

**Report of the Management Board to the Annual Shareholders' Meeting pursuant to section 71, paragraph 1, no. 8, sentence 5 in conjunction with section 186, paragraph 4, sentence 2 of the Stock Corporation Act as to agenda items 6 and 7**

The authorizations proposed under agenda items 6 and 7 are intended to grant the Company the opportunity of acquiring own shares based on section 71, paragraph 1, no. 8 of the Stock Corporation Act. It would therefore be enabled to acquire own shares in a volume of up to ten percent of the share capital on or before April 22, 2015 (section 71, paragraph 2 of the Stock Corporation Act). The submitted proposal for the resolution therefore uses the possibility of an authorization for the period of five years created by the law for the implementation of the shareholders' rights directive (ARUG).

The Company, however, indicates that at the time this Annual Shareholders' Meeting is convened, it holds 3,179,784 of its own shares; this corresponds to around 9.64 per cent of the share capital.

a) Acquisition of own shares

The acquisition of own shares pursuant to agenda item 6 may occur (i) via the stock exchange, (ii) as part of a public tender offer to all shareholders or a public request to submit an offer (hereinafter "purchase offer") respectively at the prices stipulated in the authorization, which are based on the stock exchange price of the Company's share at the time of the acquisition.

*Acquisition of the own shares through a public tender offer*

In acquiring own shares through a public tender offer, the principle of equal treatment as established in the Stock Corporation Act must be observed. In the event that a purchase offer is oversubscribed, the offers may be accepted in proportion to the respective shares offered or by quota (if applicable by creating transferable put options). It should, however, be permissible to provide for preferential acceptance of small offers or small portions of offers up to 100 shares. This provides an opportunity to avoid fractional amounts in establishing acquisition quotas, as well as small residual amounts, and thus facilitates processing from a technical point of view.

*Acquisition of the own shares as part of agenda item 7*

Moreover, the resolution under agenda item 7 provides for the acquisition of own shares by the Company in connection with the stock option plan for the Management Board.

The stock option plan for the Management Board was resolved as part of the resolution to acquire and dispose of the Company's own shares in the Annual Shareholders' Meeting of April 14, 2004 (published together with the invitation to the Annual Shareholders' Meeting in the electronic German Federal Gazette (*Bundesanzeiger*) dated March 5, 2004, which can be downloaded from [www.axelspringer.de/dl/20178/einladung\\_hv\\_04.pdf](http://www.axelspringer.de/dl/20178/einladung_hv_04.pdf)). On the basis of the stock option plan, members of the Management Board acquired a total of 62,300 Company shares through September 30, 2004 (0.18 percent of the share capital at the time) at a price of Euro 54.00 per share (plus two percent p.a. starting July 1, 2004). The members of the Management Board received, for each acquired share, eight options for the

purchase of further Company shares; an option entitles the holder to acquire a Company share contingent upon fulfillment of certain conditions as stipulated in the stock option plan. The total number of issued options amounted to 498,400. So far, a total of 34,888 options for the acquisition of just as many shares have been exercised by the members of the Management Board; with regard to 214,312 options, the entitled members of the Management Board waived exercising the option and in return received the promise of a compensation payment. Therefore, currently a total of 249,200 options can still be exercised.

As part of the stock option plan, the Company entered into an option agreement with H&F Rose Partners, L.P. and H&F International Rose Partners, L.P. (hereinafter "H&F") on April 8, 2004. This contract was amended by the contracts of June 30, 2009 and December 17/18, 2009 in order to grant the company more flexibility with regard to the exercising of the options. Based on this agreement, the Company can principally acquire – without being obligated to do this – own shares from H&F to the extent that they have previously been sold to members of the Management Board under the stock option plan or are to be sold in future in the event that options are exercised. This option was granted to the Company by H&F without any obligation to provide consideration. Exercise of the option on the part of the Company is subject to the appropriate authorization by the Annual Shareholders' Meeting. Otherwise, the Company will simply receive cash compensation. This cash compensation will, however, only be paid by H&F after the shares have been sold; the amount of the cash compensation essentially corresponds to the difference of the selling price generated by H&F minus the exercise price. Merely with regard to 214,312 shares the (second) amending contract of December 17/18, 2009 envisages that instead of the delivery of shares, the company receives a cash compensation (regulated separately in this agreement) if and insofar as H&F has sold a corresponding number of shares. This regulation was agreed upon against the background that the members of the Management Board (with the exception of Mr Steffen Naumann) insofar waived the exercising of the options and in return were granted cash compensation by the company in the amount of Euro 12.00 per option.

The price at which the Company's shares may be acquired by H&F under the option agreement is, in principle, – (as explained in more detail above in the resolution proposal) taking into consideration financing and interest rate effects – also Euro 54.00 per share, and thus corresponds to the option price at which members of the Management Board have acquired shares under the stock option plan or may acquire them by exercising their options. In this way, the Company – after the first Call Option with regard to 62,300 shares was replaced by a cash payment with the (first) amending contract of June 30, 2009 – can currently still acquire a maximum of 458,400 shares from H&F. With regard to 214,312 shares it was clarified in the (second) amending contract of December 17/18, 2009 that an exercising of the Call Option by Axel Springer accordingly remains possible in June 2010 and is possible irrespective of the fact that the entitled members of the Management Board have waived the options as part of the stock option plan. However, the number of shares which the Company can subsequently acquire from H&F is reduced to the extent in which H&F sells shares and pays a cash compensation to the Company, the amount of which is determined in more detail in the (second) amending contract of December 17/18, 2009. Up to the end of February 2010, according to the Company's knowledge, H&F sold 40,000 shares and paid the agreed cash compensation for this to Axel Springer Aktiengesell-

schaft so that the number of options which can be exercised in June 2010 fell from originally 214,312 to 174,312. Apart from that, i.e. for 284,088 options, the right to exercise the option according to the original agreement with H&F of April 8, 2004 continues to exist unchanged.

As a result of the option agreement concluded with H&F, the Company incurs almost no financial burden under the stock option plan. In order to be able to take advantage of this opportunity to acquire own shares, a corresponding authorization for the purchase of own shares is required from the Annual Shareholders' Meeting, with exclusion of the shareholders' right to tender.

b) Disposal of own shares

With regard to the disposal of shares under exclusion of shareholder subscription rights, the authorization under agenda item 6, which explicitly includes also those shares acquired based on the preceding authorizations by the Annual Shareholders' Meeting pursuant to section 71, paragraph 1, no. 8 of the Stock Corporation Act, as well as the authorization under agenda item 7, contain the following stipulations:

In the first instance, authorization is requested to enable the Company to use repurchased shares with the consent of the Supervisory Board under exclusion of shareholder subscription rights as part of corporate mergers, or as consideration in the acquisition of companies, divisions and holdings therein, or other economic assets. This approach, which is in principle already provided for in the legislative materials with regard to section 71, paragraph 1, no. 8 of the Stock Corporation Act and is customary in the international arena, can result in a lower cost in acquiring investments.

Moreover, the Company shall be enabled to sell repurchased shares with the consent of the Supervisory Board, under exclusion of shareholders' subscription rights, to third parties against cash payment, provided this occurs at a price not significantly lower than the stock exchange price. The administration will keep any potential discount from the stock exchange price as low as possible in accordance with statutory requirements. A dilution of shareholders' equity value is avoided if the sale is effected at a price not significantly lower than the stock exchange price. The number of shares sold in this manner may not exceed ten percent of the share capital at the time when the shares are disposed of. This provides the Company with the opportunity of offering shares to national and international investors and of enlarging the shareholder circle, thereby stabilizing the share value. It can adapt its equity flexibly to business requirements and react to favorable stock exchange situations.

Furthermore, own shares acquired can be offered for purchase by employees of the Company or its affiliates, under exclusion of shareholders' subscription rights.

In addition, shares acquired can be redeemed with the consent of the Supervisory Board (without a further resolution of the Annual Shareholders' Meeting). Besides the redemption with capital reduction, the authorization also provides for the redemption, with the consent of the Supervisory Board, of fully paid-up shares by adjusting the proportional amount of the Company's share capital of the remaining common shares without a capital reduction. This automatically raises the theoretical proportion of the Company's share capital of the remaining shares.

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