

Financial Statements

Axel Springer AG

for the period ending
December 31, 2006

Balance Sheet

at December 31, 2006

ASSETS				
	Note	€	€	Previous Year € 000s
A. Non-current assets	4			
I. Intangible assets	5	25,807,403		27,506
II. Property, plant and equipment		299,495,951		340,049
III. Non-current financial assets	6	604,447,742	929,751,096	503,673
B. Current assets				
I. Inventories	7	33,365,253		40,884
II. Receivables and other assets	8	350,223,824		269,275
III. Marketable securities	9	289,225,373		246,263
IV. Cash and cash equivalents	10	438,249,666	1,111,064,116	489,774
C. Prepaid expenses	11		844,309	2,677
			2,041,659,521	1,920,101

EQUITY AND LIABILITIES				
	Note	€	€	Previous Year € 000s
A. Equity				
I. Subscribed capital	12	102,000,000		102,000
II. Retained earnings reserves	13	629,096,282		486,690
III. Unappropriated profit		122,946,776	854,043,058	71,586
B. Provisions	14		573,439,000	508,259
C. Liabilities	15		570,839,812	708,333
D. Deferred income	16		43,337,651	43,233
			2,041,659,521	1,920,101

Income Statement for the period

for the period from January 1 to December 31, 2006

GUV			
	Note	€	Previous Year € 000s
1. Revenues	19	1,710,050,373	1,697,188
2. Change in inventories of finished and semi-finished goods		- 1,355,709	- 846
3. Other internal production capitalized		2,784,858	0
4. Other operating income	20	190,391,730	219,274
5. Purchased goods and services	21	- 519,498,508	- 523,717
6. Gross operating profit		1,382,372,744	1,391,899
7. Personnel expenses	22	- 553,284,013	- 465,700
8. Depreciation, amortization and writedowns of intangible assets and property, plant and equipment	24	- 62,177,564	- 98,393
9. Other operating expenses	25	- 504,713,025	- 628,170
10. Income from investments	26	76,859,076	103,104
11. Net interest income	27	6,517,788	- 27,872
12. Writedowns of non-current financial assets and marketable securities	24	- 5,008,144	- 10,195
13. Loss absorption expenses	28	- 10,815,192	- 13,511
14. Income from ordinary activities		329,751,670	251,162
15. Taxes	29	- 83,858,119	- 107,991
16. Net income		245,893,551	143,171
17. Appropriation to the other retained earnings reserves		- 122,946,775	- 71,585
18. Unappropriated profit		122,946,776	71,586

Notes to the Financial Statements of Axel Springer AG

General information

(1) Introduction

Axel Springer AG is obligated to publish consolidated financial statements. The financial statements for 2006 were prepared in accordance with International Financial Reporting Standards (IFRS) and filed with the Commercial Register of the Berlin-Charlottenburg Local Court under the Commercial Register No. 4998.

In the interest of clarity, certain items of the commercial-law balance sheet and income statement of Axel Springer AG have been aggregated. Such items have been presented separately in the notes to the financial statements. As in the previous years, the income statement was prepared in accordance with the cost summary method.

(2) Accounting and valuation principles

The accounting and valuation methods applied in the preparation of the annual financial statements of Axel Springer AG for 2006 are the same as those applied for the financial statements for 2005, with the exception of the changes described below.

In the financial statements for 2006, the provisions for pension obligations were calculated by application of the projected unit credit method, in accordance with IAS 19 of the International Financial Reporting Standards. Under this method, the future employee compensation and pension benefit adjustments are taken into account. This valuation method produces a result that is economically more appropriate than the result that would be produced by application of the method set forth in Section 6a of the German Income Tax Act (EstG). 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 maturity. If and when the actuarial gains and losses resulting from changes in actuarial parameters exceed 10% of the pension obligations or plan assets at the beginning of the financial year, whichever is higher, the amount exceeding the 10% limit is recognized in income over the remaining service years of the employees entitled to benefits (corridor method). This change in the method used to calculate the pension provisions had the effect of reducing the income before taxes of Axel Springer AG by EUR 74.5 million.

In the past, income from investments in unincorporated firms was recognized at the time when a legally grounded claim to that income was deemed to be actually constituted. In the financial statements for

2006, Axel Springer AG modified the requirements for constitution of a legally grounded claim, such that the Company's share in the profit of unincorporated firms is recognized as a receivable on the balance sheet date if and when the claim is sufficiently concretized and secured in the balance sheet drawn up by the respective unincorporated firm. Thus, the profits or losses of unincorporated firms are not recognized in the current financial year when the corresponding firms had not yet drawn up a balance sheet when the financial statements of Axel Springer AG were prepared. This accounting change had the effect of reducing the income before taxes of Axel Springer AG by EUR 9.4 million.

The accounting measures defined in Section 285 (5) of the German Commercial Code (HGB) had the effect of increasing the "net income" of Axel Springer AG by approximately 0.6%, or EUR 1.4 million.

The methods applied in the valuation of individual balance sheet items are described below:

Intangible assets and property, plant and equipment are carried at acquisition or production cost. Intangible assets are subjected to systematic amortization over their expected or contractually agreed useful lives. Property, plant and equipment are subjected to systematic depreciation over the customary useful lives, based on the provisions of German tax law. As a rule, such items are depreciated by application of the declining-balance method, exercising the possibilities allowed by the tax law, with an eventual changeover to straight-line depreciation. Low-value assets are fully depreciated in the year of acquisition.

The non-current financial assets are presented at acquisition cost or the lower market value.

Current assets are carried at acquisition or production cost or written down to their lower value.

In addition to direct material and manufacturing costs, the production costs also include an appropriate, capitalizable portion of the overhead costs and depreciation charges.

The value of trade receivables is reduced, when appropriate, by specific valuation allowances to account for discernible risks. Furthermore, a general valuation allowance is charged to account for general risks.

The pension provisions were calculated by application of actuarial principles.

The Other provisions are stated at the amount that is considered necessary in the estimation of a prudent businessman. Liabilities are presented at the repayment amounts.

Axel Springer AG employs derivative financial instruments to hedge against interest rate and currency risks. Interest rate derivatives in the form of interest rate swaps and forward rate agreements are employed to hedge against interest rate risks. The foreign exchange risk associated with the international business is hedged by means of forward exchange deals. No currency or interest rate hedging positions existed on the balance sheet date.

Furthermore, the shareholders Hellman & Friedman Rose Partners L.P. and Hellman & Friedman International Rose Partners L.P. have issued call options on Axel Springer shares. The exercise of these options is subject to the condition that stock options are 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. The fair value of the call options, determined by application of an option price model, is EUR 45.9 million.

(3) Currency translation

Receivables and payables denominated in a foreign currency, which are due in up to one year, have been translated at the reference exchange rate of the European Central Bank or the mean exchange rate on the balance sheet date. Receivables and payables denominated in a foreign currency, which are due in more than one year, have been translated at the mean exchange rate on the posting date or the lower (receivables) or higher (payables) reference rate of the European Central Bank or the mean exchange rate on the balance sheet date.

NOTES TO THE BALANCE SHEET

(4) Non-current assets

The development of the individual items of non-current assets is summarized in the Statement of Changes in Non-Current Assets.

(5) Intangible assets

The intangible assets are mainly composed of purchased titles, publishing and supply rights, licenses and computer software.

(6) Non-current financial assets

In accordance with Section 287 HGB, the List of Shareholdings of Axel Springer AG has been filed with the Commercial Register of the Berlin-Charlottenburg Local Court.

(7) Inventories

EUR thousands	2006	2005
Raw materials and supplies	31,697	37,831
Semi-finished goods and services	1,377	2,732
Finished goods and merchandise	291	321
Total	33,365	40,884

The biggest constituent item of raw materials and supplies is paper inventories, at EUR 22.7 million.

(8) Receivables and other assets

EUR thousands	2006	2005
Trade receivables	126,644	114,146
	(24)*	(35)*
Receivables due from affiliated companies	67,514	63,780
	(0)*	(0)*
Receivables due from companies in which an equity interest is held	50,415	46,638
	(0)*	(0)*
Other assets	105,651	44,711
	(48,731)*	(0)*
Total	350,224	269,275
	(48,755)*	(35)*

(*) thereof due in more than one year

The trade receivables relate mainly to the circulation business, in the amount of EUR 57.1 million, and the advertising business, in the amount of EUR 58.6 million.

The receivables due from affiliated companies consist mainly of Group charges, most of which relating to the cash pooling arrangement.

The Other assets include receivables due from tax authorities, one receivable resulting from an insolvency proceeding and a creditor's composition receivable that falls due after the balance sheet date, as well as numerous other, smaller items.

The receivables due from tax authorities include the corporate income tax credit, discounted to present value, in the amount of EUR 46,781 thousand, resulting from the enactment of the German law of tax measures related to the introduction of the European

Company and to the modification of other tax regulations (“SEStEG”).

A creditor’s composition agreement concluded in connection with the Kirch insolvency gave rise to claims totaling EUR 7,221 thousand at the balance sheet date. Furthermore, the Company expects to receive an advance payment in 2007 on a receivable owed to Axel Springer AG in the amount of EUR 325.0 million, which has been accepted by the insolvency administrator of KirchMedia GmbH & Co KGaA i.I. Until now, this receivable had only been recognized as a memo value. The anticipated advance payment has been presented in the amount of EUR 24,736 thousand within the item of Other assets at the balance sheet date.

(9) Marketable securities

EUR thousands	2006	2005
Treasury shares	181,203	181,203
Other marketable securities	108,022	65,060
Total	289,225	246,263

By virtue of the authorization granted by the annual shareholders’ meeting of April 16, 2003, the Company repurchased 3,400,000 of its own shares at a price of EUR 54.00 on the stock exchange, in November 2003. The purchase cost plus directly allocable transaction costs was capitalized. Of the total amount purchased, 62,300 shares were sold to members of the Management Board on August 16, 2004, at a price of EUR 54.00 per share, plus 2% interest per annum from July 1, 2004, in connection with and subject to the terms of the Management Participation Plan approved by the annual shareholders’ meeting of April 14, 2004. Thus, Axel Springer AG held 3,337,700 of its own shares, corresponding to an amount of EUR 10,013,100 (approx. 9.82%) of the subscribed capital, at the balance sheet date, unchanged from the previous year.

In connection with their purchase of 62,300 shares in 2004, the members of the Management Board were also granted options to purchase an additional eight shares of Axel Springer AG for every share purchased. These stock options entitle the holders to purchase a total of up to 498,400 shares at a price of EUR 54.00, plus 2% interest from July 1, 2004. These options can be exercised within a period of 24 months after the lapse of five years from the time they were granted. An earlier exercise of these options (at the earliest after two years) is tied to a majority sale of the shares in Axel Springer AG held by the shareholders Hellman & Friedman Rose Partners L.P. and Hellman & Friedman International Rose Partners L.P., and by the companies affiliated with them. This majority sale occurred on December 18, 2006. Thus, the Management Board can sell 50% of the shares held by its members and exercise 50% of the

additionally granted options on the first anniversary of the majority sale (December 18, 2007) and sell the remaining 50% of shares and exercise the remaining 50% of options at the second anniversary of the majority sale (December 18, 2008).

(10) Cash and cash equivalents

EUR thousands	2006	2005
Cash on hand	136	167
Cash in banks	437,410	487,602
Checks	704	2,005
Total	438,250	489,774

(11) Prepaid expenses

This balance sheet item is mainly composed of prepaid expenses for purchased services.

(12) Subscribed capital

The subscribed capital of EUR 102,000,000 is fully paid up. It is 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 in the stock ledger as directly holding 5% of the equity of Axel Springer AG at the balance sheet date.

(13) Retained earnings reserves

EUR thousands	2006	2005
Statutory reserve	10,200	10,200
Reserve for treasury shares	181,203	181,203
Other retained earnings reserves	437,693	295,287
Total	629,096	486,690

In accordance with Section 272 (4) HGB, a reserve for treasury shares was established in the amount of the acquisition cost in 2003. This reserve was reduced in 2004 in the amount corresponding to the

treasury shares. Due to the share price development, it was not necessary to adjust the value of this reserve at the balance sheet date.

The Other retained earnings reserves underwent the following changes in 2006:

EUR thousands	
Balance at 1/1/2006	295,287
Appropriation from unappropriated profit for 2005	19,459
Appropriation from financial year net income	122,947
Balance at 12/31/2006	437,693

(14) Provisions

EUR thousands	2006	2005
Provisions for pensions and similar obligations	288,974	209,647
Accrued taxes	63,455	87,216
Other provisions	221,010	211,396
Total	573,439	508,259

Pension provisions have been established to account for the obligations arising from the vested pension rights and current benefits of former and active employees of Axel Springer AG and their survivors, based on individual contracts and plant agreements. In addition, employees have been given the option, since 2004, to make contributions to a company pension plan by way of salary conversion (Axel Springer Vario Rente). The pension provisions for the defined benefit pension plans were calculated in accordance with IAS 19, based on a discount rate of 4.5% and a pension trend of 1.75%. In 2005, a discount rate of 6% had been applied for calculating the going-concern value of the pension obligations. With respect to life expectancies, the 2005 G Mortality Tables of Dr. Klaus Heubeck were applied. The revaluation according to IAS 19 had the effect of increasing the pension provisions by EUR 74,485 thousand in 2006 (see Note (2)).

The accrued taxes mainly consist of accrued income taxes.

The main constituent items of the Other provisions are as follows:

EUR thousands	2006	2005
Altersteilzeit (early partial retirement plan)	39,766	33,362
Management bonuses	26,448	27,088
Outstanding supplier invoices	23,670	17,259
Litigation expenses	22,943	24,422
Structural measures	21,347	18,833
Returns, discount and rebate credits	17,040	14,936
Anticipated losses	17,035	19,282
Accrued vacation claims	10,118	10,170

The Other provisions also contain compensation claims for sales agents, occupational accident insurance premiums, site restoration obligations, service anniversary bonuses and loyalty bonuses.

(15) Liabilities

EUR thousands	2006	2005
Liabilities due to banks	24,593	166,239
	(4,218)*	(110,399)*
Advance payments received for orders	3,410	4,355
	(3,410)*	(4,355)*
Trade payables	90,748	94,992
	(90,522)*	(94,992)*
Liabilities due to affiliated companies	375,940	351,390
	(375,940)*	(351,390)*
Liabilities due to companies in which an equity interest is held	21,543	25,281
	(21,543)*	(25,281)*
Other liabilities	54,606	66,076
	(45,008)*	(55,937)*
thereof for taxes	12,197	10,577
thereof for social security	865	8,873
Total	570,840	708,333
	(540,641)*	(642,354)*

(*) thereof due in up to one year

The liabilities due to affiliated companies mainly consist of Group charges, most of which related to cash pooling.

Liabilities due in more than five years are contained within the liabilities due to banks in the amount of EUR 10,279 thousand and in the Other liabilities in the amount of EUR 1,660 thousand, for a total of EUR 11,939 thousand.

The total amount of liabilities secured by real property liens in 2006 amounted to EUR 24,590 thousand, all of which within the item of liabilities due to banks.

(16) Deferred income

The deferred income consists primarily of prepaid subscriptions, capital investment subsidies received and usage fees paid by sales agents.

(17) Contingent liabilities

The contingent liabilities consist of warranty agreements in the amount of EUR 42,264 thousand (PY: EUR 39,439 thousand) and guarantees in the amount of EUR 22,763 thousand (PY: EUR 23,828 thousand).

The contingent liabilities under warranty agreements relate to letters of comfort in the amount of EUR 8,000 thousand (PY: EUR 12,800 thousand). Furthermore, a transfer of pension obligations was agreed in connection with the contribution of the rotogravure printing operations of Axel Springer AG to PRINOVIS Ltd. & Co. KG in 2005, those being the pension obligations attributable to this business. The Commercial Register entry, which is required for a legally valid transfer, had not yet been made at the balance sheet date for the current pension obligations and for the obligations towards former employees with vested pension rights. Because Axel Springer AG is contractually entitled to reimbursement of these pension obligations or the related pension expenses by PRINOVIS, so that no constructive economic obligation exists, this liability was not recognized on the balance sheet of Axel Springer AG. However, a liability exists at the balance sheet date in the amount of these pension obligations (EUR 34,264 thousand; PY: EUR 26,639 thousand). The significant increase over the prior-year figure resulted from the revaluation of pension provisions according to IAS 19 (See Note (2)).

(18) Other financial commitments

In the table below, the commitments under supply agreements, rental and lease agreements are broken down by due date:

EUR thousands	
Due in 2007	145,805
Due 2008 to 2011	238,591
Due after 2011	70,803

The other financial commitments, which relate among other things to capital expenditures (e.g., order commitments), amounted to EUR 30,393 thousand. The other financial commitments to affiliated companies amounted to EUR 19,231 thousand

NOTES TO THE INCOME STATEMENT

(19) Revenues

Breakdown by business lines:

EUR millions	2006	2005
Circulation	880,6	884,6
Advertising	710,0	699,1
Other	119,5	113,5
Total	1,710,1	1,697,2

Breakdown by divisions:

EUR millions	2006	2005
Newspapers	1,092,5	1,093,4
Magazines	498,2	490,3
Job printing	85,9	87,6
Incidental revenues	33,5	25,9
Total	1,710,1	1,697,2

Revenues generated in the international activities amounted to EUR 50.9 million (PY: EUR 51.0 million), representing 3.0% of total revenues.

(20) Other operating income

EUR thousands	2006	2005
Income from asset disposals, write-ups	31,815	49,201
Income from reversal of provisions	18,115	14,295
Income from reversal of special reserve with an equity portion	0	34,629

The income from reversal of the special reserve with an equity portion in 2005 was opposed by writedowns in the same amount.

The Other operating income also contains the cost of services billed to the Group companies.

A receivable from the insolvency proceeding of KirchMedia GmbH & Co KG i.l. and a creditor's composition agreement concluded in connection with the Kirch insolvency (see Note (8)) together produced other operating income of EUR 31,957 thousand in 2006.

(21) Purchased goods and services

EUR thousands	2006	2005
Raw materials and supplies and purchased goods	228,354	228,650
Purchased services	291,145	295,067
Total	519,499	523,717

The raw materials and supplies and purchased goods related mainly to paper and ink consumption.

The purchased services consisted mainly of printing services purchased from non-affiliated printers and professional fees.

(22) Personnel expenses

EUR thousands	2006	2005
Wages and salaries	404,485	393,058
Social security	55,790	55,353
Pension expenses	88,468	15,500
Other benefit expenses	4,541	1,789
Total	553,284	465,700

The pension expenses include the effect of the change of method for calculating pension provisions according to IAS 19 (see Notes (2) and (14)).

In the table below, the average number of employees during the year are broken down according to employee groups:

	2006	2005
Editors	1,580	1,585
Salaried employees	2,739	2,821
Hourly workers	1,058	1,121
Total	5,377	5,527

(23) 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 Technosp 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 East)
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 of Crédit Suisse Group, Switzerland, and CEO of Winterthur Group, Switzerland	DBV Winterthur Holding AG (Chairman)	
Oliver Heine Lawyer, 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 Chairman of the Management Board 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 the 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 Designs Inc., USA (Board Chairman) Freemans plc, GB (Board Chairman) Grattan plc, GB (Board Chairman)
Brian M. Powers CEO of Hellman & Friedman LLC, USA	ProSiebenSat.1 Media AG	Artisan Partners Limited Partnership (Advisory Board)

The total compensation of the members of the Supervisory Board in 2006 was EUR 3,880 thousand, of which amount EUR 800 thousand consisted of fixed compensation and EUR 3,080 thousand consisted of variable compensation. Prof. Dr. Lepenies received author's fees of EUR 125 thousand from Axel Springer AG.

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 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., GB (Member of the Board)
Steffen Naumann Finance and Services 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)

In 2006, the fixed compensation of the members of the Management Board of Axel Springer AG amounted to EUR 6,864 thousand and the variable compensation amounted to EUR 3,973 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 for EUR 3,382 thousand in connection with the Management Participation Plan. Concurrently with this investment, the Management Board was granted an option to purchase eight additional shares for each share purchased.

The value of the Management Participation Plan was measured by application of a recognized option price model. Based on this model, the imputed compensation component for 2006 amounted to EUR 9,501 thousand, which is not contained in the above-mentioned Management Board compensation. By using treasury shares or exercising the H & F call options (see Note (2)), it is possible to execute the entire Management Participation Plan in a way that does not affect the net income of Axel Springer AG.

An amount of EUR 2,106 thousand was paid to former Management Board members and their survivors and an amount of EUR 27 thousand was paid to former special directors. A total amount of EUR 28,050 thousand was appropriated to the provisions for pension obligations towards former Management Board members and their survivors and an amount of EUR 258 thousand was set aside for pension obligations towards former special directors.

(24) Writedowns

The total writedowns according to Section 253 (2) and 3 HGB for Axel Springer AG amounted to EUR 4,094 thousand.

(25) Other operating expenses

These expenses mainly related to postal and shipping costs, advertising costs, commissions, purchased services, maintenance and repairs, rental and lease expenses, travel expenses, incidental expenses and valuation allowances for receivables. They also include expenses for services rendered by Group companies. An amount of

EUR 0 (PY: EUR 34,629 thousand) was appropriated to the special reserve with an equity portion pursuant to Section 6b EStG.

The following professional fees were recognized as expenses for the auditing services provided to Axel Springer AG by PricewaterhouseCoopers AG:

EUR thousands	2006	2005
Audit of annual financial statements	423	464
Other expert opinions and appraisals	959	382
Tax advisory services	106	34
Other services	390	253
Total	1,878	1,133

The professional fees for the audit of annual financial statements related to the audit of the annual financial statements of Axel Springer AG and the consolidation financial statements of the Group. The Other expert opinions and appraisals related to the auditor's review of interim financial statements, professional fees for due diligence services and the production of the Comfort Letter in connection with the stock exchange admission prospectus. The tax advisory fees related to support provided in the matter of specific tax questions.

(26) Income from investments

This item contains income from profit transfer agreements in the amount of EUR 17,900 thousand (PY: EUR 26,719 thousand). The income from affiliated companies amounted to EUR 29,697 thousand (PY: EUR 62,066 thousand).

(27) Net interest income

EUR thousands	2006	2005
Income from lending of non-current financial assets	4,415	948
	(1,494)*	(848)*
Other interest and similar income	34,908	14,978
	(3,169)*	(4,111)*
Interest and similar expenses	-32,805	-43,798
	(-19,117)*	(-22,412)*
Total	6,518	-27,872

(* therefore from/to affiliated companies)

(28) Loss absorption expenses

The loss absorption expenses of Axel Springer AG amounted to EUR 10,815 thousand (PY: EUR 13,511 thousand).

(29) Taxes

EUR thousands	2006	2005
Income taxes	81,843	107,331
Other taxes	2,015	660
Total	83,858	107,991

The income taxes were significantly reduced in 2006 by means of the recognition as an asset of the corporate income tax credit and the corresponding effect on the income statement (see Note (8)).

Other disclosures

(30) 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 under >InvestorRelations >Corporate Governance, where it is permanently available to shareholders. The declaration of conformity is also printed in the Annual Report.

(31) Disclosures concerning securities transactions or investments subject to the notification requirement pursuant to Section 15a WpHG and §§ 21 ff. WpHG

Pursuant to Section 15a (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.

(32) Other events

On January 10, 2006 and January 23, 2006, respectively, the Media Concentration Commission (KEK) and the German Cartel Office denied approval of the intended acquisition of ProSiebenSat.1 by Axel Springer AG. On February 1, 2006, the Management Board of Axel Springer AG and the Board of P7S1 Holding L.P. resolved not to further pursue the plans for an acquisition. After intensive review, they concluded that the numerous economic and legal uncertainties associated with a possible lawsuit or ministerial permission process would entail unacceptable risks for all participants. Thus, the payment obligations and committed credit facilities related to the intended acquisition no longer exist.

Proposed appropriation of profit


The annual financial statements for 2006 show an unappropriated profit of


EUR 122,946,776.

The Management Board will propose that a share of EUR 107,318,050 out of the unappropriated net profit of € 122,946,776 be used to distribute a dividend of EUR 3.50 per qualifying share for 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)

Statement of Non-Current Assets of Axel Springer

	Acquisition/Production Cost			
	1.1.2006	Additions	Disposals	Transfers
	€	€	€	€
Rights and licenses	64.479.802	4.054.154	5.130.072	2.012.081
Advance payments made	2.161.551	4.283.642	0	-2.059.394
Intangible assets	66.641.353	8.337.796	5.130.072	-47.313
Land, leasehold rights and buildings, including buildings on non-owned land	497.050.199	1.333.772	280.490	59.447
Technical equipment, plant and machinery	526.409.024	7.464.338	19.614.121	10.513.146
Other equipment, operational and office equipment	109.212.943	5.744.619	6.795.733	7.026
Advance payments made and construction in progress	12.213.588	1.038.101	804.637	-10.532.306
Property, plant and equipment	1.144.885.754	15.580.830	27.494.981	47.313
Shares in affiliated companies	413.033.390	69.238.649	1.907.448	0
Loans to affiliated companies	18.740.437	9.022.846	0	0
Investments	251.649.611	16.203.732	31.671.348	-171.931
Loans to companies in which an equity investment is held	6.910.022	0	2.550.339	0
Other loans	1.760.012	182.860	377.968	171.931
Non-current financial assets	692.093.472	94.648.087	36.507.103	0
Non-current assets of Axel Springer AG	1.903.620.579	118.566.713	69.132.156	0

Write-ups €	Depreciation, amortization and writedowns		Book Value	
	Accumulated €	in 2006 €	12/31/2006 €	12/31/2005 € 000s
0	43.994.361	7.358.742	21.421.604	25.344
0	0	0	4.385.799	2.162
0	43.994.361	7.358.742	25.807.403	27.506
0	304.851.821	8.355.869	193.311.107	200.440
0	440.874.015	38.753.394	83.898.372	104.714
0	87.175.588	7.709.559	20.993.267	23.303
0	621.541	0	1.293.205	11.592
0	833.522.965	54.818.822	299.495.951	340.049
30.934.690	143.717.088	3.582.044	367.582.193	271.328
0	11.445.462	0	16.317.821	7.295
509.482	22.053.874	0	214.465.672	216.445
0	0	0	4.359.683	6.860
0	14.462	0	1.722.373	1.746
31.444.172	177.230.886	3.582.044	604.447.742	503.673
31.444.172	1.054.748.212	65.759.608	929.751.096	871.228