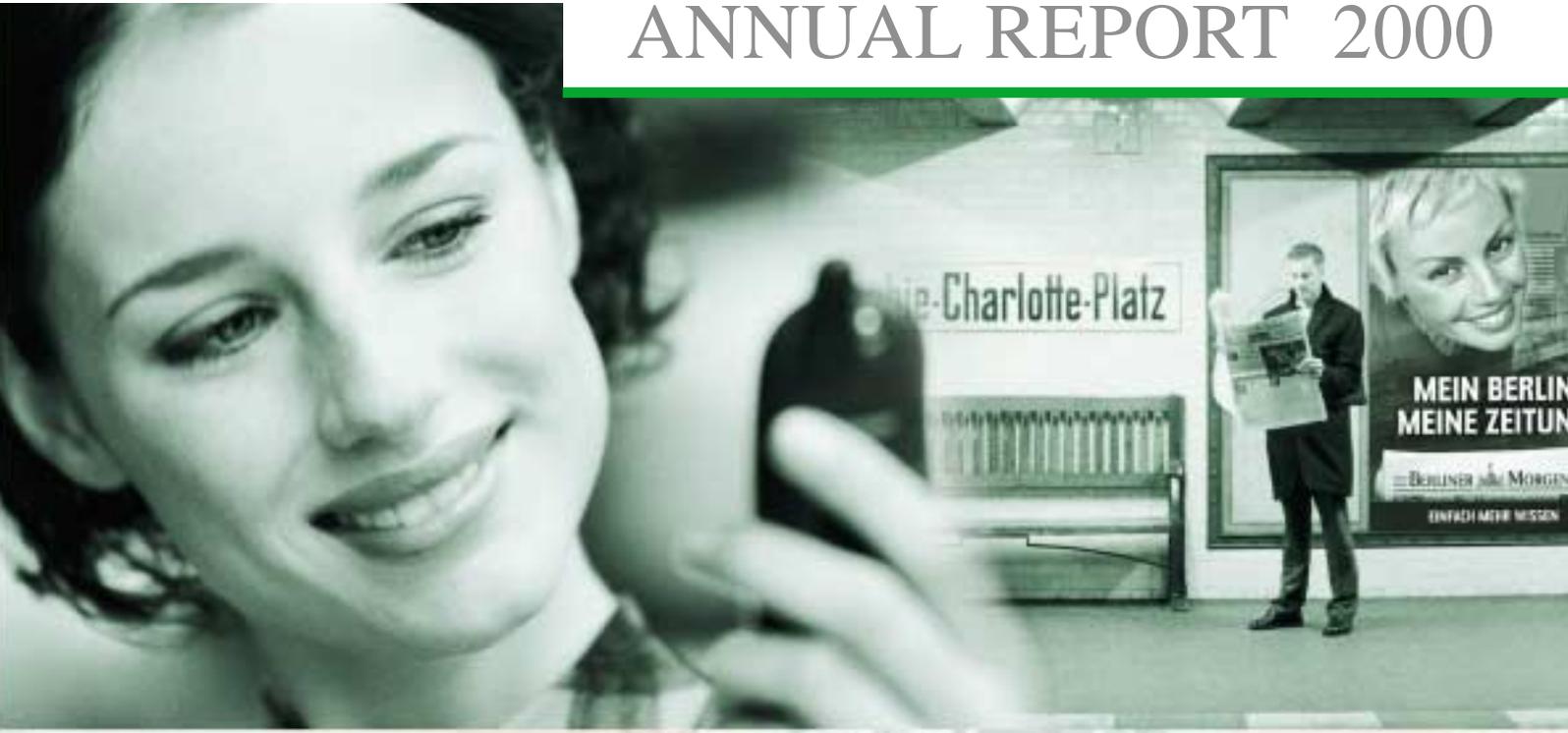


ANNUAL REPORT 2000



Group key data

in € million	1996	1997	1998	1999	2000	Page
Sales	2 260	2 351	2 460	2 664	2 902	15
Change in %	3.8	4.1	4.6	8.3	8.9	
Profit						13
Net income for the year	84	108	141	151	98	
Return on sales in %	3.7	4.6	5.7	5.7	3.4	
Return on average equity in %	24.3	28.3	31.8	29.5	17.6	
DVFA/SG income	62	103	99	100	65	
EBITA	167	223	287	262	217	
Balance sheet						17
Balance sheet total	1 315	1 387	1 526	1 603	1 707	
Fixed assets	611	674	699	807	869	
Fixed assets cover in %	58.3	60.1	69.0	67.0	65.7	
Liquid assets	351	351	366	285	321	
Equity (excluding retained earnings)	356	405	482	540	571	
Equity ratio in %	27.1	29.2	31.6	33.7	33.4	
Long-term liabilities	152	126	89	90	67	
Capital expenditure	123	202	145	243	204	
Depreciation	91	115	123	99	141	
Cash flow	185	229	271	251	223	
Share* in € per share						13
DVFA/SG income	1.82	3.02	2.91	2.94	1.92	
Dividend	1.02	1.02	1.33	1.43	1.43	
Bonus	–	0.2	–	–	–	
Year-end price	46.8	64.4	71.6	118.5	104.0	
Number of employees						19
Annual average	12 346	12 195	12 052	12 504	13 590	

* Adjusted to the 1:10 share split in 2000 to facilitate comparison.

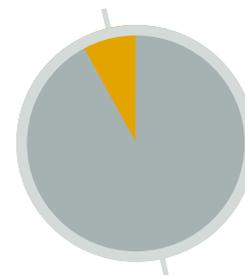
Segments

Newspapers (starting on page 27)

in € million	1999	2000
Sales	1 490	1 570
EBITA	215	183
Depreciation	41	45
Capital expenditure	49	57
Number of employees	6 047	6 303

Sales breakdown

8% Other countries



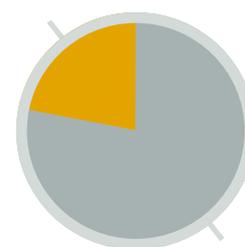
92% Germany

Magazines (starting on page 35)

in € million	1999	2000
Sales	684	750
EBITA	36	33
Depreciation	24	25
Capital expenditure	87	31
Number of employees	2 200	2 553

Sales breakdown

22% Other countries



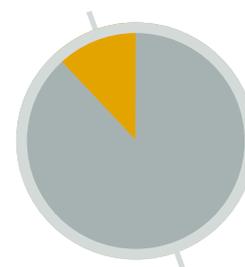
78% Germany

Books (starting on page 43)

in € million	1999	2000
Sales	77	92
EBITA	- 12	- 22
Depreciation	1	3
Capital expenditure	1	1
Number of employees	256	245

Sales breakdown

12% Other countries



88% Germany

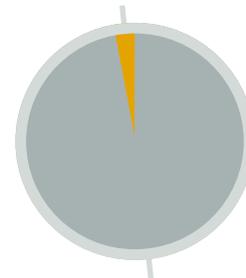
Electronic Media

(starting on page 47)

in € million	1999	2000
Sales	84	108
EBITA	22	14
Depreciation	3	7
Capital expenditure	29	19
Number of employees	339	397

Sales breakdown

3% Other countries



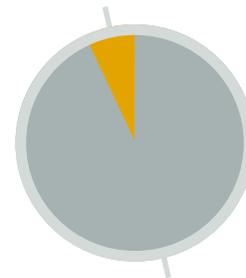
97% Germany

Printing (starting on page 51)

in € million	1999	2000
Sales	630	679
EBITA	3	5
Depreciation	28	55
Capital expenditure	73	93
Number of employees	3 025	3 065

Sales breakdown

7% Other countries



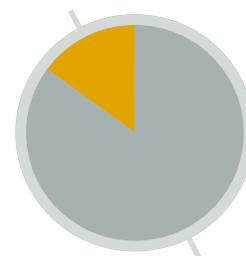
93% Germany

Group

in € million	1999	2000
Sales	2 664	2 902
EBITA	262	217
Depreciation	99	141
Capital expenditure	243	204
Number of employees	12 504	13 590

Sales breakdown

15% Other countries



85% Germany

Contents

Since it was founded in 1946 by the Hamburg publisher Axel Springer, the company has developed into the largest newspaper publishing company in Europe. Axel Springer Verlag is now one of the leading international media companies, with headquarters in Berlin and Hamburg, state-of-the-art printing plants and distribution organisations. Publication of newspapers and magazines has traditionally been the core business. The focal points in the company's operations outside Germany are in Western and Eastern Europe. A strong position is held in the German-speaking book market following the merger of traditional book publishing companies. Other areas of the business include television productions, equity holdings in television and radio stations and the development of selected online activities to establish the company's strong print brands on the Internet and to exploit the potential for new business with Internet services and e-commerce.

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Foreword



Dear Readers,

For Axel Springer Verlag, the year 2000 was one of momentous decisions about the future.

The changing markets of the communication industry pose an array of challenges. In order to meet and tackle these challenges successfully, fundamental strategic decisions were made with a commitment to invest heavily in the future.

The future of the media industry is at present shaped and determined by three crucial factors:

- The Internet: although the initial euphoria is dying down, the Internet will continue to play an increasingly important role both as an instant, comprehensive information medium and as a virtual marketplace.
- Competition: the competition between newspapers and magazines is becoming increasingly fierce, with substantial increases in paper prices affecting profit margins. In addition, the introduction of free newspapers threatens to change the entire newspaper environment in the long term.
- Globalisation: the trend towards globalisation continues.

To meet and deal with these challenges successfully, it is vital for Axel Springer Verlag to create the proper structural and financial environment.

To this end, the Supervisory Board, in agreement with the Management Board, has decided on an investment programme that has burdened net income in 2000 with an additional € 100 million.

A dual strategy will be used to develop the company's online activities. Firstly, we are building up strategic positions for our existing major print brands to expand and extend them on the Internet. Secondly, new concepts will be developed specifically for the Internet, in which our content capabilities will be combined with e-commerce applications.

While investing in the expansion and strengthening of our existing products, new publications have also been launched in our core print business. The necessity for more up-to-date content, more colour and more pages is being met by the ongoing programme to extend and modernise our printing plants. Paper supplies at stable prices have been guaranteed by the conclusion of long-term contracts.

New publications have been launched outside Germany and further acquisitions have been made. This will help us to meet our objective to broaden our business base in international markets.

Management continuity is one of the keys to preparing the company for the future. A new generation has started to take over the responsibility for leadership during 2000. This allows for and encourages long-term planning, strengthens the company's reputation for dedicated and highly-qualified staff and builds confidence in our business partners.

Large investments in new growth and resolute moves to safeguard the company's future are only possible by generating sufficient financial resources with which to develop the company successfully across its many markets. Although our market position was already strong, we managed to improve it even more in 2000, continuing the positive trend experienced over the past few years.

This is due to a large extent to our employees at all the company's locations. The Management Board would therefore like to take this opportunity to express its particular thanks to them all for their professional and successful work.



August A. Fischer
Chairman of the Management Board & CEO

Members of the Supervisory Board and Management Board*

Supervisory Board

Prof. Dr. Bernhard Servatius,

Lawyer, Hamburg

Chairman

AWD Holding AG

Friede Springer,

Businesswoman, Berlin

Deputy Chairwoman

Peter Boenisch,

Publicist, Gmund am Tegernsee

Dr. Gerd Freihalter,

Lawyer, Tax Consultant

and Certified Public Accountant, Augsburg

Dr. Leo Kirch,

Businessman, Munich

Klaus Krone,

Businessman, Berlin

GAIFAR German-American For Aids Research GmbH

ICG Interconnect AG

IMT Institut für Management und Technologie GmbH

Lobster Technology Holding AG

Dr. Michael Otto,

Chairman of the Management Board of Otto Versand
(GmbH & Co), Hamburg

Deutsche Bank AG

Gerling-Konzern Versicherungs-Beteiligungs-AG

Schwab Versand GmbH

Wolfgang Steinriede,

Chairman of the Management Board of
Bankgesellschaft Berlin AG (retired), Berlin

Allbank Allgemeine Privatkundenbank AG

BerlinHyp AG

intra-Unternehmensberatung AG

Systracom Bank AG

Dr. Joachim Theye,

Lawyer and Notary Public, Bremen

Deutsche Babcock AG

Gerling-Konzern Globale Rückversicherungs-AG

Gerling-Konzern Versicherungs-Beteiligungs-AG

Gerling-Konzern Rheinische Versicherungsgruppe AG

I-D Media AG

Messe Berlin GmbH

Metro AG

* And their membership of other legally prescribed supervisory boards.

Management Board

August A. Fischer,

Verlagskaufmann
Chairman

Claus Larass,

Journalist
Deputy Chairman, Newspapers
(until 31 October 2000)
Systematics AG

Christian Delbrück,

Diplomvolkswirt
Magazines (until 31 October 2000)
Hamburg-Mannheimer Versicherungs AG

Dr. Mathias Döpfner,

Journalist
Electronic Media/Multimedia (since 1 July 2000)
Newspapers (since 1 November 2000)
ContentSuite AG

Falk Ettwein,

Diplomkaufmann
Finance (until 30 June 2000)

Rudolf Knepper,

Diplomingenieur and Diplomwirtschaftsingenieur
Printing

Dr. Ralf Kogeler,

Diplomkaufmann
Electronic Media (until 30 June 2000)
Finance (since 1 July 2000)
Feedback AG
Media Transfer AG
ProSiebenSat.1 Media AG

Dr. Andreas Wiele,

Jurist
International Affairs (since 1 October 2000)
Magazines (since 1 November 2000)



Management Report

Group and Axel Springer Verlag AG

Axel Springer Verlag made extensive investments in the future of the company in the year under review. Profits were therefore lower than in the previous year in spite of an increase in sales. The Management Board is not expecting net income to improve in 2001 due to difficult market conditions and further investments to safeguard the company's future.

Economic environment

Continued high economic growth

The upward trend that began in the German economy at the end of 1999 continued in 2000. The Gross Domestic Product increased by 3.1 %, which was a considerable increase over the previous year. This meant that economic growth in Germany was higher than in any year since 1991. By comparison with the other countries in Euroland, however, the German economy expanded at a below-average rate.

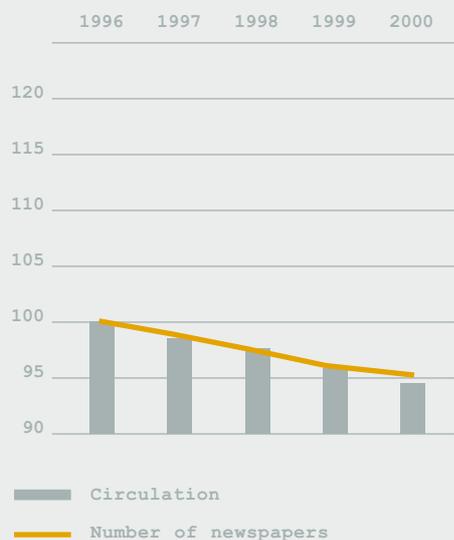
The positive economic situation was attributable primarily to export trade. The continuing export boom was due to a strong economic upswing all over the world as well as to an improvement in the competitive position thanks to the weakness of the euro. Exports increased by 12.9 %, while imports rose by 10.0 % in real terms.

Capital expenditure on plant and equipment (+ 9.0 %) also contributed handsomely to this increase.



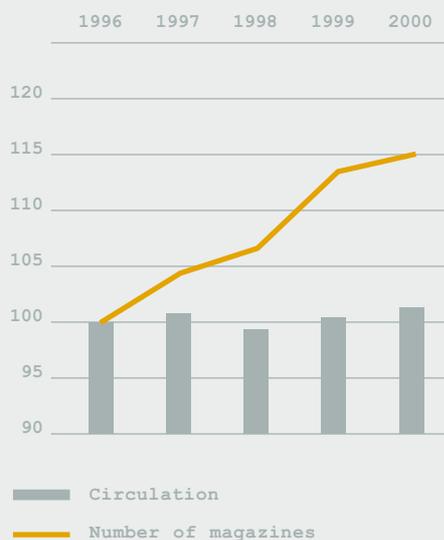
Retail newspaper market

Total sales (IVW), Index: 1996 = 100



Retail magazine market

Total sales (IVW), Index: 1996 = 100

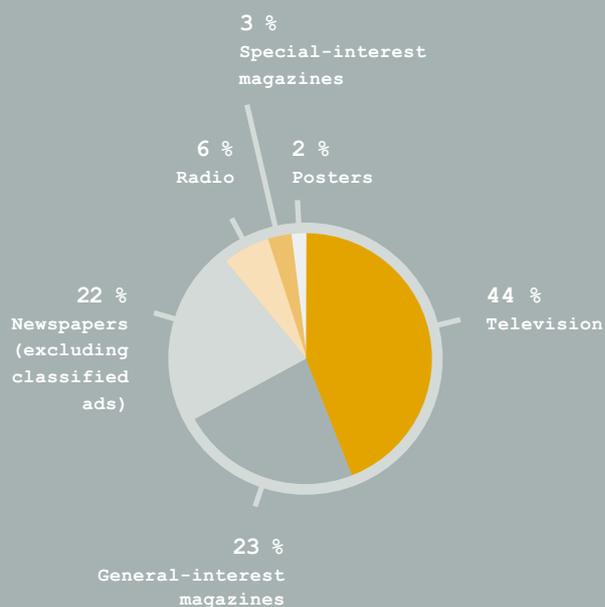


Advertising revenues in the classic media

Gross advertising expenditure in € million

	1996	1997	1998	1999	2000
Newspapers (excluding classified ads)	2 955	3 027	3 516	3 741	4 040
General-interest magazines	3 188	3 348	3 519	3 703	4 164
Special-interest magazines	411	428	448	456	471
Television	5 506	6 037	6 539	6 943	7 978
Radio	806	837	851	967	1 043
Posters	385	352	421	427	469
Total	13 251	14 029	15 294	16 237	18 165

Breakdown of advertising revenues in 2000



The prospect of good sales and profits and relatively low financing costs were the reason for this. Capital expenditure on buildings, on the other hand, decreased again in the year under review (– 2.5 %) following a slight increase in the previous year (+ 0.5 %).

Private consumer spending increased by 1.9 % in real terms and thus grew more slowly than in the two previous years. Consumers' reluctance to spend was due to the additional costs incurred by private households as a result of the increase in energy prices. State spending on consumption also increased at a lower-than-average rate (1.3 %).

Consumer prices – based on the cost of living index for all private households – increased by 1.9 % in 2000, up from 0.6 % in 1999. The drastic rise in energy prices and the weakness of the euro were responsible for this.

The situation on the job market improved noticeably as a result of the sustained positive development of the economy. The number of people in employment increased by 1.5 %. The unemployment rate for Germany as a whole averaged 9.6 % in 2000 compared with 10.5 % in the previous year. The situation in the new German states was disappointing, on the other hand: unemployment did not improve any more there in spite of the favourable general economic conditions.

Sluggish retail press markets

The positive economic development did not have any impact on the retail press market. Sales of daily newspapers and general-interest magazines decreased by a further 2.0 %. Overall turnover reached the same level as in the previous year, however, due to price increases.

Total sales of daily and Sunday newspapers amounted to 28.4 million copies per publication day. This was 1.6 % lower than the circulation figures for the previous year.

Newsstand sales (– 2.3 %) lost more ground than subscription sales (– 1.7 %). Total net paid circulation of newsstand papers fell by 2.2 %. The drop in sales of regional subscription newspapers continued in the new German states in particular (– 3.2 %). The total number of newspapers registered with the circulation auditing organisation IVW fell by four to 390.

IVW reported a further increase in the number of registered general-interest magazines by 11 to 834. Total sales per issue rose by 1.0 % to 128.6 million copies. Newsstand sales decreased by 1.9 % here. The increase in subscription circulation of 2.7 % includes the circulation growth recorded by club and membership magazines.

Competition with TV guides and women's weekly magazines continued to be tough. There was a substantial drop in the positive circulation trend with computer magazines – which failed almost completely to benefit from the general euphoria about the Internet – and business magazines.

Further growth in advertising business

The German advertising industry maintained its momentum in 2000 as well. Gross advertising spending by branded goods manufacturers, service providers and the major retailers on the classic media increased by € 1.9 billion (+ 11.9 %) to € 18.2 billion.

Advertising growth in the year under review was attributable in particular to spending on advertising by the financial community, the EDP/communication industry, the retail trade, the media and the service sector. The share boom and a large number of company flotations led to an increase in advertising spending by unit trusts and newly listed companies. Newspapers and magazines benefitted from this to a particularly large extent.

Growth in the EDP/communication industry was due primarily to higher spending by the telecommunications network operators (+ 19.4 %). Advertising by online providers also had a positive effect on the advertising industry. Advertising expenditure by companies operating in the Internet amounted to about € 0.7 billion in 2000.

The lower advertising spending by car companies reflected the difficult sales situation on the new car market. The print media were affected by this to a disproportionately large extent.

The power companies reduced their advertising activities considerably in the year under review following the liberalization of the electricity market in 1999 and the high spending on advertising associated with this.

All the different media shared in the advertising growth recorded in 2000. Advertising revenues generated by the print media (excluding classified ads) increased by 9.8 % by comparison with the previous year. Newspapers succeeded in improving their sales by 8.0 %. Particularly large increases in advertising business were achieved by newsstand papers (+ 12.1 %) and – above all – by national newspapers (+ 20.4 %). The increase in sales revenues is attributable not only to higher volume but also to substantial growth in full-colour advertisements.

Advertising volume in regional newspapers increased by 4.2 % if classified ads are included. Particularly high growth was registered with job recruitment ads (+ 26.5 %) and national classified ads (+ 18.2 %). Business with motor vehicle and property advertisements was lower than in the previous year.

General-interest magazines recorded growth of € 461 million (+ 12.5 %) to € 4.2 billion in gross advertising income in the year under review. The increase in advertising spending in this area is based not only on the launch of numerous new magazines but also on larger sales by the business

press (+ 57.6 %), current affairs magazines (+ 9.3 %) and computer/online magazines (+ 37.3 %). Women's magazines and TV guides, which are among the biggest-selling magazines, increased their already high advertising sales by 5.8 % and 5.1 % respectively.

Commercial television continued to benefit very considerably from the dynamic development of the advertising market as a whole. The public-service television channels boosted their sales by 6.9 %, while their private counterparts reported an increase of 11.8 %. Radio advertising sales grew in 2000 more slowly than the market average at 7.9 %; the public-service stations suffered a drop of 2.3 %. The advertising volume placed with private radio stations increased by 13.2 %, however.

The company

Heavy investment in the future

Priority in the year under review was given to expansion of the national and international core print business as well as to the reorganisation and strategic realignment of the multimedia division. Axel Springer Verlag invested € 100 million – charged to the results for the year – to safeguard the future of existing publications and to develop many new operations. Group sales increased to € 2,901.9 million (+ 8.9 %).

Axel Springer Verlag strengthened its existing brands in the newspaper and magazine division. Rising circulation figures are convincing evidence of the success that is being achieved in the major expansion of and purposeful investment in DIE WELT. The business publications FINANZEN and EURO AM SONNTAG increased their circulation in spite of negative developments on the stock market. COMPUTER BILD SPIELE consolidated its position as market leader in the first year after it was launched.

Axel Springer Verlag is fighting the distribution of daily newspapers free of charge by establishing its own free daily newspaper KÖLN EXTRA. The youth magazine YAM! and the business publications AKTIENRESEARCH and STOCKS were launched in 2000.

The customer service centre ASDIREKT that was set up in the previous year took over responsibility for all the service assignments for Axel Springer Verlag newspaper readers and advertisers. About four million customer contacts were processed in total at the two locations in Hamburg and Berlin.

Axel Springer Verlag took over the youth and music magazines of the Marquard publishing group on 1 January 2000. They are being managed by Axel Springer Young Mediahouse GmbH, Munich. The youth magazines are helping to diversify the magazine range at national and international level. Some of the magazines appear in Poland, Hungary, the Czech Republic and Romania, too. The youth magazine YAM! that was launched in the autumn of 2000 has established itself firmly on the market after only a few months with net paid circulation of about 250 000 copies in connection with the YAM.DE Web site.

Since October 2000, the special-interest magazines have been published by a joint venture between the Axel Springer subsidiary "top special" Verlag and Jahr Verlag. This combination is strengthening the performance of the publications on the fiercely competitive market for special-interest magazines.

Axel Springer Verlag divested the Medical Tribune publishing group with effect from 1 January 2000, thus discontinuing its involvement in the special-interest publications.

A dual strategy is at the heart of the strategic realignment of the online activities. The aim of this strategy is not only to expand the Internet activities of existing print publications but also to develop new multimedia business models.

Investment of a triple-digit million amount and the creation of up to 300 new jobs are planned in the next two to three years in order to implement this strategy.

The online operations of practically all the print publications were intensified already in 2000. These activities included the Web sites of HAMBURGER ABENDBLATT, the Berlin newspapers and the online portal BERLIN1.DE, that started at the beginning of 2001, as well as the development of the new BILD.DE site.

Further measures were the hiving-off of the online marketing company INTERACTIVE MEDIA and its realignment as a full-service Internet provider. The corporate venture capital company AS Venture was established in October 2000, the purpose of which is to invest in media-oriented start-ups and technology companies on behalf of Axel Springer Verlag.

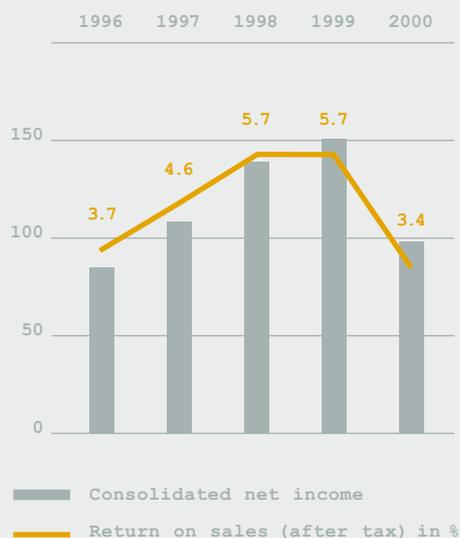
The new equity holdings that were acquired include 25.1 % of the property portal PROPERTYGATE.com AG and an interest of 33.3 % in QIVIVE, which is to be developed into a multimedia marketplace for leisure activities.

The establishment of a TV station family – consisting of SAT.1, ProSieben, Kabel 1 and N24 – was decided in June 2000. Axel Springer Verlag owns an interest of about 11.5 % in the newly founded company ProSiebenSat.1 Media AG. KirchMedia and Axel Springer Verlag have granted each other a mutual option to transfer the shares held by Axel Springer Verlag to KirchMedia or vice-versa at a later date.

Axel Springer Verlag continued to strengthen its commitment to the book division: the Munich publishing house Wilhelm Heyne Verlag was acquired at the beginning of 2001. It is being combined with the existing book publishing companies to form the Ullstein Heyne List publishing group. This merger is creating one of the leading general-interest book publishing companies in Germany.

Net income and return on sales

in € million



Axel Springer Verlag is demonstrating its traditionally strong ties to Berlin by making total investments of about € 175 million there. The foundation stone for an office and business complex was laid in November 2000. A new media centre with a total area of 64 000 m² is to be built here by 2003.

Systematic internationalisation process

Axel Springer Verlag acquired a majority interest in the French publishing company Media Mag SA, Puteaux, in May 2000. The television magazine TÉLÉ MAGAZINE is this company's biggest-selling publication with paid circulation of about 530 000 copies. The portfolio is supplemented by two monthly publications – the special-interest magazine REBONDIR and the information service PROFESSION FONCTIONNAIRE. This acquisition represents a decisive step in expansion of the international magazine range.

Since April 2000 Axel Springer Verlag has been publishing the Portuguese edition of AUTO BILD – AUTOFOCO – together with the Portuguese publishing company Sociedade Vicra Desportiva Lda. This increased the number of editions of AUTO BILD that appear outside Germany to a total of twelve.

The Zurich publishing group Handelszeitung launched STOCKS – a new weekly magazine for investors – at the beginning of November 2000. HOBBY PRESS in Spain introduced the computer magazine PC TODAY on the market in November 2000 too.

Axel Springer Verlag consolidated its market position in Eastern Europe. The publications OLIVIA, AUTO SWIAT and PANI DOMU in Poland were particularly successful at improving their results and expanded their market position.

Share price development

Index: 3. January 2000 = 100



The minority interest in the Ringier-Springer joint venture in the Czech and Slovak Republics was sold with backdated effect to 1 January 2000. This made it possible for Axel Springer Verlag to start operations of its own in both of these countries. Two youth magazines are already being published in the Czech Republic.

In connection with the strategic realignment of its activities, Axel Springer Verlag sold its 51 % share of GRB Entertainment Inc. in the 2000 financial year.

Profits depressed by investments in the future

The consolidated net income for the year fell by € 52.8 million to € 97.9 million. Axel Springer Verlag AG alone generated net income for the year of € 78.9 million (previous year: € 124.9 million). The provisions made as a precaution in previous years for AKTUELL Presse-Fernsehen GmbH & Co. KG were released in connection with the option agreement relating to ProSiebenSat.1 Media AG. The proceeds from this were, however, offset by provisions made as a precaution with respect to equity holdings (completely in the case of Axel Springer Verlag AG and partly in the case of the Group). The Group return on sales amounted to 3.4 % (previous year: 5.7 %); the average return on equity was 17.6 % (previous year: 29.5 %).

The DVFA/SG income amounted to € 65.4 million (previous year: € 100.1 million). This corresponds to DVFA/SG income per share (without tax credit) of € 1.9 (previous year: € 2.9).

There are the following reasons for the development in Group profits: the consolidated net income for the year was down, even though sales were up by 8.9 %. This was mainly due to investments in the company's future – to safeguard existing publications and to establish new activities – on

which about € 100 million were spent. This programme is reflected, for example, in higher personnel costs. Adjustments were also made to the equity holdings in connection with the strategic realignment exercise. Since the changes to the equity holdings did not have any tax impact, tax expenditure remained high. Tax expenditure in the previous year was in addition reduced by taking advantage of accumulated losses.

In contrast to the consolidated net income for the year, the operating result only dropped about 10 %. However, if the increase in the investments made in the company's future by comparison with the previous year is taken into account, then the operating result was at almost exactly the same level as in the previous year.

Dividend of € 1.43 per share

The Management Board proposes the distribution of a dividend of € 1.43, the same as in the previous year. The tax credit remains unchanged. The rest of the consolidated net income for the year amounting to € 43.2 million (previous year: € 98.6 million) is to be transferred to reserves.

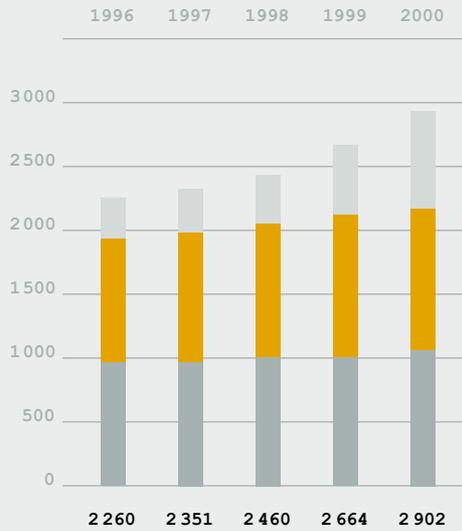
The Axel Springer share – 1:10 split

In accordance with the resolution passed by the annual shareholders' meeting held on 28 June 2000, the Axel Springer shares were split on a 1:10 basis on 6 November 2000, when they were also converted from shares with a par value to shares without a par value. The share split was carried out in connection with conversion of the share capital to euros. A capital increase from company funds without issuing new shares was made to produce a round capital amount.

The shares of Axel Springer Verlag AG have been included in the CASCADE-RS system of Clearstream Banking AG since 30 October 2000. The security identification number has changed to 550 135 as a result.

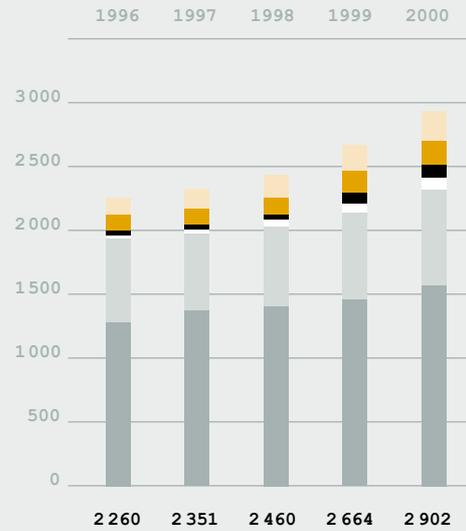
Sales by sectors

in € million

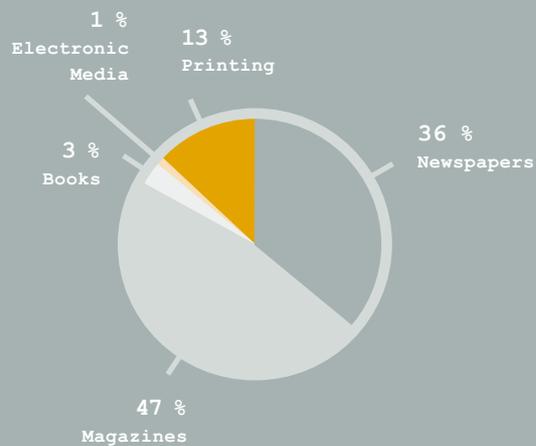


Sales by divisions

in € million



Foreign sales by segments



Inconsistent share price development

The price of the Axel Springer share developed inconsistently in the course of the financial year: the price increased during the first three months and reached its high of € 153.5 in March. The share lagged behind the MDAX index for the rest of the year. The average price of the share over the year was € 112.8.

Sales up in all sectors

Total sales in the year under review amounted to € 2 901.9 million and were therefore up € 237.8 million (+ 8.9 %).

The figures for the previous year were not adjusted to take account of the differences in the companies consolidated, because this would have led to no material changes. As a result of the divestment of the Medical Tribune publishing group, the sales generated abroad only increased by € 21.1 million (+ 5.1 %) to € 430.4 million. This means that Axel Springer Verlag recorded 14.8 % of its total sales outside Germany.

Advertising sales were € 80.0 million (+ 6.9 %) higher than in the previous year at € 1 235.3 million. The newspapers division contributed most of this increase. The proportion of total sales accounted for by advertising revenues amounted to 42.6 %.

Retail revenues rose by € 61.5 million (+ 6.1 %) to € 1 075.0 million. This growth is attributable to a very large extent to the magazines. Retail revenues accounted for 37.0 % of total sales.

Miscellaneous sales grew disproportionately fast in the year under review: by € 96.3 million (+ 19.4 %) to € 591.6 million. This is attributable essentially to the following factors: electronic media increased their sales revenues by € 22.3 million (+ 26.9 %). The positive development of business at CompuTel and Schwartzkopff TV was the main reason for

this. Contract printing revenues rose by € 19.9 million (+ 13.2 %) to € 171.1 million. This increase is due to consolidation of GMZ Druckerei GmbH & Co. for the first time. Merchandise sales increased by € 29.2 million (+ 224.6 %) to € 42.2 million because of the addition of Buch- und Presse-Großvertrieb Hamburg GmbH & Co. KG to the companies consolidated. Transport revenues went up by € 8.3 million (+ 7.6 %).

Newspaper success thanks to good advertising business

Newspapers were once again the main source of sales in the Group (53.9 %), generating revenues of € 1 564.1 million in the 2000 financial year. This corresponds to growth of € 78.5 million (+ 5.3 %). Advertising business rose substantially by € 69.7 million (+ 8.1 %). Although the development of practically all the newspapers was encouraging, the overall performance was attributable in particular to BILD, DIE WELT, WELT AM SONNTAG, BERLINER MORGENPOST and HAMBURGER ABENDBLATT. The total advertising revenues generated by the newspapers amounted to € 928.0 million.

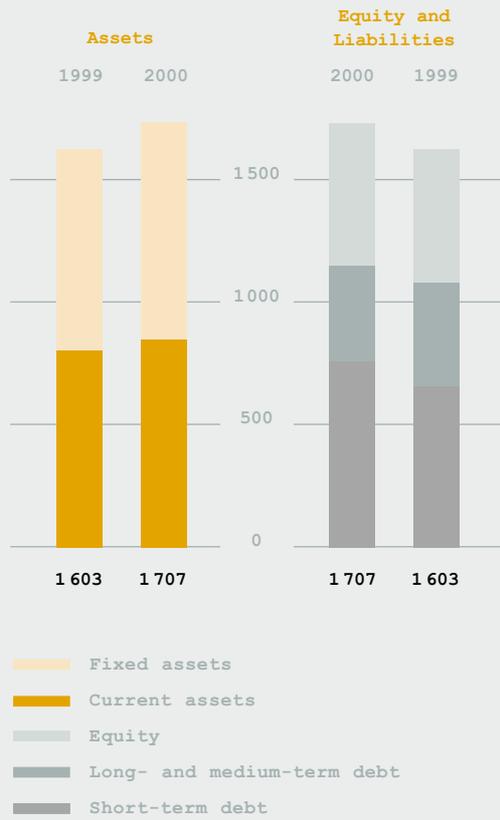
Retail newspaper revenues increased by € 8.8 million (+ 1.4 %). This growth was attributable to a large extent to DIE WELT, WELT AM SONNTAG and EURO AM SONNTAG.

Steady magazine sales growth

The company's magazines increased their sales by € 63.0 million (+ 9.2 %) to € 746.2 million in the 2000 financial year. This meant that they contributed about one quarter of total sales. Advertising revenues were € 10.3 million (+ 3.5 %) higher. COMPUTER BILD, COMPUTER BILD SPIELE, SPORT BILD, the women's and youth magazines and a number of magazines published outside Germany played a prominent role in generating these results.

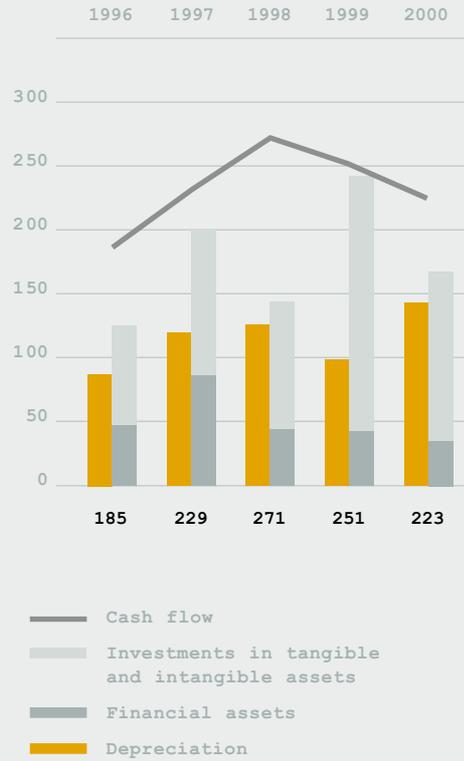
Balance sheet structure

in € million

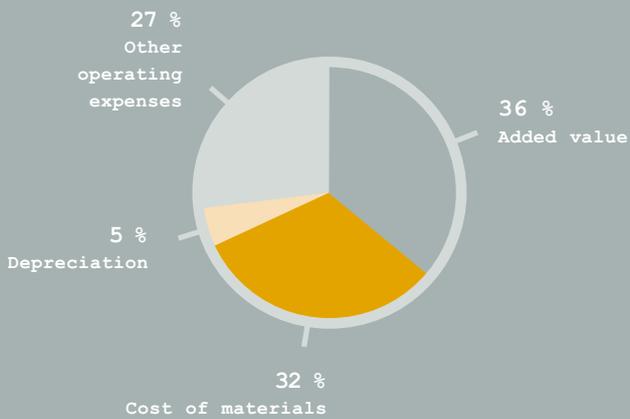


Capital expenditure, depreciation and cash flow

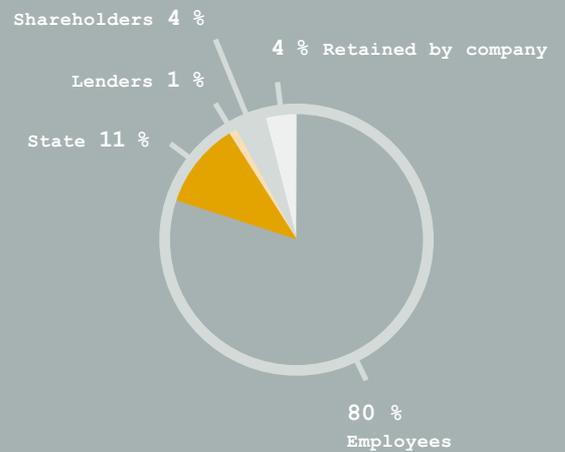
in € million



Total output



Added value



The increase was lower than the market as a whole due to the deconsolidation of the Medical Tribune group in 2000.

The retail revenues generated by the magazines rose by € 52.7 million (+ 13.7 %) to € 438.9 million. Growth was recorded by COMPUTER BILD SPIELE, FAMILIE&CO and BILD DER FRAU, some of the magazines published outside Germany and the newly consolidated magazines produced by Axel Springer Young Mediahouse and Media Mag SA.

Increase in added value

Total Group output increased by € 268.5 million to € 3 129.2 million compared with the previous year. After deducting € 2 011.4 million for the total input costs, which consist of materials, depreciation and other operating expenses, the added value amounted to € 1 117.8 million. This represents an increase of € 27.1 million (+ 2.5 %) over the previous year. Expressed as a proportion of total output, added value was, however, slightly lower at 35.7 % (– 2.4 percentage points).

Most of the added value (79.6 %) was passed on to the company's employees; 10.7 % went to the State in taxes, while 3.9 % were transferred to the reserves. Shareholders and lenders accounted for the remaining 5.8 %.

Equity ratio stable

The consolidated balance sheet total increased by € 104.4 million (+ 6.5 %) to € 1 707.0 million in the year under review.

Fixed assets were € 62.0 million (+ 7.7 %) higher at € 869.0 million. The increase of € 42.2 million in intangible

assets to € 289.3 million is attributable primarily to the goodwill of newly acquired companies. Tangible assets (€ 409.4 million) were € 57.2 million higher than in the previous year because of an increase in capital expenditure and changes in the companies consolidated.

The current assets (including prepaid expenses) increased by € 42.4 million to € 838.0 million. The reduction in the securities portfolio is due to a switch to liquid assets. Inventories were higher than in the previous year because of an increase in paper stocks that was made in view of the price increases anticipated for 2001 and because of new licences acquired by the books division.

Equity (without retained earnings) increased by € 30.1 million to € 570.5 million primarily due to the transfer made to revenue reserves. The equity ratio decreased slightly by 0.3 percentage points to 33.4 %. Fixed assets cover (the ratio of equity to fixed assets) fell to 65.7 %.

Medium- and long-term debt decreased by € 27.8 million to € 387.5 million in the year under review. Short-term debt increased by € 102.1 million to € 749.0 million.

High level of investment

Axel Springer Verlag invested € 204.1 million in the year under review (previous year: € 243.4 million).

Investments in intangible assets amounted to € 15.8 million (previous year: € 73.9 million). The main items were the acquisition of rights and licences. The figure for the previous year was unusually high, partly because of the acquisition of the rights to the youth magazines.

Source and application funds

in € '000	2000	1999
Consolidated net income for the year	97 890	150 656
Depreciation/appreciation of fixed assets	140 436	98 453
Change in provisions	- 17 413	- 27 373
Other expenses/income with no cash effect	- 23 097	- 4 098
Profits/losses from the disposal of fixed assets	6 505	- 33 042
Change in inventories	- 23 697	4 703
Change in trade accounts receivable	- 2 603	- 41 261
Change in other assets that are not attributable to investment or financing activities	33 573	- 18 203
Change in trade accounts payable	37 573	34 150
Change in other liabilities that are not attributable to investment or financing activities	27 437	4 662
Inflow and outflow of funds from extraordinary items	-	14 523
Cash flow from current business activities	276 604	183 170
Proceeds from the disposal of intangible assets	1 832	2 424
Proceeds from the disposal of tangible assets	4 138	29 884
Proceeds from the disposal of financial assets	39 429	46 918
Spending on investments in intangible assets	- 15 812	- 73 854
Spending on investments in tangible assets	- 154 250	- 126 924
Spending on investments in financial assets	- 34 045	- 42 598
Spending on the acquisition of consolidated companies	- 33 908	- 34 885
Cash flow from investment activities	- 192 616	- 199 035
Payments to majority shareholders	- 48 675	- 45 198
Payments to minority shareholders	- 4 374	- 4 306
Inflow of funds due to the obtainment of loans	13 000	11 000
Outflow of funds due to the repayment of loans	- 7 866	- 26 477
Cash flow from financing activities	- 47 915	- 64 981
Total cash flows	36 073	- 80 846
Funds on 31.12.2000	321 040 ¹⁾	
- Funds on 01.01.2000	- 284 881 ²⁾	
+/- Changes in funds due to differences in the companies consolidated	- 86	
Change in funds with cash effect	36 073	

¹⁾ Of which from companies consolidated on a pro rata basis: € 8 123 000.

²⁾ Of which from companies consolidated on a pro rata basis: € 10 428 000.

The company invested € 154.3 million (€ 27.4 million more than in the previous year) in tangible assets. A large proportion of the investments related to modernisation of the printing plants, the replacement of information processing systems and the new building in Berlin. Investments in financial assets in the year under review amounted to € 34.0 million and were therefore slightly lower than in the previous year (€ 42.6 million). Most of the investments were made to finance equity holdings.

Depreciation was € 42.1 million above the previous year's level at € 140.7 million. Capital expenditure was financed entirely out of cash flow, which amounted to € 222.8 million.

Lower cash flow

The source and application of funds statement was compiled in accordance with the German accounting standard no. 2 (DRS 2) for the first time in the year under review. The figures for the previous year were adjusted accordingly.

The flows of funds within the company are divided up into the three different areas of business, investment and financing activities in the source and application of funds statement. The securities held as current assets and the liquid assets are shown as company liquidity in the funds at the end of the statement.

The cash flow¹⁾ amounted to € 222.8 million and was therefore € 28.5 million lower than in the previous year (€ 251.3 million). This reduction is due to the lower net income for the year.

In working capital € 53.8 million were released in the year under review; € 68.1 million were tied in the 1999 financial year. This meant that the cash flow from current business activities was € 93.4 million higher than in the previous

year. The cash flow from current business activities of € 276.6 million was therefore high enough to finance the investments and the dividend for 1999 without obtaining additional debt.

The balance of current business, investment and financing activities amounted to € 36.1 million and was transferred to the funds, which amounted to € 321.0 million at the end of the year.

Number of employees increased by new activities

Axel Springer Verlag had an average of 13 590 employees (excluding apprentices and trainees) in 2000. The increase of 1 086 in company staff is attributable to the systematic expansion of new activities, an increase in the companies consolidated and the legal regulations about fictitious self-employment that came into force in the previous year.

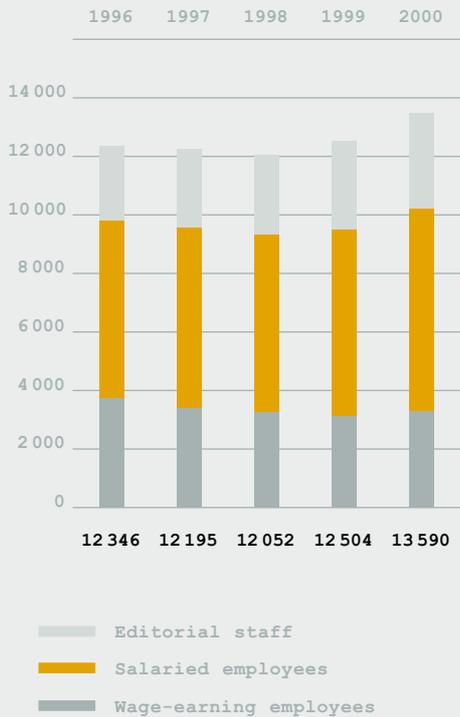
A total of 8 723 persons were employed in the market-oriented areas (publishing, electronic media, marketing). 1 358 were employed in the service areas and 3 509 in the technical areas.

The number of editorial staff increased by 357 to 3 390. The number of salaried and wage-earning employees increased by 729 to 10 200.

Within the last five years 38.4 % of staff joined the company. The average length of service in the 2000 financial year was about 12.0 years; 44.1 % of staff have been with Axel Springer Verlag for more than ten years.

¹⁾ Net income for the year + depreciation – write-ups
+/- change in the pension provisions
+/- change in the special reserves with an equity portion.

Personnel structure



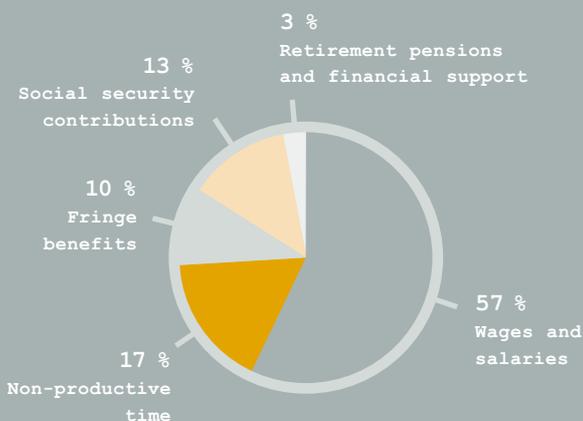
Disabled employees accounted for an average of 4.6 % of staff (ASV AG: 5.6 %). The statutory quotas for employment of the disabled were therefore largely met.

Slight decrease in personnel cost ratio

Personnel costs rose by 9.2 % to € 889.9 million in the year under review. The ratio of personnel costs to total company output decreased slightly by 0.1 percentage point to 28.4 %.

Wages and salaries accounted for 57.3 % of total personnel costs. The remaining 42.7 % were attributable to incidental pay costs, which include social security contributions, retirement pensions and financial support, payments for non-productive time (e.g. annual holidays, public holidays, illness etc.) as well as fringe benefits (Christmas bonus, holiday pay, anniversary bonus, long-service bonus and capital formation payments).

Personnel cost structure in 2000



Pensions

Expenditure on retirement pensions and financial support amounted to € 28.1 million in the past financial year. Retirement pensions accounted for € 25.2 million. € 10.8 million were transferred to the pension provisions.

In the course of the year, an average of 6 437 former employees or their dependants received regular payments totalling € 13.6 million. On the balance sheet date, 1 543 former employees held claims against the company with respect to non-forfeitable pension rights.

Risk management

Axel Springer Verlag is exposed to different risks in the course of its business operations. Systematic progress was made on continuing development of the risk management system in the year under review in order to identify these risks and take appropriate action in good time. The main emphasis was on the compilation of risk management guidelines for the Group. It contains instructions that have to be followed when dealing with risks within the Group. As in the previous year, a complete review was again made of all the risks in 2000, which are documented in a risk manual. These assignments are co-ordinated by a risk manager, who reports to the corporate controlling department.

The investigation carried out by the auditor revealed that the risk management system applied at Axel Springer Verlag satisfies the legal requirements in every respect. No risks were identified that could jeopardise the survival of the company in the next twelve months.

For the next 24 months there are substantial risks in six specific categories, which could have an impact on the company's net worth, financial position and earnings situation if they materialised. Risks for which full insurance coverage can be obtained are not listed below. There were no major changes over the previous year.

Market and strategic risks

The different markets in which Axel Springer Verlag operates are fiercely competitive. The company combats the risks in advertising and retail business by monitoring the market constantly and intensively, by developing corporate information systems and by planning and budgeting the individual publications in great detail.

Entering new areas of business – particularly in the Internet field – creates opportunities but also risks. Axel Springer Verlag takes many different measures to counter them.

Some examples of them are extensive market research, strategic corporate planning and the acquisition of equity holdings by non-monetary means.

Profit risks in business operations

The products supplied by Axel Springer Verlag are subject to the typical profit risks. They include in particular drops in demand and cost risks. The company reduces these risks by improving customer loyalty and by continuing to diversify the product portfolio, internationalise operations and develop existing publications.

Financial risks

Axel Springer Verlag is exposed to different financial risks as a media company with international operations. The general rules for financial management and for the deployment of derivative financial instruments in order to avoid interest and exchange rate risks have been specified in a financial code of conduct. Strict formal control systems make sure that this financial code of conduct is observed.

Axel Springer Verlag will be switching its company currency from the German mark to the euro after the end of the 2000 financial year. All the systems of relevance to the euro have been checked and categorised in order to guarantee that this switch is completed smoothly. The preparations for conversion in May 2001 are going according to plan.

Political/legal risks

The different areas of business in which Axel Springer Verlag operates are influenced by legal and political developments. The company is able to respond to these developments in good time by means of active involvement in industry associations and constant observation of the environment. Important issues in the financial year were the legislation about employees' rights to work part-time, the abolition of legislation on discounts and the debate about retail price maintenance for books.

General business risks

A breakdown of the data processing systems represents a major risk for Axel Springer Verlag. Advantage has been taken of technical facilities, such as redundant configuration of the systems. Staff have been informed in detail about safe operation of the EDP systems in special training courses. The physical security of the EDP equipment is checked on an ongoing basis.

Procurement risks

Paper is the most important raw material in the production process for Axel Springer Verlag as one of the biggest newspaper producers in Europe. The procurement risks with respect to paper are minimised by arranging long-term supply contracts with several different suppliers. Co-operation with the Finnish paper manufacturer Myllykoski was agreed in January 2001, for example: the Finnish company will be investing € 200 million to install a new newsprint paper machine in Germany. Axel Springer Verlag has concluded a contract to secure itself a substantial proportion of the total annual production of 250 000 tonnes.

Further development of the risk management system

Axel Springer Verlag will be continuing to expand its risk management system in the 2001 financial year, too. In order to be able to control risks more effectively, they will in future be valued with both the gross loss and the anticipated net loss, in the calculation of which measures to counter or avoid the risk as well as the probability that the risk will occur will be taken into account.

Prospects

Economic growth in Germany is likely to slow down in 2001 because of a reduction in exports in particular. An overall increase in the Gross Domestic Product of up to 2.5 % in real terms is expected. Economic developments will be influenced by high oil prices and declining growth in world trade. Domestic demand will be maintained by increasing investment and higher consumer spending – prompted by the impact of the second stage of the tax reform. It will join exports as the driving force behind the economy. Capital expenditure on plant and equipment will increase by about 5.9 %. The East German economy is likely to expand its output to approximately the same extent as West Germany in 2001. This does, however, depend on a recovery in the building industry. Inflation is reaching new highs at the moment. It must be hoped that it will decrease again appreciably as a result of the anticipated strengthening of the euro and moderate wage increases. The average number of people employed will increase in 2001. The unemployment rate will amount to about 8.5 % and will thus be lower than in the previous year.

On the newspaper and magazine markets there are signs that the slight general decline in circulation will be continuing in 2001. Further advances by free papers will increase the pressure on regional newspapers. Numerous copy price increases can be expected in the run-up to the introduction of the euro, which will lead to further sales losses.

The German advertising market will continue to grow in 2001. The increase in gross advertising revenues in the classic media is estimated to reach 6 % at most. This means that gross advertising spendings will expand faster than the economy as a whole.

Advertising business will, however, be growing far more slowly than in the previous year. Companies from the telecommunications field, the power generation industry and the financial community are particularly likely to reduce their advertising spending. This trend has been confirmed in the first few months of 2001.

Axel Springer Verlag aims to increase its overall sales by four to six per cent in 2001, in spite of lower economic growth and the difficult situation that continues to prevail on the retail press market. The increasing sales will, however, be offset by additional costs. Paper and personnel costs in particular will increase again in 2001. The current capacity bottlenecks experienced by paper suppliers are being reflected in substantial price increases. Not only the larger number of employees but also higher average incomes are leaving their mark on personnel costs. The increase in average pay is attributable to the shortage of personnel in the IT and multimedia fields.

Considerable investments in the future need to be made in 2001 as well. Because a positive long-term development of Axel Springer Verlag can only be guaranteed if existing publications are expanded and if new areas of business and new activities are established. What are planned here are a strengthening of the print publications, expansion outside Germany and – a particular focal point – an increase in existing online operations and the development of new activities. Steps also need to be taken to safeguard the market position of the newspapers in their battle against wider distribution of free papers. In view of all this, an improvement in net income cannot be expected in 2001.

Concluding statement pursuant to § 312 paragraph 3 of the German Companies Act (AktG)

Axel Springer Verlag AG was dependent on Axel Springer Gesellschaft für Publizistik GmbH & Co, Berlin, under the terms of § 17 of the German Companies Act (AktG) in the 2000 financial year. As no control agreement had been concluded with the latter company in accordance with § 291 of the German Companies Act, the Management Board of Axel Springer Verlag AG was obliged to compile a report about the relationships to affiliated companies in accordance with § 312 of the German Companies Act. In accordance with § 312 paragraph 3 of the German Companies Act, the Management Board states at the end of the report: “Under the circumstances known to it at the time, Axel Springer Verlag AG received fair and adequate compensation for each and every legal transaction conducted with an affiliated company. During the period under review, Axel Springer Verlag AG neither took any action nor refrained from taking any action at the behest or in the interests of the controlling company or one of its affiliates.”





Divisions

Newspapers	27	
Magazines	35	
Books	43	
Electronic Media/ Multimedia	47	
Printing	51	



"A sensible way to make the best use of my time
- reading on the move in the morning. By the
time I reach my office, I know what is going on."



"Now the two of
found a place of
Virtually to
and in reality



them have
their own.
start with
today."

Newspapers

Newsstand papers, Sunday newspapers, national and regional subscription newspapers, business publications and free advertisers belong to the Newspapers Division. Which also includes the magazines BILDWOCHE, COMPUTER BILD, COMPUTER BILD SPIELE and equity holdings in newspaper publishing companies in Germany and other countries.

BILD group strengthens its market position

The BILD group with the publications BILD, BILD AM SONNTAG, BILDWOCHE, COMPUTER BILD and COMPUTER BILD SPIELE consolidated its leading position on the market in 2000.

The trend towards a decline in sales of newsstand papers continued in the year under review as well. With circulation averaging 4.3 million paid copies and 11.2 million readers every day, BILD on the other hand increased its outstanding position on the market for newsstand papers even more.

This success was based on the systematic concentration of all activities on satisfaction of the requirements of the paper's readers and advertisers. This required an outstanding performance by both the editorial and printing staff. Digital

BERLINER MORGENPOST and its Web site are a good example of the successful combination of print and electronic media. Its portal provides new opportunities for advertising customers and anyone who is looking for somewhere to live: with service and information of all kinds about property.

Newspaper sales in Germany

Net paid circulation
IVW, average per issue in 2000

Bild	4 346 722
Bild am Sonntag	2 495 266
Computer Bild	997 415
Computer Bild Spiele	571 482
Bildwoche	480 251
Die Welt	250 344
Welt am Sonntag	445 038
Euro am Sonntag	191 323
Finanzen	133 782
Hamburger Abendblatt	295 991
Berliner Morgenpost	171 300
B.Z.	261 609
B.Z. am Sonntag	152 076

Newspaper sales outside Germany

Average net paid circulation in 2000,
publishers' statistics

Austria

Tiroler Tageszeitung	88 387 ¹⁾
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Switzerland

HandelsZeitung	36 596 ²⁾
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Hungary

<i>Regional newspapers</i>	'000 copies
Baranya	50
Kecskemét	43
Somogy	38
Szolnok	33
Békéscsaba	30
Heves	25
Kamárom	21
Tolna	21
<i>Sunday newspaper</i>	
Vasárnap Reggel	117

¹⁾ ÖAK statistics
(average for the 2nd half of 2000).

²⁾ WEMF statistics.

data transmission and co-operation with Heidelberger Druckmaschinen AG made it possible, for example, for BILD to be printed locally during the Olympic Games in Sydney. Athletes and tourists were able to inform themselves early in the morning not only about the Olympic Games but also about the latest events in Germany and the rest of the world.

Following the start-up of the new printing plant in Essen-Kettwig and modernisation projects carried out by the company's key printing partners, half of the pages in BILD can be printed in four colours. Advertising customers are benefitting to a particularly large extent from this and are placing more and more four-colour advertisements.

BILD demonstrates its regional significance and capabilities by publishing 32 regional editions every day, which are produced by independent regional editorial teams. Thanks to this systematic positioning of the paper, it was again possible to increase regional advertising sales over the previous year. National advertising business also recorded impressive growth that was substantially higher than in the previous year. Special factors such as company mergers and the dynamic developments on the telecommunications market played an important role here.

Axel Springer Verlag started to distribute its own free morning newspaper KÖLN EXTRA in December 1999 in a move to stop distribution of the free daily newspaper »20 Minuten Köln« produced by the Norwegian publishing company Schibsted.

The advertising market has proved to be difficult for both KÖLN EXTRA and »20 Minuten Köln«. Neither of the two newspapers has been able to generate any significant advertising business. In order to protect its market, Axel Springer Verlag is continuing to distribute KÖLN EXTRA, as all established newsstand papers suffer substantial losses in areas where free newspapers are available.

BILD AM SONNTAG faced new sales and technical requirements at the readership level in the year under review. High-quality, free advertisers have led to further intensification of the competitive situation on the Sunday newspaper market.

The demands on up-to-the-minute sports reporting have increased considerably now that the top game in the German Football League has been moved to Saturday evening. BILD AM SONNTAG has responded to this challenge by taking extensive action in its logistics and production technology. Comprehensive four-colour printing has in addition been introduced for BILD AM SONNTAG following the full start-up of the new printing plant in Essen-Kettwig. This represents another milestone in the steady development of the newspaper.

With average net paid circulation of 2.5 million copies in 2000 and ten million readers, BILD AM SONNTAG confirmed its leading position on the Sunday market with a very stable performance.

The positive trend in core and growth markets could not on the other hand be matched in the advertising business; the figures were lower than in the previous year. It is expected that business will be boosted in the future by the development of a new pricing and marketing concept as well as by a more powerful advertising campaign. Further improvements to the visual appeal and content of the newspaper by the new editor-in-chief aim to make sure that the potential is exploited.

BILDWOCHE maintained its market position in what is still a fiercely competitive market for low-price TV guides. About 480 000 copies were sold every week on average in 2000. A price structure that was introduced at the beginning of 2001 will make BILDWOCHE considerably more attractive to advertising customers and will stimulate the advertising business. BILDWOCHE has been operating as one of the TV guides since the beginning of February 2001.

COMPUTER BILD strengthened its position as market leader in the computer magazine segment impressively. The broader editorial concept of the magazine, which appears every two weeks, once again appealed to an average of about one million customers over the year. With more than 3.2 million readers – from beginners to professionals – COMPUTER BILD offers advertising customers an attractive readership. A new record with far more than 3 000 pages of advertising sold – more and more of which are being placed by branded goods manufacturers and service providers, too – was therefore set again in the fourth year of the magazine's existence.

The magazine **COMPUTER BILD SPIELE** was launched in November 1999 and took over the position of market leader in the games magazine segment as soon as it appeared. **COMPUTER BILD SPIELE** is positioned as the lowest-priced monthly game magazine with a CD-ROM – including the full version of a game – and sold more than half a million copies per issue on average over the year. Most of the readers are young and extremely attractive to advertising customers, so the magazine sold more than 1 000 pages of advertising in its very first year.

Expansion of the three brands **BILD MUSIC**, **BILD INTERACTIVE** and **BILD BUCH** in the **BILD** merchandising field was continued by adding to successful product lines as well as by introducing new products. The samplers that appeared under the **BILD MUSIC** label reached top positions in the charts. High-quality interactive games supplied by **BILD**, such as **SIMS**, achieved great sales success. A new **BILD** shop concept was tested for the first time in the autumn.

BILD ONLINE experienced an impressive increase in page impressions during the past financial year. With about 22 million page impressions in December 2000, **BILD ONLINE** succeeded in topping the figure for the same period the previous year by 67 %. Further strengthening of the market position is planned in the 2001 financial year by developing a completely new Internet presentation for the **BILD** brand.

Positive trend for **DIE WELT**

Following the successful relaunch of the national quality newspaper **DIE WELT**, the company and the editorial staff are continuing to do everything in their power to maintain the momentum that has been developed. The high growth rates in both circulation and advertising business are convincing evidence of the widespread acceptance of the new concept.

The network of correspondents has been expanded and regionalisation of the newspaper has also been continued systematically. An additional regional edition of **DIE WELT** started to appear twice a week in Bavaria in October 2000; it was replaced by a daily edition in mid-February 2001 because of high demand. **WEBWELT** – a weekly supplement that concentrates on the Internet – has also established itself on the market.

DIE WELT has been printed in Madrid as well since August 2000. The introduction of this additional printing location is improving the availability of **DIE WELT** in Spain and Portugal as well as on the Balearic and Canary Islands.

Close networking of the print and online editions of **DIE WELT** has been continued successfully with **WELT ONLINE**. In the year under review **DIE WELT** was once again one of the most popular German daily newspapers in the Internet with about four million page impressions per month. The main improvement in 2000 was a substantial increase in service: during the Summer Olympics in Sydney users of **WELT ONLINE** were able to access an “intraday” newspaper twice a day, in order to keep themselves informed about the latest developments at the Games.

WELT AM SONNTAG strengthened its position as the biggest quality Sunday paper in Germany with an average paid circulation of 445 000 copies. WELT AM SONNTAG launched a new regional edition in Munich on 8 October 2000 in order to increase reader loyalty to the paper. In addition to the success it achieved on the market, the travel section of WELT AM SONNTAG also received the “Award of Excellence” of the European Newspaper Design Award in November.

Business publications increase circulation

Axel Springer Verlag expanded its position with information-oriented finance and business publications steadily in the 2000 financial year. This area of the company’s operations includes the majority holdings in Finanzen Verlag in Munich (EURO AM SONNTAG, FINANZEN), the Handelszeitung publishing group in Zurich (HANDELSZEITUNG, STOCKS) and the publishing company Yukom in Munich (customer magazines, MARKT UND MITTELSTAND). The weekly magazine AKTIENRESEARCH was launched in April 2000.



The business and finance publications produced by Axel Springer Verlag performed well as regards both circulation and advertising business, in spite of the negative development of stock market share prices in 2000. The publications benefitted in particular from the unusually positive advertising trend in this sector.

The weekly finance and investment newspaper EURO AM SONNTAG more than doubled its circulation and advertising volume by comparison with the previous year. EURO AM SONNTAG therefore succeeded in expanding its position and is the business publication with the biggest retail sales in Germany.

The monthly magazine FINANZEN managed to increase its circulation and advertising volume substantially over 1999 too. The range of finance publications produced by Axel Springer Verlag was rounded off by AKTIENRESEARCH, the new weekly magazine for investors. The project targets were exceeded as regards both circulation and advertising business. AKTIENRESEARCH was integrated in Finanzen Verlag, Munich, at the beginning of 2001.

HANDELSZEITUNG generated the best advertising business in its history in 2000. The Handelszeitung publishing group launched the new investors’ magazine STOCKS successfully in German-speaking Switzerland in November 2000. Both circulation and advertising business are higher than budgeted.

Finanzen Verlag complemented the print publications in October 2000 by introducing FINANZEN.NET, an online service that concentrates on issues relating to finance and investment. The online activities in the financial publication field were extended by acquiring a majority interest in the young Internet financial service provider Smarthouse Media GmbH in Karlsruhe.

The Yukom publishing company in Munich succeeded in increasing its sales over the previous year by obtaining new orders in the corporate publishing field – including the weekly Tchibo magazine. Yukom Medien AG, Zurich, was established as a joint venture between the Handelszeitung publishing group and the Yukom publishing company to market customer magazines in Switzerland.

Berlin newspaper group with improved results

There continues to be tough competition on the Berlin newspaper market. The Berlin newspaper group managed to improve its results again in spite of the investments that were as a result necessary in our publications which appear there.

The regionalisation project at BERLINER MORGENPOST was completed successfully by the addition of six more local editions in inner-city Berlin. BERLINER MORGENPOST is also entering the area of social marketing with the new association it has founded called “Berliner helfen”. This project and steady optimisation of editorial coverage are enabling BERLINER MORGENPOST to emphasise its position as a serious newspaper with information skills that stands for a regional approach and social integration.

As far as advertising was concerned, classified ads business was particularly successful again in 2000. Classified ads about property and jobs have been appearing as a separate print issue every Tuesday since October 2000 in order to strengthen the newspaper’s capabilities in this sector.

BERLINER MORGENPOST launched the new full-service portal for property in October too. It provides a wide range of property-based services and information.

B.Z. and B.Z. AM SONNTAG also operated successfully on the Berlin market. New editorial service elements have made the newspapers more attractive. Acceptance of the online programme of Berlin’s biggest newspaper has developed very encouragingly too. B.Z. AUF DRAHT is the leading Web site of any Berlin newspaper with an average of eleven million page impressions per month. BERLIN1.DE, the new Web site of Ullstein GmbH, was launched on 9 February 2001. BERLIN1.DE is an interactive online portal that provides up-to-the-minute information and services for Berlin in addition to multimedia entertainment. Further overall expansion of the online activities of the Berlin newspaper group is planned.

HAMBURGER ABENDBLATT continues positive development

HAMBURGER ABENDBLATT attracted 16 000 new readers last year, impressively confirming its market position as the biggest subscription newspaper in North Germany. The positive development of HAMBURGER ABENDBLATT is the result of high journalistic quality and excellent reporting combined with commitment to many different activities for its readers and the city of Hamburg.

Marketing activities, which focussed to an increasing extent on customer loyalty campaigns and events alongside classic advertising, have also reinforced HAMBURGER ABENDBLATT's position as a quality regional newspaper even more.

Advertising business benefitted not only from the increase in the paper's reach but also from positive economic developments. The substantial growth is attributable to continued stability on the job market, big new customers from the local retail trade and campaigns by branded goods manufacturers (the telecommunications industry in particular).

The online activities of HAMBURGER ABENDBLATT were intensified considerably in 2000. The regional portal ABENDBLATT.DE – which records more than two million page impressions per month – is the strongest Web site in Hamburg, offering coverage of a large selection of different subjects and numerous service functions.



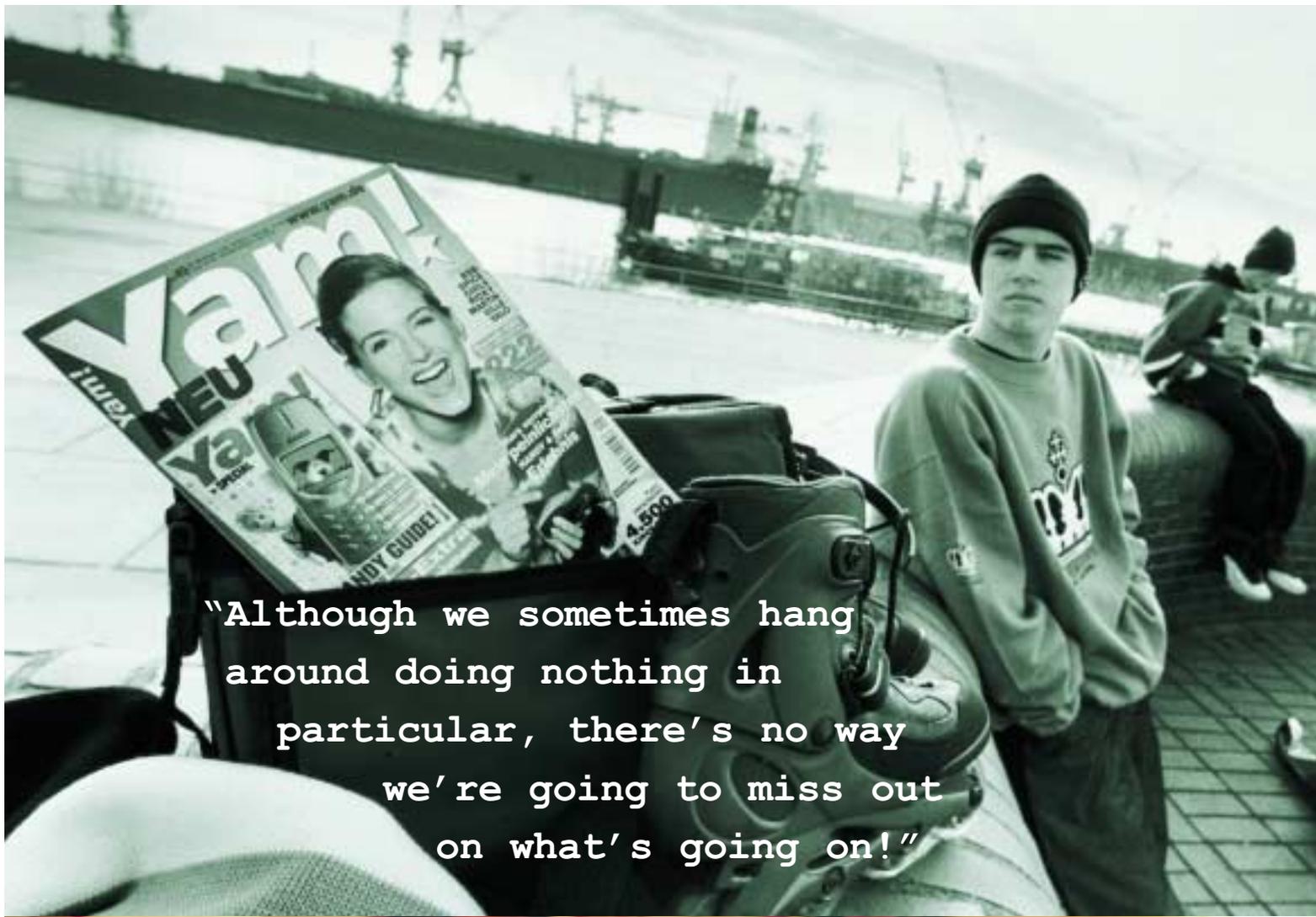
Further success for affiliated newspaper companies

The regional newspapers LÜBECKER NACHRICHTEN, KIELER NACHRICHTEN, OSTSEE-ZEITUNG and LEIPZIGER VOLKSZEITUNG were able to strengthen and expand their market positions. These newspapers, in which Axel Springer Verlag holds equity interests, have firmly established positions in their respective regions. All of them operate on a sound economic basis thanks to their strong local roots.

The free advertisers focus on the extremely competitive markets in the economic regions of Hamburg, Berlin and Dresden and recorded further growth in the year under review.

TIROLER TAGESZEITUNG, in which the company owns a majority interest, continued to develop positively. Advertising revenues in 2000 were boosted by strong classified ad business in the job market as well as by advertisements in connection with regional elections. Circulation was maintained in spite of the tough competition.

Axel Springer-Ungarn strengthened its leading position on the Hungarian newspaper market by expanding its regional coverage.



"Although we sometimes hang around doing nothing in particular, there's no way we're going to miss out on what's going on!"



"It's much cooler to chat with the stars than waiting backstage with all the other fans for a crumpled-up autographed picture."



Magazines

The Magazines Division includes TV guides as well as women's, men's, family and youth magazines. The German portfolio is completed by high-quality special-interest magazines and a number of equity holdings. This division is also responsible for the company's own subsidiaries and equity interests in other countries.

Magazines strengthen their market position

The Magazines Division succeeded in strengthening the market position of its publications again in the year under review. A large number of publishing and editorial measures safeguarded the positions held by the magazines with their readers and advertising customers. The youth magazines acquired from the Marquard publishing group have been managed by Axel Springer Young Mediahouse GmbH, Munich, since the beginning of 2000. The integration process has gone smoothly, confirming the approach that has been adopted.

The youth magazine YAM! that has been appearing since the autumn of 2000 has positioned itself successfully on the market. The Web site YAM.DE has already established itself effectively, too. The content is focussed uncompromisingly on the target group: free SMS, horoscopes, chat facilities, the latest news and trends are right in line with the users' attitude to life and the spirit of the times - fun, facts, feelings, future.

The international operations have been expanded by making new equity investments and takeovers and by launching new publications on the market. The acquisition of the French publishing group Media Mag SA, Puteaux, was of major strategic significance.

TV guides gain market share

Almost 100 % of German households buy TV guides. This market – which consists of 19 magazines which appear every week, every two weeks or every month – is extremely competitive and aggressively priced. Axel Springer Verlag managed to maintain its leading position in this hotly

contested field, although its weekly TV guides HÖRZU, FUNK UHR and TVNEU also felt the effects of the cutthroat competition.

The TV magazine BILDWOCHE, which had been included in the BILD group before, was transferred to the TV guide operations at the beginning of February 2001. The editorial staffs of the individual TV guides have been combined to form a central TV guide editorial team. This central editorial department is creating the necessary basis for continued development of the strong market position held by the Axel Springer Verlag TV guides while optimising costs at the same time.

HÖRZU defended its position against its direct rivals in spite of the difficult competitive environment and extended its leadership of the market for high-price weekly TV guides.

The structure of the HÖRZU readership – well-educated adults with above-average incomes – is attractive to advertising customers and was a major factor behind the magazine’s success in increasing advertising business. Systematic marketing of HÖRZU as the medium for the “winning generation” target group led to the exploitation of advertising potential from outside the TV guide market, too.

Users of HÖRZU ONLINE – the HÖRZU Web site – have the opportunity, among other things, of choosing their own individual selection of TV programmes every day.

Magazine sales in Germany

Net paid circulation
IVW, average per issue in 2000

Hörzu	2 092 108
Funk Uhr	1 157 508
TVneu	536 913
Auto Bild	797 747
Sport Bild	556 970
Bild der Frau	1 718 413
Journal für die Frau	405 767
Allegra	208 123
Familie&Co	251 644
Mädchen	350 652
Popcorn	207 162
Musikexpress	73 371
Hammer	54 208

FUNK UHR, the TV guide designed mainly for female readers, was successful in expanding its position over its direct competitor and gained market share in both circulation and advertising business, although the segment as a whole is declining.

TVNEU was affected by the competition from new, aggressively priced fortnightly TV guides. Merging the editorial teams of TVNEU and FUNK UHR did, however, have positive synergy benefits and reduced costs accordingly. Careful exploitation of the advantages of combined operation will safeguard the profit potential of both magazines in the long term. BILDWOCHE has been integrated in this editorial department since the beginning of February 2001, too.

Strong players in the crowded market for women's magazines

Women's magazines represent the largest individual segment of the market for general-interest magazines, consisting of more than 50 different publications. The cutthroat competition in this area continued in the year under review. The three magazines produced by Axel Springer Verlag – BILD DER FRAU, JOURNAL FÜR DIE FRAU and ALLEGRA – maintained their position in the increasingly tough competitive environment and were in some cases even able to improve their status.



BILD DER FRAU performed better than ever before, reaching more than five million readers per week. This made BILD DER FRAU Germany's largest women's weekly again in 2000. In spite of a slight drop in circulation, the magazine managed to increase its share of total readership at the expense of its direct rivals – particularly after a switch was made to higher-quality paper. BILD DER FRAU continued to improve its position as market leader over the direct competition in advertising business, too.

JOURNAL FÜR DIE FRAU was affected by the particularly intensive competition in the fortnightly women's magazine market. The magazine was redesigned extensively in January 2001 in response to these challenges.

ALLEGRA confirmed its position as the publication with the classiest image on the market for high-quality monthly women's magazines. The magazine's coverage and sophisticated journalistic approach appeals to well-educated young women with high incomes. Advertising revenues were increased again in the year under review thanks to this attractive readership. PLANET ALLEGRA remained one of the most popular Web sites of any women's magazine in 2000, too.

Magazine sales in Poland

Average net paid circulation in 2000, publishers' statistics

	'000 copies
Women's magazines	
Pani Domu	501
Pani Domu Poleca	301
Olivia	479
Olivia Plus	106
Illustrated magazine	
Na Zywio	145
True story magazines	
Cienie i Blaski	197
Sekrety Serca	138
Computer magazines	
Komputer Swiat	130
Komputer Swiat Gry	102
Car magazines	
Auto Swiat	169
Auto Swiat Katalog	100
Auto Sukces	46
Youth magazines	
Dziewczyna	182
Popcorn	154

Magazine sales in Hungary

Average net paid circulation in 2000, publishers' statistics

	'000 copies
TV guides	
TVR-Hét	439
TVR-Újság	141
TV Kéthetes	113
Szines Kéthetes	43
Women's magazines	
Kiskegyed	263
Hölgyvilág	81
Gyöngy	59
Puzzle magazines	
Ügyes	120
Kópé	49
Jó Vicc	24
True story magazine	
Csók es Könny	76
Interior design magazine	
Lakáskultúra	72
Cooking magazines	
Kiskegyed Konyhája	46
Recept-Tár	38
Youth magazines	
Popcorn	66
Miss Beauty	23

Men's magazines maintain market position

Declining sales figures in the car industry and increasing incidental costs of car ownership had an adverse impact on circulation and advertising sales in the car magazine sector. A development that left its mark on AUTO BILD, too. AUTO BILD nevertheless defended its position as market leader in newsstand sales and therefore remained the biggest non-subscription car magazine in Germany.

With effect from January 2001 Axel Springer Verlag acquired all the rights to the magazines and Internet domains owned by az Auto Verlag, Meldorf, and "Autotest & Tuning Verlag", Wiesbaden, via its wholly-owned subsidiary AS Auto-Verlag GmbH. Axel Springer Verlag is increasing its involvement in the car magazine market by taking over these special-interest magazines to complement the general-interest magazine AUTO BILD. AUTO BILD MOTORSPORT, a fortnightly magazine in which the special-interest magazine RALLYE RACING has been integrated, was launched on 23 January 2001. AUTO BILD MOTORSPORT publishes detailed reports about sports and touring cars as well as about formula and rally sports events.

Sports magazines are in competition with an increasing amount of sports coverage on television. A trend that has had a negative impact on circulation in this field – with SPORT BILD no exception.

This development is being countered by applying an editorial concept that is focussing to an increased extent on a blend of the latest news and background reporting. SPORT BILD managed to exploit new revenue potential in advertising business by carefully expanding its sponsoring activities, thus generating a better result than in the previous year.

Positive development of FAMILIE&CO continues

FAMILIE&CO increased both circulation and advertising revenues in 2000. The cautious updating of the magazine's concept and purposeful marketing activities contributed to this, as did the three special issues published during the year under review: "Kids&Co", "Travel" and "Computers". The revamped version of FAMILIE.DE, the FAMILIE&CO Web site has triggered an extremely positive response.

Joint venture between "top special" and Jahr-Verlag publishing companies

Jahr-Verlag and "top special", a subsidiary of Axel Springer Verlag, established a joint venture on 1 October 2000 to which both companies have contributed their publishing activities. Jahr-Verlag is the partner responsible for both publishing and corporate management. This joint venture creates the necessary basis for continuing the successful development of all the magazines on the competitive market for special-interest magazines.

Youth magazine YAM! launched successfully

The youth and music magazines MÄDCHEN, POPCORN, MUSIKEXPRESS, HAMMER and MISS BEAUTY @ND MORE that were acquired from the Marquard publishing group have been managed by Axel Springer Young Mediahouse GmbH, Munich, since 1 January 2000. Integration of the total of 15 youth magazines in Germany and other countries has gone very successfully. Increases in both readership and advertising business have been made by optimising the magazine and marketing concepts of almost all the existing publications.

The weekly youth magazine YAM! appeared for the first time at the beginning of September 2000 and had already established itself firmly only a few weeks after it was launched. The Web site YAM.DE, the extensive content of which is attracting great interest from young users, started operation at the same time as the first issue of YAM! Regular live chat sessions with stars and celebrities are particularly popular.

Magazine sales in Spain

Average net paid circulation in 2000, publishers' statistics

	'000 copies
Interior design magazines	
Micasa	146
Nuevo Estilo	116
Chalet Deco	62
Computer magazines	
Computer Hoy	134
PC Manía	37
PC games magazines	
Play Manía	89
Hobby Consolas	73
Nintendo	53
Micromanía	38
Juegos y Cia	23
Dreamcast	14

Magazine sales in France

Average net paid circulation in 2000, publishers' statistics

	'000 copies
TV guide	
Télé Magazine	530
Special-interest magazines	
Rebondir	100
Profession Fonctionnaire	20

Further progress made in operations on foreign markets

Axel Springer Verlag acquired a majority holding in the French publishing company Media Mag SA, Puteaux, on 1 January 2000. The company publishes the weekly TV guide TÉLÉ MAGAZINE, the monthly special-interest magazine about all issues relating to the working world REBONDIR and the monthly information bulletin PROFESSION FONCTIONNAIRE. Axel Springer Verlag has broadened its basis in France by making this acquisition to go alongside the existing joint venture with EMAP to publish AUTO PLUS. This basis is to be expanded steadily in the next few years.

Axel Springer Verlag started a joint venture with the Portuguese publishing company Sociedade Vicra Desportiva Lda in Portugal. The Portuguese edition of AUTO BILD was launched together under the name AUTOFOCO on 30 March 2000.

Concentration on core segments in Spain

The portfolio of magazines in Spain was streamlined to focus on the core markets of interior design and computer/computer game magazines. The magazines CHICA HOY, LA QUINTA and RC MODEL were discontinued or divested in the course of implementation of this strategy.

The market for interior design magazines was subject to intensive cutthroat competition in the year under review, which affected the publications of GRUPO AXEL SPRINGER, too. The interior design magazine NUEVO ESTILO was remodelled successfully in view of the difficult market situation.

The first issue of PC TODAY, a practical fortnightly computer magazine, appeared in November 2000. The purpose of this magazine is to defend COMPUTER HOY's position as leader of the computer magazine market against activities by the competition and to strengthen the company's market presence.

Market position in Eastern Europe strengthened

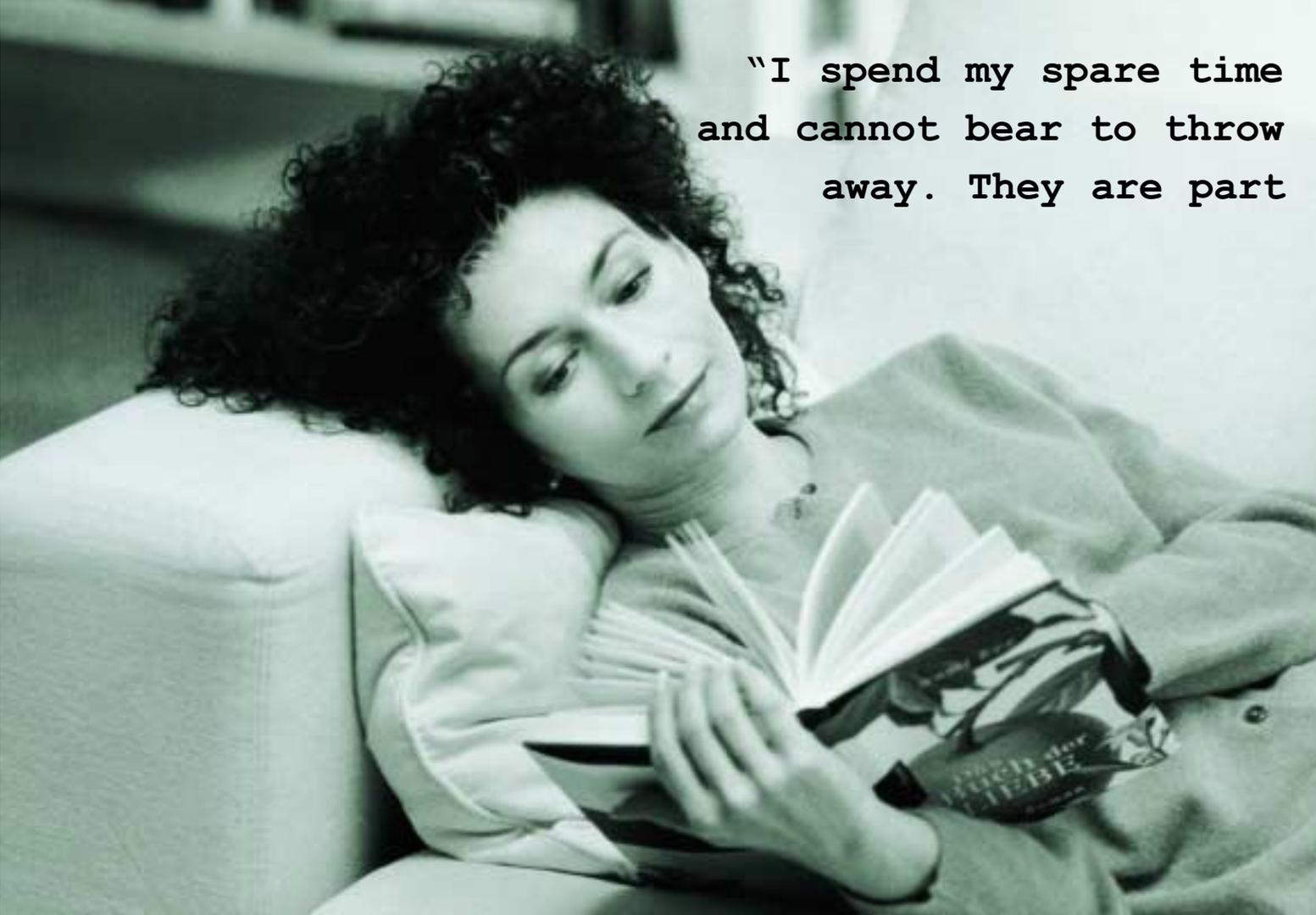
Axel Springer Polska succeeded in continuing its expansion of the company's market position in Poland thanks to the well-established magazines PANI DOMU, AUTO SWIAT and OLIVIA: all the magazines were able to improve their results.

There is strong competition on the Hungarian magazine market between AXEL SPRINGER-BUDAPEST and the Hungarian VNU subsidiary, which are by far the biggest players in the country.

The magazine market in Romania has been hit by the economic crisis that the country has been suffering from since the autumn of 1999, the negative effects of which are being felt clearly in both circulation and advertising business. In view of the difficult general conditions, the magazine OLIVIA that was launched by "AXEL SPRINGER EDITURA" in 1999 has developed particularly well.

Axel Springer Verlag sold its minority interest in the Ringier-Springer joint venture in the Czech and Slovak Republic with backdated effect to 1 January 2000 in order to concentrate to a larger extent on its own operations. The company is publishing the monthly youth magazines POPCORN and TOP DIVKY in the Czech Republic via a wholly-owned subsidiary.



A woman with dark, curly hair is sitting in a light-colored armchair, leaning back and reading an open book. She is wearing a light-colored sweater. The background is a simple, bright room.

"I spend my spare time
and cannot bear to throw
away. They are part

A man in a blue shirt is sitting in a wooden armchair, looking at a laptop. In the foreground, there is a stack of books and a small card. The top book is 'Der große Kostolany' by Egon. The second book is 'Die Macht der Freiheit' by Hans-Olaf Henkel. The card has the 'beo' logo.

"I used to have to drive into town
every time I wanted a book. Now I
just order what interests me and
have it delivered to me at home."



reading books
any of them
of my life."

Books

The 16 publishing companies organised in the Books Division issued more than 1 200 new books in 2000. More than half of them were paperbacks. 16.2 million books, consisting of literature, non-fiction, paperbacks, service titles and illustrated books, were sold in total.

New book publishing group Ullstein Heyne List

2000 was the first complete financial year for the publishing group Econ Ullstein List with its two locations in Munich and Berlin. Consolidation and restructuring of the individual publishing units were the priority in addition to systematic expansion of the paperback business.

Particularly close attention was paid on the publishing side to the conclusion of contracts with well-known authors. The division was successful in obtaining the rights to a series of international bestseller authors, such as Stephen King, John le Carré, Isabel Allende, Rita Mae Brown and Daniel Goeudevert. Like many others, the books by these authors generally appear in hardback first and are then published as paperbacks about 15 to 18 months later. A large proportion of the production and marketing costs is covered in the hardback phase. Exploitation of the rights in other media, primarily within the Axel Springer Verlag organisation, also enjoys high priority.



Axel Springer Verlag took over the Wilhelm Heyne publishing company at the beginning of 2001. One of the biggest book publishing companies in Germany is being created by the formation of the Ullstein Heyne List group. The book portal BOOKTRA is open to take orders and provide customer service round the clock. The response: up to 1 500 orders per day were placed in 2000.

Axel Springer Verlag took over Wilhelm Heyne Verlag, Munich, one of the leading German paperback publishing companies, with effect from the beginning of 2001. Wilhelm Heyne Verlag is being combined with the existing book publishing companies to form the new Ullstein Heyne List group.

Literature and non-fiction publishers produce bestsellers

Ullstein Verlag concentrated on expanding its operations again in the 2000 financial year. The company landed a spectacular success with the anthology THE BEATLES, which sold a total of about 160 000 copies at a retail price of DM 128. Several books, such as Pascale Noa Bercovitch's DAS LÄCHELN DES DELPHINS, Mario Puzo's OMERTA, Helga Hegewisch's DIE TOTENWÄSCHERIN and Nelson DeMille's DAS SPIEL DES LÖWEN, reached high positions in the bestseller lists. Stephen King's autobiographical work DAS LEBEN UND DAS SCHREIBEN sold about 30 000 copies and received excellent reviews from the critics.

A number of the most important books were published for the first time on CD and MC under the Ullstein Hörbuch label, in order to take account of this new reading trend.

Strategic expansion of the business book sector was the focal point at Econ. About 110 000 copies of André Kostolany's legacy DIE KUNST ÜBER GELD NACHZUDENKEN were sold. This book remained at the top of the bestseller lists for months, as did Hans-Olaf Henkel's memoirs DIE MACHT DER FREIHEIT and Gertrud Höhler's latest book WÖLFEN UNTER WÖLFEN.

Claassen Verlag had two unusually successful bestsellers in the highbrow literature field with DIE SCHATTENFRAU by Åke Edwardson and EVAS COUSINE by Sibylle Knauss. The company also managed to sell the rights to the latter book in numerous different countries.

List Verlag was particularly successful with IM NAMEN DER EHRE (Anonymous) and IM HERBST by Jeffrey Lent, as was Marion von Schröder with the latest novel by Federica de Cesco, WÜSTENMOND, and the autobiographical memoirs of Christine Kaufmann, Heike Wagner and Heleen van der Laan.

The most successful new publication by Propyläen was the book to the ARD television series SOLDATEN HINTER STACHELDRAHT. Boris Yeltsin's memoirs, MITTERNACHTS-TAGEBUCH, and the biography KARL DER GROSSE by Dieter Hägermann also performed better than expected.

Careful positioning of the paperback publishing companies

The Ullstein Paperback brand stands for a broad, general range in this area. Econ Paperback, on the other hand, is positioned as a specialist for non-fiction and service titles, while List Paperback concentrates on literary and highbrow entertainment. The sales increase of more than 30 % in 2000 demonstrates how well the trade has accepted this new concept.

The book *WÜSTENBLUME* by Waris Dirie topped the best-seller list for a long time, selling more than 500 000 copies. The new book by Hera Lind, *MORD AN BORD*, did better than planned, too, however, with sales of almost 200 000 copies. The Internet novel by Stephen King, *ACHTERBAHN*, Wally Lamb's *DIE MUSIK DER WALE*, and Stuart Harrison's *DER SCHNEEFALKE* also sold well.

The successful performance was also due to a large extent to the *BILD* paperbacks and the books from the *COMPUTER BILD* series.

Stable market position with service titles and illustrated books

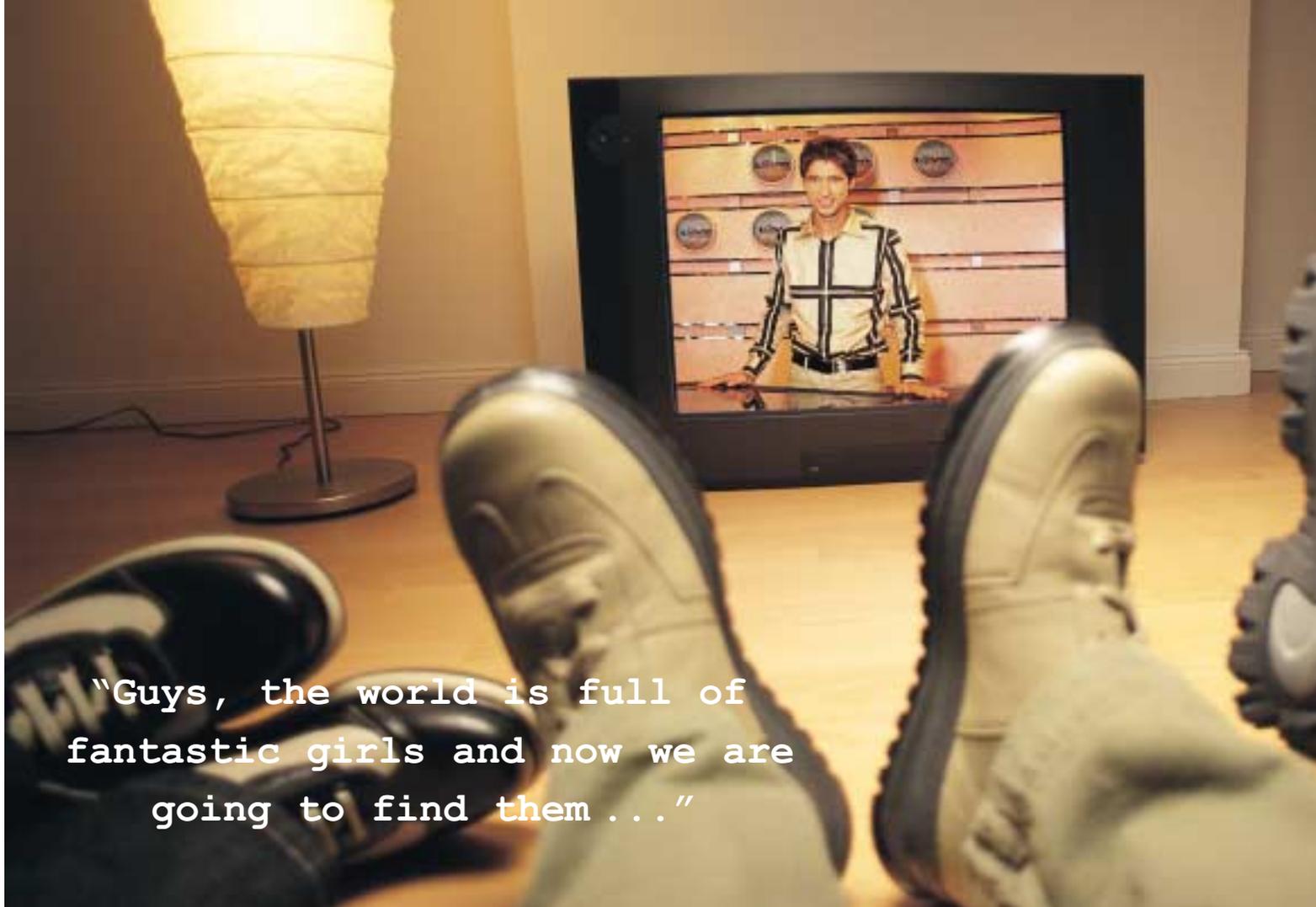
A new programme structure and new positioning were agreed for the service title publishers. The new programme is coming onto the market at the beginning of 2001 with modernised visual appeal.

The publishing houses Südwest, Ludwig, Bucher, Sportverlag Berlin, Ansata, Integral and Cormoran managed to perform well in a fiercely competitive environment. The calendar production, the health and fitness range and the nutrition guides were particularly successful. The books about the European Football Championship and the Olympic Games each sold about 40 000 copies. The illustrated book *DIE EROBERUNG DER GIGANTEN* marketed by Bucher at a price of DM 128 sold more than 5 000 copies in two months.





"Am 22, looking for a cool guy
from Hamburg who likes parties."



"Guys, the world is full of
fantastic girls and now we are
going to find them..."



Electronic Media/ Multimedia

The Electronic Media/Multimedia Division is involved in television, radio, Internet, teletext and audio-tex operations. The division also includes equity holdings in TV and radio stations as well as television production companies. The portfolio is completed by Internet joint ventures and a corporate venture capital company.

Powerful TV station family established

The extraordinary shareholders' meeting of ProSieben Media AG passed a resolution on 22 August 2000 to merge with SAT.1 and form the new company ProSiebenSat.1 Media AG. A single, powerful family of TV stations has as a result been created out of the independent channels SAT.1, ProSieben, Kabel 1 and N 24. Axel Springer Verlag owns about 11.5 % of this new family. The alliance will strengthen the stations' competitive position and will give them a leading market position in all areas of operation. This position is to be maintained and expanded in the long term. Exploitation of synergy potential will lead to economic benefits too.

CompuTel develops innovative communication solutions, e.g. for TV, radio and the Internet. The ProSieben show *LOVESTORIES* that is produced by Schwartzkopff TV and stars Andreas Türck, for example, becomes an interactive event by integrating telephone and SMS. Several thousand SMS per show are sent to the *SINGLE MATCHER*, which matches flirting couples in no time at all.

Axel Springer Verlag and KirchMedia have granted each other a mutual option to transfer the shares held by Axel Springer Verlag to KirchMedia or vice-versa at a later date. A similar arrangement has been made about the 49 % interest in the sports rights exploitation company ISPR that is held by Axel Springer Verlag.

ISPR had a successful year in 2000 and has been commissioned to market the German Football League in the current season too.

Broadcast: audience growth

The seven radio stations in which Axel Springer Verlag has equity holdings were able to increase their results further in the year under review. This is attributable in particular to another increase in audiences and 13.2 % growth in gross advertising revenues by the private radio stations.

The metropolitan television station HAMBURG 1 TV relaunched the channel in the autumn. The purpose of this exercise was to strengthen regional reporting and to increase the range of fiction programmes. The repositioning project has prompted a positive response among regional advertisers in particular.

Encouraging development of TV production companies

The equity holdings in the TV production field developed very positively in the year under review. Schwartzkopff TV-Productions succeeded in strengthening its market leadership in the production daily talk shows. The introduction of reality shows on the German television market has, however, led to a reduction in the broadcasting time available for fiction programmes. The production companies were not able to avoid the effects of this trend completely. The news programme NEWSMAKER was discontinued in March 2000, as the viewing figures did not fulfil the expectations.

Online marketing increasingly important

INTERACTIVE MEDIA defended its position as the leading Internet marketing company in 2000. INTERACTIVE MEDIA markets numerous external products and services, e.g. from T-Online, in addition to being responsible for the Axel Springer Verlag online ranges.

IVW-audited Web sites operated by Axel Springer Verlag

Address	Page impressions in ' 000	
	12/1999	12/2000
Newspapers		
www.abendblatt.de	1 062	2 036
www.berliner-morgenpost.de	1 869	2 955
www.bild.de	13 035	21 733
www.bz-berlin.de	9 437	11 600
www.welt.de	4 259	7 300
Magazines		
www.allegria.de	5 349	5 830
www.autobild.de	3 607	3 321
www.familie.de	388	1 278
Services		
www.finanzen.net*	1 223	1 197
Equity holdings		
www.infoseek.de	38 666	61 503
www.sport1.de	11 718	20 761

* Up to October 2000: www.finanzenonline.de.

INTERACTIVE MEDIA was successful in the teletext field, too: SAT.1 TEXT, which is produced and marketed by INTERACTIVE MEDIA, in particular confirmed its leading position as the commercial teletext service with the largest reach.

INTERACTIVE MEDIA was established as a separate, independent company in October 2000.

CompuTel – leading audiotex provider

CompuTel strengthened its position as leader of the difficult market for IT-based telephone and fax services (audiotex). Substantial increases in sales were recorded in particular by the TV applications, business information services, entertainment and content management with mobile added-value voice services.

In order to adapt to the market requirements, CompuTel will be developing more products for added-value data services such as SMS and WAP to complement added-value voice services. A first step in this direction is SINGLE MATCHER – an interactive SMS service for the show LOVESTORIES starring Andreas Türck that is produced by Schwartzkopff TV-Productions.

Corporate venture capital company founded

Axel Springer Verlag set up the corporate venture capital company AS Venture in October 2000. The assets available to AS Venture amount to about € 150 million. They consist of capital, media services and content. AS Venture is to use these assets to invest in media-oriented start-ups and technology companies on behalf of Axel Springer Verlag.

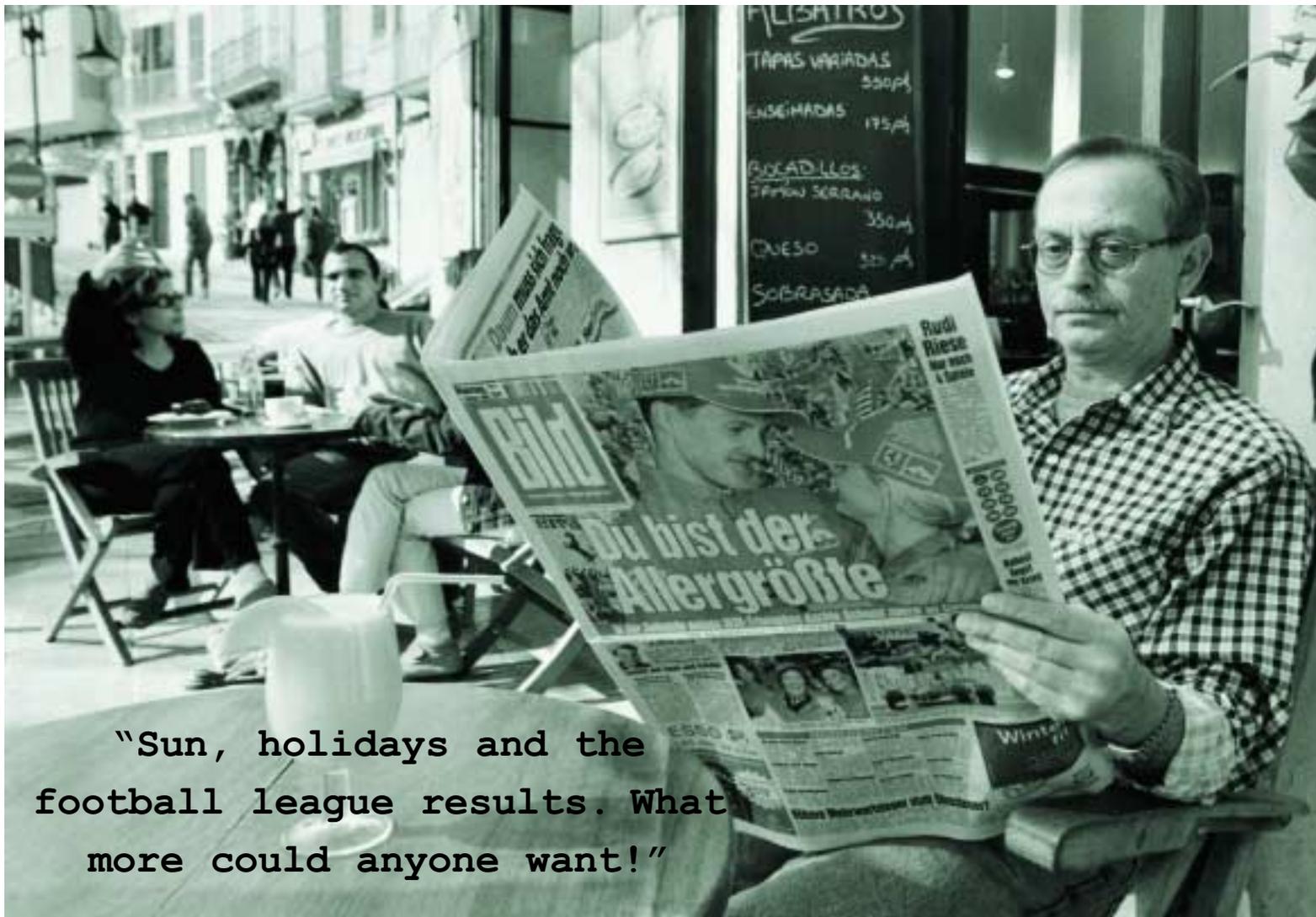
New equity holdings in the Internet field

Axel Springer Verlag acquired a 25.1 % interest in PROPERTYGATE.com AG, an exclusive platform for property in the Internet, in August 2000.

Axel Springer Verlag has established the joint venture QIVIVE, which is to market services in the event and leisure market, with Start Amadeus GmbH and DEAG Deutsche Entertainment AG as its partners. Business operations will be starting in 2001. Travel services will be marketed in the Internet, on the phone and at sales outlets in addition to the sale of event tickets.

AS Venture and the Berlin company bmp eBusiness AG Venture Capital each acquired a 12.5 % holding in gamigo AG, Rheine. Gamigo is one of the leading German-speaking games portals in the Internet. INTERACTIVE MEDIA is responsible for marketing gamigo.

The existing equity holdings in the Internet field developed positively, in spite of the general process of consolidation in the year under review. SPORT1 expanded its market position as the leading sports site. The online bookselling company BOOXTRA was already one of the biggest suppliers in its field the first year after it started operation. INFOSEEK continued to develop successfully in the 2000 financial year and established a leading position among Internet search engines. AUTOEURO, the platform for buying new cars from any manufacturer, has concluded many strategic partnership agreements and has added second-hand cars to its range.



"Sun, holidays and the
football league results. What
more could anyone want!"



"Our new advertising campaign.
Intensive preparations.
But it was worth the effort."



Printing

Axel Springer Verlag operates printing plants of its own to produce its newspapers and magazines and to guarantee the independence, flexibility and quality the company requires. National publications are produced at 15 contract printing plants in Germany and abroad. Contract printing orders help to utilise free capacity.

In total 3 044 staff were employed at the Group's own printing plants in the 2000 financial year to produce newspapers and magazines. They printed 560 000 tonnes of paper over this period. Output was increased by 7.0 % over the previous year as a result of further improvements in productivity at all the printing plants. The higher printing volume was achieved with fewer staff. GMZ Druckerei GmbH & Co. in Berlin was consolidated for the first time in the year under review.

The newspaper printing plants in Ahrensburg, Berlin and Essen-Kettwig printed 260 000 tonnes of paper in the year under review. The rotogravure printing plants processed 300 000 tonnes of paper.

Following the great success of the BILD editions printed in Spain, DIE WELT is now launching its first international printing location in Madrid too. Since it was rebuilt, the newspaper printing plant in Essen-Kettwig has been one of the most important and modern printing locations the Group has in Germany. Advertising customers and readers are benefitting from the new quality features, such as more four-colour newspaper printing.

Technical investments in the core printing business

Whereas the emphasis in the mid-Nineties was on consolidation of the printing plants, technical modernisation of the company's own facilities was continued systematically in the 2000 financial year. The objectives are to guarantee smooth operation of the core printing business in the densely populated areas of Berlin, Hamburg and North Rhine-Westphalia and to produce the company's publications with more colours, more pages and more up-to-the-minute information.

The last machine at the Essen-Kettwig printing plant started up as planned in August 2000. This means that full production has begun there again following the major fire in July 1998. The new printing plant meets the publishing companies' requirements as regards both capacity and production flexibility.

A start was made on an extensive reinvestment programme at the Ahrensburg offset printing plant in the year under review. More than € 113 million will be invested in the next two years in modernisation of the rotary press and processing equipment. When the necessary building extension has been completed, seven new printing machines with eight printing units each will be installed in the rotary printing department. The printing machines with the latest equipment, higher running speeds and greater automation will make it possible to increase productivity considerably. The same is true of the processing equipment, which will be supplemented by six inserting lines with an automatic product storage system.

Following the completion of the extensive reinvestment project at the rotogravure printing plant in Darmstadt, the modernisation programme needed at the Ahrensburg rotogravure printing plant was planned in 2000. It involves the installation first of all of two new rotary presses, complete modernisation and automation of the cylinder production facilities and the replacement of ten gathering and stitching machines. The planned measures are to be carried out in stages up to the end of 2003.

Personnel reduction without redundancies

The new arrangements for staffing the offset and rotogravure printing machines have been agreed with the works councils. The company's printing plants are being made considerably more competitive as a result.

As in the previous years, it was possible to make all the necessary personnel changes without redundancies. Personnel was reduced by taking advantage of natural wastage or by mutual agreement with the employees concerned; the company scheme allowing older employees to switch to part-time jobs is becoming increasingly important in this context.

Capacity utilisation optimised by contract printing

The capacity that is not utilised by the company's own requirements is filled by obtaining contract printing orders, in order to make sure that the printing plants run as efficiently as possible.

Following completion of the reinvestment programme in Darmstadt, the rotogravure printing plants increased their contract printing sales in spite of considerable price pressure throughout the rotogravure printing market. The extension of existing periodical printing orders and the conclusion of new ones is essential in order to guarantee full utilisation of capacity in 2001.

Contract printing sales in newspaper printing have been guaranteed by long-term contracts. Contrary to the original plans, printing of some of the »Handelsblatt« was brought forward one year and started at the new printing plant in Essen-Kettwig in September 2000. Production is to be carried out at the Berlin-Spandau printing plant from September 2001 onwards when the planned extension there has been completed.



Further information

Employees

With their knowledge and skills, people are the most important success factor in the rapidly developing media industry. Axel Springer Verlag intends to continue expanding its existing operations and open up new markets. Staff know-how needs to be updated constantly and flexibly in order to satisfy the latest requirements. Sound basic and further training, ongoing encouragement of up-and-coming young employees and staff motivation therefore have top priority at Axel Springer Verlag.

Many different opportunities to enter the media industry

It is the company's strategic objective to open up new areas of business – in the Internet field in particular – and to combine activities at the organisational level. It requires employees and management staff with unusually good qualifications to reach this objective.

The company approached candidates directly at universities and recruitment fairs to an increasing extent during the 2000 financial year in its search for potential new specialists and management staff. A large number of students have already accepted the offer of placements.



It was possible to fill the 25 trainee positions available from numerous internal and external applicants. Young specialists and management staff are prepared to take over demanding assignments at the company in the 18-month programme.

90 young journalists were trained at the Axel Springer School of Journalism. In order to take account of the increasing demands that are being made by online activities, the budding editors completed training modules in these areas too.

The training department has responded appropriately to the expansion into new markets. Commercial apprentices for audiovisual media and computer science apprentices were trained for the first time in the year under review. The company provided a total of 319 commercial and technical apprenticeships. Due to the increase in the number of positions available, more than 20 % more apprentices were recruited than in the previous year.

High level of professional training within the company

As part of its training activities, the company runs a large number of different courses in order to give staff who are already working for the company the qualifications they need for more challenging assignments, too. Participation in the seminars held to develop communication and management skills was exceptionally high last year.

The seminars that were attended best were the ones about the special subject of "IT security", which attracted more than 3 000 participants. The training was based on an information concept that was implemented at the company for the first time and communicated the elementary importance of PC security to staff in a relaxed atmosphere.

Completely revised English courses were another major emphasis in the year under review and met with a thoroughly positive response from company staff.

More than 7 000 employees in total took part in one of the training courses that were provided; this corresponds to an increase of more than 15 % by comparison with the previous year.

Career development in the media industry

One of the ways young employees developed additional career prospects was via a course of special further training completed alongside their normal jobs with the provision of financial support by the company. The formation of a separate group to encourage the staff who successfully obtained qualifications as a result of this course made it possible to supervise the individual employees more purposefully, too.

The grant programme that the company has run for many years now to give selected former apprentices financial support while studying for a degree was continued successfully in 2000, too. Staff who complete this programme combine theoretical qualifications with prior practical experience in a particularly effective way. They are an important resource in the areas of the company where they are deployed after graduating.

A vote of thanks to all employees

The Management Board would like to express its thanks to all members of staff for their hard work and dedication. Our deceased colleagues are remembered with gratitude and affection.

Environmental protection

Environmental protection has enjoyed high priority at Axel Springer Verlag for many years now. The company again took concerted measures in the 2000 financial year to make efficient use of raw materials and to reduce pollution at its printing and publishing locations. Separate individual environmental protection activities have steadily developed into a comprehensive sustained management system in the course of time.

Prize for environmental report

The “German Environmental Reporting Award” that is presented every year by the Auditors’ Society went to Axel Springer Verlag in the year under review. The prize was awarded for the “Environmental Insights” report that appeared in July 1999. The jury of auditors, journalists and advertising experts was particularly impressed by the pioneering role the company has played in the “environmental controlling” and “life cycle analysis” fields.

Axel Springer Verlag came in an excellent second in the ranking list of the environmental reports issued by German companies that was compiled by the business magazine »Capital«, too.

Successful exhibition "paper, people, press"

30 000 people came to the AXEL SPRINGER PASSAGE in Hamburg between June and October 2000 to see the EXPO 2000 exhibition "paper, people, press". The visitors were given an insight into the environmental life cycle of a newspaper at the roughly 300 m² exhibition. The raw material closed loops and production processes involved were demonstrated to them in multimedia presentations, too.

The project concentrated primarily on two central issues: what is the environmental impact of the individual links in the paper supply chain? How can forest management, pulp and paper production, printing and transport and waste paper recycling be improved at the environmental level?

A Möbius strip that was some 90 metres long and 2.20 metres high, weighed 2.5 tonnes and filled the room was the optical and symbolic guide to the exhibition. It symbolised the closed paper loop that connects paper, people and press together.

The scientific basis for the exhibition was a survey compiled by Axel Springer Verlag, the paper manufacturer StoraEnso and the pulp producer Canfor in June 1998 about the subject “Evaluation of the environmental life cycles of newspapers and magazines”.

Study confirms active environmental management

A study produced by the Institute of Economics and the Environment at St. Gallen University that was published in connection with EXPO 2000 deals with “Environmental learning processes in the paper supply chain”. Using Axel Springer Verlag and the paper manufacturer StoraEnso as examples, an investigation was made of how companies integrate environmental findings in their decision-making processes and base optimisation measures on them.

The conclusion drawn by this study: whereas environmental changes along the paper supply chain used to be prompted mainly by legal regulations and the application of pressure by environmental organisations, a process of rethinking started in the industry in the mid-Nineties. Companies began to initiate activities themselves to a greater extent – internally at first (environmental management) and then later on in external contexts, too (e.g. forest certification schemes).



Greater variety of different species in Ahrensburg

The Ahrensburg printing centre is carrying out a project to renature green spaces in liaison with the Institute for General Botany at Hamburg University. This project has led to the development of a little oasis where rare plant species even grow now on what was before an ornamental lawn of no particular ecological value. Some bird species will have the chance to settle in this area again, too, in future.

Colleagues as environmental instructors

The Spandau printing plant has decided that the good example set by colleagues is an effective way to increase environmental awareness among staff and is adopting a new approach involving the training of internal environmental instructors. External consultants prepare the internal instructors for their assignments and communicate information to them about rhetoric and presentation techniques.

The Spandau printing plant now has six environmental instructors who shared their experiences and recommendations about environmental issues with 62 of their colleagues from all different areas of the plant at a total of eight events held in the year under review.

"Golden Nature" environmental prize honours commitment

HÖRZU and the German TV station ZDF launched the “Golden Nature” environmental protection prize in December 2000. It will be awarded for the first time in August 2001 in liaison with the Federal German Environmental Foundation. The environmental prize is to be given to individual people and private projects that aim to protect the environment and can therefore act an example to others.



Financial statements

Group and Axel Springer Verlag AG

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Consolidated balance sheet

Assets	Note no.	31.12.2000 €	31.12.1999 € '000
A. Fixed assets	6		
I. Intangible assets	7	289 245 699	247 093
II. Tangible assets		409 436 142	352 209
III. Financial assets	8	170 335 416	207 663
		869 017 257	806 965
B. Current assets			
I. Inventories	9	128 797 113	102 573
II. Accounts receivable and other assets	10	381 650 466	399 636
III. Securities	11	126 766 337	170 594
IV. Liquid assets	12	194 273 925	114 287
		831 487 841	787 090
C. Prepaid expenses	13	6 504 281	8 496
		1 707 009 379	1 602 551

Equity and liabilities	Note no.	31.12.2000 €	31.12.1999 € '000
A. Equity			
I. Subscribed capital	14	102 000 000	86 920
II. Revenue reserves	15	455 347 564	442 671
III. Consolidated retained earnings		48 620 000	62 451
IV. Minority interests	16	13 132 748	10 843
		619 100 312	602 885
B. Special reserves with an equity portion	17	2 273 073	25 370
C. Provisions	18	482 689 391	499 560
D. Liabilities	19	553 522 005	414 962
E. Deferred income	20	49 424 598	59 774
		1 707 009 379	1 602 551

Consolidated income statement

	Note no.	31.12.2000 €	31.12.1999 € '000
1. Sales	23	2 901 880 874	2 664 110
2. Change in inventories of finished goods and work in progress		4 402 898	– 4 214
3. Other operating income	24	162 083 980	142 643
4. Cost of materials	25	– 1 012 259 530	– 912 325
5. Gross profit		2 056 108 222	1 890 214
6. Personnel costs	26	– 889 861 703	– 815 061
7. Depreciation of intangible and tangible assets	28	– 125 556 965	– 87 087
8. Other operating expenses	29	– 858 383 170	– 757 153
9. Income from equity holdings	30	49 538 584	44 340
10. Net interest income	31	1 121 185	5 628
11. Depreciation of financial assets and securities held as current assets	28	– 15 219 903	– 13 421
12. Expenditure on assumption of losses		– 154 895	– 265
13. Profit from ordinary operations		217 591 355	267 195
14. Taxes	32	– 119 701 400	– 116 539
15. Consolidated net income for the year		97 889 955	150 656
16. Transfer to other revenue reserves		– 43 150 943	– 84 785
17. Profit attributable to minority shareholders		– 6 119 012	– 3 420
18. Consolidated retained earnings		48 620 000	62 451

Balance sheet

Axel Springer Verlag AG

Assets	Note no.	31.12.2000 €	31.12.1999 € '000
A. Fixed assets	6		
I. Intangible assets	7	13 934 643	15 361
II. Tangible assets		322 924 036	278 808
III. Financial assets	8	440 963 234	379 161
		777 821 913	673 330
B. Current assets			
I. Inventories	9	54 705 963	44 591
II. Accounts receivable and other assets	10	310 145 767	366 564
III. Securities	11	109 370 238	159 615
IV. Liquid assets	12	173 636 265	89 743
		647 858 233	660 513
C. Prepaid expenses	13	2 524 060	3 762
		1 428 204 206	1 337 605

Equity and liabilities	Note no.	31.12.2000 €	31.12.1999 € '000
A. Equity			
I. Subscribed capital	14	102 000 000	86 920
II. Revenue reserves	15	328 504 076	299 511
III. Retained earnings		48 620 000	62 451
		479 124 076	448 882
B. Special reserves with an equity portion	17	995 322	24 363
C. Provisions	18	386 153 193	404 632
D. Liabilities	19	531 096 321	417 891
E. Deferred income	20	30 835 294	41 837
		1 428 204 206	1 337 605

Income statement

Axel Springer Verlag AG

	Note no.	31.12.2000 €	31.12.1999 € '000
1. Sales	23	1 902 380 507	1 830 941
2. Change in inventories of finished goods and work in progress		– 221 617	136
3. Other operating income	24	174 223 885	150 487
4. Cost of materials	25	– 610 617 282	– 597 797
5. Gross profit		1 465 765 493	1 383 767
6. Personnel costs	26	– 617 553 661	– 579 525
7. Depreciation of intangible and tangible assets	28	– 94 116 952	– 64 244
8. Other operating expenses	29	– 592 560 334	– 549 166
9. Income from equity holdings	30	85 129 708	56 639
10. Net interest income	31	5 638 546	6 478
11. Depreciation of financial assets and securities held as current assets	28	– 47 948 648	– 17 019
12. Expenditure on assumption of losses		– 25 126 802	– 18 936
13. Profit from ordinary operations		179 227 350	217 994
14. Taxes	32	– 100 309 574	– 93 092
15. Net income for the year		78 917 776	124 902
16. Transfer to other revenue reserves		– 30 297 776	– 62 451
17. Retained earnings		48 620 000	62 451

Movement of fixed assets

Group

	Historical and production cost			
	1.1.2000 €	Changes in the companies consolidated €	Additions €	Disposals €
Rights and licences	151 011 616	– 22 141 380	12 361 164	13 701 461
Goodwill	177 995 774	83 466 716	0	29 224 550
Advance payments	66 580 195	– 11 949	3 451 319	8 681
Intangible assets	395 587 585	61 313 387	15 812 483	42 934 692
Land, leasehold rights and buildings, including buildings on land owned by third parties	459 214 454	11 880 773	7 763 810	9 923 268
Machinery and equipment	782 935 724	14 369 274	30 001 243	38 140 674
Other fixtures, furniture and office equipment	193 142 911	– 822 199	37 605 583	32 827 525
Advance payments and fixed assets under construction	52 893 551	0	78 878 865	215 467
Tangible assets	1 488 186 640	25 427 848	154 249 501	81 106 934
Shares in affiliated companies	56 552 132	17 400 509	12 942 531	34 535 938
Loans to affiliated companies	13 495 272	0	3 425 655	10 045 171
Equity holdings	173 383 517	– 35 712 317	15 075 344	672 674
Loans to associated companies	13 173 397	– 10 256 292	1 220 326	852 970
Securities held as fixed assets	1 957 111	– 53 592	189 378	57
Other loans	6 478 419	– 837 158	1 191 398	973 602
Financial assets	265 039 848	– 29 458 850	34 044 632	47 080 412
Fixed assets – Group	2 148 814 073	57 282 385	204 106 616	171 122 038

Reclassifications €	Write-ups €	Depreciation		Book value	
		Total €	In the financial year €	31.12.2000 €	31.12.1999 € '000
64 610 023	0	106 847 237	20 360 892	85 292 725	36 730
974 680	0	33 701 551	488 888	199 511 069	143 783
- 65 568 979	0	0	0	4 441 905	66 580
15 724	0	140 548 788	20 849 780	289 245 699	247 093
556 488	30 501	286 911 352	11 650 238	182 580 905	174 577
46 556 566	0	747 619 609	63 740 572	88 102 524	75 930
666 037	0	142 774 228	29 316 375	54 990 579	48 809
- 47 794 815	0	0	0	83 762 134	52 893
- 15 724	30 501	1 177 305 189	104 707 185	409 436 142	352 209
0	0	14 361 142	1 508 574	37 998 092	36 499
1 453 457	0	7 394 668	4 879 112	934 545	10 980
777 120	0	28 288 710	7 853 305	124 562 280	150 214
- 777 120	0	1 402 305	864 870	1 105 036	1 979
0	0	284 060	16 786	1 808 780	1 664
- 1 453 457	271 978	478 917	58 627	3 926 683	6 327
0	271 978	52 209 802	15 181 274	170 335 416	207 663
0	302 479	1 370 063 779	140 738 239	869 017 257	806 965

Movement of fixed assets

Axel Springer Verlag AG

	Historical and production cost		
	1.1.2000	Additions	Disposals
	€	€	€
Rights and licences	45 774 114	3 545 799	8 494 956
Advance payments	4 828 617	3 060 387	0
Intangible assets	50 602 731	6 606 186	8 494 956
Land, leasehold rights and buildings, including buildings on land owned by third parties	370 767 011	5 035 146	9 786 722
Machinery and equipment	680 841 062	28 035 349	34 898 990
Other fixtures, furniture and office equipment	131 763 638	23 189 184	19 491 395
Advance payments and fixed assets under construction	51 808 861	76 974 772	0
Tangible assets	1 235 180 572	133 234 451	64 177 107
Shares in affiliated companies	300 400 867	69 322 617	24 505 231
Loans to affiliated companies	81 019 134	20 742 352	6 773 697
Equity holdings	120 352 218	11 002 510	75 424
Loans to associated companies	0	639 115	0
Other loans	4 174 393	520 885	497 627
Financial assets	505 946 612	102 227 479	31 851 979
Fixed assets – Axel Springer Verlag AG	1 791 729 915	242 068 116	104 524 042

Reclassifications €	Write-ups €	Depreciation		Book value	
		Total €	In the financial year €	31.12.2000 €	31.12.1999 € '000
3 929 710	0	34 799 397	7 135 430	9 955 270	10 533
- 3 909 631	0	0	0	3 979 373	4 828
20 079	0	34 799 397	7 135 430	13 934 643	15 361
793 043	0	237 268 706	8 247 840	129 539 772	132 069
46 550 605	0	642 120 928	59 253 014	78 407 098	63 959
309 629	0	101 904 167	19 480 669	33 866 889	30 972
- 47 673 356	0	0	0	81 110 277	51 809
- 20 079	0	981 293 801	86 981 523	322 924 036	278 809
0	38 570 594	91 667 211	35 389 498	253 551 042	204 786
1 453 457	0	23 152 915	4 879 112	73 288 331	62 745
0	0	19 879 185	7 007 173	111 400 119	107 480
0	0	639 115	639 115	0	0
- 1 453 457	2 189	20 452	0	2 723 742	4 150
0	38 572 783	135 358 878	47 914 898	440 963 234	379 161
0	38 572 783	1 151 452 076	142 031 851	777 821 913	673 331

Notes

Group and Axel Springer Verlag AG

General information

1. Preliminary remarks

To simplify reporting procedures and avoid repetition, the notes relating to the Group and to Axel Springer Verlag AG have been combined. Unless indicated otherwise, the notes refer to both sets of financial statements.

In the interests of clarity, individual items in the balance sheet and the income statement have been combined and presented separately in the notes. As in the previous years, the income statement was compiled by the cost summary method.

Where applicable, all the amounts have been rounded to the nearest thousand.

2. Consolidated companies

Number of consolidated companies

	31.12.2000	31.12.1999
Germany	44	41
Other countries	28	29
Total	72	70

In 2000, 67 subsidiaries (previous year: 66) were consolidated in addition to ASV AG. Four joint ventures (previous year: three) were also consolidated on a pro rata basis.

Seven companies were deconsolidated with effect from 1 January 2000 in connection with the sale of the Medical Tribune Group and the divestment of the Czech and Slovak equity holdings.

All the companies consolidated are shown in the list of equity holdings on page 88 ff.

The exemption rules stipulated by § 264b of the German Commercial Code (HGB) were applied.

The changes in the companies consolidated did not have any material impact on comparability with the previous year's consolidated financial statements. The other subsidiaries were not included in the companies consolidated as they only play a minor role (both individually and collectively) as far as the presentation of a true and fair view of the net worth, financial position and earnings situation is concerned.

3. Consolidation principles

Capital consolidation of the newly consolidated companies and of the increases in equity holdings was carried out by the book value method, i.e. the investment amount was offset against the pro rata equity. The qualifying date for capital consolidation of the companies consolidated for the first time is the beginning of the financial year.

Consolidation for the first time and the increases in equity holdings led to differences of € 88.0 million on the assets side. This amount is shown as goodwill and – like the goodwill from capital consolidation in the previous years – will be offset against the Group's revenue reserves over a period of ten years.

The goodwill of the companies deconsolidated with effect from 1 January 2000 that had not yet been charged was written off in the income statement.

The proportions of the equity and profits of the subsidiaries that are attributable to external shareholders have been shown in the **minority interests** item.

Receivables and liabilities between the companies included in the consolidated financial statements were eliminated. The sales generated by the companies included in the consolidated financial statements as well as the other trade income were offset against the relevant expenses incurred in the consolidated income statement.

4. Accounting and valuation principles

The same accounting and valuation principles were applied as in 1999. As a result of accounting measures taken in accordance with § 285 no. 5 and § 314 paragraph 1 no. 5 of the German Commercial Code (HGB), the **net income for the year** at Axel Springer Verlag AG changed by about 18 %, while the **consolidated net income for the year** decreased by about 15 %. The consequent reductions in depreciation charges will lead to higher taxes on income in the subsequent years.

The same classification and valuation methods as at Axel Springer Verlag AG were applied in the consolidated financial statements. Consistent use of valuation options and the same balance sheet date at all consolidated companies as chosen for the financial statements of Axel Springer Verlag AG maximise the information value of the consolidated financial statements.

The following notes apply to the valuation of the individual balance sheet items:

Intangible assets and tangible assets were valued at historical or production cost. Scheduled depreciation of **intangible assets** was made according to the probable or contractually agreed useful life.

Scheduled depreciation of tangible assets was made according to their assumed useful life. The decreasing-balance depreciation method was applied in all cases, followed by a switch to the straight-line method at a later date. Goodwill that is not created by capital consolidation was depreciated over 15 years in accordance with the tax regulations, whereas minor-value assets were written off in full in their year of acquisition. Advantage was taken wherever possible of special depreciation options allowed under tax law.

The **shares in affiliated companies** and the **equity holdings** were valued at the lower of their historical cost or current value. The equity valuation method was not applied to associated companies, as the impact of this on the Group's net worth, financial position and earnings situation would be minimal. Interest-bearing **loans** were stated at their nominal value.

Current assets were valued at acquisition or production cost, taking the lower of cost or market principle into account.

Production costs include not only material costs and manufacturing expenses but also an appropriate amount to cover the proportions of overheads that require capitalisation under tax law and depreciation.

Trade accounts receivable were stated at their nominal value after making specific provisions to take account of all discernible risks. Lump-sum provisions were made to allow for general risks.

Valuation units were formed in respect of securities held as current assets that were hedged.

The **pension provisions** were determined in accordance with actuarial principles.

The other provisions were determined in accordance with sound commercial judgement.

Liabilities were valued at their redemption amount.

5. Currency translation

The financial statements in accordance with § 244 of the German Commercial Code (HGB) were prepared in euros for the first time as per 31 December 2000. Receivables and liabilities denominated in foreign currencies outside Euroland were translated at the mean exchange rate on the entry date or the lower/higher exchange rate on the balance sheet date. The balance sheet items and the expenditure and income items of consolidated subsidiaries from outside the Currency Union were translated at the mean exchange rate prevailing on the balance sheet date. Translation differences were offset against the Group's revenue reserves with no effect on net earnings.

Explanatory notes about the balance sheets

6. Fixed assets

The changes in the individual fixed asset items in the year under review are shown in the fixed asset movement schedules for the Group and Axel Springer Verlag AG.

The changes to the companies consolidated are shown in a separate column in the Group fixed asset movement schedule.

7. Intangible assets

The main items included in **intangible assets** apart from goodwill are publication rights, title rights, supply rights, licences and data processing software.

8. Financial assets

The main equity holdings of Axel Springer Verlag AG can be found in the list of equity holdings on page 88 ff. of the Annual Report.

In accordance with § 287 and § 313 paragraph 4 of the German Commercial Code (HGB), the list of equity holdings of Axel Springer Verlag AG and the Group has been deposited with the Commercial Register at the Berlin-Charlottenburg local court.

9. Inventories

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Raw materials and supplies	95 992	67 010	49 962	39 287
Work in progress	11 269	10 456	3 806	3 920
Finished goods and merchandise	21 536	25 107	938	1 384
Total	128 797	102 573	54 706	44 591

The largest items included in the **raw materials and supplies** are licence rights acquired within the Group at € 40.6 million (ASV AG: € 1.5 million) and paper stocks at € 40.1 million (ASV AG: € 35.0 million).

10. Accounts receivable and other assets

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Trade accounts receivable	232 095	222 550	111 124	120 074
– of which due in more than one year	65	0	0	0
Receivables from affiliated companies	20 435	36 130	108 577	78 887
– of which due in more than one year	422	1 342	10 647	16 815
Receivables from associated companies	42 133	70 034	32 996	58 844
– of which due in more than one year	1 145	29 573	1 145	29 445
Other assets	86 987	70 922	57 449	108 759
– of which due in more than one year	5 541	4 390	8 340	7 876
Total	381 650	399 636	310 146	366 564
– of which due in more than one year	7 173	35 305	20 132	54 136

Group **trade accounts receivable** can be broken down as follows: retail business € 94.1 million, advertising business € 80.6 million and contract printing € 19.1 million.

Other assets include claims on the tax authorities and a large number of smaller individual items.

11. Securities

This item relates exclusively to miscellaneous securities which act as temporary investments for proportions of the company's liquid funds.

12. Liquid assets

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Cheques	3 946	4 307	2 608	3 978
Cash in hand and Bundesbank deposits	1 924	3 211	487	423
Bank deposits	188 404	106 769	170 541	85 342
Total	194 274	114 287	173 636	89 743

13. Prepaid expenses

This item on the balance sheet includes rent payments, payments for bought-in services and motor vehicle taxes.

14. Subscribed capital

In accordance with a resolution passed by the ordinary shareholders' meeting held on 28 June 2000, the **subscribed capital** has been increased by € 15 080 380.20 to € 102 000 000.00 from company funds made available by converting revenue reserves. The share capital is now divided up into 34 000 000 registered shares with no par value that can only be transferred with the company's approval.

On the balance sheet date, the following shareholders were registered as holding interests of more than 50 % and 25 %:

Axel Springer Gesellschaft für Publizistik GmbH & Co, Berlin, (50 % + 10 shares) and PrintBeteiligungs GmbH, Unterföhring, (40.33%).

15. Revenue reserves

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Legal reserve	10 200	8 692	10 200	8 692
Other revenue reserves	445 148	433 979	318 304	290 819
Total	455 348	442 671	328 504	299 511

The **legal reserve** was increased from company funds in line with the increase in the subscribed capital.

The **other revenue reserves** developed as follows:

in € '000	Group	ASV AG
Balance on 1.1.2000	433 979	290 819
Allocation from the 1999 retained earnings	13 776	13 776
Increase in the share capital and the legal reserve	- 16 589	- 16 589
Allocation from earnings	43 151	30 298
Amounts offset against the revenue reserves	- 28 990	-
Change resulting from deconsolidation	54	-
Currency translation difference	- 233	-
Balance on 31.12.2000	445 148	318 304

16. Minority interests

Minority interests developed as follows:

in '000 €

Balance on 1.1.2000	10 843
Changes resulting from consolidation and deconsolidation	505
Dividend payments	- 4 374
Shares of profits in 2000	6 696
Shares of losses in 2000	- 577
Currency translation difference	40
Balance on 31.12.2000	13 133

17. Special reserves with an equity portion

In the case of Axel Springer Verlag AG, the **special reserves with an equity portion** include reserves in accordance with Rule 35 of the German Income Tax Regulations (EStR), while the Group has additional reserves relating to investment allowances under the terms of § 10 of the Austrian Income Tax Act.

18. Provisions

in € million	Group		ASV AG	
	2000	1999	2000	1999
Provisions for pensions and similar commitments	242.6	235.0	219.1	210.1
Tax provisions	31.0	58.3	22.4	42.5
Other provisions	209.1	206.3	144.7	152.0
Total	482.7	499.6	386.2	404.6

The **pension provisions** include the obligations arising from direct pension commitments. An interest rate of six per cent was applied when calculating the current value of the pension commitments. The calculation was based on the new mortality tables. Adjustment to the new calculation basis is being made over a period of four years. € 9.8 million (ASV AG: € 9.2 million) of the total difference of € 13.3 million (ASV AG: € 12.3 million) have been transferred to the **pension provisions** so far.

The **tax provisions** relate primarily to taxes on income. Provisions for deferred taxes amounting to € 2.8 million (ASV AG: € 1.7 million) are also included here.

The main items included in the **other provisions** were as follows:

in € million	Group		ASV AG	
	2000	1999	2000	1999
Returns, discount credits and bonus credits	39.5	40.4	17.5	16.8
Holiday entitlements	24.5	23.9	17.5	17.6
Part-time working scheme for older employees	23.8	13.5	19.2	12.0
Commercial agents' claims to compensation	23.3	21.1	18.2	16.2
Structural measures	21.8	35.2	18.9	31.8
Outstanding suppliers' invoices	18.6	18.9	9.5	13.0

The **other provisions** also include amounts for anniversary bonuses, loyalty bonuses, losses incurred by equity holdings and losses anticipated from pending business transactions.

19. Liabilities

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Accounts payable to banks	65 909	46 234	46 625	34 071
– of which due within one year	9 032	8 255	1 979	446
Advances received on orders	3 753	4 057	697	702
– of which due within one year	3 753	4 057	697	702
Trade accounts payable	239 484	188 687	133 540	102 283
– of which due within one year	233 655	187 162	133 540	102 283
Accounts payable to affiliated companies	31 361	16 644	182 149	163 789
– of which due within one year	31 361	16 634	182 149	163 789
Accounts payable to associated companies	17 126	13 744	7 338	3 938
– of which due within one year	17 124	12 931	7 338	3 938
Other liabilities	195 889	145 596	160 747	113 108
– of which due within one year	192 021	95 555	156 894	65 686
– of which taxes	61 613	29 484	48 870	18 356
– of which social security	19 136	17 264	12 931	12 060
Total	553 522	414 962	531 096	417 891
– of which due within one year	486 946	324 594	482 597	336 844

Accounts payable in more than five years amounting to € 18 650 000 (ASV AG: € 10 500 000) are included in the **accounts payable to banks**, while an amount of € 2 200 000 (ASV AG: € 2 185 000) is included in the **other liabilities** – making a total of € 20 850 000 (ASV AG: € 12 685 000).

Liabilities secured by mortgages amounted to a total of € 107 193 000 (ASV AG: € 94 014 000) in the year under review. € 59 213 000 (ASV AG: € 46 625 000) of the **accounts payable to banks** and € 47 980 000 (ASV AG: € 47 389 000) of the **other liabilities** were secured by mortgages.

20. Deferred income

Deferred income relates primarily to prepaid subscriptions and deferred investment grants.

21. Contingent liabilities

In the year under review, the contingent liabilities consisted entirely of guarantee commitments, amounting to € 62 061 000 (previous year: € 83 338 000) in the Group and € 27 839 000 (previous year: € 51 350 000) at ASV AG.

22. Other financial commitments

The commitments arising from rental, leasehold and leasing agreements can be broken down by maturity dates as follows:

in € '000	Group	ASV AG
Due in 2001	42 554	26 622
Due between 2002 and 2005	132 813	95 081
Due after 2005	101 339	88 515

Miscellaneous financial commitments, which relate among other things to investment projects (e.g. purchasing commitments) and declarations of support to lenders, amounted to € 257 288 000 (ASV AG: € 271 466 000). The other financial commitments to affiliated companies at Axel Springer Verlag AG totalled € 17 989 000.

Explanatory notes about the income statements

23. Sales

Breakdown by sectors in € million	Group		ASV AG	
	2000	1999	2000	1999
Retail	1 075.0	1 013.5	794.0	797.5
Advertisements	1 235.3	1 155.3	840.1	777.6
Miscellaneous	591.6	495.3	268.3	255.8
Total	2 901.9	2 664.1	1 902.4	1 830.9

Breakdown by divisions in € million	Group		ASV AG	
	2000	1999	2000	1999
Newspapers	1 564.1	1 485.6	1 116.8	1 069.9
Magazines	746.2	683.2	517.3	505.2
Electronic Media	105.3	83.0	22.4	25.9
Books	91.7	76.9	0.3	0.4
Contract printing	171.1	151.2	223.1	210.1
Other revenues	223.5	184.2	22.5	19.4
Total	2 901.9	2 664.1	1 902.4	1 830.9

Sales outside Germany amounted to € 430.4 million (previous year: € 409.3 million). The foreign sales by Axel Springer Verlag AG totalled € 102.1 million (previous year: € 106.5 million).

24. Other operating income

The **other operating income** consisted essentially of the following items:

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Income from fixed asset disposals and write-ups	5 219	34 429	39 386	3 633
Income from the release of provisions	18 192	9 736	14 089	7 725
Income from the release of special reserves with an equity portion	23 494	10 750	23 378	10 113

Other items that are included are income from canteens and auxiliary operations, income from the release of special provisions and lease/rent income.

The income from the release of the special reserves with an equity portion is matched by a depreciation charge of the same size.

The services and tax allocations charged to Group companies are included here at Axel Springer Verlag AG.

25. Cost of materials

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Raw materials, supplies and purchased merchandise	432 551	384 797	342 996	331 689
Purchased services	579 709	527 528	267 621	266 108
Total	1 012 260	912 325	610 617	597 797

The **expenditure on raw materials, supplies and purchased merchandise** relates essentially to paper and ink consumption.

26. Personnel costs

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Wages and salaries	748 304	687 106	518 971	487 791
Social security contributions	112 057	103 959	74 206	71 629
Retirement pensions	25 180	20 407	22 148	18 035
Financial support	4 321	3 589	2 229	2 070
Total	889 862	815 061	617 554	579 525

The average number of employees during the year by occupational category was as follows:

Number	Group		ASV AG	
	2000	1999	2000	1999
Editorial staff	3 390	3 033	1 823	1 676
Salaried employees	7 027	6 410	3 617	3 506
Wage-earning employees	3 173	3 061	2 499	2 528
Total	13 590	12 504	7 939	7 710

For joint ventures 800 employees worked on average over the year.

27. Supervisory Board and Management Board

The members of the Supervisory Board and the Management Board are listed on pages four and five of the Annual Report. The remuneration paid to the members of the Supervisory Board amounted to € 516 000 in the year under review.

The remuneration paid to the Management Board amounted to € 18 768 000.

To former members of the Management Board and their dependants € 4 404 000 were paid, while € 66 000 were paid to former members of special executive bodies. Pension provisions totalling € 22 708 000 have been made in respect of former members of the Management Board and their dependants, whereas the pension provisions made in respect of former members of special executive bodies amount to € 291 000.

28. Depreciation

Depreciation charges made in accordance with Rule 35 of the German Income Tax Regulations (EStR) and § 6b of the German Income Tax Act (EStG) amounted to € 23 416 000 (ASV AG: € 23 378 000).

Extraordinary depreciation in accordance with § 253 paragraphs 2 and 3 of the German Commercial Code (HGB):

in € '000	Group	ASV AG
Fixed assets	16 074	47 915
Securities held as current assets	39	34
Total amount	16 113	47 949

29. Other operating expenses

This item consists essentially of postal and forwarding costs, advertising costs, third-party services, commission, repairs and maintenance, rent and lease charges, travel and incidental costs as well as provisions for bad debts. At Axel Springer Verlag AG this item also includes the costs of services rendered by Group companies. The transfers to special reserves with an equity portion amounted to € 396 000 (ASV AG: € 10 000).

30. Income from equity holdings

This item includes **income from profit and loss transfer agreements** amounting to € 692 000 (previous year: € 1 334 000) at the Group and € 7 700 000 (previous year: € 77 000) at Axel Springer Verlag AG. **Income from affiliated companies** amounted to € 4 687 000 (previous year: € 2 662 000) at the Group and € 32 150 000 (previous year: € 2 856 000) at Axel Springer Verlag AG.

31. Net interest income

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Income from financial asset loans	431	1 122	4 181	5 930
– of which from affiliated companies	48	39	3 992	5 755
Other interest and similar income	17 208	16 362	24 761	21 103
– of which from affiliated companies	2 960	2 024	12 278	8 702
Interest and similar expenses	– 16 518	– 11 856	– 23 303	– 20 555
– of which to affiliated companies	– 2 334	– 652	– 12 349	– 12 324
Total	1 121	5 628	5 639	6 478

32. Taxes

in € '000	Group		ASV AG	
	2000	1999	2000	1999
Taxes on income	115 741	113 904	98 704	91 731
Other taxes	3 960	2 635	1 606	1 361
Total	119 701	116 539	100 310	93 092

Other notes

33. Segment reporting

The **Newspapers** segment consists of newsstand and Sunday newspapers, national and regional subscription newspapers as well as free advertising publications. It also includes equity holdings in newspaper publishers in Germany and abroad.

The **Magazines** segment consists of TV guides as well as women's, men's, youth and family magazines. The range is supplemented by a large number of special-interest magazines. This segment also includes equity holdings in magazine publishers in Germany and abroad.

The **Printing** segment consists of four offset printing plants, two rotogravure printing plants and an equity holding in a printing company abroad. The purpose of the printing plants is to make sure the necessary printing capacities are available; they aim to reach break-even in their operations.

Segment data in € million	Newspapers		Magazines		Printing	
	2000	1999	2000	1999	2000	1999
External sales	1 564.0	1 485.6	746.2	683.2	171.1	151.2
Internal sales	5.5	4.6	3.4	0.4	508.2	478.8
Division sales	1 569.5	1 490.2	749.6	683.6	679.3	630.0
Sales in Germany	1 440.8	1 365.4	582.9	543.0	632.4	578.7
Sales outside Germany	128.7	124.8	166.7	140.6	46.9	51.3
Division sales	1 569.5	1 490.2	749.6	683.6	679.3	630.0
EBITA	182.6	214.9	32.5	36.4	4.5	2.8
– of which amortisation	– 45.2	– 41.0	– 25.3	– 24.2	– 54.6	– 27.7
– of which income from equity holdings	13.9	15.8	8.5	7.0	0.9	0.8
Segment assets	705.6	672.3	352.9	329.1	288.2	257.3
– of which equity holdings	53.8	54.4	34.6	42.2	1.2	10.9
Investments	56.9	49.3	31.0	86.7	93.2	73.1
Segment debts	333.8	336.1	229.1	202.8	263.5	235.9
Employees	6 303	6 047	2 553	2 200	3 065	3 025

The **Electronic Media** segment consists of the activities in the teletext, audiotex, online and TV production fields as well as equity holdings in radio, television, the Internet and rights trading. The newly established corporate venture capital company is also included in this segment.

The **Books** segment consists primarily of literature, non-fiction, service titles, paperbacks and illustrated books. It also includes equity holdings in book publishing companies.

The miscellaneous column includes transport, distribution, direct marketing and insurance operations as well as the expenses and income that cannot be allocated to the individual segments. The miscellaneous column does not therefore represent a separate segment of its own.

Electronic Media		Books		Miscellaneous		Consolidated financial statements	
2000	1999	2000	1999	2000	1999	2000	1999
105.3	83.0	91.7	76.9	223.6	184.2	2 901.9	2 664.1
2.2	0.7	0.2	0.4	84.3	79.1		
107.5	83.7	91.9	77.3	307.9	263.3		
104.0	79.1	80.4	68.7	234.9	176.3		
3.5	4.6	11.5	8.6	73.0	87.0		
107.5	83.7	91.9	77.3	307.9	263.3		
14.4	21.5	- 21.7	- 12.0	4.2	- 2.0	216.5	261.6
- 7.4	- 2.9	- 2.6	- 0.9				
16.9	18.2	0.1	0.3				
160.2	202.6	145.5	111.9	54.6	29.3	1 707.0	1 602.5
64.9	67.1	4.9	6.4				
19.3	28.7	1.4	1.3				
91.2	135.0	132.8	76.8	37.5	13.1	1 087.9	999.7
397	339	245	256				

The standard international indicator EBITA (Earnings before Interest, Tax and Amortisation) is used to indicate the segment results.

The sales made between the individual segments are shown as internal sales. They are allocated on the basis of the costs incurred (cost centre principle).

Assets used by more than one segment and debts incurred by more than one segment are allocated to the segments by applying appropriate formulae.

34. Source and application of funds

The source and application of funds are shown on page 18 of the Annual Report.

Proposal for appropriation of the profits

The financial statements for the 2000 financial year report retained earnings of

€ 48 620 000.

The Management Board proposes that the retained earnings are distributed in full. This corresponds to a dividend for the financial year that began on 1 January 2000 and ended on 31 December 2000 of € 1.43 per share on the subscribed capital of € 102 000 000.

Berlin, 13 March 2001

Axel Springer Verlag AG



(August A. Fischer)



(Dr. Mathias Döpfner)



(Rudolf Knepper)



(Dr. Ralf Kogeler)



(Dr. Andreas Wiele)

Audit certificate

Auditor's certificate

We have audited the financial statements (including the bookkeeping records) and the consolidated financial statements of Axel Springer Verlag Aktiengesellschaft, Berlin, with combined Notes and the combined management report for the financial year from 1 January to 31 December 2000. According to German commercial law, the Management Board of the company is responsible for compiling the bookkeeping records and for preparing these documents. Our assignment is to make a judgement about the financial statements (including the bookkeeping records) and the consolidated financial statements as well as the combined management report on the basis of the audit we have completed.

We have made our audit of the financial statements and the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and observing the principles governing the proper conduct of audits as issued by the German Institute of Auditors (IDW). According to these regulations and principles, the audit must be planned and implemented in such a way that inaccuracies and violations which have substantial impact on the picture of the net worth, financial position and earnings situation presented by the financial statements and the consolidated financial statements (in compliance with the principles of proper bookkeeping) and by the combined management report are identified with sufficient certainty. Information about the business operations and the economic and legal environment of the company and the Group as well as expectations about possible mistakes are taken into account when specifying the audit procedures. The effectiveness of the internal accounting control system and the supporting evidence confirming the information provided in the bookkeeping records, financial statements, consolidated financial statements and combined management report are checked mainly by taking random samples in the course of the audit. The audit consists in the case of the financial statements of an evaluation of the accounting principles applied and in the case of the consolidated financial statements of an evaluation of the financial statements of the companies included in the consolidated financial statements, specification of the companies consolidated and the accounting and consolidation principles applied and for both sets of financial statements an evaluation of the main elements of company management by the Management Board as well as an assessment of the overall presentation of the financial statements, the consolidated financial statements and the combined management report. We are of the opinion that our audit forms a reliable enough basis for making a sound judgement.

Our audit has not led to any objections being raised.

In our considered opinion, the financial statements and the consolidated financial statements comply with the principles of proper bookkeeping and present a true and fair picture of the net worth, financial position and earnings situation of Axel Springer Verlag Aktiengesellschaft, Berlin, and the Group. The combined management report gives an appropriate overall description of the situation of the company and the Group and presents the future risks in an accurate way.

Hamburg, 30 March 2001

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Nienborg
Auditor



Wöhlke
Auditor

Report by the Supervisory Board

During the period under review, the Supervisory Board received regular written and oral reports from the Management Board. The Supervisory Board and its committees met regularly in order to discuss the current situation and future development of the company as well as strategic corporate planning, personnel planning, major investments and projects and other basic issues of corporate policy in detail with the Management Board. The conduct of the company's business by the Management Board was monitored regularly in accordance with the legal stipulations and the provisions of the company's articles of association. The Supervisory Board also discussed important individual matters that are central to the further development of the company and took decisions about the legal transactions and measures which require its approval in accordance with the legal stipulations, the provisions of the company's articles of association or the Management Board's rules of procedure. This applied in particular to the company's finance plan. The chairman of the Supervisory Board was in constant contact with the chairman of the Management Board and was kept informed about all important business transactions and the development of the key financial indicators at all times.

The main issues that claimed the attention of the Supervisory Board in the year under review were as follows: safeguarding of the position of existing publications by continuing to invest in their competitiveness, the development of the Sunday markets and the free newspaper market, the book market, the development of further market segments in Germany and abroad, the involvement in electronic media, management development in the editorial staff departments (publishers and editors-in-chief) and in company management as well as the appointment of new members to the Management Board.

The Supervisory Board and its committees (working committee and personnel committee) held a total of 15 meetings during the year under review, including seven meetings of the full Supervisory Board that were spread over the different quarters of the year. All the committee members attended all the committee meetings; the same is true of the majority of the meetings of the full Supervisory Board. The auditor also attended the meeting at which the financial statements and the audit reports – which had been submitted to all the members of the Supervisory Board three weeks in advance – were discussed, while the chairman of the Management Board and the financial director for their part attended the final meeting with the auditor.

The financial statements and the consolidated financial statements prepared by the Management Board as well as the management report and the combined management report for the 2000 financial year have been audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, who issued an unqualified audit certificate.

The Supervisory Board has noted and approved the results of the audit. Following the completion of its own internal review, the Supervisory Board approves the financial statements, the consolidated financial statements and the management report prepared by the Management Board. The financial statements have therefore been adopted.

The Supervisory Board is in agreement with the proposal made by the Management Board about appropriation of the retained earnings.

The Management Board also provided the Supervisory Board with the report about the relationships to affiliated companies in accordance with § 312 of the German Companies Act (AktG) as well as the relevant audit report prepared by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, about this. The audit report reads as follows:

“On the basis of the audit and evaluation we have made in accordance with professional standards, we confirm that

1. the factual details of the report are correct,
2. the payments made by the company in respect of the legal transactions listed in the report were not unreasonably high.”

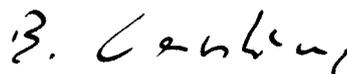
The Supervisory Board reviewed this report by the Management Board, too, taking note of and approving the report submitted about it by the auditor. The Supervisory Board agrees with the declaration made by the Management Board about the report in accordance with § 312 paragraph 3 of the German Companies Act (AktG).

The results of the main investigations carried out by the auditors at the request of the Supervisory Board confirmed that the business had been conducted properly and carefully. They related to international co-ordination, the book publishing companies, the company's insurance and the replacement investments.

The Supervisory Board agreed unanimously on the following changes to the membership of the Management Board and to the allocation of assignments within the Board of Management:

Dr. Ralf Kogeler, 40, who was originally in charge of the Electronic Media Division, took over responsibility for Finance on 1 July 2000. He succeeded Falk Ettwein, who retired on the same date. Dr. Mathias Döpfner, 38, was appointed to the Management Board with effect from 1 July 2000 to assume responsibility for the Electronic Media/Multimedia Division; he became head of the Newspapers Division with effect from 1 October 2000 as well. He will be succeeding August A. Fischer as Chairman of the Management Board on 1 January 2002 following the latter's retirement on 31 December 2001. Dr. Andreas Wiele, 38, was appointed to the Management Board with effect from 1 October 2000; he heads both the Magazines Division and the company's interests abroad. Claus Larass and Christian Delbrück left the Management Board (on 31 October 2000) in addition to Falk Ettwein. The Supervisory Board would like to express its particular thanks to them for their outstanding commitment and service to Axel Springer Verlag.

Berlin, 8 May 2001



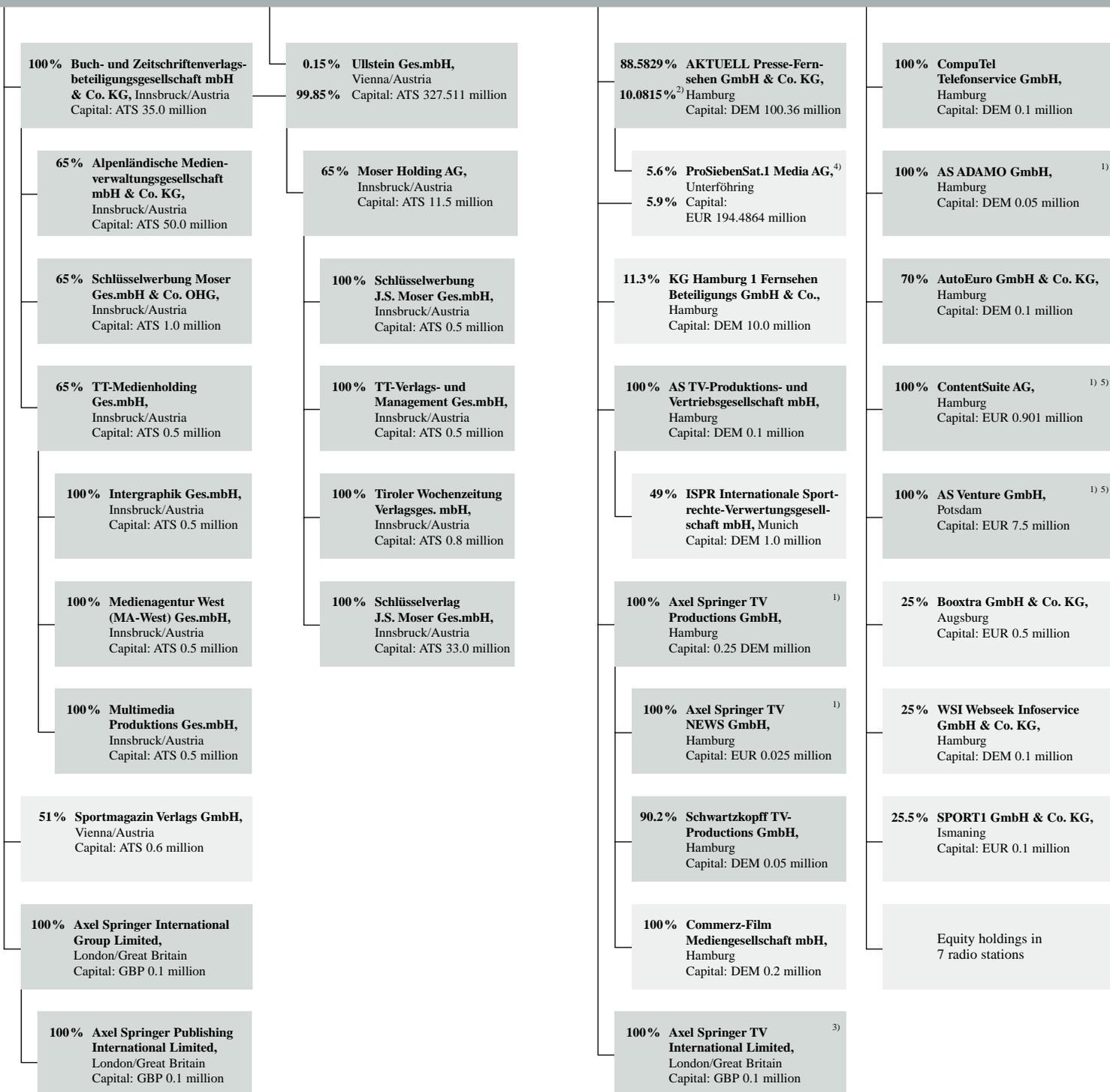
The Supervisory Board
Prof. Dr. Bernhard Servatius
Chairman

List of equity holdings

Publishers

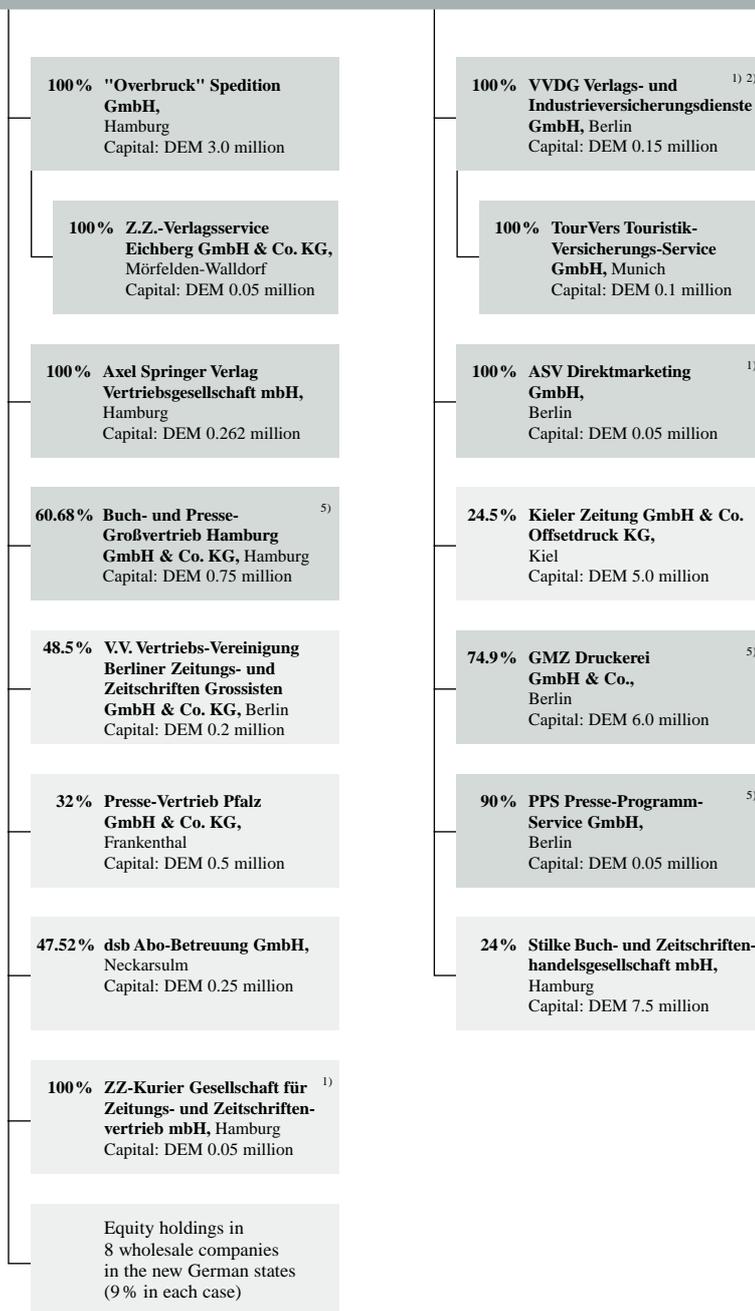
100% AS Auto-Verlag GmbH, ^{1) 5)} Hamburg Capital: EUR 0.025 million	24.5% Kieler Zeitung Verlags- und Druckerei KG-GmbH & Co., Kiel Capital: DEM 1.8 million	100% WBV Wochenblatt Verlag GmbH, Hamburg Capital: EUR 1.73 million	100% Axel Springer Polska Sp.zo.o., Warsaw/Poland Capital: PLN 9.006 million
100% 'Axel Springer Verlag' Beteiligungsgesellschaft mbH, Berlin Capital: DEM 11.26 million	23.438% A. Beig Druckerei u. Verlag GmbH & Co. KG, Pinneberg Capital: DEM 0.32 million	100% Berliner Wochenblatt Verlag GmbH, Berlin Capital: EUR 0.06 million	70.25% Grupa Wydawnicza Axel Springer Sp.zo.o., Warsaw/Poland Capital: PLN 12.104 million
100% Ullstein GmbH, Berlin Capital: EUR 3.2 million	49% Lübecker Nachrichten GmbH, Lübeck Capital: DEM 3.125 million	100% "Sächsischer Bote" Wochenblatt Verlag GmbH, Dresden Capital: DEM 0.05 million	88.36% Handelszeitung und Finanzrundschau AG, Zurich/Switzerland Capital: CHF 0.5 million
100% Ullstein Anzeigen Marketing GmbH, Berlin Capital: DEM 0.05 million	24.8% "Lühmanndruck" Harburger Zeitungsgesellschaft mbH & Co. KG, Hamburg Capital: DEM 1.0 million	100% Punkt Direktvertriebs GmbH, Berlin Capital: DEM 0.101 million	100% Handelszeitung Fachverlag AG, Küsnacht/Switzerland Capital: CHF 0.2 million
100% Econ Ullstein List Verlag GmbH & Co. KG, Munich Capital: EUR 12.375 million	100% Bergedorfer Buchdruckerei von Ed. Wagner (GmbH & Co.), Hamburg Capital: DEM 1.0 million	75% Niendorfer Wochenblatt Verlag GmbH & Co. KG, Hamburg Capital: DEM 0.04 million	92.93% AXEL SPRINGER-BUDAPEST GmbH, Budapest/Hungary Capital: HUF 30.0 million
100% Mail Order Kaiser GmbH Buchversand, Munich Capital: DEM 0.06 million	100% Weltkunst Verlag GmbH, ¹⁾ Munich Capital: DEM 0.5 million	74.9% Finanzen Verlagsgesellschaft für Kapitalmarktinformationen mbH, Munich Capital: DEM 0.2 million	93.52% Axel Springer-Ungarn GmbH, Tatabánya/Hungary Capital: HUF 281.8 million
50% Cora Verlag GmbH & Co. KG, Hamburg Capital: DEM 0.2 million	50% Ostsee-Zeitung GmbH & Co. KG, Rostock Capital: DEM 10.0 million	100% as extra medien GmbH, ^{1) 5)} Hamburg Capital: EUR 0.03 million	94% Petöfi Zeitungs- und Buchverlag GmbH, Keckskemét/Hungary Capital: HUF 65.0 million
100% "top special" Verlag GmbH, ¹⁾ Hamburg Capital: DEM 0.3 million	100% OZ-Lokalzeitungs-Verlag GmbH, ¹⁾ Rostock Capital: DEM 0.05 million	45.6% Yukom Medien GmbH, Munich Capital: DEM 0.1 million	94% Népszerűség GmbH, ²⁾ Békéscsaba/Hungary Capital: HUF 75.0 million
50% Jahr Top Special Verlag GmbH & Co. KG, Hamburg Capital: EUR 0.025 million	50% Leipziger Verlags- und Druckereigesellschaft mbH & Co. KG, Leipzig Capital: DEM 40.0 million	100% "AXEL SPRINGER EDITURA" SRL, Bucharest/Romania Capital: ROL 280.32 million	95.1% Media Mag SA, ⁵⁾ Puteaux/France Capital: FRF 100.589 million
100% Koralle Verlag GmbH, Hamburg Capital: DEM 0.15 million	100% Axel Springer Young Mediahouse GmbH, ¹⁾ Munich Capital: EUR 0.05 million	100% GRUPO AXEL SPRINGER S.L., Madrid/Spain Capital: EUR 12.6 million	100% Les Publications Grand Public SA, ⁵⁾ Puteaux/France Capital: FRF 66.8871 million
100% PMS Presse Marketing Services GmbH, Hamburg Capital: DEM 0.05 million	100% Axel Springer Young Onlinehouse GmbH & Co. KG, Munich Capital: EUR 0.05 million	100% HOBBY PRESS S.A., Madrid/Spain Capital: EUR 1.2 million	50% EMAP France / AXEL SPRINGER (EMAS) S.E.N.C., Paris/France Capital: FRF 1.0 million

Electronic Media



Distribution

Further equity holdings



Companies consolidated:

- Fully consolidated
- Consolidated on a pro rata basis

- ¹⁾ Profit and loss transfer agreement with the parent company.
- ²⁾ Via 'Axel Springer Verlag' Beteiligungsgesellschaft mbH, Berlin.
- ³⁾ Via Axel Springer International Group Limited, London/Great Britain.
- ⁴⁾ Via SAT.1 Beteiligungs GmbH, Mainz and Berlin, and Media1 Beteiligungs GmbH, Berlin.
- ⁵⁾ Consolidated for the first time.

Date: December 2000

Financial calendar

Annual results press conference	7 June 2001
Annual shareholders' meeting	27 June 2001
Dividend payment	28 June 2001
Interim report	29 August 2001

Share details*

in €	1999	2000
Dividend	1.43	1.43
Tax credit	0.61	0.61
Dividend including tax credit	2.04	2.04
DVFA/SG income (excluding tax credit)	2.94	1.92
Year-end price	118.5	104.0
Highest price	121.0	153.5
Lowest price	73.0	83.0
Average price	98.8	112.8
Price-earnings ratio	40.25	54.05
Security identification number		550 135
Reuters		SPRGn.F
Bloomberg		SPR GR

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Printed on 100% recycled paper.

* Adjusted to the 1:10 share split in 2000 to facilitate comparison.

Design:
HGB Hamburger Geschäftsberichte
GmbH & Co.
Photography:
Corporate Photo
Jens Waldenmaier, Hamburg

