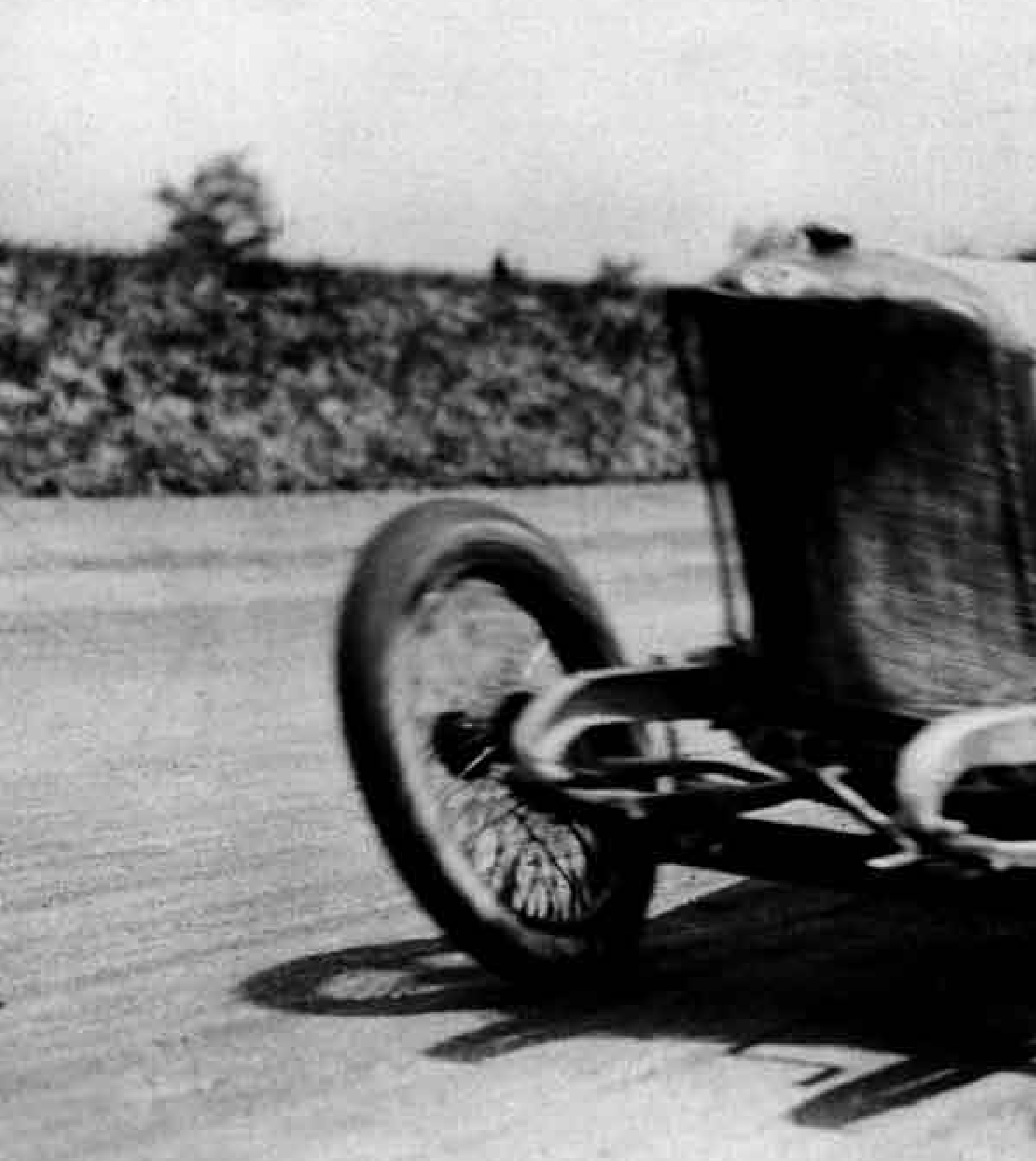
… or “chain carousel” – the name varies from country to country, but the fun is apparently universal. The ticklish feeling in your stomach, the screaming, the dizziness afterward. This photo, taken at a fair at sunset, is from Ullstein’s New York partner agency Peter Arnold. It could easily serve as the symbolic lead photo for this series: The thrill of the capture.

On the Shore of Lake Tanganyika

A photo that captures the essence of the feeling of joy. Like the one you get when you experience the sounds of the ocean. This photo was taken by Hungarian star photographer Martin Munkácsi in 1930 during a reportage-trip through Liberia on behalf of the Berlin publishing house Ullstein. Photos from this series were published in “Berliner Illustrirten Zeitung” and shortly thereafter in the premiere issue (July 1931) of the sophisticated magazine “Die Dame.”

Swimmer in Blue

“Water from a hot spring gets your skin moving” was the title of the article appearing in the magazine “Journal für die Frau.” Photographer Lars Matzen had to dive into the pool to get the right angle for this shot. Matzen earns his living as a portrait and fashion photographer. But photographers have to be flexible. And that fits right in with the subject of the photo – motion and agility …



Number 9 in the North Curve

Berlin native Alex Stöcker was fascinated with cars. Especially fast ones like this racer built by the Swedish firm Selve. The racecar was captured on June 11, 1922, in the late afternoon during a 180 km race organized by ADAC. Here, the 8 hp (!) speedster thunders through the Avus north curve. Unfortunately, engine trouble kept driver Köster and his son Sozius from reaching the finish line.


9

Two Large Coffees, Please!
Austere charm is what sets Café Hawelka on Dorotheergasse apart from other Viennese cafés. One of the café's "legends" – here waiter Ali – hurries through the picture carrying two large coffees while apparently taking another order at the same time. The photo taken in 1956 by Franz Hubmann, the doyen of Austrian photography, has already achieved art object status.

Doing the Polar Bear Twist

Bulgarian-born Metodi Popow has been working as a photo journalist for ullstein bild for years. Although the city dweller lives in the heart of Berlin, capturing nature on film – especially animals – is one of his favorite pastimes. This portrait of an imposing Ursus maritimus was taken in the Berlin Zoo in the spring of 2005. It doesn’t always have to be the arctic …

Dancers Never Grow Old

Roughly 50 years separate these two photos. The color photo was taken by Andreas Teich from the ullstein bild partner agency Caro in 2005 at a Berlin disco. The photo on the left shows a couple at a boogie-woogie contest at the beginning of the fifties. It is one of the some 50,000 photos in the tradition-rich Gerstenberg archives in Wietze near Hanover, which Ullstein was able to acquire three years ago.

Look, Cheetah from the Left!
Axel Springer AG works with various partners worldwide, such as Peter Arnold, Inc. with offices on New York's Broadway. This is the source of the photo "Running Cheetah," taken in 2005 in Kenya's Massai Mara, a 1,670 sq. km wildlife preserve. Capable of reaching speeds of up to 112 km/h, the cheetah is the world's fastest land animal.

Strategy and Principles

Company Profile

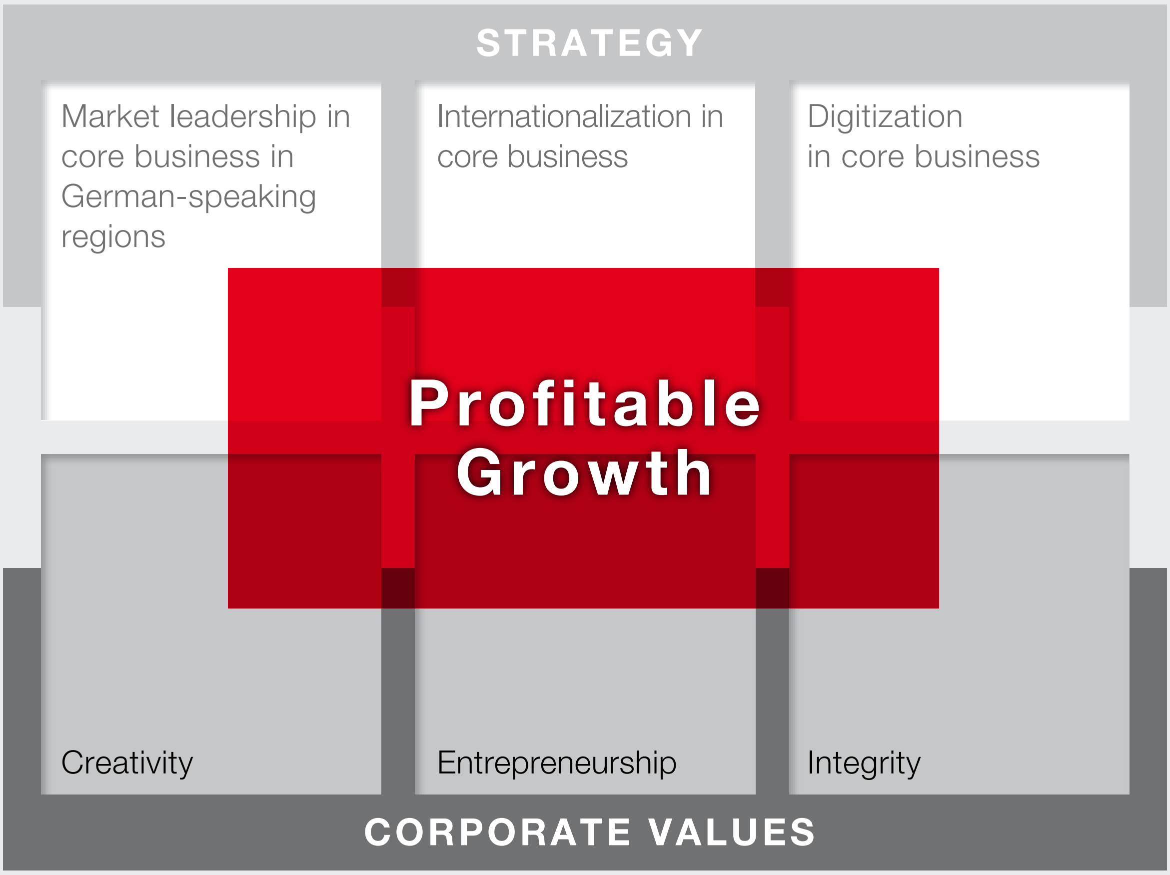
Axel Springer is the largest newspaper publishing house and third-largest magazine publisher in Germany and one of the world's leading media corporations. Founded in 1946, the Group is headquartered in Berlin with further publishing facilities in Hamburg, Munich and abroad. The company's core business 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

Axel Springer provides high-quality information and entertainment 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. Axel Springer is pursuing a successful strategy of maintaining its market leadership in the company's German-language core business, internationalization and digitization.

Strengthening Market Leadership in German-Language Core Business
Axel Springer plans to further strengthen the Group's already strong position in its German-language core business by tapping new sources of earnings. The Group plans to pursue new product

Six Keys to Profitable Growth



launches with special emphasis on the established BILD umbrella brand as well as the WELT brand in accord with existing market situations and applicability to given target groups. The success of numerous new publications launched since 2003 – including TV DIGITAL, WELT KOMPAKT and AUDIO VIDEO FOTO BILD – clearly demonstrates that Axel Springer can successfully implement creative publishing concepts in a slow economic environment. Axel Springer is also targeting growth through the expansion of activities in the field of Content Management (controlling the distribution of digital information). These efforts require a stronger integration of print and online media. In 2006 Axel Springer merged the news operations of the WELT and BERLINER MORGENPOST, thereby creating Germany's largest newsroom where all journalistic content is bundled together. The various print and online media have been produced here since November 2006. This concept has been further augmented with the addition of new, innovative forms of newspaper and magazine advertising. Depending on the market situation and conditions with respect to competition law, Axel Springer is inclined to consider acquiring publishing houses, publications and licenses and forming alliances with competitors.

Continued Internationalization of Core Business
Axel Springer will continue to expand its activities in selected international markets (such as in Eastern Europe) in accordance to the situation in the various markets. Depending on the regional market situation, this can mean the launch of new publications, the acquisitions of specific companies and the purchase or granting of publication licenses in the core fields of newspapers and magazines. Axel Springer also intends to introduce existing brands and concepts in selected international target markets. In China the company is preparing for the launch of marketing and advertising activities and for the granting of licenses for Axel Springer brands.

The successful transfer of brands and concepts is a prime example of the Group's dynamic growth abroad. AUTO BILD is published in 29 countries and COMPUTER BILD in nine countries. In 2005 Axel Springer granted its first licenses to publish JOLIE and AUDIO VIDEO FOTO BILD in foreign markets. A licensed edition of AUTO BILD ALLRAD was launched in Lithuania in 2006. With FAKT Axel Springer has developped Poland's largest daily newspaper by paid circulation. The cross-regional daily newspaper DZIENNIK, which was launched in Poland in 2006, quickly became the country's third-largest newspaper. Axel Springer also strengthened its positition in the Russian market, which the company entered during the 2004 financial year. COMPUTER BILD was launched in the spring of 2006 followed by the weekly magazine OK! in the fall of 2006. The company now has four publications in Russia.

Europe's biggest LED display on the ceiling of the company's headquarters in Berlin provides space for advertising, information and art

Continued Digitization of Core Business
Axel Springer is continuing its efforts to digitize existing brands and concepts. By opening up new digital sales channels, the company gains access to new target groups, which in turn generates added value for the entire Group. Axel Springer is also continuing to strengthen its market position in the segment of online classified advertising through the expansion of its own portals and holdings. The company also plans to market the editorial and archival content from its print operations into all channels and expand its multimedia activities. Axel Springer is also developing new business models through its own launches and holdings such as search directories, electronic TV guides, e-commerce, Internet TV and blogs.

Axel Springer continued to expand its digitization activities during the 2006 financial year. BILD.T-ONLINE.DE remains one of Germany's leading online portals. The company is excellently positioned in the market for online classified advertising with its own portals and holds stakes in others: AUTOBILD.DE, IMMONET.DE and STEPSTONE.DE. During the second half of 2006 Axel Springer signed a contract for the acquisition of a majority stake in Idealo Internet GmbH, which operates the price and product search engine IDEALO.DE.

The digitization strategy is being accompanied by expansion of the group's TV activities for the purpose of acquiring greater access to audiovisual content. In Germany Axel Springer holds a stake in ProSiebenSat.1 Media AG (12.0 %) and the regional broadcasters Hamburg 1 and TV Berlin (27.0 % each). The Group is also pursuing the acquisition of stakes in leading TV broadcasting groups in European markets where the Group has print operations or where strong market growth is forecast. During the 2006 financial year the company took the first steps toward gaining a foothold in foreign TV markets. In November 2006 Axel Springer signed a contract for the acquisition of a 25.0 % stake in the Turkish TV broadcasting group Doğan TV, which was completed at the beginning of January 2007. In January 2007 the company also concluded a contract for the acquisition of a minority stake of 25.1 % in POLSAT S.A., a Polish TV broadcaster headquartered in Warsaw. The transaction is subject to the fulfillment of certain conditions, especially the approval of the anti-cartel authorities. In November 2006 Axel Springer announced that it was founding a new company for digital television. Axel Springer Digital TV (ASDTV), a wholly owned subsidiary of Axel Springer AG with headquarters in Berlin, will produce and market digital content primarily for the Internet.

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.

Corporate Values

Our corporate culture is based on three 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, customers, fellow employees, business associates and shareholders.

The new face of WELT ONLINE-TV: Starting immediately, Insa Müller will present the news directly from the newsroom twice a day

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. Therein are defined the Group's position on matters of human rights, legal compliance, the protection of children and youth, treatment of employees, health and safety and the compatibility of career and family life. These standards are obligatory and apply to all company activities worldwide.

The full Preamble, the Guidelines of Journalistic Independence and the International Social Policy are available on the Internet at www.axelspringer.com.

Highlights 2006

Strong International Brands

Many Axel Springer publications are also well-known international brands. In 2006 Axel Springer launches new editions of COMPUTER BILD, Europe's largest computer magazine, in Russia and Bulgaria. A new edition of JOLIE now appears in Greece. AUDIO VIDEO FOTO BILD is published in Serbia and Montenegro, and AUTO BILD 4 x 4 in Lithuania.

Participating in Success

2006 was another record financial year for Axel Springer AG, and our employees are participating in the company's success. The success participation program is designed to provide even greater incentives to work together in achieving business goals.

WELT Record and Online First!

DIE WELT celebrates its 60th anniversary and a new record for paid circulation of approximately 270,000 copies. Germany's largest integrated newsroom is opened, thereby creating the prerequisite for the offensive "Online First" by the newspaper group WELT/BERLINER MORGENPOST.

Europe's Largest LED Screen

The Axel Springer building in Berlin glows with a 4-meter-high, 50-meter-wide LED screen. In addition to Axel Springer publications and brands, other companies also use this innovative communication channel for their advertising activities. A news ticker and selected video creations by international artists enhance the content.

Higher Free Float

Stakeholder Hellman & Friedman sold 9.8 % of its Axel Springer shares. The free float thereby grows to 25.6 %. The transaction valued at € 433.8 million is one of the largest share placements in 2006.

Axel Springer Russia

In 2006 Axel Springer Russia launches Russian editions of COMPUTER BILD and OK!, the world's largest people's magazine. Axel Springer also publishes the news magazine NEWSWEEK and the business magazine FORBES in Russia.

Internationalization and Digitization

The participations in the Turkish Doğan TV (25.0 %) and the Polish Telewizja POLSAT S.A. are a big step towards internationalization and digitization. The newly founded Axel Springer Digital TV will produce and market moving pictures for the Internet.

Expansion in Switzerland

Axel Springer AG acquired 99.5 % of Jean Frey AG. In addition to the business magazine BILANZ, the Swiss company publishes the country's largest TV guide – TV STAR – and the largest general interest magazine BEOBACHTER. Axel Springer has been active in Switzerland since 1999 through the Handelsblatt publishing group.

2006 World Cup

There is a serious outbreak of soccer fever in Germany, and the newspapers and magazines of Axel Springer keep readers up to date on all the action with extensive reporting, numerous special editions, supplements and books. BILD readers become reporters by sending in their best photos to BILD via SMS and e-mail under 1414.

Analysis of Administration

Axel Springer AG conducts a thorough analysis of its administrative and service units as well as the decentralized business administration and staff functions with the objective of improving efficiency and performance. The goal is to ensure that the company remains the most profitable and creative major German publishing house in the future.

Customer Hotline

Axel Springer AG wants to become Europe's most customer-friendly media company and launches a customer-orientation offensive. The Axel Springer service hotline at 0800 8 300 300 is available to customers 24 hours a day.

DZIENNIK

On April 18, 2006, Axel Springer Polska launches DZIENNIK – a cross-regional, modern premium newspaper. Within two months the circulation climbs to the No. 3 spot among Polish national dailies. With DZIENNIK and FAKT Axel Springer has a market share of over 40 %.

IDEALO.DE

Axel Springer AG acquires a majority stake in the price and product search engine IDEALO.DE. With 150,000 products in and 4,500 dealers, IDEALO.DE is one of the largest search engines of its kind in Germany. The stake in Idealo is a further step in the company's digitization strategy.

TV DIGITAL

TV DIGITAL again sets a new record with a paid circulation of over 1,850,000 copies.
TV DIGITAL is designed for the digital world of television and its various broadcasters. The magazine, which is published in several German editions, launches a Swiss edition in 2006.

Consolidated Management Report and Management Report of Axel Springer AG

Amid an operating environment that benefited from positive developments in the advertising market, but was still beset with structural problems, Axel Springer successfully expanded its core business. Thanks to the higher volume of advertising revenues and investment income, coupled with the continued practice of strict cost discipline, Axel Springer generated higher earnings despite the heightened level of start-up costs for new activities. For the Group the earnings before interest, taxes and amortization (EBITA, adjusted for non-recurring items) amounted to € 373.8 million, well ahead of the corresponding prior-year (PY) figure of € 338.3 million. Adjusted for a contribution from the Kirch insolvency, the EBITA came to € 340.2 million. Net income for the year, at € 290.8 million (PY: € 230.7 million), was at an all-time high, due in part to legislative changes which required to recognize a corporate income tax credit. The earnings per share rose from € 7.38 to € 9.20.

Total advertising and circulation revenues rose from € 2,164.8 million to € 2,190.7 million in 2006. At € 2,375.9 million, the Group's total revenue was slightly lower than the prior-year figure of € 2,391.5 million, which still contained the revenues of the rotogravure printing operations, which were contributed to the joint venture Prinovis on July 1, 2005.

For 2007 and 2008, the Management Board anticipates a moderate increase in advertising revenues. The Management believes that Axel Springer can slightly outperform the net market growth rate of 1–2 % in 2007 forecasted by the market research institutions, on the strength of gains in the domestic and foreign titles that have been launched in the last few years. The circulation revenues are expected to increase moderately in 2007, as the improving performance of new titles and the positive effects from the acquisition of Jean Frey AG will more than offset the moderate circulation decreases of existing titles and the press circulation market in Germany. For 2008, the Management Board expects that circulation revenues will be stable compared to 2007.

For 2007, the Management Board expects that the earnings contribution from the existing business lines will be equal to or slightly higher year-on-year, despite the continued high burden of start-up losses. New business activities, in the online sector, Digital-TV and in the traditional print business might require substantial new funds in 2007, which will likely not be recouped from the projected earnings contributions of the newly acquired companies and investments. Depending on the necessary extent of new investments, the Management Board would accept an EBITA below the record earnings for 2006, adjusted for the nonrecurring income from the Kirch insolvency.

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 state-of-the-art 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 tradition 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, as well as the internationalization and digitization of the Group's core business.

Segments
The **Newspapers** segment comprises daily newspapers and Sunday newspapers, including tabloids, superregional and regional subscription newspapers and advertising supplements. The Internet portals BILD.T-ONLINE.DE, IMMONET.DE and STEPSTONE.DE are also included in this segment. This segment also includes the Group's investments in newspaper publishing companies. With the best-selling titles of the BILD Group and the 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 2006, the Newspapers segment contributed 61.6 % of the Group's total revenues. Within the Newspapers segment, circulation revenues accounted for 46.4 %, advertising revenues for 50.9 % of segment revenues.

The **Magazines** segment comprises TV programming guides, women's magazines, men's magazines, youth magazines, computer magazines, financial and business magazines, automotive magazines, sports magazines and family magazines in Germany and abroad. The range of magazines includes numerous specialty magazines as well. Also, the Group holds investments in magazine publishers in Germany and abroad. Moreover, it includes the Group's investment in the price search engine IDEALO.DE. In fiscal year 2006, the Magazines segment contributed 33.1 % of the Group's total revenue. Within the Magazines segment, circulation revenues accounted for 62.5 %, advertising revenues for 35.1 % of segment revenues.

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

The **Services/Holding** segment comprises services such as customer service, TV productions, logistics, sales, direct marketing, insurance sales and commercial office buildings, as well as exclusively internal departments such as IT, accounting, human resources and corporate staff. The Services/Holding segment also includes Axel Springer's investments in ProSiebenSat.1 Media AG and PIN Group AG.

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

With a portfolio comprising more than 50 titles, Axel Springer is the third largest magazine publisher in Germany, with leading market positions in the various segments of TV guides, women's magazines, automotive magazines, computer magazines, financial and business magazines and sports magazines.

Outside Germany, Axel Springer publishes more than 120 newspapers and magazines, including licensed editions, in 30 countries of the world. The main focus of the Group's international activities is Eastern Europe. In Hungary, Axel Springer is that country's biggest publisher, with ten newspapers and 22 magazines. In Poland, Axel Springer is the second-largest publisher, with two newspapers and 14 magazines. In the Czech Republic, Axel Springer publishes seven magazines and is the market leader in the segment of automotive magazines. In Russia, Axel Springer publishes four magazines, having entered that market in 2004. In Romania, Axel Springer holds an investment in Edipresse AS Romania SRL. In Western Europe, Axel Springer's activities are concentrated in France, Switzerland and Spain. In Spain, Axel Springer publishes 13 magazines and is the market leader in the segment of computer and computer game magazines. And in China, where Axel Springer first opened an office in Shanghai in 2004, the Company acquired the necessary circulation and advertising marketing licenses for starting up a publishing business in that country in 2006.

Axel Springer expanded its portfolio of minority interests in German and foreign TV stations in 2006. Also, the Group established its own subsidiary for digital TV in 2006. In addition, the Group holds minority interests in some of Germany's most successful radio stations.

Besides establishing its existing print brands on the Internet, Axel Springer is among the leading online providers, through its consolidated companies or investments, in the three important classifieds markets of automotive, real estate and help wanted ads. The Group is also taking steps to establish new, digital business models through internal development, cooperation agreements or acquisitions.

Organizational Structure

The Management Board Chairman is responsible for the Newspapers division and the departments of Information and Public Relations, Controlling, M&A und 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 Group's offset printing plants, Logistical Sales and the investments in the rotogravure joint venture Prinovis. In addition, Corporate Purchasing and Human Resources report to the Vice Chairman.

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 management 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, 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 (40).

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 Prime Standard section of the Frankfurt Stock Exchange. The subscribed capital (€ 102,000,000) is divided into 34 million no-par share certificates; there are no different share classes. At the end of 2006, Axel Springer Gesellschaft für Publizistik GmbH & Co. directly held 50 % + 10 shares and Dr h c Friede Springer directly held 5 % of the Company's equity. Furthermore, the voting rights held by Axel Springer Gesellschaft für Publizistik GmbH & Co. are attributed to Dr h c Friede Springer, so that she controlled voting rights equivalent to 55 % + 10 shares. The Axel Springer share price closed the year at € 136.45 (PY: € 108.00).

Restrictions on Voting Rights and Transfer of Shares

By virtue of Article 5 Para. 3 of the Company's articles of incorporation, shares and subscription rights to shares in Axel Springer AG may be transferred only with the Company's consent (restricted transferability of registered shares). Such consent must be granted by the Management Board, although internally, it is the Supervisory Board which adopts the resolution to grant such consent. In accordance with the Company's articles of incorporation, such consent can be denied without indication of reasons. However, the Company will not arbitrarily refuse its consent to the transfer of company shares. Other restrictions on the transfer of company shares are based on the following agreements:

- In connection with the acquisition of company shares by Hellman & Friedman in October 2003, the Company entered into a share transfer restriction agreement with Hellman & Friedman (and with the acquiring companies affiliated with Hellman & Friedman) on October 8, 2003.
- In connection with the acquisition of company shares by Good Media Investment Holdings S.à r. l. of Dr h c Friede Springer, the Company entered into another share transfer restriction agreement dated February 16, 2006, with Michael Lewis, the Nova Trust Ltd., in its capacity as Trustee for The Michael Lewis Capital Discretionary Settlements, and other so-called "ML Investors" in which Nova Trust Ltd. directly and indirectly holds all the equity or a majority stake (Hague Holdings Ltd., Colmar Investment Holdings Ltd. and Media Investment Holdings S. à r. l.), and with the Governor and Company of the Bank of Scotland.

- Finally, a share transfer restriction agreement was signed on July 31/August 4, 2006, between Dr Mathias Döpfner, Brilliant 310. GmbH, Axel Springer AG and M. M. Warburg & Co. KGaA.
No voting rights restrictions are known.

Amendments to the Articles of Incorporation
Amendments to the Company's articles of incorporation require a majority of at least three-quarters of the share capital represented at the annual shareholders' meeting (cf. Section 179 (2) (1) AktG). The Supervisory Board is authorized to carry out amendments which only involve the wording (Article 13 of the articles of incorporation).

Appointment and Dismissal of Management Board Members
The Company's articles of incorporation provide that the Management Board of Axel Springer AG shall consist of at least two members. The Supervisory Board is authorized to establish the number of Management Board members. The Supervisory Board is also authorized to appoint and dismiss members of the Management Board. An appointment to the Management Board can last for at most five years; any reappointment or extension of each and every board member's term of office is also limited to at most five years (for details, see Section 84 (1) (1–4) AktG). When several persons are appointed to the Management Board, the Supervisory Board is authorized to appoint one of its members as the Chairman (Section 84 (2) AktG). In urgent cases in which a necessary Management Board member is lacking, the court will appoint that member at the request of the parties (Section 85 (1) (1) AktG). The Supervisory Board can revoke the appointment of a Management Board member and the appointment of its Chairman, provided there is an important reason to do so (for details, see Section 84 (3) (1) and (2) AktG).

Compensation Agreements in Case of a Corporate Takeover
The members of the Management Board are entitled to cancel their employment contracts in the event of a change of control over the Company. In such a case, they would be entitled to continued payment of their base salary for the remaining term of their employment contracts, but at least one year's base salary. In such a case, the Company would also pay, at the contractually stipulated time, the performance-linked compensation pro rata temporis for the period of service rendered in the year of the resignation. The employment contracts of the Management Board members do not provide for any other compensation in the event of termination of their employment relationship due to a change of control. The Company has not signed compensation agreements of this kind with any employees.

Authorization of the Management Board to Issue or Repurchase Shares
By resolution of the annual shareholders' meeting of April 27, 2006, the Management Board is authorized, with the consent of the Supervisory Board, to purchase the Company's own shares up to an amount equal to ten percent of its current share capital, in the time until October 26, 2007. The purchase of company shares can be effected on the stock exchange or by means of a public offer to all the shareholders. Together with the treasury stock which the Company currently holds, equal to 9.82 % of the Company's share capital, and the shares attributable to the Company as per Sections 71 a ff. AktG, the shares purchased by virtue of this authorization may not exceed ten percent of the Company's share capital at any time.

Annual Shareholders' Meeting 2006
At the annual shareholders' meeting of Axel Springer AG held in Berlin on April 27, 2006, the draft resolutions set forth in the meeting agenda, including those relative to the authorization to purchase and utilize the Company's own shares and the distribution of a dividend of € 1.70 per qualifying share, were approved by a majority of 99 % in every case. The 28.9 million votes present or represented at the meeting represented 85.1 % of the Company's share capital.

On May 24, 2006, Dr Oliver Krauß filed an action to render null and void the resolutions of the shareholders' meeting of April 27, 2006, relating to the ratification of the actions of the Management and Supervisory Board and the authorization to purchase and use the Company's own shares. The action is currently pending before the Berlin Regional Court (Case No. 93 O 86/06). The company Pomoschnik Rabotajet GmbH joined this action on the side of the plaintiff. Axel Springer AG is defending against all claims. 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). The Berlin Regional Court dismissed the action in first instance on February 9, 2006. Dr Oliver Krauß appealed this judgment on March 9, 2006. The appeal was dismissed by the Appellate Court on December 11, 2006, as unfounded.

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 digitization. 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), the 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 and for the profit-sharing program established for the employees.

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 at the annual shareholders' meeting of April 14, 2004 established a long-term, variable compensation component for all Management Board members.

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 assumed 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: Strong Growth, Domestic Demand up

The German economy experienced a phase of accelerated growth in 2006. According to calculations of the German Federal Statistical Office, the country's gross domestic product (GDP) expanded at an inflation-adjusted rate of 2.7 %. The volume of exports jumped 12.5 %, continuing a trend of strong gains, while imports rose 11.1 %. For the first time in two years, domestic demand was the main driving force of the country's economic growth. In particular, business investment increased at a rate of 5.6 % in 2006, the fastest rate since the reunification of Germany. Consumer spending, the most important factor for the success of Axel Springer's properties, rose 0.8 % after having been nearly stagnant in the last two years. At 1.7 %, the inflation rate was lower than in 2005. The savings rate dipped slightly to 10.5 % in 2006. The unemployment rate fell 0.9 % from 2005 to reach 10.8 %.

Europe: More Stimulus from Business Investment

The European markets (besides Germany) in which Axel Springer AG conducts publishing activities generally witnessed robust growth in 2006, thanks in most cases to healthy domestic demand. In particular, business investment in new plant and equipment increased sharply in 2006. In their Autumn 2006 Report, the leading German economic research institutions emphasized the highly dynamic economic growth of the newly acceded EU countries. Poland experienced economic growth of 5.3 % in 2006, while Hungary saw economic growth of 3.9 %. Benefiting from rising energy prices, Russia experienced economic growth of 6.5 %. Continuing its upswing, the Spanish economy grew at an annual rate of 3.8 % in 2006. The economies of France and Switzerland expanded at rates of 2.3 % and 2.5 %, respectively, in 2006.

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

Business Developments

Core Business Strengthened

Amid an operating environment that benefited from the positive development of the advertising market, but was still beset with structural problems, Axel Springer successfully expanded its core business in 2006, generating higher advertising revenues in its newspaper business. In November of last year, Axel Springer opened Germany's biggest integrated newsroom with the newspaper group WELT/BERLINER MORGENPOST. All journalistic content is consolidated there and the latest news is published in different print and online media. In contrast to the general market trend, and despite the intense competition in this market, Axel Springer generated higher earnings on its magazine activities. TV DIGITAL, SPORT BILD and the magazines in Poland, Russia and Spain were especially instrumental in this positive performance.

Internationalization Continued

Axel Springer continues to focus on the generation of dynamic growth in selected international core markets. In Poland, the premium daily DZIENNIK, introduced in 2006, is ranked third among that country's national daily newspapers. And despite intense competition, FAKT asserted its position as Poland's largest daily newspaper. In Hungary, Axel Springer acquired the TV programming guide SÁRGA RTV. In Russia, Axel Springer launched the eighth international edition of COMPUTER BILD and introduced the weekly people magazine OK! under license from the British publisher Northern and Shell. In Switzerland, Axel Springer expanded its portfolio by acquiring Jean Frey AG effective January 5, 2007. Jean Frey AG publishes the magazines BEOBACHTER, TV STAR and BILANZ; plus it operates a service business for the trade media. In 2006, Axel Springer expanded its international licensing business with two new editions of AUTO BILD and COMPUTER BILD and a second edition of JOLIE and AUDIO VIDEO FOTO BILD. Furthermore, the first licensed edition of AUTO BILD ALLRAD was introduced in 2006. In China, where Axel Springer maintains an office in Shanghai, the Group acquired the necessary circulation and advertising marketing licenses in 2006 for starting up a publishing business in that country.

Further Progress in Digitization

In 2006, Axel Springer took the first important steps in the international expansion of its TV strategy. In November 2006, the Company signed an agreement for the acquisition of a minority interest of 25.0 % in Doğan TV, the biggest TV and radio company in Turkey. The agreement was finalized in early January 2007. In January 2007, moreover, Axel Springer signed an agreement for the acquisition of a minority interest of 25.1 % in Telewizja Polsat S.A., one of Poland's leading private-sector TV broadcasting groups. This agreement is still subject to various conditions precedent, including the approval by the cartel authorities. In 2006, Axel Springer founded a new digital TV subsidiary, Axel Springer Digital TV (ASDTV). This company's mission is to produce and market moving picture content for digital media offerings, especially on the Internet.

As for its online activities, Axel Springer systematically continued to extend its existing print brands and classified business to the Internet and continued to develop new digital business models. BILD.T-ONLINE.DE reinforced its leading position as a cross-media general-interest portal. And with its portals STEPSTONE.DE, IMMONET.DE and AUTOBILD.DE, Axel Springer is one of Germany's leading providers in the growing market for online classifieds. In December 2006, Axel Springer increased its 74.9 % equity interest in IMMONET.DE to 100.0 %. The Group also acquired a majority interest of 74.9 % in Idealo Internet GmbH, the operator of the price and product search engine IDEALO.DE.

Expansion of Prinovis and PIN Group

The rotogravure printing enterprise Prinovis, in which Axel Springer holds a 25.1 % equity interest, opened its sixth printing plant in Liverpool (UK) in September 2006. The company's other printing plants are located in Ahrensburg, Darmstadt, Dresden, Itzehoe and Nuremberg. The base capacity utilization of this plant is assured by means of a multi-year contract with News Corp. During the course of 2006, the PIN Group, in which Axel Springer holds a 23.5 % equity interest, established a full-coverage network of facilities for mail delivery service in Germany. PIN Group AG has established itself as the No. 2 provider in the German mail delivery market, after Deutsche Post AG.

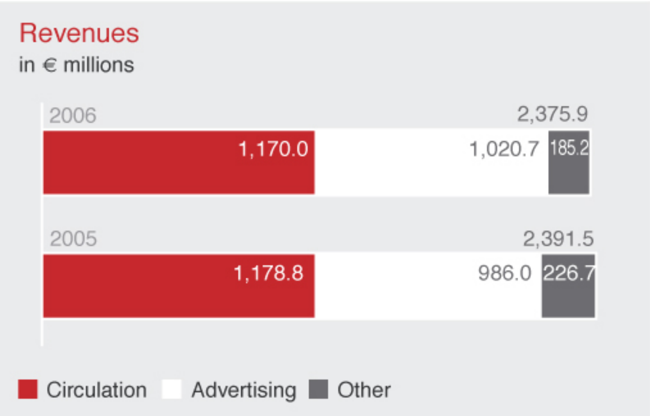
Free Float Expanded to More than 25.0 %

In December 2006, the shareholders H&F Rose Partners L.P. and H&F International Rose Partners L.P. – two investment funds managed by Hellman & Friedman – and Brilliant 310. GmbH placed a total of 3,555,731 shares of Axel Springer AG in the stock market at a price of € 122.00 per share. Axel Springer's shareholder structure was altered by this placement: Hellman & Friedman now holds 9.6 % (formerly 19.4 %) of the Company's shares, while the free float percentage has risen to more than 25.0 %. The subscribed capital (€ 102,000,000) is divided into 34 million no-par shares.

Operating Results – Group

Market Environment: Print Circulation Continues to Fall, Advertising Market Improving, but Uneven

Despite the positive economic conditions, the demand for print circulation products continued to contract in 2006. The total paid circulation of newspapers and magazines was 2.2 % lower than the prior-year figure, while circulation revenues lost 0.6 % from the prior-year figure. In the print media market (excluding media advertising), the gross advertising revenues net of new titles (excluding classifieds and supplements) increased at a rate of 4.3 %, faster than the corresponding year-ago growth rate (2005/2004: + 1.6 %), to reach € 7.23 billion in 2006. However, the pressure on advertising rates continued in 2006, so that net advertising revenues again did not perform as well. Including the classified business, which is one of the most important revenue sources for subscription newspapers, the advertising revenues were slightly lower than the prior-year figure.

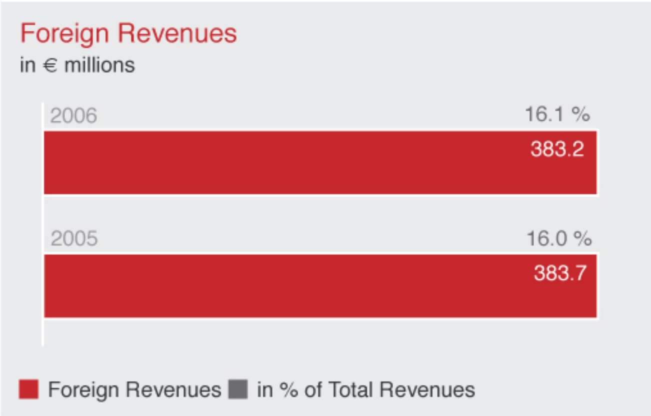


Axel Springer: Slight Decrease in Circulation Revenues, Advertising Revenues Higher

In this operating environment, which benefited from positive developments in the advertising market but was still beset with structural problems, Axel Springer generated higher revenues in its core business. Taken together, the circulation and advertising revenues rose € 25.9 million (+ 1.2 %) to € 2,190.7 million. Circulation revenues actually declined by € 8.8 million (- 0.7 %) to reach € 1,170.0 million, representing 49.2 % of the Group's total revenues. This decline was due in part to a change in the recognition method of circulation revenues in Hungary. On balance, the lower circulation revenues of the BILD Group and of some computer magazines, TV programming guides and women's magazines were largely offset by the positive revenue performance of TV DIGITAL, the new title DZIENNIK in Poland and DIE WELT/WELT KOMPAKT. At € 1,020.7 million, the advertising revenues were € 34.7 million (+ 3.5 %) higher than the year-ago figure, and contributed 43.0 % of the Group's total revenues. This positive performance was driven mainly by the newspaper group Berlin, DZIENNIK, TV DIGITAL and HAMBURGER ABENDBLATT. The Group's total revenues, at € 2,375.9 million, were slightly lower than the year-ago figure of € 2,391.5 million, due mainly to the fact that the category of Other revenues declined by € 41.5 million (- 18.3 %) to € 185.2 million. This decrease was caused, in turn, by the discontinuation of rotogravure printing revenues and the sale of AS Interactive. Foreign exchange factors had the effect of reducing total revenues by € 0.6 million.

Foreign Revenues

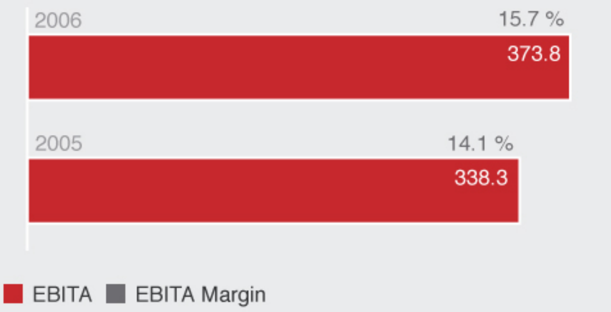
At € 383.2 million, the foreign revenues were little changed from the previous year. Adjusted for the spin-off of the rotogravure printing operations and the change of revenue recognition in Hungary, however, the foreign revenues were € 18.2 million (+ 5.0 %) higher than the year-ago figure. The percentage of total revenues represented by foreign revenues was 16.1 % (PY: 16.0 %, adjusted: 15.5 %). The increase in the foreign revenues was mainly caused by the higher level of circulation revenues in Poland and Russia and by the increased volume of advertising revenues in Poland, Russia, Spain and Switzerland.



Total Expenses Lower than Previous Year

At € 2,161.6 million, the operating expenses contained in EBITA were € 12.4 million (- 0.6 %) lower than the prior-year figure. The cost of purchased goods and services increased by € 28.3 million (+ 3.7 %) to € 789.3 million because the printing services that were purchased internally in the previous year are now purchased from PRINOVIS and are therefore contained in the cost of purchased services. The ratio of purchased goods and services to revenue was 36.5 % (PY: 35.0 %). The rotogravure expenses are no longer contained in the personnel expenses, the other operating expenses and depreciation. The personnel expenses rose € 5.2 million (+ 0.8 %) to € 660.1 million, as the decrease in personnel expenses resulting from the spin-off of rotogravure printing activities was more than offset by the higher levels of employee compensation, restructuring expenses and *Altersteilzeit* plans (partial early retirement plans) and by the personnel expenses for new activities. The ratio of personnel expenses to revenue was 30.5 % (PY: 30.1 %). The other operating expenses decreased by € 34.0 million (- 5.0 %) to € 648.8 million. Depreciation and amortization (excluding the amortization of goodwill) decreased by € 11.9 million (- 15.8 %) to € 63.4 million.

EBITA, EBITA Margin
in € millions



EBITA Increased

In fiscal year 2006, Axel Springer increased its EBITA (net of non-recurring items) by € 35.5 million to € 373.8 million (PY: € 338.3 million). The non-recurring contribution of € 33.6 million from the Kirch insolvency was the main reason for this rise. Adjusted for this non-recurring item, the Group's EBITA was slightly higher than the previous year's record level. The higher volume of advertising revenues, the continued practice of strict cost management and the step-by-step progress towards making new titles profitable made up for the substantially higher start-up losses for new activities in 2006. The EBITA margin rose from 14.1 % to 15.7 %, or to 14.3 % excluding the earnings contribution from the Kirch insolvency.

Sharply Higher Income from Continuing Operations and Net Income for the Year

At € 293.4 million, the income from continuing operations was € 62.0 million (+ 26.8 %) higher than the year-ago figure and the consolidated net income, at € 290.8 million, was € 60.1 million (+ 26.1 %) higher than the year-ago figure. This development was caused in particular by the higher level of EBITA and net financial income, as well as the lower tax rate, which together more than offset the discontinuation of non-recurring effects from the previous year. The net financial income contained a non-recurring gain of € 22.4 million before taxes on the interest rate hedging transaction that was concluded in connection with the financing for the planned acquisition of ProSiebenSat.1 Media AG. The recognition of a corporate income tax credit resulting from legislative changes in Germany led to a non-recurring gain of € 52.9 million.

Net Income
in € millions

	2006	2005	Change
Income from continuing operations	293.4	231.4	26.8 %
Income from discontinued operations	- 2.6	- 0.7	
Consolidated Net Income	**290.8**	**230.7**	**26.1 %**

Substantially Higher Earnings per Share

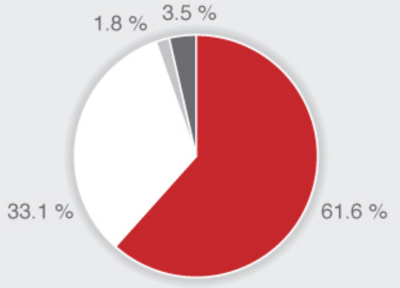
The increase in the earnings per share from € 7.38 to € 9.20 resulted directly from the higher level of net income. Considering the dilution effect associated with the stock options acquired under the Management Participation Plan, the diluted earnings per share came to € 9.13 (PY: € 7.33).

Earnings per Share

	2006	2005	Change
Net Income after Minority Interests (€ millions)	**282.1**	**226.1**	**24. 8 %**
Weighted average shares outstanding (thousands)	30,662	30,662	0.0 %
Basic Earnings per Share (€)	**9.20**	**7.38**	**24.7 %**
Weighted average shares diluted (thousands)	30,907	30,876	0.1 %
Diluted Earnings per Share (€)	**9.13**	**7.33**	**24.6 %**

Operating Results - Segments

Revenues 2006: € 2,375.9 million
in %



Newspapers

Market Environment: Continued Decrease in Circulation, Continued Gains in Advertising Revenues

The 377 **daily and Sunday newspapers** in Germany that were tracked by IVW registered average total sales of 24.9 million units on the issue date, indicative of a 1.9 % decrease from 2005. Once again, single-unit sales were much harder hit by this trend than subscription newspaper sales. The gross advertising revenues of newspapers (excluding classifieds, advertising supplements and media advertising) rose 3.3 % to € 3.78 billion in 2006, although this rate of increase was less than it was in the previous year (2005/2004: + 5.3 %). The gross advertising spending of car manufacturers, financial services providers, telecommunications providers, tourism companies and consumer electronics retailers was substantially higher in 2006, as reflected in the heightened ad placements. Besides the higher volume of print ads, the advertising revenues also benefited from the continued increase in the volume of color ads. However, the newspapers' revenue performance continued to suffer from the declining volume of classified ads for real estate, cars, family announcements, travel offerings and events. On the other hand, there was appreciable growth in the volume of help-wanted ads.

Axel Springer: Newspaper Circulation Revenues Slightly Higher than Previous Year, Advertising Revenues Higher

In this environment, Axel Springer increased its newspaper revenues by € 20.8 million (+ 1.4 %) to € 1,462.8 million in 2006. Once again, the Newspapers segment was the Group's biggest revenue contributor, accounting for 61.6 % of all revenues. Foreign exchange factors had the effect of reducing revenues by € 1.5 million.

At € 678.2 million, the circulation revenues were slightly higher than the prior-year figure of € 677.1 million, as the lower circulation revenues generated by the BILD Group were more than offset by the successful sales of the newspaper group Berlin and of DZIENNIK in Poland. Benefiting from the improved health of the print advertising market, the newspaper advertising revenues jumped € 29.9 million (+ 4.2 %) to € 745.1 million. This increase was mainly carried by the newspaper group Berlin, DZIENNIK in Poland, HAMBURGER ABENDBLATT and BILD am SONNTAG.

Key Figures – Newspapers
in € millions

	2006	2005	Change
External Revenues	**1,462.8**	**1,442.0**	**1.4 %**
as % of total revenues	61.6 %	60.3 %	
Circulation revenues	678.2	677.1	0.2 %
as % of total revenues	46.4 %	47.0 %	
Advertising revenues	745.1	715.2	4.2 %
as % of total revenues	50.9 %	49.6 %	
Other revenues	39.5	49.7	- 20.5 %
as % of total revenues	2.7 %	3.4 %	
EBITA	**293.5**	**323.3**	**- 9.2 %**
EBITA margin	20.1 %	22.4 %	
Employees	4,467	4,182	6.8 %

The Other revenues amounted to € 39.5 million, less than the year-ago figure of € 49.7 million, due mainly to the contribution of Punkt Direktvertriebs GmbH to the PIN Group AG, Leudelingen/ Luxembourg, and the changed recognition of other revenues at BILD.T-ONLINE.

Due to the start-up costs of DZIENNIK, the increased investment into IMMONET and the heightened restructuring expenses, the EBITA of the Newspapers segment, at € 293.5 million, was lower than the prior-year figure of € 323.3 million. The EBITA margin was 20.1 % (PY: 22.4 %).

The BILD Group, consisting of the newspapers BILD, BILD am SONNTAG, the BILD specialty titles and BILD.T-ONLINE.DE, continued on a positive growth trend by registering substantial gains in its advertising business. With an average combined circulation of 270,113 units in the third quarter of 2006, WELT and WELT KOMPAKT attained the highest-ever quarterly circulation measured by IVW. The joint venture BILD.T-ONLINE.DE strengthened its leading position as a cross-media general-interest portal, reporting a 21 % increase in visits to the Website. Also, the portal IMMO-NET.DE extended its market position as one of Germany's leading real estate portals in 2006. Outside Germany, FAKT asserted its position as Poland's biggest daily newspaper by paid circulation, despite intensified competition. In April 2006, Axel Springer successfully introduced the national quality premium daily DZIENNIK in Poland.

Magazines

Market Environment: Paid Circulation Continues to Decline, Advertising Market Shows Growth

In Germany, the number of **mass-market magazines** tracked by IVW increased from 854 to 876 in 2006. However, the average total sales (including membership and club magazines) of 121.4 million units per issue were 1.8 % lower than the prior-year level. The circulation losses were especially severe in the area of single-unit sales. The gross advertising revenues of the German mass-market magazines (on a same-title basis, excluding media advertising) performed very well in 2006, increasing at a rate of 5.0 % to reach € 3.12 billion. This increase mainly benefited the monthly women's magazines (+ 12.7 %), financial and business magazines (+ 12.2 %), biweekly women's magazines (+ 6.6 %) and illustrated current affairs magazines (+ 4.8 %). Advertising revenues were lower for youth magazines (- 10.6 %) and men's magazines (- 3.6 %). Due to the growing pressure on advertising rates, however, the economically more important net revenues did not perform as well.

Key Figures – Magazines

in € millions

	2006	2005	Change
External Revenues	**786.3**	**787.1**	**- 0.1 %**
as % of total revenues	33.1 %	32.9 %	
Circulation revenues	491.8	501.7	- 2.0 %
as % of total revenues	62.5 %	63.7 %	
Advertising revenues	275.6	270.8	1.8 %
as % of total revenues	35.1 %	34.4 %	
Other revenues	18.9	14.6	29.5 %
as % of total revenues	2.4 %	1.9 %	
EBITA	**68.6**	**49.5**	**38.6 %**
EBITA margin	8.7 %	6.3 %	
Employees	2,382	2,414	- 1.3 %

Axel Springer: Magazine Circulation Revenues Slightly Lower than Previous Year, Advertising Revenues Higher

At € 786.3 million, the total revenues of the Magazines segment were little changed from the previous year (PY: € 787.1 million). The Magazines segment contributed 33.1 % of the Group's total revenues in 2006. Foreign exchange effects contributed € 0.6 million to segment revenues.

Circulation revenues decreased by € 9.9 million (- 2.0 %) to € 491.8 million in 2006. The decline in circulation revenues from computer magazines, women's magazines and traditional TV programming guides was largely offset by the increased circulation revenues from TV DIGITAL and SPORT BILD. The advertising revenues rose by € 4.8 million (+ 1.8 %) to € 275.6 million. This increase was driven mainly by TV DIGITAL and SPORT BILD, and by the magazines in Poland, Russia and Spain.

At € 68.6 million, the segment EBITA was € 19.1 million (+ 38.6 %) higher than the prior-year figure, thanks to the higher earnings of HÖRZU and TV DIGITAL and of the magazines in Poland, Hungary and Spain. The EBITA margin was 8.7 % (PY: 6.3 %).

The biweekly TV programming guide TV DIGITAL saw its circulation rise to nearly 1.9 million units in 2006, while the weekly programming guides successfully defended their market shares. In the tough market environment for women's magazines, BILD der FRAU, FRAU von HEUTE and JOLIE strengthened their market positions. Again in 2006, the magazines COMPUTER BILD, COMPUTER BILD SPIELE and AUDIO VIDEO FOTO BILD were the clear market leaders in their respective segments. And AUTO BILD's status as Europe's biggest automotive magazine remained unchallenged in 2006.

In the foreign markets, Axel Springer successfully defended or extended the market positions of its magazines, despite intense pressure from competitors. Despite the strong competition in France's market for TV guides, TÉLÉ MAGAZINE stabilized its circulation and advertising revenues in 2006. In Hungary, Axel Springer acquired the TV programming guide SÁRGA RTV. In Russia, Axel Springer launched the eighth licensed edition of COMPUTER BILD and the weekly people magazine OK!. In Switzerland, Axel Springer expanded its presence through the acquisition of publisher Jean Frey AG effective January 5, 2007. This company publishes the consumer advice guide BEOBACHTER, the TV magazine TV STAR and the business magazine BILANZ. Jean Frey AG also operates a service business for the trade media. Axel Springer expanded its international licensing business with two new editions of AUTO BILD and COMPUTER BILD and a second licensed edition of JOLIE and AUDIO VIDEO FOTO BILD. Also, the first licensed edition of AUTO BILD ALLRAD was introduced in Lithuania in 2006. Axel Springer acquired a majority interest in the price and product search engine IDEALO.DE in 2006.

Printing

The newspaper printing plants continued on the moderate growth trend of the last few years. Due to the discontinuation of pro-rated rotogravure printing revenues after the contribution of that business to the joint venture Prinovis on July 1, 2005, the external revenues of the printing plants declined by € 37.6 million to € 43.4 million in 2006. Including the internal revenues of € 243.8 million (PY: € 279.3 million), the total segment revenues amounted to € 287.2 million (PY: € 360.3 million). The Group's own printing plants are managed as cost centers.

The EBITA of the Printing segment amounted to € 6.0 million (PY: € 11.0 million). Since July 2005, the EBITA additionally includes the investment income from the joint venture Prinovis Ltd. & Co. KG. Due to start-up losses at the site in Liverpool (UK), the investment income from the rotogravure printing joint venture was significantly less than the corresponding prior-year figure.

Key Figures – Printing
in € millions

	2006	2005	Change
External Revenues	**43.4**	**81.0**	**- 46.4 %**
as % of total revenues	1.8 %	3.4 %	
Internal revenues	243.8	279.3	- 12.7 %
Segment revenues	287.2	360.3	- 20.3 %
EBITA	**6.0**	**11.0**	**- 45.5 %**
Employees	1,262	1,854	- 31.9 %

Services/Holding

The external revenues of the Services/Holding segment derive from TV productions, sales, direct marketing and insurance sales. At € 83.4 million, the external revenues were € 2.0 million (+ 2.5 %) higher than the prior-year figure. The increase of revenues from merchandising in Germany and abroad as well as higher revenues from Schwartzkopff TV compensated the missing revenues from AS Interactive. The EBITA of the Services/Holding segment improved to € 5.7 million (PY: € - 45.5 million), primarily due to the higher dividend distributed by ProSiebenSat.1 AG and the recognition of a non-recurring income item resulting from a debtor warrant in the Kirch insolvency (€ 33.6 million). Countervailing factors included the € 9.9 million addition to the restructuring provisions in connection with the comprehensive analysis of administrative and service units.

Key Figures – Services/Holding
in € millions

	2006	2005	Change
External Revenues	**83.4**	**81.4**	**2.5 %**
as % of total revenues	3.5 %	3.4 %	
Internal revenues	148.5	154.7	- 4.0 %
Segment revenues	231.9	236.1	- 1.8 %
EBITA	**5.7**	**- 45.5**	
Employees	1,622	1,716	- 5.5 %

Liquidity and Cash Flows

Financial Management

The financing function is performed centrally to ensure that adequate liquidity is assured 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, 2006, Axel Springer had net liquidity of € 477.4 million (PY: € 327.1 million). The cash and cash equivalents rose € 3.6 million (+ 0.6 %) to € 588.7 million, while financial liabilities declined by € 146.7 million (- 56.9 %) to € 111.3 million. The liabilities due to banks amounted to € 110.6 million (PY: € 255.0 million). At year-end 2006, Axel Springer also had access to short-term and long-term credit facilities of € 1,525.0 million (PY: € 235.0 million), which have not been utilized. The credit facility can be used for general business purposes or for financing acquisitions.

Net Liquidity
in € millions

	12/31/2006	12/31/2005
Cash and cash equivalents	588.7	585.1
Financial liabilities	111.3	258.0
Net Liquidity	**477.4**	**327.1**

Cash Flow and Capital Expenditures

The cash flow from operating activities increased by € 29.8 million (+ 13.3 %) to € 253.5 million in fiscal year 2006, in line with the development of net income. As in the previous year, the tax liabilities were reduced in 2006. Nonetheless, the corporate income tax credit contained in net income (€ 52.9 million) will be paid out only in the years 2008 to 2017. Payment of the income from the Kirch insolvency is expected in 2007.

The cash flow from investing activities amounted to € - 47.1 million (PY: € - 26.8 million). Capital expenditures amounted to € 71.4 million (PY: € 81.7 million).

Consolidated Cash Flow Statement (Condensed)
in € millions

	2006	2005
Cash flow from operating activities	253.5	223.7
Cash flow from investing activities	- 47.1	- 26.8
Cash flow from financing activities	- 202.5	- 66.4
Cash flow-related changes in cash and cash equivalents	3.9	130.5
Cash and cash equivalents at December 31	588.7	585.1

The capital expenditures on intangible assets related mainly to software, in the amount of € 13.5 million. The capital expenditures on property, plant and equipment, including investment property, amounted to € 24.3 million, or € 9.4 million less than the prior-year figure. As in the previous year, capital expenditures related in particular to the final expansion phase of the Ahrensburg offset printing plant and to the acquisition of operational and computer equipment. The outflows for the acquisition of consolidated subsidiaries amounted to € 30.3 million (PY: € 3.9 million), nearly all of which for the acquisition of Idealo Internet GmbH. At € 3.4 million, the investments in financial assets were € 31.2 million lower than the prior-year figure, which included the capital increase for Prinovis Ltd. & Co. KG and the investments in PIN intelligente Dienstleistungen AG and PIN Group AG, Luxembourg.

The capital expenditures on intangible assets and on property, plant and equipment were divided among the segments as follows. Capital expenditures in the Newspapers segment amounted to € 11.7 million, mostly for editing systems. Capital expenditures in the Magazines segment amounted to € 7.7 million, mainly for magazine subscriptions and editorial equipment. Capital expenditures in the Printing segment amounted to € 9.0 million, most of which for the final expansion phase of the Ahrensburg offset printing plant. Capital expenditures of the Services/Holding segment amounted to € 8.5 million, mainly for software and additional construction work at the new site in Berlin.

The cash outflow for financing activities amounted to € - 202.5 million, higher by € 136.1 million than the year-ago figure. This increase was caused by the higher scheduled redemption payments on financial liabilities and the higher dividend distributed to the Company's shareholders. The net balance of cash flows from operating activities, investing activities and financing activities was € 3.9 million and the Group's cash and cash equivalents were increased by that amount. At December 31, 2006, the cash and cash equivalents (including marketable securities) amounted to € 588.7 million.

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

Balance Sheet

Consolidated total assets amounted to € 3,124.0 million, € 512.0 million (+ 19.6%) higher than the corresponding prior-year figure. The increases in long-term financial assets, intangible assets and current income tax receivables were opposed by increases in equity capital and a reduction in current liabilities.

Consolidated Balance Sheet (Condensed)
in € million

	12/31/2006	12/31/2005
Non-current assets	2,072.6	1,616.5
Current assets	1,051.4	995.5
Total Assets	**3,124.0**	**2,612.0**
Equity	1,795.1	1,185.0
Non-current liabilities	651.7	634.5
Current liabilities	677.2	792.5
Equity and Liabilities	**3,124.0**	**2,612.0**

Non-current assets increased by € 456.1 million (+ 28.2 %) to € 2,072.6 million. Intangible assets increased by € 59.5 million (+ 45.5 %) to € 190.4 million, mainly as a result of the first-time goodwill consolidation of Idealo Internet GmbH. The € 27.2 million (- 3.5 %) decrease in property, plant and equipment to € 754.3 million resulted mainly from the lower volume of capital expenditures. Financial assets increased by € 381.2 million (+ 60.1 %) to € 1,015.3 million, due to the fair value measurement of the shares in ProSiebenSat.1 Media AG and an increase in the carrying amount of shares accounted for by the equity method. The current income tax receivables rose from € 0 million to € 52.9 million at December 31, 2006, due to a legislative change in Germany which made it necessary to recognize a corporate income tax credit for the German companies.

Current assets rose by € 55.9 million (+ 5.6 %) to € 1,051.4 million, mainly due to the receivables from the Kirch insolvency proceedings and the fair value measurement of the H&F call options, which caused the Other assets to increase by € 33.9 million (+ 37.5 %) to € 124.2 million. Trade receivables also increased by € 24.0 million (+ 13.4 %) to € 203.5 million.

The Group's equity capital increased by € 610.1 million (+ 51.5 %) to € 1,795.1 million. The equity ratio increased to 57.5 % (PY: 45.4 %). This effected resulted primarily from the fair value measurement of the shares in ProSiebenSAT.1 Media AG.

The non-current provisions and liabilities increased by € 17.2 million (+ 2.7 %) to € 651.7 million. The higher level of scheduled redemption payments reduced the amount of liabilities due to banks by € 39.0 million (- 27.8 %), to € 101.4 million. The other non-current liabilities increased by € 25.8 million to € 49.2 million, primarily due to the purchase price liability for the acquisition of shares in Idealo Internet GmbH.

The current provisions and liabilities declined by € 115.3 million (- 14.5 %) to € 677.2 million. The current financial liabilities fell by € 107.7 million to € 9.9 million as a result of redemption payments. The trade payables rose by € 12.6 million to € 185.8 million. Current income tax liabilities declined by € 29.5 million to € 66.1 million.

The Other financial liabilities amounted to € 400.3 million (PY: € 605.0 million). Of this amount, € 31.4 million related to firm orders for intangible assets, property plant and equipment and inventories, while € 66.9 million related to future payment obligations under rental and lease agreements and € 302.0 million related to purchasing obligations under long-term paper supply contracts.

Proposed Appropriation of Profit

Dividend Increase Proposed

The fiscal year net income of Axel Springer AG, the financial statement of which are drawn up in accordance with the principles of German commercial law and the German law of stock corporations, increased from EUR 143.2 million in 2005 to EUR 245.9 million in 2006. Aside from the moderate revenue gains in the core business, the main factors contributing to this result were the continued practice of strict cost management and non-recurring effects.
The Management Board will propose that a share of EUR 107,318,050 out of the unappropiated net profit of € 122,946,776 be used to distribute a dividend of EUR 3.50 per qualifying share for 2006 and to appropriate the remaining amount of EUR 15,628,726 to the Other profit reserves. The treasury shares held by Axel Springer AG do not qualify for dividends.

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

	12/31/2006	12/31/2005
Intangible assets	25.8	27.5
Property, plant and equipment	299.5	340.0
Financial assets	604.5	503.7
Non-Current Assets	**929.8**	**871.2**
Inventories	33.4	40.9
Receivables and other assets, and prepaid expenses	351.1	271.9
Treasury shares and securities	289.2	246.3
Cash and cash equivalents	438.2	489.8
Current Assets	**1,111.9**	**1,048.9**
Total Assets	**2,041.7**	**1,920.1**
Equity	854	660.3
Liabilities and deferred income	1,187.7	1,259.8
Total Equity and Liabilities	**2,041.7**	**1,920.1**

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

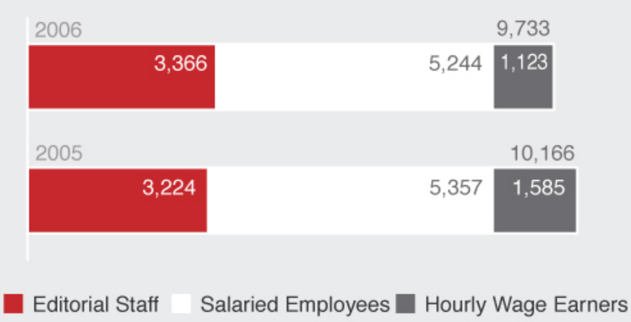
	2006	2005
Revenues	**1,710.1**	**1,697.2**
Other operating income	190.4	219.3
Other internal costs capitalized	2,8	0,0
Purchased goods and services	-520.9	- 524.6
Gross Profit	**1,382.4**	**1,391.9**
Personnel expenses	- 553.3	- 465.7
Depreciation, amortization and impairments	- 62.2	- 108.6
Net interest income/expenses	6.5	- 27.9
Income from investments	61.1	89.6
Other operating expenses	- 504.7	- 628.1
Income from Operations	**329.8**	**251.2**
Taxes	- 83.9	- 108.0
Net Income	**245.9**	**143.2**
Appropriation to other retained earnings reserves	- 122.9	- 71.6
Unappropriated Net Earnings	**123.0**	**71.6**

Employees

Axel Springer had an average of 9,733 employees (excluding apprentice-trainees and journalism students/interns), 433 employees fewer than the previous year, on average. This decrease was mainly caused by the contribution of the rotogravure printing operations to the joint venture Prinovis. The average number of employees working outside Germany was 2,482.

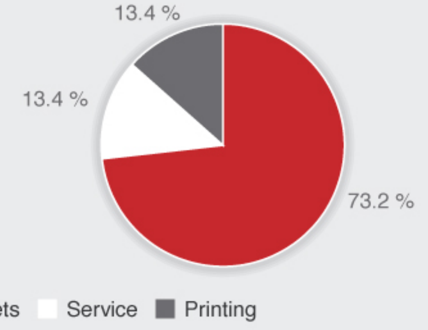
In the time from May to September of 2006, Axel Springer conducted a detailed survey and assessment of the Group's administrative and service units in order to evaluate the competitiveness of its non-market units. As a result of this analysis, which was completed in September, it was decided to eliminate 266 positions over a three-year period. Axel Springer anticipates that, on a Groupwide basis, the positions to be created in the area of new activities will more than offset the jobs to be cut in the administrative and service units.

Employee Structure



A total of 7,126 employees worked in the market-oriented divisions (publishing, electronic media and marketing), 1,301 in the service divisions and 1,306 in the printing division. On a Groupwide basis, the number of editors increased by 142 to 3,366, due to the Group's publishing activities in Russia, Poland and Spain. On average, Axel Springer had 6,367 salaried employees and hourly workers in 2006, 575 fewer than in 2005.

Employees by Departments 2006
in %



The average length of service of employees with the Company in 2006 was 12.8 years and 49.0 % of employees have been with Axel Springer for longer than ten years. On average for the year, 5.0 % of the Group's employees qualify as disabled (Axel Springer AG: 5.3 %). Thus, the statutory quotas established in the Disabled Persons Act were met in 2006.

Slight Increase in Group Personnel Expenses
The personnel expenses rose by € 5.2 million (+ 0.8 %) to € 660.1 million. The decrease in personnel expenses resulting from the spin-off of rotogravure printing operations was offset by higher expenses for restructuring and for partial early retirement plans. These expenses include social security and pension expenses, as well as payments for periods of absence (vacation, holidays and sick days) and fringe benefits (Christmas bonus, vacation bonus, service anniversary bonus, long-term 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 the Group's printing plants and transparent reporting. Axel Springer continued in 2006 to show its commitment to sincere environmental management and upholding social standards.

As in 2004, Axel Springer AG was the world's only media company to publish a Sustainability Report for 2005, which meets all the "in-accordance" criteria of the Global Reporting Initiative (GRI). The GRI Guidelines are the leading international guidelines for the voluntary reporting of economic, social and ecological performance indicators by commercial enterprises.

Axel Springer continued to actively pursue its paper chain optimization program in 2006. 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 purchased about 540,000 tons of printed paper from 45 paper factories in 13 countries around the world in 2006. Paper suppliers are evaluated and selected on the basis of criteria such as product quality, reliability of supply and price, but also ecological and social criteria.

In view of the Group's growing international presence, Axel Springer AG has adopted a code of social standards. This document defines the Company's position on matters of human rights, legal enforceability, protection of children and youths, dealings with employees, health and security and the compatibility of work and family. These standards are applicable to all the Company's activities everywhere in the world. Numerous discussions were held with suppliers of printing paper and advertising media in 2006 to ensure the reliable adherence to these standards.

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 feasible. 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 (AktG).

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 countermeasures 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 countermeasures 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 countermeasures 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 terror attacks. To account for this risk, the Group took out appropriate insurance in 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, appropriate steps were taken in the form of access controls, video surveillance, emergency plans, etc.

Market Risks and Competition Risks
Following on a phase of economic growth in Germany in 2006, the general market conditions can be expected to worsen somewhat for the Axel Springer Group, with weakening domestic demand and less consumer spending, this latter being the most important factor contributing to the success of Axel Springer's businesses. This development will have an adverse impact on the print circulation markets, the advertising market and the market for classified ads. Furthermore, unrelenting competition will continue to prevail in all the Group's markets.

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. Furthermore, the increased competition posed to the traditional print media by other types of media represents an element of uncertainty. The increasingly widespread use of the Internet could possibly entail a further transformation of customer preferences, leading to additional structural shifts within the advertising market. Such a development could result in lower revenues for newspapers and magazines.

Another risk related to these trends is the high percentage of Group-wide revenues contributed by the BILD family of newspapers and brands. Overall, the paid circulation of BILD has declined in the last few years. Furthermore, a good number of the revenue-producing newspaper and magazine titles of Axel Springer AG are supported by the strong recognition and brand familiarity of the BILD family.

It cannot be ruled out that the success of the BILD titles could be negatively affected by external factors, which would entail adverse effects on the net assets, financial condition and earnings performance of the Axel Springer Group.

As general market risks, these risks are monitored and managed primarily as part of the operational management process.

To counter such market risks, Axel Springer AG is pursuing a strategy of stepping up its investments in the core business of German-language publications and in the internationalization and digitization of the Group's business.

As part of this strategy, Axel Springer continually develops new, innovative titles. Axel Springer continually works to improve its existing titles and properties and adapt them to suit changing customer tastes. In May 2006, for example, BERLINER MORGENPOST introduced a new layout and extensive service elements to make it even more reader-friendly. In August and November 2006, respectively, BILD der FRAU and BILD am SONNTAG overhauled their formats. Under joint editorial management, the WELT Group and BERLINER MORGENPOST implemented a newsroom concept to strengthen their journalistic capabilities in the print and online media. In this context, Axel Springer created one of the biggest integrated newspaper and online editorial staffs in Germany. To reduce its market risks, Axel Springer is continuing its efforts to open up new markets outside Germany. In 2006, the Group introduced the new Polish daily DZIENNIK and further expanded its international licensing business in numerous countries (including Greece, Montenegro, Denmark and Italy). The introduction of the eighth international edition of COMPUTER BILD in Russia marks the first time that the BILD brand has been positioned in this market. Furthermore, the acquisition of a minority interest in the leading Turkish broadcast group Doğan TV and the agreement for the acquisition of a minority interest in the Polish TV Group Polsat underscores the ambitions of Axel Springer AG in the international markets. This agreement is still subject to various conditions precedent, including the approval by the cartel authorities. In addition, the Group has undertaken various price and product adjustments in order to ensure that its titles continue to be attractive for existing and prospective customers (including sales promotion gifts and added features for an extra price, such as CD-ROMs, audio books, DVDs) and has entered into promising cooperation agreements (such as the cooperation of TV DIGITAL with the two programming providers Unity Media and T-Online to improve the marketing of TV DIGITAL).

Beyond the measures described above, Axel Springer has also 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. 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 2006. Also, the acquisition of a majority interest in Idealo Internet GmbH, operator of the leading price and product search engine IDEALO.DE, in September 2006, was an important milestone in the pursuit of the Group's digitization strategy. This acquisition makes an ideal cross-media complement to the Group's existing computer titles, in particular.

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, which was in fact enacted by the German federal parliament in November 2006, 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 the Internet may be extended to other products (such as alcohol, fast food). Advertising bans in print media and the Internet will inevitably result in reduced advertising revenues.

Risks Related to 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, applicable to all the Group's activities throughout the world. Inadequate compliance with the International Social Policy, whether in connection with the procurement of advertisements, product supplements, merchandising and the sale of title licenses, could cause considerable damage to the Company's reputation.

Strategic and Other Risks

Strategic risks emanate primarily from the possibility that the Group would invest in projects, new activities and/or companies that are not permanently successful. If unsuccessful, such investments could have negative consequences for the net assets, financial position and earnings performance of Axel Springer AG. To counter such risks, new projects and activities are subjected to comprehensive, standardized pre-investment analysis and must be approved by the proper committees within the Company.

Furthermore, breaches of confidentiality agreements and insider trading rules could possibly result in negative economic and legal consequences and/or damage the reputation of the Group or its brands.

To avoid such risks, Axel Springer has instituted detailed inspection mechanisms and coordination rules, among other measures.

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.

To secure the Group's liquidity, Axel Springer entered into a long-term, committed syndicated euro loan for € 1.5 billion in 2006.

The Axel Springer Group is currently not exposed to 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.

Events after the Balance Sheet Date

In November 2006, the Company signed an agreement for the acquisition of a minority state of 25.0 % in Doğan TV, the leading TV and radio group in Turkey. The agreement was finalized in early January 2007. In addition, Axel Springer signed a purchase contract for a minority interest of 25.1 % in Telewizja Polsat S.A., one of Poland's two leading private-sector TV broadcast groups, in January 2007. This acquisition is still subject to various conditions precedent, chief among them the approval by the competent cartel authorities.

In Switzerland, Axel Springer expanded its portfolio through the acquisition of Jean Frey AG effective January 5, 2007. Jean Frey AG publishes the magazines BEOBACHTER, TV STAR and BILANZ. It also operates a service business for the trade media.

On February 13, 2007, Axel Springer Finanzen Verlag GmbH, Munich, signed share purchase agreements for the acquisition of 50.1 % of the shares in wallstreet: online AG, Berlin, and for the acquisition of 75.1 % of the shares in wallstreet: online capital AG, Berlin. These agreements are still subject to approval by the competent government authorities.

Outlook

General Economic Developments

For 2007, the German economic research institute DIW is forecasting a continuation of the economic upswing. The increase in the value-added tax rate to 19 % effective January 1, 2007 will have the effect of dampening economic growth, but with the concurrent decreases in contributions to statutory unemployment insurance, DIW is predicting a growth rate of 1.7 %. The global economy, which affects the worldwide demand for German products, is expected to slow down somewhat in 2007, holding the growth of German imports to 8.3 %. Imports are expected to increase at a rate of 7.2 %. According to the DIW forecast, business investment is expected to increase at a rate of 3.0 % in 2007. Adjusted for inflation, consumer spending is not expected to grow in 2007. Although disposable incomes will increase at a rate of 2.6 % in 2007, the increase in the value-added tax will cut into consumers' purchasing power considerably. The inflation rate for 2007 is expected to rise to the level of 2.2 %, while the savings rate will remain unchanged at 10.5 %. The employment market should continue to improve in 2007. As more and more people find work, the unemployment rate could fall to below 10 %. Considering the weak inclination of consumers to spend, the basic conditions for the German print circulation market will continue to be difficult at first.

The Autumn 2006 Report of the leading German economic research institutions predicts continued economic growth in 2007, albeit at a somewhat slower rate, in those countries in which Axel Springer conducts its own publishing activities. France and Switzerland are expected to achieve growth rates of 2.2 %. Despite the strong domestic economy in Spain, that country's overall economic growth will slow to 3.3 % in 2006. Economic growth is also expected to slow down somewhat in the newly acceded EU countries in 2007. The Autumn 2006 Report predicts economic growth of 4.8 % in Poland and 2.0 % in Hungary. Boosted by substantially higher consumer spending and business investment, the Russian economy could experience economic growth of 6.0 % in 2007.

Industry Environment

The German advertising association ZAW is predicting a 1 % to 2 % increase in net advertising expenditures for 2007. This figure includes not only the traditional media, but also advertising media such as direct advertising and online advertising, which have experienced strong revenue growth in the last few years. According to ZAW, the future development of the advertising market will depend in large part on the behavior of small to mid-sized enterprises, which together dictate the amount of money which is spent on advertising in Germany. Naturally, the increase in the value-added tax and the associated reduction of purchasing power will make the situation of advertisers more difficult. On the other hand, consumer spending is fueled not only by current incomes, but also by savings, which are higher in Germany than anywhere else in Europe. It is extremely difficult to make a reliable projection of advertising expenditures for a given year because the advertising behavior of customers is extremely sensitive to the constantly changing market conditions, such that they cannot afford to make all their budget decisions a year in advance. In general, it is assumed that sales promotion measures will continue to play a prominent role in 2007, although the tendency to engage in brand promotion and image advertising is on the rise again.

Development of the Group

In fiscal years 2007 and 2008, Axel Springer will continue to pursue energetically the strategic goals of preserving the Group's market leadership position in the core business of German-language publications, as well as internationalization and digitization.

For 2007 and 2008, the Management Board anticipates a moderate increase in advertising revenues. The Management believes that Axel Springer can slightly outperform the net market growth rate of 1–2 % in 2007 forecasted by the market research institutions, on the strength of gains in the domestic and foreign titles that have been launched in the last few years. The circulation revenues are expected to increase moderately in 2007, as the improving performance of new titles and the positive effects from the acquisition of Jean Frey AG will more than offset the moderate circulation decreases of existing titles and the press circulation market in Germany. For 2008, the Management Board expects that circulation revenues will be stable compared to 2007.

For 2007, the Management Board expects that the earnings contribution from the existing business lines will be equal to or slightly higher year-on-year, despite the continued high burden of start-up losses. New business activities, in the online sector, Digital TV and in the traditional print business might require substantial new funds in 2007, which will likely not be recouped from the projected earnings contributions of the newly acquired companies and investments. Depending on the necessary extent of new investments, the Management Board would accept an EBITA below the record earnings for 2006, adjusted for the non-recurring income from the Kirch insolvency.The Management Board anticipates that the EBITA for 2008 will be higher than for 2007.

Segments

A moderate revenue increase is expected for the **Newspapers** segment. Due to the heightened start-up costs for new business ventures, the segment EBITA could be lower than for 2006.

A continued increase in revenues is expected for the **Magazines** segment, due at least in part to the acquisition of Jean Frey AG and IDEALO.DE. Due to the heightened start-up costs for new business ventures, the segment EBITA could be lower than for 2006.

In the **Printing** segment, revenues are expected to hold steady on the level of 2006. The segment EBITA is expected to increase somewhat.

Stable revenues are expected in the **Services/Holding** segment. In view of the non-recurrence of the extraordinary gain from the Kirch insolvency, the EBITA for 2007 could well be lower than for 2006.

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 revenues 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, such as the minority investments in Doğan TV and Polsat and the majority interest in Jean Frey AG.

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 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 2006 either at the instruction or in the interest of the controlling company or a company affiliated with the controlling company."

Divisions
Newspapers

As Germany's largest newspaper publisher Axel Springer again developed positively in 2006. In nearly all segments of this division: Daily and Sunday newspapers sold at newsstands, regional and cross-regional newspapers distributed by subscription, free advertising publications and equity holdings in regional publishing houses. The Group also demonstrated its innovative strength with, among other things, the creation of Germany's largest integrated newsroom.

BILD Group – Another Excellent Financial Year

The BILD Group again outperformed the prior year's record. With a stable reach, the Group profited especially from the World Soccer Championship and associated advertising activities.

The average paid circulation of BILD was 3.6 million copies with a reach of 11.5 million readers each day according to Media-Analyse 2006. The BILD editorial team introduced a new correction column: Errors reported by the editorial team in previous reports are now listed and corrected on page 2. BILD did an exemplary job in reporting on the World Soccer Championship by providing up-to-date daily reports on even the late games. BILD carried a World Soccer Championship supplement every day. Following a test phase conducted during the World Soccer Championship, BILD launched BILD 1414 Reader Reporter, a forum for mobile phone photos. BILD now gives readers an opportunity to send in the best photos taken with their mobile phones. Selected photos are then published. This new feature has become very popular among readers. This innovative idea is the first interactive channel ever created. It strengthens the community thought process between readers and the BILD editorial team. Earnings from merchandising increased over the previous year. Among other things Axel Springer launched a new successful book series with its twelve-volume BILD Knowledge Library.

BILD am SONNTAG, Germany's largest Sunday newspaper, enjoyed with an average circulation of around 1.9 million copies a welcome rise in advertising revenues in comparison to the previous year. In November BILD am SONNTAG was given a facelift. The new, optimized layout includes new features and formats as well as a regular 52-page supplement that focuses on selected topics. The objective of the new design is to expand the range of topics and make the newspaper more attractive to especially female readers.

SPORT BILD saw its average circulation grow to around 464,000 copies, thereby strengthening its leading position among sports magazines. With 3.6 million readers SPORT BILD has attained the highest reach in publication's history according to Media-Analyse 2007/I. Thanks to the World Soccer Championship, SPORT BILD enjoyed a significant increase in advertising revenues over the previous year.

WELT Group Opens Germany's Largest Integrated Newsroom

The WELT Group again enjoyed an increase in advertising revenues. The combination of DIE WELT and WELT KOMPAKT sold well on weekdays; on Sunday WELT am SONNTAG continued its upward trend. The Group's earnings improved again thanks to a reduction in costs.

The combination of DIE WELT and WELT KOMPAKT grew continually throughout the year to an average circulation of over 262,000 copies. The average circulation of 270,113 copies for the third quarter is the best IVW quarterly result ever attained. Following a decision to merge the editorial operations of WELT Group and BERLINER MORGENPOST, Axel Springer opened Germany's largest integrated newsroom in November 2006. All journalistic content is bundled together there and published in the various print and online media with the highest degree in currentness. The newsroom also produces material for new media channels such as mobile services, videos and podcasts. A new cross-media advertising concept created by the WELT newspaper Group under the label "WELT KLASSE" offers companies furthermore an opportunity to market their products simultaneously in multiple media forms: Print, online and TV.

WELT am SONNTAG strengthened its position as the leading premium German Sunday newspaper during the 2006 financial year. The average circulation of over 405,000 copies was slightly higher than the previous year.

BERLINER MORGENPOST – the Greatest Reach of all Berlin Daily Newspapers

With a total reach of 460,000 readers according to Media-Analyse 2006, BERLINER MORGENPOST enjoys the greatest reach of all newspapers in the capital city. With an average circulation of around 150,000 copies, the publication generated significantly higher revenues and underscored its position as the leading marketplace for classified employment and real estate advertising in the region.

Newspapers Germany
Net paid circulation IVW, average per issue in 2006

	2006
BILD	3,575,137
BILD am SONNTAG	1,879,674
SPORT BILD	463,889
DIE WELT/ WELT KOMPAKT	262,223
WELT am SONNTAG	405,321
HAMBURGER ABENDBLATT [1]	258,993
BERLINER MORGENPOST	149,564
B.Z.	206,113
B.Z. am SONNTAG	116,232

1) Average circulation, Mon.–Sat. The HAMBURGER ABENDBLATT SONNTAGS is not listed separately.

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

With a paid circulation of over 206,000 copies, B.Z. remained Berlin's largest newspaper sold at newsstands in Berlin/Brandenburg and defended its leading position in the readership and advertising markets. B.Z. was transferred to a separate publishing company for the purpose of creating better conditions for innovative concepts and greater market flexibility. The move to a new building and the establishment of a modern newsroom are designed to improve the editorial process.

HAMBURGER ABENDBLATT – Regional Market Leader

HAMBURGER ABENDBLATT, Hamburg's leading regional newspaper, saw its advertising revenues grow over those for the previous year. Classified employment advertising contributed greatly to the growth in sales. With an average paid circulation of around 259,000 copies HAMBURGER ABENDBLATT reaches some 730,000 readers daily according to Media-Analyse 2006.

HAMBURGER ABENDBLATT SONNTAGS was launched experimentally in October as a new regional Sunday newspaper concept in tabloid form.

Equity Holdings – Leipziger Volkszeitung Invests in New Printing Technology

The publishing houses KIELER NACHRICHTEN and LEIPZIGER VOLKSZEITUNG continued to develop positively during the 2006 financial year. Axel Springer operates its own printing facilities for advertising publications in the greater Hamburg, Berlin and Dresden areas.

Leipziger Druckerei und Verlagsgesellschaft invested in new printing technology in response to market demands. The greater use of color benefits advertising customers, and the new layout is more attractive to readers.

Magazines

In 2006 the Group expanded its already strong market positions in the segments for TV, women's, car, computer, financial and lifestyle magazines.

TV Guides – TV DIGITAL Continues on a Successful Course

TV DIGITAL, the leading publication for the future of digital TV continued on a successful course that began with its launch in 2004. The magazine saw its circulation grow by around 300,000 to some 1.9 million copies. A pioneering sales strategy and alliances with Premiere, Kabel Deutschland, T-Home, Tividi and Cablecom Schweiz remain the guarantors for success. The six different editions take into account the special needs of readers and viewers. This successful concept quickly positioned the publication as one of the leading 14-day TV guides.

HÖRZU is not only Germany's first weekly TV guide but the largest as well with a paid circulation of some 1.6 million copies. The publication has repeatedly written media history during its 60 years of existence. On December 1, 2006, HÖRZU celebrated its anniversary with a large special edition. By successfully repositioning the magazine in the premium segment, it was possible to raise the price by 7 % in a slow market environment without suffering a decline in sales.

Women's Magazines – BILD der FRAU Remains the Undisputed Market Leader

Both BILD der FRAU and FRAU von HEUTE were able to defend their market positions in 2006 in a continued highly competitive market. BILD der FRAU, Germany's largest women's magazine, had an average paid circulation of over 1.1 million copies and 5.4 million readers (Media-Analyse 2007/1). FRAU von HEUTE sold an average of over 413,000 copies. BILD der FRAU was given a modern facelift at the end of August 2006 along with new features and columns.

JOLIE, the No. 2 publication in the segment of women's pocket-sized magazines, strengthened its position by focusing on beauty. With its new slogan – JOLIE – the beautiful life guide – the magazine enjoyed an average circulation of over 344,000 copies.

COMPUTER BILD Group – Three Undisputed Market Leaders

With an average paid circulation of around 686,000 copies, COMPUTER BILD is by far the market leader among computer magazines. In August 2006 the publication celebrated its tenth year of existence with an anniversary edition. COMPUTER BILD SPIELE, with its circulation of around 459,000 copies in 2006, clearly remains the No. 1 publication in the segment for computer games.

AUDIO VIDEO FOTO BILD sold an average of some 335,000 copies in 2006. The magazine maintained the leading position despite intense competition. The publication has been the leader in the segment of entertainment electronics since its launch in 2003.

Car Magazines – AUTO BILD is Still No. 1 in Europe

With a circulation of over 638,000 copies AUTO BILD remains the undisputed largest car magazine in Europe. The publication celebrated its 20th year of existence in 2006. In addition to an expanded anniversary edition, the magazine conducted campaigns for readers and dealers all year long accompanied by an elaborate advertising campaign in print media and on TV. The magazine, which was modernized under the guidance of a new editor-in-chief, also managed to significantly increase its market share.

Rounding out the list of titles published by Axel Springer Auto Verlag are the 14-day publication AUTO BILD MOTORSPORT, the monthly magazines AUTO BILD SPORTSCARS, AUTO BILD ALLRAD, AUTOMOBIL TESTS and numerous special publications.

Lifestyle and Entertainment Magazines – the Bundled Expertise of Axel Springer Mediahouse München

Axel Springer Young Mediahouse was reorganized under the name AXEL SPRINGER MEDIAHOUSE München during the third quarter of 2006. The name change was necessary in order to reposition the company as a lifestyle publishing house.

In September the men's lifestyle magazine MAXIM again hosted the Grooming Awards, which are given to the year's best men's grooming products.

Of all the youth publications – POPCORN, YAM!, MÄDCHEN and STARFLASH – YAM! stands out with its innovative image. One issue even included an exclusive video CD of a live concert by US 5. YAM! Radio, which broadcasts over the Internet including once live from The Dome, now attracts some 20,000 listeners each day. MÄDCHEN launched a weekly TV program MÄDCHEN TV on the Internet in October.

With its music publications MUSIKEXPRESS, ROLLING STONE and METAL HAMMER, Axel Springer Mediahouse München remains the undisputed market leader in this segment. In October MUSIKEXPRESS again hosted the Style Award ceremony, which has established itself as the premier event for the music and fashion industries.

Financial Magazines – Continued Positive Development in a Slow Market Environment

Axel Springer Finanzen Verlag maintained its position in a slow market environment. The advertising business of the weekly magazine EURO am SONNTAG and the monthly publication MARKT UND MITTELSTAND enjoyed above-average development. The Internet portal finanzen.net saw its revenues from banner advertising grow significantly.

Family Magazines – Family Media Strengthens its Portfolio

Family Media, a joint venture with the OZ-Verlag, is one of the leading publishing houses for children's and family magazines in German-language regions. The successful launch of the magazines "Baby & Co" and "Lillebi" coupled with a slight increase in advertising revenues solidified the good market position of Family Media in a slow market environment.

Special-Interest Magazines – Continued Stable Development

Jahr Top Special Verlag continues to maintain its leading position among publishing houses for special-interest magazines in Europe. Special-interest magazines in the fields of sports, hobbies and leisure are published in conjunction with a joint venture with the Jahr Verlag.

Magazines Germany

Net paid circulation IVW, average per issue in 2006

	2006
HÖRZU	1,575,353
TV DIGITAL	1,867,968
FUNK UHR	769,151
TV NEU	208,796
BILDWOCHE	261,877
BILD der FRAU	1,101,741
FRAU von HEUTE	413,338
JOLIE	344,137
COMPUTER BILD	685,618
COMPUTER BILD SPIELE	458,968
AUDIO VIDEO FOTO BILD	334,834
AUTO BILD	638,493
AUTOMOBIL TESTS	109,846
AUTO BILD ALLRAD	69,735
AUTO BILD MOTORSPORT	61,622
AUTO BILD SPORTSCARS	57,717
EURO	170,726
EURO am SONNTAG	111,135
MAXIM	133,398
POPCORN	304,547
YAM!	197,065
MÄDCHEN	167,109
STARFLASH	115,965
ROLLING STONE	56,972
MUSIKEXPRESS	59,051
METAL HAMMER	47,913

CORA Verlag – the Continued Market Leader

CORA Verlag, a joint venture with Harlequin Enterprises, defended its position as the leading publisher of paperback romance novels last year. Core business activities with the romance series such as JULIA, ROMANA, BIANCA, BACCARA, HISTORICAL and MY LADY were expanded in 2006 to include numerous publications based on new TV telenovels such as JULIA – Wege zum Glück, Sturm der Liebe, Sophie – Braut wider Willen, Lotta in Love, etc.

International

Axel Springer's international business, with its continued focus on selected European core markets, grew dynamically. The Group now publishes 120 newspapers and magazines abroad. During the 2006 financial year Axel Springer continued its international expansion efforts with a focus on Eastern European growth markets. The Group also expanded its activities in Spain and Switzerland.

Poland – Successful Launch of DZIENNIK

The cross-regional premium newspaper DZIENNIK was launched in Poland on April 18, 2006, and now occupies the No. 3 spot among national daily newspapers following its successful launch. With an average circulation of nearly 217,000 copies DZIENNIK is doing quite well in the market for premium newspapers. Advertising revenues also developed positively.

FAKT remained Poland's No. 1 daily newspaper in 2006 with a paid circulation of around 514,000 copies. The newspaper was able to expand its sales and advertising revenues despite intense competition. With DZIENNIK and FAKT Axel Springer Polska has secured a share of around 42 % of the market for national daily newspapers with respect to circulation. The company thus became the market leader in this segment in 2006.

NEWSWEEK is one of the leading business magazines in Poland. AUTO SWIAT also defended its leading market position in the car magazine segment in 2006.

Poland [1)]

Tabloid	
FAKT	513,683
Premium Newspaper	
DZIENNIK	216,675
Women's Magazines	
PANI DOMU	353,957
OLIVIA	421,983
News and Business Magazines	
NEWSWEEK POLSKA	145,636
FORBES (PROFIT)	39,388
Youth Magazines	
DZIEWCZYNA	174,900
POPCORN	156,170
True Story Magazines	
CIENIE I BLASKI	105,220
SEKRETY SERCA	82,502
Car Magazines	
AUTO SWIAT	123,372
Computer Magazines	
KOMPUTER SWIAT	108,571
KOMPUTER SWIAT GRY	37,020
PLAY	28,566

[1)] Average paid circulation ZKPD – newspapers: 01/06–12/06, magazines: 01/06–10/06, ZKDP-figures.

Hungary –TV Guide Portfolio Expanded

Axel Springer Budapest acquired SÁRGA RTV as the optimal complement to its existing TV guide portfolio. With the purchase the company's Hungarian subsidiary was able to further expand its market leadership in this segment. With a paid circulation of over 208,000 copies in 2006, the weekly women's magazine KISKEGYED is the No. 3 publication in its segment. AUTO MOTOR and AUTO BILD make Axel Springer Budapest the market leader in the segment of car magazines.

With a paid circulation of over 14,000 in 2006, the business magazine VILÁGGAZDASÁG defended its leading market position in the business magazine segment. Axel Springer Ungarn also publishes regional “komitate” newspapers in 8 of Hungary's 19 komitates. The total circulation of these regional newspapers in 2006 averaged nearly 240,000 copies.

Hungary [1)]

Daily Newspapers	
BARANYA	47,516
KECSKEMÉT	37,624
SOMOGY	33,819
BÉKÉSCSABA	31,361
SZOLNOK	27,693
HEVES	20,971
KOMÁROM	20,416
TOLNA	20,174
Sunday Newspapers	
VASÁRNAP REGGEL	157,956
Business Magazine	
VILÁGGAZDASÁG	14,009
TV Guides	
TVR-HÉT	237,574
TV KÉTHETES	229,622
TVR-ÚJSÁG	155,143
SZÍNES KÉTHETES	121,299
SARGA RTV	92,616
Women's Magazines	
KISKEGYED	208,230
FANNY	105,547
GLAMOUR	53,599
HÖLGYVILÁG	49,577
GYÖNGY	33,257
Puzzle Magazines	
ÜGYES	96,394
TEREFERE	48,299
KÓPÉ	45,472
ESZES	36,224
JÓ VICC	17,847
Car Magazines	
AUTO BILD	38,187
AUTO MOTOR	43,137
Decorating Magazine	
LAKÁSKULTÚRA	54,748
Youth Magazines	
POPCORN	53,241
100 X SZÉP	42,746
Cooking Magazine	
KISKEGYED KONYHÁJA	56,587
True Story Magazine	
CSÓK ÉS KÖNNY	28,695

[1)] Net paid circulation Axel Springer, average per issue in 2006.

Russia – Two New Publications

On March 27, the Group's Russian subsidiary launched the 8th international edition of COMPUTER BILD. And on November 2, 2006, the first issue of the weekly people's magazine OK! appeared. OK! is published under license from the British publishing house Northern and Shell. The last issue of WALLPAPER* was published in December 2006. The magazine has been discontinued. Axel Springer Russland now publishes four magazines for the Russian market.

Russia [1)]

Business Magazine	
FORBES	80,000
News Magazine	
NEWSWEEK	50,000
Computer Magazine	
COMPUTER BILD	48,000
People and Lifestyle Magazine	
OK!	138,000

[1)] Net paid circulation Axel Springer, average per issue in 2006.

Czech Republic – Leading Position in the Car Magazine Segment Defended

Axel Springer Praha defended its market leadership in the segment for car magazines with the publications SVET MOTORU and AUTO TIP.

Czech Republic [1)]

Youth Magazines	
TOP DIVKY	50,497
POPCORN	30,806
Car Magazines	
SVET MOTORU	36,700
AUTO TIP	25,204
Computer Magazine	
SVET POCITACU	16,993
Men's Magazine	
PLAYBOY	11,268

[1)] Net paid circulation Axel Springer, average per issue in 2006.

France – Stiff Competition in the Segment for TV Guides

Axel Springer's weekly TV guide TÉLÉ MAGAZINE saw its circulation and advertising volume stabilize despite intense competition. The cooking magazine VIE PRATIQUE GOURMAND continued to develop positively. The car magazine AUTO PLUS is published by Axel Springer in conjunction with a joint venture with Mondadori France. This weekly publication defended its leading market position in 2006.

In September 2006 Axel Springer sold the monthly women's magazine BIEN DANS MA VIE to Prisma Presse.

France [1]

TV Guide	
TÉLÉ MAGAZINE	383,768
Women's Magazine	
VIE PRATIQUE	168,978

[1] Net paid circulation OJD, average per issue 07/05–06/06.

Spain – Expansion of Market Leadership in the Computer Magazine Segment

Axel Springer España remained the market leader in the computer and computer game magazine segments in 2006. Among the biggest sellers in this segment were COMPUTER HOY, the 14-day licensed edition of COMPUTER-BILD, the monthly computer game magazine HOBBY CONSOLAS and beyond the computer segment AUTO BILD España. The licensed Spanish edition of AUTO BILD climbed to the top spot among Spanish car magazines during its first year of publication. Axel Springer España expanded its portfolio of publications for very young readers with the launch of the monthly children's magazine POKEMON ACTIVITY BOOK.

Spain [1]

Computer Magazines	
COMPUTER HOY	109,549
PERSONAL COMPUTER & INTERNET	87,872
PC TODAY	31,261
Computer Game Magazines	
HOBBY CONSOLAS	85,911
PLAYMANÍA	99,038
NINTENDO ACCIÓN	77,663
MICROMANÍA	47,148
COMPUTER HOY JUEGOS	33,700
Car Magazine	
AUTO BILD ESPANA [2]	51,784
Home Entertainment Magazine	
AUDIO VIDEO FOTO HOY [3]	36,980

[1] Net paid circulation OJD, average per issue in 04/05–03/06.
[2] Net paid circulation OJD, average per issue in 12/05–06/06.
[3] Net paid circulation OJD, average per issue in 12/05–02/06.

Switzerland – Acquisition of Majority Stake in Jean Frey

Axel Springer significantly expanded its business activities in Switzerland with the acquisition of a majority stake in Jean Frey AG effective January 5, 2007. Jean Frey AG publishes the consumer and advice magazine BEOBACHTER, the TV guide TV STAR and Switzerland's leading business magazine BILANZ. It also provides services for trade media.

Mid-term plans call for the merging of Jean Frey AG with the HANDELSZEITUNG publishing Group, with which Axel Springer has been present in Switzerland since 1999. The weekly business publication HANDELSZEITUNG was relaunched in May 2006 with a reduced page structure, expanded content and a new design. The revamped publication received a positive market reception. The new HANDELSZEITUNG features expanded reporting on financial and stock market activities.

The investor magazine STOCKS achieved a breakthrough in the readership and advertising markets during the past financial year. All trade journals developed positively following their thorough restructuring.

Switzerland [1)]

Business Magazine	
HANDELSZEITUNG	30,776
Finance Magazine	
STOCKS	18,248

1) Net paid circulation WEMF, average per issue in 07/05–06/06.

Romania – New Segment Added to Magazine Portfolio

Axel Springer holds a 40 % stake in Edipresse AS Romania. In April 2006 the publishing house successfully launched the monthly family magazine FAMILIA MEA. The decoration magazine DECO STYLE has been repositioned. It was relaunched in July 2006 under the title ELLE DECORATION as a licensed edition of the publishing house Hachette Filipacchi Medias.

China – Market Tests Begun with Chinese Partners

In China Axel Springer maintains an office in Shanghai, from which the company was able to acquire important sales and advertising marketing licenses in 2006. The company also initiated regional market tests with a Chinese partner publishing house in preparation for the launch of a women's magazine.

Licensing Business – Continued International Growth

In 2006 Axel Springer expanded its international licensing business with two new licensed editions of AUTO BILD in Serbia/Montenegro and Denmark. At the end of 2006 AUTO BILD was published in a total of 29 countries and thus remains the world's largest international brand family in the car magazine segment. Axel Springer's international COMPUTER BILD Group also added two new licensed editions in Russia and Bulgaria. International editions of COMPUTER BILD are now published in nine countries and comprise Europe's largest brand family in the segment of computer magazines. Axel Springer launched its second licensed editions of JOLIE in Greece and AUDIO VIDEO FOTO BILD in Italy. The first licensed edition of AUTO BILD ALLRAD was also launched in Lithuania in 2006. Axel Springer continues to operate one of the fastest growing license-granting networks in the world.

Electronic Media

Axel Springer continued its digitization efforts during the 2006 fiscal year. The Group added a European dimension to its previously German TV strategy. Axel Springer significantly expanded its Internet activities.

TV/Radio – the Beginnings of International Expansion

Axel Springer continued to pursue its strategy of digitization during the 2006 financial year and took the first important steps toward internationalization. The Group expanded beyond its existing TV stakes the access to moving pictures, which can be used for convergent platforms such as television and the Internet. Axel Springer is focusing on stakes in leading TV broadcast Groups in European markets where the Group is present in either the print segment or where strong growth is anticipated.

In the course of implementing this strategy Axel Springer signed a contract in November 2006 for the acquisition of a 25.0 % stake in Doğan TV Radyo Yayin Yapim ve Haber Ajansi A.S (Doğan TV), which was completed at the beginning of January 2007. Doğan TV is one of the largest TV and radio companies in Turkey and all TV and radio activities of Doğan Yayin Holding A.S. are bundled in it. The company operates a total of three nationwide TV stations, 15 branch channels via satellite and cable, two stations that broadcast in Europe and three Turkish radio stations

In January 2007 Axel Springer signed a contract for the acquisition of a minority stake of 25.1 % in Telewizja Polsat S.A., a Polish television company headquartered in Warsaw. Polsat is one of the two leading private TV broadcast Groups in Poland. It operates the two full-time programs Polsat und Polsat 2 as well as a health channel and two sports channels. The acquisition is still subject to approval, in particular that of the cartel authorities.

In November 2006 Axel Springer announced plans to establish a new digital TV company. Axel Springer Digital TV (ASDTV), a wholly owned subsidiary of Axel Springer AG with headquarters in Berlin, will produce and market digital media content with focus on the Internet.

Schwartzkopff TV, one of the leading producers of popular entertainment programs and talkshows, continued to operate successfully in the classic TV market in 2006. In addition to established programs such as EIN HERZ FÜR KINDER, DIE GOLDENE KAMERA, DIE LUSTIGEN MUSIKANTEN and WILLKOMMEN BEI CARMEN NEBEL, the company produced the Daily-Talk BRITT – DER TALK UM EINS, which during the reporting period attained the highest monthly market share in the history of the program.

Axel Springer also holds a 12.0 % stake in ProSiebenSat.1 Media AG. The company has also strengthened its position in the Hamburg and Berlin regional markets with 27.0 % stakes in the TV broadcasters Hamburg 1 and TV.Berlin, which was acquired in 2006.

With a number of direct and indirect minority stakes Axel Springer also has one of the largest portfolios of radio stations in Germany. Portfolio holdings include the broadcasters Radio Hamburg, Radio FFN, Antenne Bayern, Radio NRW, Radio FFH and Antenne 1. Through the radio holding company Regiocast Axel Springer also holds stakes in the broadcasters Radio Schleswig-Holstein, Radio PSR (Privater Sächsischer Rundfunk) and RS2 in Berlin. The portfolio again generated an increase in earnings during the 2006 financial year.

Internet – Expansion and Continued Development of Activities

During the 2006 financial year Axel Springer continued efforts to transfer print media brands and classified advertising to the online world while developing new digital business models. In 2006 Axel Springer acquired a 74.9 % majority stake in Idealo Internet GmbH, the provider of the price and product search engine IDEALO.DE, headquartered in Berlin. IDEALO.DE is one of the leading price search engines in Germany. The company's core business involves providing free online price comparisons for over 400,000 products from more than 4,500 dealers with a focus on the consumer electronics segment. Under flug.idealo.de the company also offers Internet users a detailed flight search engine.

In 2006 Axel Springer also continued the development of online versions of existing print brands and cross-brand Internet activities.

In the field of brand transfer BILD.T-ONLINE.DE strengthened its leading position as a general interest portal with an increase in visits of more than 21 % over the previous year. In 2006 BILD.T-ONLINE successfully expanded its own marketing unit for online advertising. The portal enjoyed a significant increase in revenues in this field as well as in its cross-media activities. Income from operations approximately doubled over the previous year. In 2006 the site was relaunched and the multimedia content expanded (podcasts, audio, video).
During the reporting period the WELT/BERLINER MORGENPOST newspaper Group started with WELT.DE a comprehensive online

push. Axel Springer merged the print and online content into a single editorial team, thereby creating the largest integrated newspaper and online editorial team in Germany. With this move Axel Springer took the first important step in implementing its “online first” strategy. This new offensive led to a significant increase in reach of WELT.DE over the previous year.

Axel Springer also significantly expanded its Internet classified advertising activities in 2006.

In December 2006 Axel Springer raised its stake in IMMONET.DE, the cross-media real estate portal, from 74.9 % to a full 100 %. A growth offensive was launched during the first quarter of 2006 and subsequently successively stepped up. IMMONET.DE has been able to significantly expand its market position since this time. The number of listings grew to over 600,000 (+ 50 %) over the previous year. Monthly exposé access rose during this same period to 32.2 million. (+ 178 %). The number of visitors according to Nielsen/NetRatings (Unique Audience) more than doubled (+ 135 %) to a record of 1.2 million during the reporting period. The cross-media activities begun with BILD at the beginning of 2006 were regularly expanded into a nationwide presence.

AUTOBILD.DE saw its visits grow by 13 % over the previous year. The portal has now been the leading provider of car-related content on the Internet for an entire decade. With more than 700,000 car listings the portal’s Autobörse has successfully established itself as a leading online provider of classified car advertising.

STEPSTONE.DE enjoyed an increase of over 22 % in employment advertisements over the previous year to more than 589,000 job listings. The number of job agent subscriptions (jobs per e-mail) grew over 39 % over the previous year to more than 351,000. The number of visits to the portal increased by over 40 %. STEPSTONE.DE expanded its activities during the 2006 financial year to include the new target Group channels Financial Affairs and Sales & Marketing.

Visits

in thousands

Portal (Selection)	2006	Change year-on-year
www.bild.t-online.de	35,038.6	+ 21.7 %
www.welt.de	5,789.5	+ 18.5 %
www.abendblatt.de	2,126.2	+ 16.3 %
www.morgenpost.de	998.5	N/A[2]
www.immonet.de [1]	6,142.4	+ 81.2 %
www.autobild.de	3,340.4	+ 13.0 %
www.stepstone.de [1]	2,704.3	+ 40.2 %

IVW audited online offers
[1] Axel Springer.
[2] No comparison with previous year possible; data first became available in 2006.

Printing and Logistics

The Printing and Technology Division operates three company-owned offset printing plants, performs procurement tasks and handles logistics marketing. The 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 three of its own newspaper printing plants 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.

Axel Springer printing plants are now among the most modern in Europe following the successful conclusion of the largest technical reinvestment program in the history of the company. They provide the company with a high degree of quality, flexibility and publishing independence.

During the 2006 financial year the newspaper printing plants were able to maintain stable contract printing revenues despite a slight decline in paper throughput. The contract printing share, as measured in paper throughput, was nearly 24 %. The paper throughput in the newspaper printing plants amounted to approx. 206.000 tons. The technical modernization of the offset printing plant in Ahrensburg was completed in February when the sixth rotary press became operational.

In order to provide for the long-term security of gravure printing activities in the highly competitive European illustrated magazine printing market, Axel Springer, Arvato and Gruner+Jahr merged their five printing plants into the new joint company Prinovis, in which Axel Springer holds a 25.1 % stake. The new company is Europe's largest illustrated magazine printing Group with over 4,300 workers at production facilities in Ahrensburg, Darmstadt, Dresden, Itzehoe and Nuremberg. In order to ensure their ability to compete several projects were initiated to optimize the production costs and administrative tasks at the German plants. A sixth plant in Liverpool (Great Britain) began production in September 2006.
A long-term contract concluded with News Corp ensures the basic utilization of the operational capacities.

Logistic Marketing Expands the Press Distribution Network

The field of logistics marketing comprises logistics, market analysis, alliances with trading associates, foreign distribution as well as stakes in wholesale press distributors, importers in Eastern Europe and the wholly-owned subsidiary ASV Vertriebs GmbH.

In cooperation with wholesale press distributors, Axel Springer is successfully expanding the sales network for its own publications. Penny became a retail distribution partner at the end of 2005, and Lidl has been supplied with an assortment of newspapers and magazines since the end of June 2006. Axel Springer has thus expanded its distribution network not only by two of the largest discount chains but also to 6,300 of 15,000 potential discount outlets. In this manner the retail network is being adapted to the changing needs of customers. According to a survey conducted by the market research institute GFK, two-thirds of all newspapers and magazines sold are part of larger purchases made at discount chain outlets. At the end of 2006 there were a total of approximately 120,000 sales outlets for press articles in Germany.

PIN Group AG – No. 2 in the German Letter Delivery Market

In October 2005 Axel Springer AG, the publishing Group Georg von Holtzbrinck, the WAZ media Group and Rosalia AG established the joint company PIN Group AG for the purpose of providing nationwide postal and logistics services. Like the other founding companies, Axel Springer currently holds a 23.5 % stake in PIN Group AG. The company expanded its operations throughout the 2006 financial year, during which the publishing house Madsack joined the founding companies as a partner. During the course of 2006 PIN Group built a comprehensive network for the distribution of letters in Germany. PIN Group AG has now firmly established itself as the No. 2 service provider on the German letter delivery market behind Deutsche Post AG.

Finance and Services

The Finance and Services Division comprises the financial staff and financial services, internal audit, real estate and facility management services, IT, insurance and customer service.

Axel-Springer-Passage Berlin

Despite the slow commercial real estate rental market in the capital city, the Axel-Springer-Passage Berlin was able to rent more office and shop space to tenants from diverse sectors during the 2006 financial year. Tenants find the exclusively equipped office space and the employee-oriented infrastructure particularly attractive.

The subsidiary PACE Paparazzi Catering & Event GmbH markets the Ullstein-Halle and the Axel-Springer-Passage, one of the most attractive event locations in Berlin. The company offers internal and external catering as well as event management. The central location of the facility has made it a popular venue for Berlin events such as “Goldene Kamera” and “Duftstars – Deutscher Parfumpreis”. In organizing numerous events for well-known companies, PACE has made a name for itself in a short time as full-service provider in the catering field. The company was rewarded for its efforts with a nomination for the award “Caterer of the Year 2006”.

asdirekt – Success Through Focus on the Customer

As a professional provider of customer care management, asdirekt offers premium, economical services in Berlin, Hamburg and Warsaw. The success enjoyed by asdirekt is based on its comprehensive consulting services and a high level of marketing expertise, flexible software systems and a wide range of basic and advanced training programs for all employees.

Within the Group asdirekt is an able partner for customer management and customer orientation. In December 2006 asdirekt launched a cross-publication service hotline for all Axel Springer publishing customers. This measure plays a central role in the customer-orientation offensive “the most customer-friendly media company”.

Outside, the Group asdirekt has made a name for itself as a strong marketer for business and private customers. Classical marketing projects, such as those aimed at attracting new customers and generating advertising business, are part of the service portfolio.

VVDG – Verlags- und Industrieversicherungsdienste GmbH

VVDG is an insurance broker that advises its customers in all insurance sectors with national and international insurance products. Most of the company’s income comes from external customers of the media sector, 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 as well as the processing of all insurance claims.

For the insurance industry the recently completed financial year was characterized by sharp competition in the car insurance segment. Due to the changes in tax regulations, the life insurance business, which had begun to decline during the previous year, came to a complete standstill during the recently completed financial year. VVDG was able to compensate for this development by generating new business and expanding existing customer ties, especially in the field of company pension plans. The company thus enjoyed a successful end to the reporting year.

Further Information
The Share

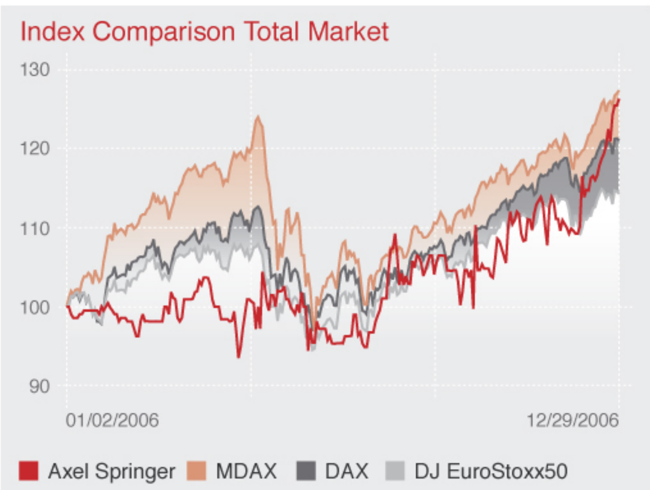
Springer AG shares grew 26.3 % during the 2006 financial year, thereby in part clearly exceeding the performance of the DAX and, the industry index Prime Media. The share price profited not only from the positive development of company business but from the significant expansion of the free float in December 2006. Earnings per share rose from € 7.38 for the previous year to € 9.20 in 2006.

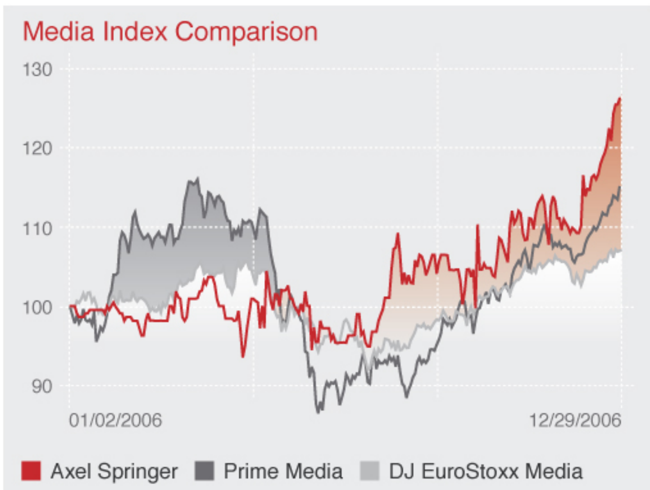
Significant Increase in the Price of Axel Springer Shares
In an overall very positive stock market environment, in which the DAX rose again to high levels, Axel Springer AG shares performed especially well during the second half of the year. The share price of Axel Springer shares gained 26.3 % from € 108.00 at the beginning of the year to € 136.45 at year's end. In only two years Axel Springer AG has seen its stock market value grow by nearly 60 %.

While the relevant stock exchange indices developed very positively throughout the course of 2006, the price of Axel Springer AG shares rose even more sharply in part. The Dow Jones Euro Stoxx 50 improved by 14.3 % in 2006. The DAX rose by 21.0 % and the MDAX by 27.4 % during the same period. Share performance also exceeded the relevant media indices. Deutsche Börse's Prime Media Index gained 15.1 %, the European Dow Jones EuroStoxx Media Index rose 7.0 %.

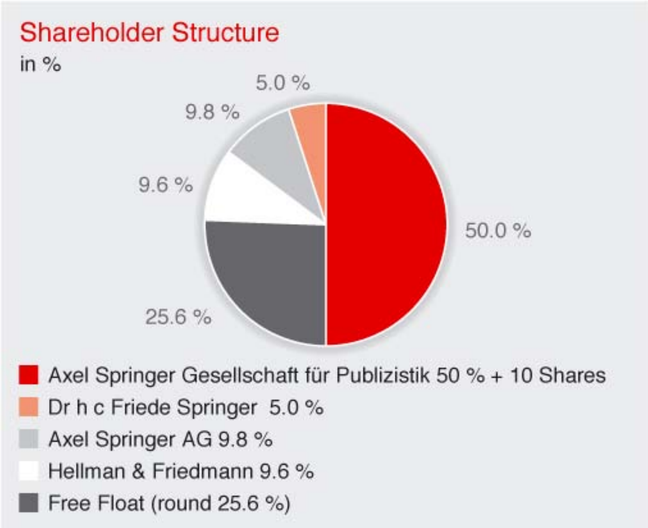
Increase in the Free Float to over 25.0 %
In December 2006 stakeholders H&F Rose Partners, L.P., and H&F International Rose Partners, L.P. – two funds managed by Hellman & Friedman – and Brilliant 310. GmbH placed a total of 3,555,731 Axel Springer AG shares on the stock exchange at a price of € 122.00 per share. The shares were previously offered for a price spread ranging from € 120.00 to € 135.00 in a bookbuilding procedure. The placement was managed by Deutsche Bank AG as sole global coordinator as well as Citigroup, Dresdner Kleinwort, J.P. Morgan and Lehman Brothers as co-lead managers.

The placement of these shares altered the shareholder structure. Hellman & Friedman still holds 9.6 % (previously 19.4 %), while the free float rose to over 25.0 %. The subscribed equity capital (€ 102,000,000) comprises 34 million no-par shares.





The rise in the share price and the placement of shares led to an increase in free float-weighted market capitalization from € 396.6 million to around € 1.2 billion at year's end. The total market capitalization of Axel Springer AG was € 4.2 billion at the end of the year compared to € 3.3 billion at the beginning of the year.



Prime Standard

The company has met all the admission requirements for the Prime Standard segment for quite some time; with the entry into this segment with additional admission requirements in December 2006 the formal step was executed. Prime Standard maintains higher reporting standards with respect to transparency and internationality. Prime Standard companies must publish annual reports and quarterly reports in German and English compiled in accordance with international accounting standards. Prime Standard companies are also required to hold at least one analyst conference per year and publish a financial calendar for the current financial year.

Dividend Increase Planned

At the shareholders' meeting the Management and Supervisory Board are proposing that shareholders be paid a dividend of € 3.50 per share. This is an increase of 105.9 % over the previous year. In relation to the share price at year's end the dividend yield amounts to 2.6 % (previously 1.6 %).

Annual Shareholders' Meeting 2006

At the shareholders' meeting of Axel Springer AG in Berlin on April 27, 2006, the proposals pertaining to the authorization to acquire and utilize the company's own shares and the payment of a dividend of € 1.70 per eligible share were approved by a majority vote of over 99.9 %. The 28.9 million votes present at the meeting represented 85.1 % of the company's equity capital.

Investor Relations Activities Intensified

The objective of Investor Relations is to provide shareholders and analysts with comprehensive information at an early stage. Axel Springer AG further intensified its Investor Relations activities during the 2006 financial year. The company conducted numerous roadshows to inform analysts and investors in major financial centers in Europe and the USA. Especially in December 2006 company management conducted an 8-day international roadshow in conjunction with the placement of shares with numerous one-on-one and group meetings with institutional investors. Axel Springer representatives also appeared at various international capital market conferences. The information available on the Internet is continuously being expanded. Here, investors will find financial reports as well as information about current events and occurrences. The Axel Springer Investor Relations Team is always available to answer questions and provide additional information.

Share Information

in €

	2006	2005	Change year-on-year
Earnings per share (basic)	9.20	7.38	24.7 %
Earnings per share (diluted)	9.13	7.33	24.6 %
Dividend	3.50	1.70	105.9 %
Price at end of year	136.45	108.00	26.3 %
Highest price	136.45	112.00	21.8 %
Lowest price	101.00	86.00	17.4 %
Average price	111.58	97.33	14.6 %

Listing Information

Share type	Registered share with restricted transfer-ability
Stock exchange	Frankfurt (official trading)
Stock exchange segment	Prime Standard
Securities identification number	550 135, 575 423, A0LD6M
ISIN	DE0005501357, DE0005754238, DE000A0LD6M9
Reuters	SPRGn.F
Bloomberg	SPR GR

Analyst Interest on the Rise

With the placement of shares in December 2006 Axel Springer AG was also able to expand the number of analysts who regularly cover the company. As of the beginning of 2007 nine investment banks had compiled analyst studies or recommendations: Cheuvreux, Citigroup, Commerzbank, Credit Suisse, Deutsche Bank, Dresdner Kleinwort, DZ Bank, Lehman Brothers and Main First. A current overview of the recommenddations is available on the Website of Axel Springer.

Employees

The success of a company depends to a large degree on the creativity, motivation and qualifications of its employees. Axel Springer therefore provides qualification programs and advanced training for its employees as an investment in the future success of the company.

Qualification Programs and Advanced Training

“A higher degree of professionalism through self-motivation” was the motto for our educational and training activities in 2006. The focus of these activities was on key qualifications, foreign language courses and instruction in the field of labor law. As in previous years the program was systematically evaluated and expanded in an effort to optimally meet the needs of employees. During the 2006 financial year the company conducted modular EDP training units and case studies. There was a significant increase in the demand for measures aimed at providing employees with qualification training specific to their sectors and tailored to employee needs. Job-related health programs were also expanded. Stress prevention was a focal point during the year 2006.

Rewarding Outstanding Performance: Specialist and Management Development

Axel Springer continued to support the systematic development of managers and employees with special skills as one of the central tasks of personnel development during the 2006 financial year.
In November 2006 young employees from seven countries came together at the fourth conference of “Young Professionals” for the purpose of jointly developing concepts for topics of the future, namely digitization and internationalization. Young employee circles were also created for the purpose of networking and systematically developing employee potential.

Axel Springer offers experienced managers a number of programs tailored to their needs and designed to support their personal and career development. The company offers managers an opportunity to participate in external and internal seminars, lecture series and coaching programs. We also created management circles analogous to the young employee circles.

Expanding Horizons: Study Groups and Networking

The work group “Equal Opportunity”, which consists of employee and employer representatives, strives to ensure that all employees have an opportunity to develop their full personal and career potential within the company. For the fourth year in a row the work group “Equal Opportunity” again acted as the patron for Axel Springer´s participation in “Girls’ Day,” the national event that gives daughters of employees an opportunity to observe the media world at work and get acquainted with the daily routine of their parents.

Building Loyalty: Trainees, Scholarship Recipients, Apprentices

In 2006 Axel Springer further expanded its programs for young employees. In addition to offering the established programs for trainees, scholarship recipients and apprentices, the company created a “Best Seller” program. This new 14-day program is designed to transform talented internal and external employees into effective salespersons. In February the trainees met for the first time in conjunction with a “Social Day,” on which they traveled to a preschool in the Kreuzberg section of Berlin where they helped the children put together a newspaper. In addition to providing job-specific training, developing social skills is an important part of all programs for young employees.

Providing Incentives: Electronic Idea Management

The Idea Management program encourages employees to forward suggestions aimed at promoting efficiency and employment, job safety, environmental protection and technical progress within the company.

Achieving 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 Supplemental Variable-Yield Company Pension Plan

The company offers employees of Axel Springer AG and Ullstein GmbH a future-oriented pension plan in the form of Vario Rente based on a remuneration conversion model. Axel Springer is thus supporting the demographically necessary change from a contribution-financed pension plan to a capital-based pension plan. This company pension plan offers employees an opportunity to prepare for retirement by investing part of their gross income in a capital fund.

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 has conducted consistent sustainability management for years and places great value on a high degree of transparency in sustainability reporting.

Supply Chain Transparency

Axel Springer procured some 540,000 tons of printing paper from 45 paper factories in 13 countries in 2006. Paper procurement activities during the past financial year were carried out further in accordance with the principles of sustainability. Approximately half of all printing paper used by Axel Springer contains recycled paper. Contracts with suppliers contain clauses stipulating that the paper must come from forests harvested in accordance with sound ecological practices. In addition to product quality, delivery reliability and appropriate price, Axel Springer places emphasis on ecological aspects in selecting paper suppliers.

International Alliance for Promoting the Transparency of Wood Imports

Axel Springer works together with paper manufacturers, other paper users and prominent non-governmental organizations for the purpose of promoting the use of optimized processes and innovations. The term “clean wood imports” applies to wood procured by Finnish paper factories from the forests of northwestern Russia. Axel Springer works with the project partners to prevent corruption and work-related accidents and promote ecological forest certification in accordance with FSC (Forest Stewardship Council). These project partners are the publishing houses Time Inc. (New York) and Random House UK (London), the beverage carton manufacturer Tetra Pak (Stockholm), the forestry and paper group Stora Enso (Helsinki) and two Russian forestry operations Russkiy Les (Tikhvin near St. Petersburg) and Shuyales (Chalna near Petrozavodsk).

International Social Policy

In view of its growing global presence, Axel Springer AG has developed a catalog of social standards, which serve as guidelines for the company in matters of human rights, legal compliance, protection of children and youth, treatment of employees, health and safety and the compatibility of work and family life. These standards are obligatory and apply to all company activities. To ensure that these standards are adhered to in conjunction with purchasing activities, we conducted numerous discussions with suppliers of printing paper and advertising materials in 2006.

Sustainability Reporting in Accordance with GRI Guidelines

Axel Springer AG was the first global media company to issue sustainability reports. As in 2004, the company issued a sustainability report for the 2005 financial year that fully complies 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. Over the last ten years Axel Springer AG has been listed among the first five companies in the rankings for sustainability reporting four times.

Participation in the Carbon Disclosure Project (CDP)

Among other things, Axel Springer records greenhouse gas emissions in its sustainability report. The numerous measures implemented at the company’s printing plants reduced greenhouse gas emissions as measured by the volume of paper printed in square meters by 18.7 % in 2005 (in comparison to 2003 the last sustainability report). In 2006 Axel Springer participated in the first German report of the Carbon Disclosure Project. The Carbon Disclosure Project (CDP) is the largest global joint project of institutional investors concerned with the impact of business activities on climate change. The objective involves the disclosure of greenhouse gas emissions.

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 24, 2006, 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). Every member of the Supervisory Board is obligated to immediately disclose to the Supervisory Board any conflicts of interest. In its report to the Shareholders' Meeting, the Supervisory Board enumerates conflicts of interest that have arisen, and explains how they have been managed. One such explanation to the Shareholders' Meeting was inadvertently omitted from the report of April 27, 2006, regarding Supervisory Board Member Brian Powers and a conflict of interest that might have arisen in relation to the plans at that time to take over a majority interest in ProSiebenSat.1 Media AG. However, Mr. Powers had no influence of any kind over the internal decisions of Axel Springer AG in the negotiations for the takeover of ProSiebenSat.1 Media AG. In fact, he took account of his potential conflict of interest by abstaining from voting on the applicable resolutions, as was in fact explained to the Shareholders' Meeting on April 27, 2006.

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 2006 financial year. Total compensation paid to the Supervisory Board in fiscal 2006 was € 3.880 million.

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 Corporate Governance report as competitors do not publish corresponding information.

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

Executive Committee

Responsibilities	Members in 2006
Publishing and journalistic affairs Strategy, financial planning Investments, financing Preparation of organizational decisions for the Management Board Preparation for the proposal for the election of Supervisory Board members Approval of the sale of registered Shares of Axel Springer AG and of the granting of subscription rights Individual procedures according to the rules of procedure	Dr Giuseppe Vita (Chairman) Dr h c Friede Springer (Deputy Chairwoman) Dr Gerhard Cromme Klaus Krone

Personnel Committee

Responsibilities	Members in 2006
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 AktG Stock Corporation Act Approval of contracts with Supervisory Board members in accordance with § 114 AktG Stock Corporation Act Representation of company in legal matters with Management Board members Individual matters in accordance with the rules of procedure	Dr Giuseppe Vita (Chairman) Dr h c Friede Springer (Deputy Chairwoman) Dr Gerhard Cromme

Audit Committee

Responsibilities	Members in 2006
Preparation of decisions regarding 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 allocation of profits Examination of interim financial statements Examination of the risk management systems Discussion of the audit report and the auditor's report on the inspection of interim financial statements with the auditor Preparation of the proposal to the shareholders' meeting for the selection of the auditor Ordering of 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

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.

Compensation Report

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 of 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 total value of the options accorded to members of the Management Board as at December 31, 2006, was € 17.650 million (including a pro-rated compensation component of € 9.501 million for 2006; PY: € 3.213 million). Please find the statements on the Management Participation Plan under Number 14. (f) of the Notes to the Consolidated Financial Statements. 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 is available at www.axelspringer.de under > Investor Relations > Shareholders' Meeting.

The total remuneration paid to each Management Board member is not individualized by name, because the applicable Number 4.2.4 of the Code stipulates that revealing the remuneration paid to individual Management Board members by name is not required if a qualified majority of the Shareholders' Meeting decides otherwise. On April 27, 2006, it was decided by the required majority of the Shareholders' Meeting of Axel Springer AG to do otherwise. Also, competitors of Axel Springer AG do not list the amounts of remuneration in individualized form. In fiscal 2006 the fixed component of compensation paid to the members of the Management Board of Axel Springer AG was € 6.864 million (PY: € 6.849 million). The total variable component was € 3.973 million (PY: € 3.304 million). Management Board members received a pension supplement for the 2006 financial year in the amount of € 333 thousand (previous year: € 229 thousand), which was allocated to their respective pension reserves.

Accounting and Auditing

The consolidated financial statements and the interim reports are prepared in accordance with IFRS.

The consolidated financial statements are compiled by the Management Board and examined by an auditor and the Supervisory Board. The consolidated financial statements are to be published within 90 days after the end of the reporting period, the quarterly reports within 45 days. 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.

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.

The members of the Management Board of Axel Springer AG directly or indirectly hold a total of 531,249 shares of Axel Springer AG. Of this total, 468,949 shares are held indirectly by Dr Mathias Döpfner by way of Brilliant 310. GmbH. The remaining 62,300 shares are held by the Board members (including Dr Döpfner himself) directly, under the Management Participation Plan adopted by the Shareholders' Meeting of April 14, 2004. Under the terms of that plan, members of the Management Board (including Dr Döpfner) are furthermore entitled to options to purchase an additional total of up to 498,400 shares of Axel Springer AG. Regarding the Management Participation Plan, see also Note 14. f) to the annual financial statements.

The members of the Supervisory Board of Axel Springer AG directly or indirectly hold a total of 18,701,010 shares of Axel Springer AG. Of this total, 17,000,010 shares are held indirectly by Dr h c Friede Springer, through Friede Springer GmbH & Co. KG and Axel Springer Gesellschaft für Publizistik GmbH & Co., and 1,701,000 are held by Dr h c Friede Springer directly.

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 heads of Controlling, M&A, Legal Affairs, Corporate Communication and Investor Relations. The Ad Hoc Committee reports to the Management Board. Axel Springer has compiled the required list of insiders, which is kept by the Investor Relations Department. Insiders are informed about their legal obligations and sanctions.

Axel Springer AG published the declaration of conformity in accordance with § 161 of the Stock Corporation Act (AktG) in December 2006. The declaration of conformity is published on the Internet at www.axelspringer.de under > Investor Relations > Corporate Governance.

Declaration of Conformity in Accordance with 161 AktG:

“In accordance with § 161 of the German Stock Corporation Act (Aktiengesetz) the Board of Directors and the Supervisory Board of Axel Springer AG make the following declaration:

The Company is in compliance with the recommendations made by the “Commission of the German Corporate Governance Code” (Code), as revised on June 12, 2006 and announced by the German Ministry of Justice in the official section of the electronic Federal Gazette on July 24, 2006, except for the following points:

1. The list published by the Company of third party companies in which the Company has a shareholding that is not of minor importance for the enterprise contains the information required by law (No. 7.1.4, Sentence 3 of the Code).
The company avails itself fully of the opportunity to present a part of the information in a list of shareholdings rather than in the notes/consolidated notes. The list of shareholdings contains the information required by law. In so far as information on shareholders' equity and earnings may be omitted, then such information is omitted in order to avoid any disadvantage for the individuals concerned.

2. The management participation program approved by the Shareholders' Meeting on April 14, 2004 does not include any possibility of limitation (Cap) for extraordinary, unforeseen developments (No. 4.2.3, Sentence 7 of the Code).
The management participation program imposes virtually no financial burden on the enterprise. Under the terms of an agreement concluded with the companies run by the shareholder Hellman & Friedman, Axel Springer AG is entitled to buy back, at a comparable price, the number of shares that were sold to the members of the Board of Directors. Alternatively, the Company will receive a cash adjustment. In view of this financial hedge, the management participation program was not accompanied by any limitation based on share price.

3. Compensation of members of the Supervisory Board and any payments made to the members of the Supervisory Board for services provided individually are not presented individually in the Corporate Governance Report (No. 5.4.7, Sentences 6 and 7 of the Code).
The information is not individualized, since Axel Springer AG's competitors do not publish any emoluments.

The Compensation Report that is part of the Corporate Governance Report does not disclose by name the total compensation of each member of the Board of Directors. The relevant section of the Code, No. 4.2.4, expressly states that the compensation of the members of the Board of Directors must be disclosed by name, unless a resolution to the contrary is adopted by a three-quarters majority of the Shareholders' Meeting. A resolution to that effect was adopted by the required majority (pursuant to § 286, Paragraph 5, Sentence 1 of the HGB [German Commercial Code] and § 314, Paragraph 2, Sentence 2 of the HGB) at Axel Springer AG's Shareholders' Meeting on April 27, 2006. Axel Springer AG's competitors likewise do not publish emoluments of individuals.

Since the declaration of conformity made in December 2005, the Company has been in compliance with the recommendations of the Code in the version updated on June 2, 2005 and valid with effect from July 20, 2005, with the exceptions listed above (Nos. 1 through 3) and the following exceptions:

- Data on compensation of members of the Board of Directors are not presented individually in the notes to the consolidated financial statements (No. 4.2.4, Sentence 2 of the Code, as revised on June 2, 2005), because Axel Springer AG's competitors likewise do not publish any emoluments.

- In its report to the Shareholders' Meeting on April 27, 2006, the Supervisory Board inadvertently failed to advise the Shareholders' Meeting about the possible conflict of interest involving the Supervisory Board member, Brian M. Powers, in light of his planned takeover of the majority of shares in ProSiebenSat.1 Media AG, and how this should be handled (No. 5.5.3 S. 1 of the Code, as revised on June 2, 2005).

However, with respect to his negotiations regarding the takeover of ProSiebenSat.1 Media AG, Mr. Brian Powers has no influence whatsoever on internal decision-making at Axel Springer AG. On the contrary – as explained at the Shareholders’ Meeting on April 27, 2006 – consideration was given to the fact that he might represent a conflict of interest, in that he abstained from voting on the resolutions concerned when they were presented to the Supervisory Board for voting.”

Berlin, December 2006

Axel Springer AG

The Supervisory Board The Management Board

Consolidated Financial Statements
Group

Auditor's Report

We have audited the consolidated financial statements prepared by Axel Springer AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report, which is combined with the management report of the Company for the business year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315 a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and 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 combined 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 findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315 a Abs. (paragraph) 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 these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, February 23, 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Herrmann)	(ppa. Boll)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Consolidated Balance Sheet

Consolidated Balance Sheet at December 31, 2006

EUR thousands

ASSETS	Note	12/31/2006	12/31/2005
Non-current assets		**2,072,561**	**1,616,482**
Fixed assets		1,999,521	1,584,507
Intangible assets	(4)	190,442	130,894
Property, plant and equipment	(5)	754,303	781,522
Investment property	(6)	39,472	37,987
Non-current financial assets	(7)	1,015,304	634,104
Investments in associated companies accounted for by the equity method		269,332	238,532
Other non-current financial assets		745,972	395,572
Income tax receivables	(11)	52,938	0
Receivables and other assets	(9–12)	1,911	2,286
Deferred taxes	(29)	18,191	29,689
Current assets		**1,051,418**	**995,517**
Inventories	(8)	40,212	49,031
Trade receivables	(9)	203,534	179,460
Receivables due from related parties	(10)	71,358	66,365
Receivables from current income taxes		23,441	25,185
Other assets	(12)	124,164	90,348
Financial assets		104,336	80,522
Other assets		19,828	9,826
Cash and cash equivalents	(13)	588,709	585,128
Total assets		**3,123,979**	**2,611,999**

Consolidated Balance Sheet at December 31, 2006
EUR thousands

EQUITY AND LIABILITIES	Note	12/31/2006	12/31/2005
Equity	(14)	**1,795,078**	**1,184,989**
Shareholders of Axel Springer AG		1,778,606	1,174,410
Minority interests		16,472	10,579
Non-current provisions and liabilities		**651,679**	**634,484**
Provisions for pensions	(15)	286,661	280,391
Other provisions	(16)	41,796	32,371
Financial liabilities	(17)	101,422	140,405
Other non-current liabilities	(18, 20)	49,235	23,422
Deferred taxes	(29)	172,565	157,895
Current provisions and liabilities		**677,222**	**792,526**
Provisions for pensions	(15)	48,518	46,752
Other provisions	(16)	168,732	162,773
Financial liabilities	(17)	9,853	117,556
Trade payables		185,779	173,197
Liabilities due to related parties	(18)	45,258	45,588
Liabilities under current income taxes	(19)	66,055	95,637
Other liabilities and accruals	(20)	153,027	151,023
Financial liabilities		54,933	47,564
Other liabilities and accruals		98,094	103,459
Total equity and liabilities		**3,123,979**	**2,611,999**

Consolidated Income Statement

Consolidated Income Statement

EUR thousands

	Note	2006	2005
Revenues	(21)	2,375,934	2,391,505
Other operating income	(22)	92,039	129,164
Change in inventories and internal costs capitalized		1,554	3,989
Purchased goods and services	(23)	- 789,258	- 761,001
Personnel expenses	(24)	- 660,101	- 654,924
Depreciation, amortization and impairments	(25)	- 64,446	- 83,168
Other operating expenses	(26)	- 648,750	- 682,782
Income from investments	(27)	66,466	47,608
Income/expenses from associated companies accounted for by the equity method		22,955	24,524
Other investment income		43,511	23,084
Net financial income/expenses	(28)	26,147	- 24,372
Interest income		21,923	12,907
Interest and similar expenses		- 34,757	- 35,098
Other net financial income/expenses		38,981	- 2,181
Income taxes	(29)	- 106,128	- 134,582
Income from continuing operations		**293,457**	**231,437**
Income/expenses from discontinued operations	(2)	**- 2,609**	**- 702**
Consolidated net income		**290,848**	**230,735**
Consolidated net income attributable to shareholders of Axel Springer AG		282,083	226,147
Consolidated net income attributable to minority interests		8,765	4,588
Basic earnings per share from continuing operations (in €)	(30)	**9,28**	**7,40**
Diluted earnings per share from continuing operations (in €)	(30)	**9,21**	**7,35**
Basic earnings per share (in €)	(30)	**9,20**	**7,38**
Diluted earnings per share (in €)	(30)	**9,13**	**7,33**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

EUR thousands

	Note	2006	2005
Consolidated net income		290,848	230,735
Depreciation, amortization, impairments and increases in value of fixed assets		59,594	84,628
Gains(-)/losses (+) of associated companies accounted for by the equity method		- 22,955	- 24,524
Dividends received from associated companies accounted for by the equity method		32,928	10,960
Gains(-)/losses(+) on disposal of fixed assets		3,948	- 46,043
Income(-)/losses(+) from discontinued operations		2,609	702
Increase/decrease in non-current provisions		15,793	- 1,392
Increase/decrease in deferred taxes		29,486	31,978
Other non-cash income and expenses	(32)	- 13,625	- 25,491
Increase/decrease in inventories		8,792	- 14,167
Increase/decrease in trade receivables		- 24,745	13,291
Increase/decrease in other assets		- 99,250	2,847
Increase/decrease in current provisions		5,745	10,873
Increase/decrease in trade payables		14,566	23,050
Increase/decrease in receivables due from and liabilities due to related parties		- 6,334	4,136
Increase/decrease in other liabilities		- 43,859	- 77,912
Cash flow from operating activities		**253,541**	**223,671**
Proceeds from disposals of non-current intangible assets and property, plant and equipment		18,131	39,718
Proceeds from disposals of consolidated affiliated companies		1,964	15,824
Proceeds from disposals of other non-current financial assets		3,275	1,019
Net cash inflow/outflow from initial consolidation/deconsolidation		938	- 1,631
Purchases of non-current intangible assets, property, plant and equipment and investment property		- 37,760	- 43,227
Cash outflows for acquisition of consolidated subsidiaries		- 30,290	- 3,947
Purchases of other non-current financial assets		- 3,400	- 34,566
Cash flow from investing activities	(32)	**- 47,142**	**- 26,810**
Dividends paid			
Dividends paid to shareholders of Axel Springer AG		- 52,126	- 44,459
Dividends paid to minority interests		- 3,667	- 4,324
Capital contributions received			0
Repayments of finance lease obligations		- 270	- 2,348
Additions to other financial liabilities		3,164	4,543
Repayments of other financial liabilities		- 149,581	- 19,795
Cash flow from financing activities		**- 202,480**	**- 66,383**
Cash flow-related changes in cash and cash equivalents		**3,919**	**130,478**
Effects of foreign exchange rates on cash and cash equivalents		- 338	104
Cash and cash equivalents at beginning of period		585,128	454,546
Cash and cash equivalents at end of period	(31)	**588,709**	**585,128**

Cash Inflows and Outflows Contained in the Cash Flow from Operating Activities:

EUR thousands

	2006	2005
Income taxes paid	- 167,465	- 169,523
Income taxes received	4,021	4,231
Interest paid	- 21,926	- 18,743
Interest received	15,942	11,338
Investment income received	49,217	31,719

Consolidated Statement of Changes in Equity

Statement of Changes in Equity for 2006

EUR thousands

	Number of shares out-standing (shares)	Sub-scribed capital	Capital reserve	Consol-idated retained earnings	Treasury shares	Accumulated other equity			Share-holders of Axel Springer AG	Minority interests	Consol-idated equity
						Currency translation adjust-ments	Changes in fair value of financial instru-ments	Other			
Balance at 1/1/2006	**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**
Consolidated net income				282,083					282,083	8,765	290,848
Currency translation differences						485			485	- 104	381
Changes in fair values of financial instruments							360,143		360,143	208	360,351
Consolidated comprehensive income				**282,083**		**485**	**360,143**		**642,711**	**8,869**	**651,580**
Dividends paid				- 52,126					- 52,126	- 3,667	- 55,793
Management Participation Plan			9,501						9,501		9,501
Other changes recognized directly in equity for companies accounted for by the equity method								8,929	8,929		8,929
H&F call option			- 844						- 844		- 844
Other changes								- 3,975	- 3,975	691	- 3,284
Balance at 12/31/2006	**30,662,300**	**102,000**	**35,231**	**1,271,848**	**- 181,203**	**2,096**	**514,934**	**33,700**	**1,778,606**	**16,472**	**1,795,078**

Statement of Changes in Equity for 2005

EUR thousands

	Number of shares out-standing (shares)	Sub-scribed capital	Capital reserve	Consol-idated retained earnings	Treasury shares	Accumulated other equity			Share-holders of Axel Springer AG	Minority interests	Consol-idated equity
						Currency translation adjust-ments	Changes in fair value of financial instru-ments	Other			
Balance at 1/1/2005	**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
Changes 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 Program			3,213						3,213		3,213
Other changes recognized directly in equity for companies accounted for by the equity method								1,194	1,194		1,194
H&F call option			- 106						- 106		- 106
Other changes										- 1,034	- 1,034
Balance at 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**

Notes
Consolidated Statement of Changes in Fixed Assets

Consolidated Statement of Changes in Fixed Assets 2006
EUR thousands

	Acquisition/Production cost							
	01/01/2006	Initial consolidation	Deconsolidation	Currency translation differences	Additions	Disposals	Reclassifications	12/31/2006
Intangible assets								
Purchased rights and licenses	152,479	14	- 161	216	11,743	- 5,961	0	158,330
Internally generated rights	13,425	10,266	0	- 4	847	- 613	0	23,921
Goodwill	103,961	53,574	- 787	0	0	0	0	156,748
	269,865	**63,854**	**- 948**	**212**	**12,590**	**- 6,574**	**0**	**338,999**
Property, plant and equipment								
Land and buildings, including buildings on third-party land	545,761	0	0	- 53	1,859	- 236	2,731	550,062
Technical equipment and machinery	535,512	0	- 1	- 18	7,773	- 20,077	10,446	533,635
Other equipment, operational and office equipment	151,253	452	- 454	3	12,670	- 11,113	99	152,910
Construction in progress	12,352	0	0	3	1,631	- 1,202	- 10,660	2,124
	1,244,878	**452**	**- 455**	**- 65**	**23,933**	**- 32,628**	**2,616**	**1,238,731**
Investment property	**80,607**	**0**	**0**	**0**	**395**	**- 47**	**- 2,616**	**78,339**
	Acquisition cost or fair value							
Non-current financial assets								
Investments in subsidiaries	64,162	-238	565	4	764	- 2,381	- 565	62,311
Investments in associated companies accounted for by the equity method	238,532	0	0	0	32,616	- 32,928	31,112	269,332
Other investments in associated companies	88,932	0	0	- 11	6,597	- 9,250	- 29,472	56,796
Investments in other related companies	313,085	0	- 71	0	376,658	- 4,463	- 1,268	683,941
Loans	9,754	106	0	0	1	- 2,700	172	7,333
Securities and other non-current financial assets	3,334	0	0	- 1	367	- 334	21	3,387
	717,799	**- 132**	**494**	**- 8**	**417,003**	**- 52,056**	**0**	**1,083,100**

Consolidated Statement of Changes in Fixed Assets 2005
EUR thousands

	Acquisition/Production cost						
	01/01/2005	Initial consolidation	Currency translation differences	Additions	Disposals	Reclassifications	12/31/2005
Intangible assets							
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, operational and office equipment	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**
	Acquisition 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 by 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**

	Depreciation, amortization and impairments							Carrying amounts		
	01/01/2006	Decon-solidation	Currency translation differences	Additions	Disposals	Reclassi-fications	Write-ups	12/31/2006	12/31/2006	12/31/2005
	88,085	- 45	35	9,207	- 3,494	0	0	93,788	64,542	64,394
	3,610	0	- 6	2,889	0	0	0	6,493	17,428	9,815
	47,276	0	0	1,000	0	0	0	48,276	108,472	56,685
	138,971	**- 45**	**29**	**13,096**	**- 3,494**	**0**	**0**	**148,557**	**190,442**	**130,894**
	128,713	0	- 10	10,545	- 73	93	0	139,268	410,794	417,048
	233,991	- 1	- 6	25,375	- 19,066	- 47	0	240,246	293,389	301,521
	100,030	- 96	54	14,594	- 10,337	47	0	104,292	48,618	51,223
	622	0	0	0	0	0	0	622	1,502	11,730
	463,356	**- 97**	**38**	**50,514**	**- 29,476**	**93**	**0**	**484,428**	**754,303**	**781,522**
	42,620	**0**	**0**	**836**	**- 15**	**- 93**	**- 4,481**	**38,867**	**39,472**	**37,987**
	Depreciation, amortization and impairments							Carrying amounts		
	44,009	0	- 1	82	- 2,253	0	- 1	41,836	20,475	20,153
	0	0	0	0	0	0	0	0	269,332	238,532
	31,916	0	0	5	- 9,175	1,075	0	23,821	32,975	57,016
	5,632	- 71	0	0	- 3,976	- 1,075	- 510	0	683,941	307,453
	2,117	0	0	53	- 51	0	0	2,119	5,214	7,637
	21	0	0	0	- 1	0	0	20	3,367	3,313
	83,695	**- 71**	**- 1**	**140**	**- 15,456**	**0**	**- 511**	**67,796**	**1,015,304**	**634,104**

	Depreciation, amortization and impairments							Carrying amounts	
	01/01/2005	Decon-solidation	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**
	Depreciation, amortization and 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**

Segment Reporting

Segment Reporting – Primary Reporting Format

EUR thousands

	Newspapers		Magazines		Printing		Services/Holding		Consolidated total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
External revenues	**1,462,810**	**1,441,965**	**786,337**	**787,108**	**43,422**	**81,005**	**83,365**	**81,427**	**2,375,934**	**2,391,505**
Internal revenues	15,732	19,249	9,101	7,261	243,750	279,347	148,543	154,706		
Segment revenues	1,478,542	1,461,214	795,438	794,369	287,172	360,352	231,908	236,133		
EBITDA	**299,834**	**329,580**	**76,523**	**56,773**	**33,163**	**44,627**	**23,213**	**- 17,403**	**432,733**	**413,577**
investment income included therein	20,397	15,665	4,852	5,819	6,126	10,995	35,091	16,938	66,466	49,417
thereof accounted for by the equity method	15,391	7,406	4,285	7,688	4,429	9562,946	- 1,150	- 133	22,955	24,524
Depreciation, amortization and impairments	- 6,378	- 6,328	- 7,901	- 7,220	- 27,155	- 33,632	- 22,012	- 28,088	- 63,446	- 75,268
thereof impairments	- 140		0		0		- 1,307	- 4105	- 1,447	- 4,105
Write-ups			**0**		**0**		**4,481**		**4,481**	
Segment earnings (EBITA)	293,456	323,252	68,622	49,553	6,008	10,995	5,682	- 45,491	373,768	338,309
Impairment losses in goodwill			**- 1,000**	**- 7,900**	**0**		**0**		**- 1,000**	**- 7,900**
EBIT	293,456	323,252	67,622	41,653	6,008	10,995	5,682	- 45,491	372,768	330,409
Non-recurring items (Note (33))	**0**		**819**	**- 1,400**	**0**	**16,000**	**- 149**	**45,382**	**670**	**59,982**
Earnings before interest, taxes and discontinued operations	**293,456**	**323,252**	**68,441**	**40,253**	**6,008**	**26,995**	**5,533**	**- 109**	**373,438**	**390,391**
Net financial income/expenses									26,147	- 24,372
Income taxes									- 106,128	- 134,582
Income from continuing operations									**293,457**	**231,437**
Capital expenditures	11,738	6,924	7,710	7,533	8,990	14,792	8,480	14,463	36,918	43,712
Segment assets	327,426	240,358	266,614	228,931	488,064	662,539	1,187,206	766,868	2,408,913	1,898,697
thereof accounted for by the equity method	104,665	67,010	7,469	15,913	142,621	149,189	14,577	6,418	269,332	238,531
Segment liabilities	342,213	328,729	213,711	205,341	176,395	168,344	241,714	207,672	974,033	910,086
Employees	4,467	4,182	2,382	2,414	1,262	1,854	1,622	1,716	9,733	10,166

Segment Reporting – Secondary Reporting Format

EUR thousands

	Domestic		Foreign		Consolidated total	
	2006	2005	2006	2005	2006	2005
Consolidated external revenues	1,992,779	2,007,848	383,155	383,657	2,375,934	2,391,505
Capital expenditures	29,069	38,361	7,849	5,351	36,918	43,712
Segment assets	2,274,210	1,792,076	134,703	106,621	2,408,913	1,898,697

General information

(1) Introduction

By application of Section 315 a of the German Commercial Code ("HGB"), the consolidated financial statements at December 31, 2006 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 the 2006 financial year 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" or "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 record 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 derivative 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. Transactions with minority shareholders are accounted for in the same way as transactions with company shareholders. Differences between the sales and purchases of minority interests are set off within equity.

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 as well as 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. Intermediate profits are not eliminated when they are immaterial. 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:

	12/31/2006	12/31/2005
Fully consolidated companies		
Domestic	31	28
Foreign	16	15
Fully consolidated special-purpose entities		
Domestic	5	4
Foreign	1	1
Companies accounted for by the equity method		
Domestic	10	7
Foreign	2	1

The companies included in the consolidation group are listed in Note (40). 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.

The following changes occurred in the consolidation group in the 2006 financial year:
Within Germany, the companies B.Z. Ullstein GmbH, Berlin, Sport-B.Z. GmbH, Berlin, Axel Springer China GmbH, Hamburg, Immonet Betriebs GmbH & Co. KG, Hamburg, and Idealo Internet GmbH, Berlin, were fully consolidated for the first time. The company AS Zeitschriften Berlin GmbH, Berlin, was merged into the fully consolidated company Axel Springer Mediahouse München GmbH, Munich (formerly Axel Springer Young Mediahouse GmbH, Munich). The company Punkt Direktvertriebs GmbH, Hamburg, was contributed to the company PIN Group AG, Leudelingen/Luxembourg, which is accounted for by the equity method. Outside Germany, the companies Shanghai Springer Advertising Co., Ltd, Shanghai/China, Shanghai Springer Print Media Distribution Co., Ltd, Shanghai/China, and Axel Springer Editions SAS, Levallois-Perret/France, were fully consolidated for the first time. The company Axel Springer Presse S.A.S., Levallois-Perret/France, was sold. In Poland, the company Grupa Wydawnicza Axel Springer Sp. zo.o., Warsaw, was merged into the fully consolidated company "Axel Springer Polska" Sp. zo.o., Warsaw.
The addition to the group of fully consolidated special-purpose entities was BayernInvest AS Invest Plus-Fonds, Munich.
The investments in the companies Lübecker Nachrichten GmbH, Lübeck, Kieler Zeitung Verlags- und Druckerei KG-GmbH & Co., Kiel, Kieler Zeitung Verwaltungs GmbH & Co. Beteiligungs KG, Kiel, and Kieler Zeitung GmbH & Co. Offsetdruck KG, Kiel, were included in the consolidation group for the first time, by application of the equity method. Also, Axel Springer AG contributed its investment in PIN intelligente dienstleistungen AG, Berlin, which had formerly been accounted for by the equity method, to the company PIN Group AG, Leudelingen/Luxembourg, which was added to the consolidation group for the first time, by application of the equity method.

(c) Acquisitions

In accordance with IFRS 3 Business Combinations, information concerning the business combinations effected during the financial year and in the time between the balance sheet date and the release for publication of the annual financial statements must be disclosed in the notes to the financial statements.

On September 25, 2006, the Group acquired a 74.9 % interest in the company Idealo Internet GmbH, Berlin, after receiving the necessary approval from the competent cartel authorities and paying the cash purchase price of EUR 28,808 thousand. This company operates the price and product search machine Idealo.de. Besides the cash purchase price and transaction costs of EUR 60 thousand, the acquisition cost of EUR 59,989 thousand also contains conditional purchase price components in the form of put options on the remaining shares of this company. In consideration of the put options issued in connection with this business combination, no minority interest was recognized in the initial consolidation of this subsidiary. The obligation resulting from these options was recognized as a liability and measured at the present value of the expected amount required to settle the obligation.
In the fourth quarter of 2006, this newly acquired company contributed EUR 3,315 thousand to consolidated revenues and EUR 859 thousand to the consolidated net income of the Group. The financial statements of this company were converted to IFRS only after the effective date of the acquisition. Thus, it is not possible to state the revenues and earnings according to IFRS for the 2006 financial year. According to the accounting rules of the German Commercial Code (HGB), Idealo Internet GmbH generated revenues of EUR 10,738 thousand and net income of EUR 2,701 thousand in 2006.
The acquisition costs can be assigned to the acquired assets and liabilities as follows:

EUR thousands	**Carrying amount before acquisition**	**Adjustment amount**	**Carrying amount after acquisition**
Other intangible assets	2,448	7,833	10,281
Goodwill	0	52,814	52,814
Property, plant and equipment	253	0	253
Other non-current assets	116	0	116
Current assets	1,586	0	1,586
Cash and cash equivalents	1,450	0	1,450
Provisions and liabilities	2,476	0	2,476
Deferred tax liabilities	988	3,047	4,035
Acquisition cost			**59,989**

Of the other intangible assets acquired, intangible assets stated at EUR 7,655 thousand do not have definite useful lives.
In the interim financial statements at September 30, 2006, the goodwill arising on this acquisition was stated at the preliminary amount of EUR 59,374 thousand. As a result of the purchase price allocation process, the stated value of goodwill has been reduced to EUR 52,814 thousand. The goodwill arising on this transaction can

be credited mainly to the positive expectations for the company's future business performance.

Following receipt of the necessary approval by the competent cartel authorities, the business combination with Jean Frey AG, Zurich, was completed on the closing date of January 5, 2007, and was therefore not reflected in the consolidated financial statements at December 31, 2006. Axel Springer AG acquired 99.5 % of the equity of this Swiss publishing group, which publishes a consumer advice magazine, a TV magazine and a business magazine.
The preliminary purchase price is CHF 157,197 thousand (EUR 97,945 thousand). On January 16, 2007, Axel Springer AG made a purchase offer to the remaining small-block shareholders. The extended acceptance period will expire on March 31, 2007. Thus, this offer entails the obligation to pay an amount of CHF 610 thousand (EUR 379 thousand) to the remaining shareholders. Because the acquisition is quite recent, it was not yet possible to allocate the purchase price to the acquired assets and liabilities. However, it can be assumed that the purchase price will be allocated primarily to title rights, subscriber lists and goodwill.

Following receipt of the necessary approval by the competent cartel authorities, the acquisition of T+M-Verlagsgruppe by Vision Media Holding GmbH, Hamburg, a wholly-owned subsidiary of Axel Springer AG, was completed on the closing date of January 29, 2007. Under this transaction, Vision Media Holding increased its share of the equity of T+M Verlags GmbH, Hamburg, from 48.8 % to 95 %, and its share of the equity of Cleopatra Produktions GmbH, Hamburg, from 44 % to 95 %. The principal business activity of T+M-Verlagsgruppe consists in the publication of a customer magazine. The preliminary cash purchase price was EUR 1,660 thousand.

For information on company acquisitions that are still pending and on share purchases that do not fall within the scope of IFRS 3, please refer to Note (39).

(d) Discontinued Operations

As part of the strategic reorientation to focus on the core activities of the Axel Springer Group, the Books segment was sold in 2003. In financial year 2006, 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 2,609 thousand (PY: EUR 702 thousand).

(e) 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 accumulated other 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	
	2006	2005	12/31/2006	12/31/2005
Czech koruna	28.276	29.782	27.528	29.047
Russian ruble	34.178	35.188	34.692	34.023
Hungarian forint	264.208	248.050	251.495	252.480
Polish zloty	3.901	4.023	3.826	3.856
Swiss francs	1.577	1.548	1.608	1.556
Chinese yen	10.009	-	10.282	-

(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 or the income is collected in the interest of third parties, only the corresponding commission income or proportion of revenue accruing to the Axel Springer Group are recognized as revenues.
If the fair value of the consideration received under barter transactions cannot be measured reliably, the fair value of such consideration is determined by comparison with reference transactions.

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 in 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-financial" 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-financial 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 the common shares was determined with reference to a comparison transaction and the fair value of the preferred shares was determined on the basis of the listed stock market price, less certain applied discounts. The comparison transactions applied were the purchase agreement by Lavena Holding 4 GmbH, an investment company controlled by KKR and Permira, for the acquisition of their majority interest in ProSiebenSat.1 Media AG, dated December 14, 2006, and the public takeover offer by Lavena 4 Holding GmbH to the shareholders of P7S1 dated January 26, 2007. The purchase price offered in the public takeover offer was EUR 28.7145 for each common share and EUR 22.45 for each preferred share. As in prior years, the values for each share class were reduced by a discount to account for the existing prohibition on the sale of these shares. The discount applied at December 31, 2006 was small. It 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. In the prior years, the value of these shares had been measured on the basis of the listed stock exchange price for the preferred shares of ProSiebenSat.1 Media AG, with an adjustment to account for the different features of the unlisted common shares held by Axel Springer AG compared with the preferred shares.

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 accumulated other 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 carry-forwards. 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 and liabilities between companies forming an integrated intercompany relationship for tax purposes are netted if they are based on the same kind of income taxes; otherwise, they are netted only if the deferred taxes are based on the income taxes imposed by the same tax authority and only when current taxes can be netted as well.

(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 accumulated other equity, together with the resultant tax effects. The amounts recognized in accumulated other 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

There follows a description of the (new/modified) IFRS/IAS accounting standards and interpretations, to be applied for the first time in the 2006 financial year:

Application of the modified IAS 39 is mandatory as of January 1, 2006. Among other changes, the ability to classify certain assets and liabilities as financial assets or financial liabilities measured at fair value was somewhat restricted. Nonetheless, the securities classified as financial assets or liabilities in the consolidated financial statements of Axel Springer AG still meet the criteria for measurement at fair value at the balance sheet date.

Application of the modified IAS 19 is mandatory as of January 1, 2006. As a result, the Company now has the option to recognize immediately in income the actuarial gains and losses related to the stated pension obligations. Nonetheless, Axel Springer will continue to recognize actuarial gains and losses not immediately, but over the average remaining service lives of the pension beneficiaries, provided that the actuarial gains and losses are not greater than 10 % of the scope of obligations or the fair value of plan assets, whichever is higher.

The modified IAS 21 clarifies the requirements to be met with regard to net capital expenditures of an enterprise in a foreign business establishment. For example, the relevant rules can now be applied also to the loans extended to the foreign business establishment by any subsidiary, not only by the parent company (IAS 21.15A). At the present time, the modified standard is not materially relevant to the Axel Springer Group. But as the Group continues to expand its business in foreign countries, this standard will become increasingly relevant.

In accordance with IFRIC 4, application of which is mandatory as of January 1, 2006, contractual relationships must be reviewed to determine whether any specific assets which are legally owned by the contract partner are in fact under the physical and economic control of the reporting enterprise, such that third parties would be excluded from using the assets in question and would not purchase any more than an insignificant portion of the production generated with these assets, for example. With regard to the use of such assets, the classification of embedded leases and the corresponding effects on the accounting treatment according to IAS 17 would have to be reviewed. The first-time application of this standard did not have a material effect on the net assets and earnings of Axel Springer AG. Furthermore, Axel Springer is not materially affected by the new requirements, applicable as of January 1, 2006, emanating from the changes made to IAS 39 with respect to the Cash Flow Hedge Accounting of Forecast Intragroup Transactions, nor by the changes made to IAS 39 and IFRS 4 with respect to Financial Guarantee Contracts, IFRS 6 Exploration for and Evaluation of Mineral Resources, and IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds and IFRIC 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.

There follows a description of the (new/modified) IFRS/IAS and interpretations applicable for the first time in subsequent financial years.
IFRS 7, application of which is mandatory as of January 1, 2007, entails additional disclosure requirements for financial instruments, including on the subject of the risks associated with the financial instruments.
The modified IAS 1, application of which is mandatory as of January 1, 2007, entails disclosure requirements regarding the composition and management of the so-called economic equity, including on the subject of external restrictions on the use of company capital. Under the circumstances known at the balance sheet date, the modified Standard will not be relevant to Axel Springer AG.
Upon being approved by the European Union, but no later than January 1, 2009, IFRS 8 will be applied for the preparation of the consolidated financial statements of Axel Springer AG. This standard will supersede the former IAS 14. As part of the so-called Convergence Project, it will adapt the segment reporting rules of IFRS to the corresponding rules of FAS 131.
The interpretations IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 10 Interim Financial Reporting and Impairment, all of which will be applicable for the first time in the 2007 financial year, as well as the interpretations IFRIC 11 IFRS 2 - Group and Treasury Share Transactions and IFRIC 12 Service Concession Arrangements, which will be applicable as of the 2008 financial year, are not expected to have a material impact on the presentation of the net assets, financial position and earnings of the Axel Springer Group.

Notes to the Consolidated Balance Sheet

(4) Intangible Assets

The changes occurring in each category of intangible assets of the Axel Springer Group are presented 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 34,891 thousand (PY: EUR 34,026 thousand).
The internally generated intangible assets consist of software solutions and Web sites.
In 2006, an impairment loss of EUR 1,447 thousand (PY: EUR 25 thousand) was recognized to account for purchased software that can no longer be used in the Axel Springer Group. Impairment losses were recognized in goodwill on the basis of the future prospects for business success.

Due to the slowing growth of the Czech magazines market and the additional competition in the sector of automotive magazines, the earnings of Axel Springer Praha a.s. could be permanently lower than previously expected. Therefore, an impairment loss was recognized in the goodwill of this company in 2006.
In 2005, impairment losses of EUR 7,900 thousand were recognized in the title rights of Les Publications Grand Public S.A.S.

(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.” These assets consisted of four IT servers, for which a sale-and-leaseback agreement with a term of three years was concluded in 2005. The residual book values of the IT servers totalled EUR 466 thousand at the balance sheet date (PY: EUR 815 thousand).
At December 31, 2006, items of property, plant and equipment with acquisition or production costs of EUR 108,966 thousand (PY: EUR 114,313 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 long term. The space set aside for rental to third parties was reduced in 2006.

Rental revenues of EUR 2,316 thousand (PY: EUR 1,946 thousand) were generated and rental expenses of EUR 1,036 thousand (PY: EUR 1,230 thousand) were incurred in 2006. Directly allocable expenses of EUR 965 thousand (PY: EUR 819 thousand) were incurred for the space that has not yet been rented. At December 31, 2006, the tenancy rate was about 61 %.
The fair value of real estate investment property at December 31, 2006 was EUR 39,472 thousand (PY: EUR 37,987 thousand). The higher fair value of the space set aside for rental to third parties and the write-up resulting from the rededication of space together necessitated a write-up of EUR 4,481 thousand (PY: impairment loss of EUR 4,105 thousand). 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 by the equity method totalled EUR 24,855 thousand (PY: EUR 24,524 thousand), the Group's share of those companies' revenues totalled EUR 426,328 thousand (PY: EUR 260,643 thousand), their assets EUR 418,123 thousand (PY: EUR 326,547 thousand) and their liabilities EUR 246,541 thousand (PY: EUR 203,793 thousand). The fact that revenues increased while the net income remained on the level of the previous year can be attributed largely to the first-time full-year inclusion of Prinovis Ltd. & Co. KG, Hamburg, in the consolidated income statement of the Group. Furthermore, the inclusion at equity of PIN Group AG, Luxembourg, and the first-time inclusion at equity of the Kieler und Lübecker newspaper publishers caused an increase in the revenues, net income, assets and liabilities of the Group.
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	12/31/2006	12/31/2005
At fair value	688,774	325,975
At amortized cost	50,104	60,093
Available-for-sale financial instruments held as fixed assets	**738,878**	**386,068**
Financial instruments held as fixed assets in the category of loans and receivables	**7,094**	**9,504**
Other non-current financial assets	**745,972**	**395,572**

The increase in the available-for-sale financial instruments held as fixed assets resulted primarily from the higher price of the preferred shares of ProSiebenSat.1 Media AG in 2006 and from the application of the public takeover offer to the shareholders of ProSiebenSat.1 Media AG for the purpose of fair value measurement of the ProSiebenSat.1 Media AG shares held by the Axel Springer Group (see Note (3)(f)).

(8) Inventories

The inventories break down as follows:

EUR thousands	12/31/2006	12/31/2005
Raw materials and supplies	35,676	42,259
Semi-finished goods	2,686	4,448
Finished goods and merchandise	1,850	2,324
Inventories	**40,212**	**49,031**

Inventories of EUR 9,246 thousand (PY: EUR 9,655 thousand) were measured at their net realizable value. At December 31, 2006, the valuation allowance for these inventories amounted to EUR 2,870 thousand (PY: EUR 2,311 thousand), of which amount EUR 2,392 thousand was recognized in income in 2006 (PY: EUR 2,059 thousand).

(9) Trade Receivables

The trade receivables break down as follows:

EUR thousands	12/31/2006	12/31/2005
Trade receivables, nominal	213,040	187,938
Allowances for doubtful trade receivables	- 9,506	- 8,443
Trade receivables	**203,534**	**179,495**

The increase in trade receivables resulted from changes in the consolidation group, as well as the increased scope of business activities conducted outside of Germany and effects related to the balance sheet date.

(10) Receivables Due from Related Parties

The receivables due from related parties break down as follows:

EUR thousands	12/31/2006	12/31/2005
Receivables due from companies accounted for by the equity method	40,241	37,285
Receivables due from other associated companies	14,973	16,924
Receivables due from non-consolidated subsidiaries	8,958	7,240
Receivables due from other related parties	7,186	4,916
Receivables due from related parties	**71,358**	**66,365**

The receivables due from companies accounted for by the equity method contain a claim to reimbursement of pension obligations in the amount of EUR 31,764 thousand (PY: EUR 32,797 thousand) (see Note (15)). Valuation allowances of EUR 7,000 thousand were recognized at December 31, 2006 to account for discernible default risks (PY: EUR 26,336 thousand).
For more comments on this subject, please refer to Note (36).

(11) Income Tax Receivables

Based on the new law, announced on December 13, 2006, on tax measures related to the introduction of European Companies and the amendment of other tax regulations (SEStEG), the corporate income tax credit established in connection with the transition from the credit method to the half-income method will be disbursed in 10 equal annual installments, beginning in 2008. This claim was discounted to present value and presented in the balance sheet in the amount of EUR 52,938 thousand.

(12) Other Assets

The Other assets break down as follows:

EUR thousands	12/31/2006	12/31/2005
H&F call option	45,911	31,367
Receivables from Kirch insolvency	33,590	0
Credit balances with suppliers	1,985	2,098
Receivables due from employees	1,937	1,715
Purchase price receivables	0	16,600
Derivatives in cash flow hedges	0	14,428
Other	22,782	16,533
Non-current financial assets	**106,205**	**82,741**
Receivables from other taxes	12,576	2,628
Accruals	7,294	7,230
Miscellaneous other assets	**19,870**	**9,858**
Other assets	**126,075**	**92,599**

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 would 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 income/expenses.

The sale of a majority interest by H&F in 2006 entailed the consequence that the stock options issued in connection with the Management Participation Plan can be exercised at an earlier time than originally stipulated. The shortened life span of these stock options was applied for the purpose of measuring their fair value at December 31, 2006, and had the effect of increasing the income from fair value adjustments by EUR 1,703 thousand in 2006.

A creditor composition agreement related to the Kirch insolvency established claims of EUR 7,590 thousand at the balance sheet date. In 2004, moreover, a receivable due to Axel Springer AG in the amount of EUR 325,000 thousand was accepted in the table of claims under the insolvency proceeding for KirchMedia GmbH & Co. KGaA i.L. In connection with the upcoming preliminary distribution, Axel Springer AG can expect to receive a payment of EUR 26,000 thousand.
In the previous year, the purchase price receivables related to real estate sales. For more information on the derivatives used in cash flow hedges, please refer to Note (35). The Other financial assets contain preliminary transaction costs, mainly in relation to the acquisition of the minority investments in Doğan TV Radyo Yayın Yapim ve Haber Ajansı A. Ş., Istanbul/Turkey, and in Telewizja Polsat S.A., Warsaw/Poland. The increase in the Other tax receivables related to the sales tax refund claims of a subsidiary of Axel Springer AG.

(13) Cash and Cash Equivalents

EUR thousands	12/31/2006	12/31/2005
Cash	475,625	517,778
Marketable securities due in up to three months	113,084	67,350
Cash and cash equivalents	**588,709**	**585,128**

The marketable securities are measured at fair value without exception.

(14) 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 5 % 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 (12)). 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 (14)(f)).

(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 the restrictions set forth in the company's articles of incorporation and bylaws:

EUR thousands	12/31/2006	12/31/2005
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) Accumulated Other Equity

The accumulated other equity breaks down as follows:

EUR thousands	12/31/2006	12/31/2005
Changes in fair value of *available for sale* securities	514,934	143,241
Other changes, not recognized in income, in companies accounted for by the equity method	37,675	28,746
Adjustments for translation of financial statements in foreign currency	2,096	1,611
Changes in fair value of derivatives in *cash flow hedges*	0	11,550
Difference from the acquisition of shares of other shareholders	- 3,975	0
Accumulated other equity	**550,730**	**185,148**

The increase in the fair values of available-for-sale securities occurred almost exclusively in the shares of ProSiebenSat.1 Media AG. At December 31, 2005, the other changes in companies accounted for by the equity method resulted mainly from a capital increase in 2004 in which the Group did not participate. The addition in 2006 was mainly caused by the first-time application of the equity method to account for an investment that had previously been carried at cost. The minority interests of one subsidiary were acquired in full by means of share purchases. The resulting difference was recognized directly in the item of accumulated other equity, with no effect on the income statement.

(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. The granting of stock options generated an expense of EUR 1,602 thousand, which was recognized in 2004.

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. If the H&F majority sale would occur in 2006, the EBITA for 2006 would be applied, rather than the EBITA 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 grant date, 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. There were no changes in the number of stock options held by members of the Management Board in 2006 and consequently there were 498,400 stock options outstanding at December 31, 2006. Based on the exercise conditions, no stock options were exercisable at December 31, 2006.
The fair values of 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 grant date. in EUR	26.18	32.14

The H&F majority sale effected at December 18, 2006, gave rise to changes regarding the vesting period and the EBITA limits for the stock options. These changes were accounted for by the amortization of the total imputed compensation component of EUR 16,048 thousand to be recognized as expenses, resulting in the recognition in 2006 of EUR 9,501 thousand (PY: EUR 3,231 thousand) as personnel expenses related to the compensation component of the stock options. In accordance with IFRS 2, the capital reserve was increased by the same amount. At December 31, 2006, the intrinsic value of a stock option that can be exercised as of December 18, 2007 was EUR 77.90 (PY: EUR 52.37) and the intrinsic value of a stock option that can be exercised as of December 18, 2008 was EUR 76.74 (PY: EUR 52.37).

(g) Minority Interests

The minority interests relate mainly to the following companies:

	12/31/2006	12/31/2005
Bild.T-Online.de AG & Co. KG, Berlin	10,634	6,871
Special-purpose entities	3,598	3,312
Other companies	2,240	396
Minority interests	**16,472**	**10,579**

(15) 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. There are no plan assets.

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 2006 and 2005:

	2006	2005
Discount rate	4.50 %	4.25 %
Salary trend	0–2.5 %	0–2.5 %
Pension trend	1.75 %	1.75 %

With respect to life expectancies, the 2005 G 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 also agreed in 2005 to transfer the pension obligations attributable to this division. The Commercial Register entry, upon which the legal validity of this transfer depends, had not yet been effected at the balance sheet 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 21,089 thousand (PY: EUR 20,772 thousand) were incurred for defined benefit plans in 2006. These expenses break down as follows:

EUR thousands	2006	2005
Service cost	7,171	5,603
Personnel expenses	**7,171**	**5,603**
Interest expenses	15,409	16,867
Reimbursement of interest expenses per reimbursement right	- 1,491	- 1,698
Pension expenses	**21,089**	**20,772**

The service cost for 2006 contains realized actuarial losses of EUR 547 thousand (PY: EUR 0).

The provision for pensions underwent the following changes in 2006:

EUR thousands	2006	2005
Provision at January 1	327,143	331,859
Pension expenses (before reimbursements)	22,580	22,470
Employee contributions	3,187	3,079
Changes in consolidation group	-90	-58
Transfer of pension obligations	0	- 12,850
Payments to retirees	- 17,641	- 17,357
Provision at December 31	**335,179**	**327,143**
Reimbursement claims	- 31,764	- 32,797
Net obligation at December 31	**303,415**	**294,346**

Of the payments to retirees stated above, an amount of EUR 2,524 thousand (PY: EUR 2,507 thousand) related to the pension obligations that have not yet been transferred to PRINOVIS Ltd. & Co. KG, Hamburg, which are the subject of the reimbursement claim. The value of this provision breaks down as follows:

EUR thousands	12/31/2006	12/31/2005
Present value of pension obligations funded by provisions	362,502	370,151
Unrealized actuarial gains and losses	- 27,323	- 43,008
Provision	**335,179**	**327,143**

The changes in the present value of pension obligations funded by pension provisions are presented in the table below:

EUR thousands	2006	2005
Obligation at January 1	370,151	331,216
Pension expenses (before reimbursements)	22,580	22,470
Actuarial gains (PY: losses)	- 15,685	43,651
Contributions by employees	3,187	3,079
Changes in consolidation group	- 90	- 58
Transfer of pension obligations	0	- 12,850
Payments to retirees	- 17,641	- 17,357
Obligation at December 31	362,502	370,151

Due to changes in the group of pension beneficiaries and recipients, the pension obligation at December 31, 2006 was more favorable than had been projected for this time in the previous year. The resulting gain, known as an experience gain, amounted to EUR 2,926 thousand.
The payments to retirees are expected to reach EUR 17.9 million in 2007.

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 Note24). For 2006, these expenses amounted to EUR 38,580 thousand (PY: EUR 39,827 thousand). Beyond paying the contributions, the Group bears no further performance obligations.

Other changes in the amount of EUR 163 thousand (PY: EUR 83 thousand) resulted primarily from changes in the consolidation group, currency translation differences and compounding.
Non-current provision amounts are mainly included in the provisions for partial early retirement plans, in the amount of EUR 32,887 thousand (PY: EUR 25,329 thousand) and for structural measures, in the amount of EUR 6,916 thousand (PY: EUR 2,839 thousand).

(16) Other Provisions

The Other provisions break down as follows:

EUR thousands	Balance at 01/01/2006	Utilization	Reversal	Addition	Other changes	Balance at 12/31/2006
Partial early retirement program (Altersteilzeit)	38,751	14,086	312	21,937	57	46,347
Other obligations to employees	30,588	24,056	684	25,564	18	31,430
Returns	29,592	28,684	852	28,810	13	28,879
Litigation expenses	18,326	2,014	3,697	12,171	-153	24,633
Structural measures	19,597	16,049	1,751	19,735	-82	21,450
Discounts and rebates	8,683	8,372	303	9,965	-7	9,967
Other taxes	4,726	408	16	1,443	0	5,746
Site restoration obligations	3,590	104	512	1,692	-18	4,648
Miscellaneous other provisions	41,291	20,019	5,294	21,011	440	37,429
Other provisions	**195,144**	**113,792**	**13,421**	**142,328**	**269**	**210,528**

The Other obligations towards employees primarily include variable compensation tied to performance and loyalty bonuses. The provisions for litigation expenses at December 31, 2006 were mainly composed of provisions related to the sale of the Books segment in 2003 and for legal disputes based in corporate law, cartel law and journalism law. In the estimation of the Company, the outcome of these disputes will not generate any significant expenses beyond the amounts set aside in the provisions at December 31, 2006. The miscellaneous other provisions account for anticipated losses on rental agreements, interest from tax audits, surrender and retention obligations.

(17) Financial Liabilities

The financial liabilities break down as follows:

EUR thousands	12/31/2006	12/31/2005
Liabilities due to banks	110,579	254,995
Liabilities under finance leases	696	966
Other financial liabilities	0	2,000
Financial liabilities	**111,275**	**257,961**

The liabilities due to banks at December 31, 2006 are characterized by the utilization amounts, interest rates and maturities set forth in the table below. All liabilities are denominated in euros. Short-term overdraft facilities are not presented in the table.

2006 EUR 000s	2005 EUR 000s	Interest rate in %	Maturity
40,816	41,882	5.64	10/31/2012
20,866	21,742	6.73	07/31/2011
17,090	18,239	5.65	06/30/2012
12,683	13,218	5.09	11/30/2013
7,669	8,149	3-month Euribor + 0.3	10/15/2022
7,500	10,500	3.99	03/31/2009
0	100,000	3-month Euribor + 0.5	-
0	22,500	3-month Euribor + 0.5	-
0	15,000	3-month Euribor + 0.5	-

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.
The due dates of liabilities owed to banks, which are subject to interest rate risks, are presented in the table below:

EUR thousands	12/31/2006	12/31/2005
6 – 12 months	2,589	2,320
1 - 2 years	0	100,000
2 - 3 years	7,500	0
3 - 4 years	0	10,500
4 - 5 years	20,866	0
More than 5 years	79,624	142,175
	110,579	**254,995**

(18) Liabilities Due to Related Pparties

The liabilities due to related parties break down as follows:

EUR thousands	12/31/2006	12/31/2005
Liabilities due to non-consolidated subsidiaries	20,931	18,446
Liabilities due to companies accounted for by the equity method	16,436	17,142
Liabilities due to other associated companies	1,976	4,020
Liabilities due to other related parties	5,924	6,087
Liabilities due to related parties	**45,267**	**45,695**

(19) Current Income Tax Liabilities

The decrease resulted in particular from the subsequent tax payments made for financial years 1996 to 1999 as a result of tax audits and from the adjustments made to the prepaid taxes for 2005 and 2006.

(20) Other Liabilities and Accruals

The Other liabilities and accruals break down as follows:

EUR thousands	12/31/2006	12/31/2005
Purchase price liabilities for company acquisition	31,471	0
Liabilities due to employees	13,941	16,435
Debit balances in accounts receivable	9,978	10,025
Liabilities under derivatives	1,655	2,129
Other financial liabilities	35,864	30,566
Financial liabilities	**92,909**	**59,155**
Prepaid subscriptions	44,352	40,653
Liabilities for other taxes	17,961	13,872
Liabilities due to social insurance carriers	2,391	12,651
Accrued liabilities	28,819	31,589
Accrued liabilities for duties and contributions	5,468	6,321
Capital investment subsidiaries	8,249	8,026
Miscellaneous other liabilities and accruals	**107,240**	**113,112**
Other liabilities and accruals	**200,149**	**172,267**

The purchase price liabilities for company acquisition consisted of conditional liabilities resulting from the put options issued in connection with the acquisition of Idealo Internet GmbH, Berlin. 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

(21) Revenues

The revenues break down as follows:

EUR thousands	2006	2005
Circulation	1,169,989	1,178,766
Advertising	1,020,742	986,013
Printing	43,422	79,564
Other	141,781	147,162
Revenues	**2,375,934**	**2,391,505**

The revenues for 2006 contain revenues from barter transactions in the amount of EUR 25,757 thousand (PY: EUR 21,436 thousand). These revenues related primarily to the exchange of advertising services. The Printing revenues for 2005 contain rotogravure printing revenues only until June 30, 2005, when they were spun off from the Company.
The Other revenues are generated primarily in the areas of Electronic Media and merchandise.

(22) Other Operating Income

The Other operating income breaks down as follows:

EUR thousands	2006	2005
Income from Kirch insolvency	33,590	0
Income from other goods and services	31,508	34,350
Income from charge-backs to related parties	9,846	9,248
Rental and leasing income	4,291	4,545
Foreign exchange gains	1,223	1,191
Income from release of capital expenditure subsidies	1,099	50,061
Income from disposal of fixed assets	516	606
Miscellaneous other operating income	9,966	29,163
Other operating income	**92,039**	**129,164**

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. For information on the income from the Kirch insolvency, please refer to Note (12).
In 2005, the income from disposal of fixed assets was generated mainly on the sale of real estate and of one subsidiary.

The miscellaneous other operating income for 2006 contained the write-up of investment property (see Note (6)), while the miscellaneous other operating income for 2005 consisted primarily of income from the fair value measurement of non-current financial assets.

(23) Purchased Goods and Services

The purchased goods and services break down as follows:

EUR thousands	2006	2005
Cost of raw materials and supplies and purchased goods	323,034	331,080
Cost of purchased services	466,224	429,921
Purchased goods and services	**789,258**	**761,001**

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 at June 30, 2005.
Paper costs accounted for EUR 252,143 thousand (PY: EUR 248,236 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.

(24) Personnel Expenses

The personnel expenses break down as follows:

EUR thousands	2006	2005
Wages and salaries	563,956	562,411
Social security	75,220	79,093
Expenses for share-based compensation	9,501	3,213
Pension expenses	7,171	5,603
Other benefit expenses	4,253	4,604
Personnel expenses	**660,101**	**654,924**

In addition to higher expenses for partial early retirement plans, as compared with the previous year, the wages and salaries for 2006 also contained higher restructuring expenses, compared with the previous year, in the amount of EUR 20,977 thousand (PY: EUR 12,324 thousand). The increase over the previous year resulted from, among other things, the analysis of administrative units conducted in 2006. 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:

	2006	2005
Salaried employees	5,244	5,357
Editors	3,366	3,224
Wage-earning employees	1,123	1,585
Total employees	**9,733**	**10,166**

The changes in personnel expenses and in the average number of employees were influenced by the spin-off of the rotogravure printing operations at June 30, 2005.

(25) Depreciation, Amortization and Impairments

The depreciation, amortization and impairments break down as follows:

EUR thousands	2006	2005
Impairment losses in derivative goodwill	1,000	7,900
Amortization of other intangible assets	10,650	11,245
Impairment losses in other intangible assets	1,447	25
Depreciation of property, plant and equipment	50,513	58,931
Impairment losses in property, plant and equipment	0	89
Depreciation of investment property	836	873
Impairment losses in investment property	0	4,105
Depreciation, amortization and impairments	**64,446**	**83,168**

For more information on the impairment losses in derivative goodwill and in other intangible assets, 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.

(26) Other Operating Expenses

The Other operating expenses break down as follows:

EUR thousands	2006	2005
Mailing costs	163,480	154,051
Advertising expenses	151,637	151,143
Commissions and other compensation	77,944	106,553
Expenses for non-company personnel	73,857	85,231
Services by related parties	30,276	21,469
Maintenance and repairs	27,745	32,687
Rental and leasing expenses	24,281	24,911
Travel expenses	15,482	14,948
Adjustment of allowances for doubtful receivables	9,199	3,563
Other taxes	3,961	5,040
Foreign exchange losses	1,749	1,157
Miscellaneous other expenses	69,139	82,029
Other operating expenses	**648,750**	**682,782**

The decrease in the expenses for commissions and other compensation resulted mainly from the lower commissions for sales of subscriptions to TV programming guides and from the modified billing conditions of the Hungarian subsidiaries. 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 2006 and 2005 by the auditor PricewaterhouseCoopers Aktiengesellschaft:

EUR thousands	2006	2005
Audits of financial statements	671	708
Other expert opinions or appraisals	1.003	382
Tax advisory services	106	42
Other services	390	253
Total professional fees	**2,170**	**1,385**

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 and the audits to verify compliance with certain contractual agreements. The tax advisory fees include support provided with regard to specific tax questions. The Other services consist primarily of professional fees for due diligence services.

(27) Income from Investments

The Other investment income contains, in particular, profit shares attributable to the Group. The increase over the previous year resulted mainly from the higher dividend payment by ProSiebenSat.1 Media AG in the amount of EUR 21,792 thousand (PY: EUR 7,614 thousand).

(28) Net Financial Income/Expenses

The net financial income/expenses break down as follows:

EUR thousands	2006	2005
Interest income on banks balances	14,019	10,582
Interest income on loans and securities	3,002	190
Other interest income	4,902	2,135
Interest income	**21,923**	**12,907**
Interest expenses on liabilities due to banks	- 7,605	- 10,946
Interest expenses on pension provisions, less reimbursements	- 13,918	- 15,169
Interest expenses on finance leases	- 325	- 476
Other interest expenses	- 12,909	- 8,507
Interest and similar expenses	**- 34,757**	**- 35,098**
Miscellaneous other net financial income/expenses	**38,981**	**- 2,181**
Net financial income/expenses	**26,147**	**- 24,372**

The miscellaneous other net financial income for 2006 contains, in the amount of EUR 22,418 thousand, income from interest rate hedging transactions (contingent payer swaps) concluded in 2005 in connection with the financing of the planned acquisition of ProSiebenSat.1 Media AG. In 2005, the contingent payer swaps underwent negative value changes of EUR 6,918 thousand, which were charged to income. Furthermore, the miscellaneous other net financial income/expenses contain the changes in value of the H&F stock options in the amount of EUR 15,389 thousand (PY: 10,717 thousand).

(29) 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	2006	2005
Current taxes in Germany	78,934	110,527
Current taxes outside Germany	6,398	3,735
Current taxes	**85,332**	**114,262**
Deferred taxes in Germany	21,107	20,606
Deferred taxes outside Germany	- 311	- 286
Deferred taxes	**20,796**	**20,320**
Income taxes on continuing operations	**106,128**	**134,582**
Income taxes on discontinued operations	- 1,203	- 3,302
Income taxes	**104,925**	**131,280**

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: 39.75 %), 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	2006	2005
IFRS profit before income taxes	395,773	362,015
Group tax rate	39,75 %	39,75 %
Expected tax expenses	**157,320**	**143,901**
Differing tax rates	4,220	- 4,025
Changes in tax rates	30	274
Corporate income tax credit, increase/decrease in corporate income tax	-57,356	0
Permanent differences	2,677	7,348
Corrections for deferred taxes	9,718	653
Income tax for prior years	9,287	1,398
Non-deductible income taxes	165	175
Non-deductible operating expenses	5,873	3,742
Tax-exempt income	- 17,267	- 17,480
Trade tax additions/deductions	- 1,472	172
Other effects	- 8,270	- 4,878
Tax expenses per the income statement	**104,925**	**131,280**

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. The net income after deduction of trade tax is assigned to the shareholder for purposes of corporate income tax.
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 carry-forwards 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, other valuation adjustments made in connection with corporations and foreign losses that are not taken into account for tax purposes. The tax exemption effects resulted mainly from the dividend paid by ProSiebenSat.1 Media AG (see Note (27)).

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

EUR thousands	**12/31/2006**		**12/31/2005**	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	2,887	7,818	4,217	4,383
Assets under finance leases	0	185	0	324
Other property, plant and equipment	125	152,074	144	146,156
Non-current financial assets	6,327	51,407	8,763	44,037
Inventories	540	0	203	0
Receivables and other assets	3,235	2,719	17,207	6,700
Pension provisions	24,825	0	23,498	0
Other provisions	11,773	140	12,794	814
Liabilities	4,145	862	4,077	3,267
Temporary differences	**53,856**	**215,206**	**70,903**	**205,681**
Loss carry-forwards	**6,976**	**0**	**6,572**	**0**
Total	**60,833**	**215,206**	**77,475**	**205,681**
Netting	- 42,641	- 42,641	- 47,786	- 47,786
Presented in the balance sheet	**18,191**	**172,565**	**29,689**	**157,895**

Of the total deferred tax assets, an amount of EUR 7,297 thousand (PY: EUR 18,509 thousand) can be realized in the short-term future, while of the total deferred tax liabilities, an amount of EUR 1,779 thousand (PY: EUR 574 thousand) can be realized in the short-term future.
Deferred taxes in the total amount of EUR 14,533 thousand (PY: EUR 13,228 thousand) were recognized directly in equity, with no effect on the income statement, as they relate to matters that were likewise recognized in equity, not in income.
Under the current state of the law in Germany, the ability to carry forward temporary differences and tax loss carry-forwards in Germany is not subject to any restrictions. With respect to the tax loss carry-forwards outside Germany, an amount of EUR 31,910 thousand (PY: EUR 4,256 thousand) can be carried forward within the next five years. Deferred tax assets are recognized to account for temporary differences and tax loss carry-forwards to the extent that the likelihood of utilizing them in the near future is sufficiently certain. In financial years 2006 and 2005, no deferred tax assets were recognized with respect to corporate income tax for tax loss carry-forwards in the amount of EUR 115,716 thousand (PY: EUR 72,963 thousand) and no deferred tax assets were recognized with respect to trade taxes for tax loss carry-forwards in the amount of EUR 52,414 thousand (PY: EUR 58,651 thousand) because it did not appear probable that sufficient taxable income could be generated for these amounts in the near future. The utilization of tax loss carry-forwards that had not previously been recognized as deferred tax assets caused a reduction of EUR 575 thousand (PY: EUR 1,999 thousand) in the current income taxes. Tax loss carry-forwards in the amount of - EUR 757 thousand (PY: EUR 10 thousand) were corrected as a result of tax audits.

As a rule, deferred taxes must be recognized to account for the difference between the Group's share of the equity of the subsidiaries as it is presented in the consolidated balance sheet and the corresponding item recognized in the financial statements for tax purposes. Such differences may result from the reinvestment of profits, for example. Deferred tax liabilities were not recognized on differences of EUR 30,362 thousand (PY: EUR 15,128 thousand) because a realization is not planned at the present time.

(30) Earnings per Share

The basic and diluted earnings per share are presented below:

		2006	2005
Net income/loss from continuing operations, after minority interests	EUR 000s	284,692	226,849
Net income/loss from discontinued operations	EUR 000s	- 2,609	- 702
Consolidated net income attributable to shareholders of Axel Springer AG	**EUR 000s**	**282,083**	**226,147**
Weighted average shares outstanding	000s	30,662	30,662
Dilution effect from exercise of options	000s	245	214
Weighted average shares, diluted	**000s**	**30,907**	**30,876**
Earnings per share from continuing operations			
basic	EUR	9.28	7.40
diluted	EUR	9.21	7.35
Earnings per share from discontinued operations			
basic	EUR	-0.08	-0.02
diluted	EUR	-0.08	-0.02
Earnings per share attributable to shareholders of Axel Springer AG			
basic	EUR	9.20	7.38
diluted	EUR	9.13	7.33

Notes to the Consolidated Cash Flow Statement

(31) Composition of Cash and Cash Equivalents

The cash and cash equivalents are composed of the following elements:

EUR thousands	12/31/2006	12/31/2005
Cash	475,625	517,778
Marketable securities due in up to three months	113,084	67,350
Cash and cash equivalents	**588,709**	**585,128**

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

(32) Other Disclosures

The Other non-cash income and expenses for 2006 consist in particular of income from the fair value measurement of non-current financial instruments, the proportional non-cash income from the contingent payer swaps (see Note (35)) and expenses related to the Management Participation Plan (see Note (14)). The figure for 2005 was composed mainly of income from the fair value measurement of financial assets and financial instruments.
In 2006, capital expenditures of EUR 3,215 thousand (PY: EUR 3,881 thousand), most of which consisting of investments in property, plant and equipment, had not yet been realized as cash outflows.

Notes on the Segment Report

(33) General Information

The segment report 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 out by numerous special-interest magazines and since October 2006, also by the price and product search engine Idealo. 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. The Services/Holding segment includes services such as customer service, value-added telephone services (until November 2005), other online activities, TV productions, logistics, sales, direct marketing, insurance sales and office buildings, and exclusively 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 regions is divided into the segments Germany and International.

(34) 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. 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 used by the Company. In 2006, the effects from the sale of a subsidiary (EUR 819 thousand) and from writeups and writedowns of investments (- EUR 149 thousand) were deducted from EBITA. In 2005, the non-recurring effects deducted from EBITA consisted of real estate sales (EUR 33,446 thousand), the sale of a subsidiary (EUR 14,111 thousand) and writeups and writedowns of investments (EUR 12,424 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 715 million (PY: about 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 355 million (PY: about 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 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

(35) Financial Instruments

(a) Non-Derivative Financial Instruments

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

EUR thousands	12/31/2006		12/31/2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Equity and liabilities				
Liabilities due to banks	110,579	112,275	254,995	263,548
Liabilities under finance leases	696	696	966	966
Other financial liabilities	0	0	2,000	2,059

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
(c) 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 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. Hedge accounting was not applied to the swaps on the balance sheet date. Value changes are recognized in income.

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 December 31, 2005, was charged to income in 2005. The syndicated credit facility was cancelled on February 1, 2006. Thereupon, the full amount of market value changes that had been recognized in equity in 2005 was charged to income. This charge, together with the market value changes recognized in January 2006, produced an income item of EUR 22,418 thousand, which is presented within the item of Other net financial income/expenses (see Note (28)).
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 held no currency derivatives.

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

EUR thousands	12/31/2006		12/31/2005	
	Notional amount	Fair value	Notional amount	Fair value
Assets				
Currency derivatives	0	0	0	0
Interest rate derivatives	0	0	1,477,500	14,428
Total	**0**	**0**	**1,477,500**	**14,428**
Equity and liabilities				
Interest rate derivatives	7,669	1,012	8,149	2,129
Total	**7,669**	**1,012**	**8,149**	**2,129**

For more information on the H&F call option, please refer to Note (12).

(d) Credit Risk

The Axel Springer Group is exposed to the risk that business partners may not be able to fulfil 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.

(36) 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**	**12/31/2006**	**12/31/2005**
Loans	(i)	5,214	7,637
Receivables	(ii)	71,358	66,365
Provisions	(iii)	2,580	2,247
Liabilities	(iv)	45,267	45,695
Income statement		**2,006**	**2005**
Goods and services supplied	(v)	112,678	123,913
Goods and services received	(vi)	190,562	134,325
Net financial income/expenses		63	392

(i) At the balance sheet date, the loans to related companies relate in particular to a company accounted for by the equity method.
(ii) Of the total receivables due from related companies, trade receivables accounted for EUR 24,086 thousand (PY: EUR 27,659 thousand). Of this amount, EUR 14,055 thousand (PY: EUR 16,806 thousand) was owed by associated companies, EUR 3,255 thousand (PY: EUR 4,172 thousand) by non-consolidated subsidiaries and EUR 4,479 thousand (PY: EUR 4,892 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 4,623 thousand (PY: EUR 23,968 thousand) and against receivables due from associated companies in the amount of EUR 2,309 thousand (PY: EUR 2,247 thousand). New valuation allowances were established and charged against income in 2006 for receivables due from non-consolidated subsidiaries in the amount of EUR 907 thousand (PY: EUR 623 thousand). Moreover, a receivable of EUR 31,764 thousand (PY: EUR 32,797 thousand) was owed by a company accounted for by the equity method, in connection with the claim to reimbursement of pension obligations (see Notes (12) and (15)).
(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 40,912 thousand (PY: EUR 42,009 thousand). Of this amount, EUR 20,924 thousand (PY: EUR 18,439 thousand) was owed to non-consolidated subsidiaries and EUR 14,412 thousand (PY: EUR 15,428 thousand) to companies accounted for by the equity method. EUR 3,629 thousand (PY: EUR 4,131 thousand) was owed to other related companies.
(v) Services provided to related companies were mostly related to the distribution of newspapers and magazines. Revenues of EUR 52,310 thousand were generated with associated companies in 2006 (PY: EUR 55,891 thousand) and revenues of EUR 51,242 thousand (PY: EUR 53,719 thousand) were generated with other related companies.
(vi) The services received from related companies were rendered primarily by companies accounted for by the equity method. Of this amount, EUR 16,888 thousand (PY: EUR 17,436 thousand) related to purchased publishing products and EUR 102,453 thousand (PY: EUR 63,555 thousand) related to printing plant services. In addition, services in the amount of EUR 11,980 thousand (PY: EUR 17,813 thousand) were purchased from non-consolidated subsidiaries. Significant long-term contracts for printing services are in effect with two companies accounted for by the equity method. A contract of indefinite duration for the printing of newspapers is in effect with one company. The order volume in 2006 amounted to EUR 14 million (PY: EUR 18 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 84 million were rendered for companies of the Axel Springer Group in 2006 (in 2005, from July to December: EUR 46 million).

In 2006, the fixed compensation of the members of the Management Board of Axel Springer AG amounted to EUR 6,864 thousand (PY: EUR 6,849 thousand) and the variable compensation amounted to EUR 3,973 thousand (PY: EUR 3,304 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 9,501 thousand (PY: EUR 3,213 thousand) was contained in personnel expenses as an imputed compensation component for 2006. The

capital reserve was increased by the same amount. Currently, these options cannot be exercised.
An amount of EUR 333 thousand (PY: EUR 229 thousand) was allocated to the pension provisions in 2006.
The compensation of the members of the Supervisory Board amounted to EUR 3,880 thousand in 2006 (PY: EUR 2,248 thousand), divided into fixed compensation of EUR 800 thousand (PY: EUR 800 thousand) and variable compensation of EUR 3,080 thousand (PY: EUR 1,448 thousand).
Supervisory Board member Prof. Lepenies receives an annual compensation of EUR 125 thousand for his services as an author.

An amount of EUR 2,106 thousand (PY: EUR 2,163 thousand) was paid to former Management Board members and their survivors and an amount of EUR 27 thousand (PY: EUR 26 thousand) was paid to former special directors. A total amount of EUR 28,050 thousand (PY: EUR 31,275 thousand) was allocated to the provisions for pension obligations towards former Management Board members and their survivors and an amount of EUR 258 thousand (PY: EUR 273 thousand) was allocated to the provision for pension obligations towards former special directors.

(37) Contingent Liabilities

The contingent liabilities of the Group are presented below:

EUR thousands	12/31/2006	12/31/2005
Guarantees	22,763	23,828

At December 31, 2006, property, plant and equipment in the amount of EUR 118,000 thousand (PY: EUR 140,831 thousand) had been pledged as security for debts.

(38) Other Financial Commitments

The Other financial commitments break down as follows:

EUR thousands	12/31/2006	12/31/2005
Order obligations for		
- intangible assets	9,588	7,927
- Property, plant and equipment	7,433	21,591
- Inventories	14,419	15,571
Future payments under operating lease	66,888	43,604
Long-term purchase obligations	302,000	516,300
Other financial commitments	**400,328**	**604,993**

The increase in the obligations under operating leases resulted mainly from the leasing of new office space in Munich and Warsaw/Poland. The long-term purchase obligations relate to paper purchasing contracts.
At December 31, 2006, the future payment obligations under leases break down as follows:

EUR thousands	Due in up to one year	Due in more than one year and up to five years	Due in more than five years	Total
Future payments under finance leases	659	223	0	882
Future payments under operating leases	17,999	36,193	12,696	66,888
Total	**18,658**	**36,416**	**12,696**	**67,770**

In the table below, the future payments under finance leases are reconciled with the carrying amounts of the liabilities stated in the balance sheet at December 31, 2006:

EUR thousands	Due in up to one year	Due in more than one year and up to five years	Due in more than five years	Total
Payments	659	223	0	882
Interest portion	175	11	0	186
Principal portion	**484**	**212**	**0**	**696**

(39) Other Events

With effect from 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. As of December 31, 2005, the completion of the share purchase agreement was 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 ProSiebenSat.1 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.
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, in view of the numerous economic and legal uncertainties.
Consequently, the payment obligations and loan commitments that existed at year-end 2005 no longer exist.

On January 2, 2007, a subsidiary of Axel Springer AG acquired 25 % of the equity of Doğan TV Holding A.Ș., Istanbul/Turkey (formerly Doğan TV Radyo Yayın Yapim ve Haber Ajansı A. Ș., Istanbul/Turkey). The preliminary purchase price paid amounted to EUR 375,000 thousand. In connection with an agreed purchase price adjustment, the amount of which will depend on the value development of the investment in Doğan TV Holding A.S., the acquisition cost can be increased or decreased in the time until 2014. To finance a portion of the purchase price payment, the credit facility opened in August 2006 was utilized in the amount of EUR 250,000 thousand.

On January 11, 2007, another subsidiary of Axel Springer AG entered into a share purchase agreement for 25.1 % of the equity in Telewizja Polsat S.A., Warsaw/Poland. The completion of the share purchase agreement is subject to various conditions precedent, including the necessary approvals from the competent cartel and media oversight authorities. The purchase agreement entails the obligation to pay a purchase price of initially EUR 250,000 thousand. By virtue of a purchase price adjustment clause, the purchase price can be increased by no more than EUR 50,000 thousand by the end of 2008, depending on the value development of the investment.

On February 13, 2007, Axel Springer Finanzen Verlag GmbH, Munich, entered into share purchase agreements to purchase 50.1 % of the equity in wallstreet: online AG, Berlin, and 75.1 % of the equity in wallstreet: online capital AG, Berlin. These agreements are subject to the necessary approvals by the competent government authorities.

(40) Consolidation Group

No.	Fully consolidated companies	% of equity held	Held via 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	ASV Direktmarketing GmbH, Berlin	100.0	1	(1) (3)
7	Axel Springer China GmbH, Hamburg	100.0	1	(5)
8	Axel Springer Finanzen Verlag GmbH, Munich	100.0	1	(1) (3)
9	Axel Springer Mediahouse München GmbH, Munich	100.0	1	(1) (3)
10	Axel Springer Media Logistik GmbH, Berlin	100.0	1	
11	Axel Springer TV Productions GmbH, Hamburg	100.0	1	(1) (3)
12	"Axel Springer Verlag" Beteiligungsgesellschaft mbH, Berlin	100.0	1	(1) (3)
13	Axel Springer Verlag Vertriebsgesellschaft mbH, Hamburg	100.0	1	
14	Bergedorfer Buchdruckerei von Ed. Wagner (GmbH & Co.), Hamburg	100.0	1	(4)
15	Berliner Wochenblatt Verlag GmbH, Berlin	100.0	30	(1)
16	Bild.T-Online.de AG & Co. KG, Berlin	63.0	1	(4)
17	Buch- und Presse-Großvertrieb Hamburg GmbH & Co. KG, Hamburg	76.9	1	(4)
18	B.Z. Ullstein GmbH, Berlin	100.0	28	(5)
19	Idealo Internet GmbH, Berlin	74.9	1	(5)
20	Immonet GmbH, Hamburg	100.0	1	
21	Immonet Betriebs GmbH & Co. KG, Hamburg	100.0	20	(5)
22	Niendorfer Wochenblatt Verlag GmbH & Co. KG, Hamburg	100.0	30	(4)
23	PPS Presse-Programm-Service GmbH, Berlin	100.0	1	
24	"Sächsischer Bote“ Wochenblatt Verlag GmbH, Dresden	100.0	30	(1)
25	SAT.1 Beteiligungs GmbH, Munich	48.2	1	(2)
26	Schwartzkopff TV- Productions GmbH & Co. KG, Hamburg	100.0	11	(4)
27	Sport-B.Z. GmbH, Berlin	100.0	18	(5)
28	Ullstein GmbH, Berlin	100.0	12	(1) (3)
29	VVDG Verlags- und Industrieversicherungsdienste GmbH, Berlin	100.0	12	(1) (3)
30	WBV Wochenblatt Verlag GmbH, Hamburg	100.0	1	
31	ZZ-Kurier Gesellschaft für Zeitungs- und Zeitschriften-Vertrieb mbH, Hamburg	100.0	1	(1) (3)
	Foreign			
32	"Axel Springer Polska" Sp. zo.o., Warsaw/Poland	100.0	1	
33	AXEL SPRINGER – BUDAPEST GmbH, Budapest/Hungary	92.9	1	
34	Axel Springer - Ungarn GmbH, Tatabánya/Hungary	93.5	1	
35	Axel Springer Editions S.A.S., Levallois-Perret	100.0	37	(5)
36	Axel Springer España S.A., Madrid/Spain	100.0	1	
37	Axel Springer France S.A.S., Levallois-Perret/France	100.0	1	
38	Axel Springer Praha a.s., Prague/Czech Republic	100.0	1	
39	Handelszeitung Fachverlag AG, Zurich/Switzerland	100.0	40	
40	Handelszeitung und Finanzrundschau AG, Zurich/Switzerland	100.0	1	
41	Les Publications Grand Public S.A.S., Levallois-Perret/France	100.0	37	
42	Népújság GmbH, Békéscsaba/Hungary	94.0	10	
43	Petőfi Zeitungs- und Buchverlag GmbH, Kecskemet/Hungary	94.0	10	
44	Shanghai Springer Advertising Co., Ltd, Shanghai/China	100.0	7	(5)
45	Shanghai Springer Print Media Distribution Co., Ltd, Shanghai/China	100.0	7	(5)
46	ZAO "Axel Springer Russia", Moscow/Russia	100.0	3	
47	Zöld Ujság Massenmedien- und Verlags-AG, Budapest/Hungary	93.5	31	

No.	Fully consolidated special-purpose entities	% of equity held	Held via No	Other info
	Domestic			
48	AS-UNIVERSAL-FONDS	--	--	
49	Axel-Springer-Immobilien-Fonds-I Dr Rühl & Co.KG, Düsseldorf	--	--	
50	Axel-Springer-Immobilien-Fonds-II- Produktionszentrum Dr Rühl & Co.KG, Düsseldorf	--	--	
51	Axel-Springer-Immobilien-Fonds-III- Ostflügel Dr Rühl & Co.KG, Düsseldorf	--	--	
52	BayernInvest AS Invest Plus-Fonds, Munich	--	--	(5)
	Foreign			
53	Personalvorsorgestiftung der Handelszeitung und Finanzrundschau AG, Zurich/Switzerland	--	--	

No.	Companies accounted for by the equity method	% of equity held	Held via No	Other info
	Domestic			
54	Cora Verlag GmbH & Co. KG, Hamburg	50.0	10	(4)
55	Jahr Top Special Verlag GmbH & Co. KG, Hamburg	50.0	10	(4)
56	Kieler Zeitung GmbH & Co. Offsetdruck KG, Kiel	24.5	1	(5)
57	Kieler Zeitung Verlags- und Druckerei KG - GmbH & Co., Kiel	24.5	1	(5)
58	Kieler Zeitung Verwaltungs GmbH & Co. Beteiligungs KG, Kiel	24.5	1	(5)
59	Leipziger Verlags- und Druckereigesellschaft mbH & Co. KG , Leipzig	50.0	1	(4)
60	Lübecker Nachrichten GmbH, Lübeck	49.0	1	(5)
61	Ostsee-Zeitung GmbH & Co. KG, Rostock	50.0	1	
62	StepStone Deutschland AG, Düsseldorf	49.9	1	
63	PRINOVIS Ltd. & Co. KG, Hamburg	25.1	1	
	Foreign			
64	EMAP France/Axel Springer (EMAS) S.E.N.C., Paris/France	50.0	1	
65	PIN Group AG, Leudelingen/Luxembourg	23.5	1	(5)

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 2006.

(41) Supervisory Board and Management Board

The Supervisory Board was composed of the following persons in 2006:

Supervisory Board Member	Seats on Other Legally Mandated Supervisory Boards	Seats on Comparable Boards in Germany and Abroad
Dr Giuseppe Vita Chairman Chairman of the Supervisory Board of Schering AG, Berlin (until 09/2006)	Deutz AG (Chairman) (since 06/2006) Hugo Boss AG (Chairman) Vattenfall Europe AG Allianz Lebensversicherungs-AG (until 04/2006) Schering AG (Chairman) (until 09/2006)	Barilla S.p.A., Italy Humanitas S.p.A. (formerly: Techosp S.p.A.), Italy Riunione Adriatica di Sicurtà (RAS) S.p.A., Italy (Chairman of the Board of Directors) Marzotto S.p.A., Italy (until 05/2006)
Dr h c Friede Springer Vice Chairwoman Businesswoman, Berlin	Alba Berlin AG	Deutsche Bank AG (Advisory Board)
Dr Gerhard Cromme Chairman of the Supervisory Board of ThyssenKrupp AG, Düsseldorf	Allianz SE Deutsche Lufthansa AG E.ON AG Siemens AG ThyssenKrupp AG (Chairman) Hochtief AG (until 05/2006) Volkswagen AG (until 05/2006)	BNP Paribas S.A., France Compagnie de Saint-Gobain, France Suez S.A., France
Leonhard H. Fischer Member of the Management Crédit Suisse Group, Switzerland, and CEO of Winterthur Group, Switzerland	DBV Winterthur Holding AG (Chairman)	
Oliver Heine Attorney, Hamburg		
Klaus Krone Businessman, Berlin	Buchanan Capital Holding AG (Chairman)	Handelshochschule Leipzig GmbH (Supervisory Board)
Prof Dr Wolf Lepenies University Professor, Berlin		
Dr Michael Otto Management Board Chairman of Otto (GmbH & Co KG), Hamburg, and Otto AG für Beteiligungen, Hamburg CEO of GS Gesellschaft für Versand-Beteiligungen mbH, Hamburg	Gerling-Konzern Versicherungs-Beteiligungs-AG (until 04/2006)	FORUM Grundstücksgesellschaft mbH Handelsgesellschaft Heinrich Heine GmbH (Chairman of Advisory Board) Robert Bosch Industrietreuhand KG, Stuttgart (Partner) Schwab Versand GmbH (Chairman) 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)
Brian M. Powers CEO of the investment group Hellman & Friedman LLC, USA	ProSiebenSat.1 Media AG	Artisan Partners Limited Partnership (Advisory Board)

The Management Board was composed of the following persons in 2006:

Management Board Member	Seats on Other Legally Mandated Supervisory Boards	Seats on Comparable Boards in Germany and Abroad
Dr Mathias Döpfner, Board Chairman Newspapers Division Journalist CEO of Brilliant 310. GmbH	ProSiebenSat.1 Media AG Deutsche Telekom AG (until 10/2006) Schering AG (until 09/2006)	Axel Springer Digital TV GmbH (Supervisory Board) (as of 12/2006) B.Z. Ullstein GmbH (Supervisory Board) (as of 11/2006) dpa Deutsche Presse Agentur GmbH (Supervisory Board) Leipziger Verlags- und Druckereigesellschaft mbH & Co. KG (Advisory Board) Time Warner Inc. (Board of Directors) (as of 07/2006)
Rudolf Knepper, Vice Chairman Printing and Logistics Division Master's degree in engineering and master's degree in business/engineering		PIN Group AG, Luxembourg (Board of Directors) Prinovis Ltd., UK (Member of the Board)
Steffen Naumann Chief Operating Officer and Chief Financial Officer Master's degree in business administration and economics CEO of SAT.1 Beteiligungs GmbH	Odeon Film AG) (Chairman) (as of 12/2006)	ESMT European School of Management and Technology GmbH, Berlin (Supervisory Board) Axel Springer International Finance B.V., Netherlands (Supervisory Board)
Dr Andreas Wiele Magazines and International Lawyer	Bild.T-Online.de Verwaltungs AG	Axel Springer Digital TV GmbH (Supervisory Board) (as of 12/2006) Handelszeitung und Finanzrundschau AG (Board of Directors) Jahr Top Special Verlag GmbH & Co. KG (Advisory Board) Personalvorsorgestiftung der Handelszeitung und Finanzrundschau AG (Board of Trustees) Axel Springer Praha a.s., Czech Republic (Supervisory Board)

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

In December 2006, Axel Springer AG published the declaration of conformity with the German Corporate Governance Code issued by the Management Board and Supervisory Board in accordance with Section 161 of the German Stock Corporations Act (AktG) 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 75 of this Annual Report.

(43) Disclosures Concerning Securities Transactions or Investments Subject to the Notification Requirement Pursuant to Section 15 a WpHG and §§ 21 ff. WpHG

Pursuant to Section 15 a (1) (1) of the German Securities Trading Act (WpHG), Axel Springer AG was notified of the sale by Dr h c Friede Springer on February 27, 2006 of 1,020,000 company shares at the price of EUR 102.00 per share. Furthermore, the company received from Dr h c Friede Springer a notification of the sale on July 13, 2006 of 680,000 company shares at the price of EUR 104.10 per share to a limited-liability company under German law (GmbH), the equity of which was entirely owned by the person required to make the notification.

Furthermore, Brilliant 310. GmbH notified Axel Springer AG of the purchase on July 13, 2006 of 680,000 company shares at the price of EUR 104.10 per share.

The company Brilliant 310. GmbH also notified Axel Springer AG of the sale on December 6, 2006 of 211,051 company shares at the price of EUR 122.00 per share.

In addition, Axel Springer AG received the following notifications of investments which must be notified to the Company pursuant to Section 21 WpHG:

By way of addition to and correction of the notification of January 2, 2006, Axel Springer AG was notified on January 19, 2006 by Friede Springer GmbH & Co. KG and by Friede Springer Verwaltungs GmbH that each company had on January 1, 2006, exceeded the thresholds of 5 %, 10 %, 25 % and 50 % of the voting rights in Axel Springer AG and now hold 59.82 % of the voting rights. According to the notification, the voting rights are assignable in the full amount, pursuant to Section 22 (1) (1) (1) WpHG.

The Company did not receive any further notifications.

(44) Dividend Proposal

The fiscal year net income of Axel Springer AG, the financial statement of which are drawn up in accordance with the principles of German commercial law and the German law of stock corporations, increased from EUR 143.2 million in 2005 to EUR 245.9 million in 2006. Aside from the moderate revenue gains in the core business, the main factors contributing to this result were the continued practice of strict cost management and non-recurring effects.
The Management Board will propose that a share of EUR 107,318,050 out of the unappropiated net profit of € 122,946,776 be used to distribute a dividend of EUR 3.50 per qualifying share for 2006 and to appropriate the remaining amount of EUR 15,628,726 to the Other profit reserves. The treasury shares held by Axel Springer AG do not qualify for dividends.

Berlin, February 22, 2007

Axel Springer AG

(Dr. Mathias Döpfner) (Rudolf Knepper)

(Steffen Naumann) (Dr. Andreas Wiele)

Glossary

Media Glossary

Blog/Weblog Internet pages that are periodically updated with new entries, thereby creating an online diary of sorts; usually dedicated to specific topics.

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

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.

Newsroom An editorial center where all news content is collected, processed and produced for various media channels, e.g. online, TV, print and mobile services.

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.

Podcast Series of media files (audio/video) dealing with certain topics and made available for automatic download over the Internet.

Portal Websites covering a wide range of different subjects that help users to navigate the Internet. 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 → general interest magazine covers highly specific subjects.

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

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 at least 20 % and less than 50 % of voting rights.

Basic (undiluted) earnings per share The profit for the period divided by the weighted average number of shares of common stock outstanding during the period.

Capital market equilibrium model The values of companies are measured at Axel Springer AG on the basis of a modified capital market equilibrium model, the "capital asset pricing model". In this approach, a weighted rate for the cost of capital is calculated on the basis of such factors as risk-free investments, the market premium (market return less risk-free interest) and systematic risk (the beta factor) of a portfolio.

Cash and cash equivalents Cash on hand and credit balances in certain accounts held by a company, plus funds that can be made liquid at short notice, such as current securities or overnight money and time deposits.

Cash flow Inflow of funds generated during a period.

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.

M&A (abbreviation for: mergers & acquisitions) Strategy employed by Axel Springer in purchasing and selling companies and stakes in companies for the purpose of expanding business activities at home and abroad or for improving efficiency through internal restructuring within the Group.

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.

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.

Contact

Axel Springer AG

Investor Relations
ir@axelspringer.de
Phone: +49 (0) 30 25 91-7 74 21/-7 74 20

Corporate Communications
information@axelspringer.de
Phone: +49 (0) 30 25 91-7 76 60

Address

Axel Springer AG
Axel-Springer-Straße 65
10888 Berlin
Germany
Phone: +49 (0) 30 25 91-0

Financial Calendar*

- Annual results press conference: March 7, 2007
- Annual shareholders' meeting April 19, 2007
- Interim Report January–March May 15, 2007
- Interim Report January–June August 8, 2007
- Interim Report January–September November 7, 2007

* For possible changes to the release dates, please see the current version of the Financial Calendar at www.axelspringer.com > English > Investor Relations > Financial Calendar.

Information

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

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Photos: ullstein bild
Daniel Biskup
Michael Herrmann
Thomas Mayfried