Financial Statements 2016 Hubert Burda Media Holding Kommanditgesellschaft

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The Management Board of Hubert Burda Media

Left to right: Stefan Winners, Board Member, National Digital Brands, Holger Eckstein, Board Member, Finance, Dr. Andreas Rittstieg, Board Member, Legal and Compliance, Philipp Welte, Board Member, National Media Brands, Dr. Paul-Bernhard Kallen, Chief Executive Officer

Five-Year Overview

	2012	2013	2014	2015	2016	in
Operating performance	3,101	3,249	3,030	2,792	2,822	million €
Consolidated sales	2,456	2,617	2,455	2,211	2,256	million €
Comprised of National Digital Brands	1,159	1,401	1,314	1,134	1,180	million €
National Media Brands	646	630	649	651	661	million €
International Media Brands	419	378	330	265	272	million €
Printing	224	204	158	158	134	million €
Other	8	4	4	3	9	million €
Balance sheet total	1,546	1,551	1,518	1,510	1,566	million €
Depreciation of fixed assets	69	83	91	85	80	million €
Personnel expenses	438	499	527	543	535	million €
Number of employees at year end	9,241	10,017	10,374	10,297	10,440	

Group Management Report

Group Fundamentals

Hubert Burda Media (hereafter also referred to as "Burda") is an internationally operating media and technology company. Burda is concentrating increasingly on platform businesses - in which both traditional as well as digital business models operate on a specific thematic platform such as career, fashion, or living & gardening - with the goal of becoming a market leader or expanding its leading position in those markets. To achieve this goal, Burda invested heavily in technological innovation in 2016 - in its own companies as well as through acquisitions and participating interests in successful media and digital companies. The objective of all entrepreneurial activities is to gain new markets and consumers, expand existing customer relationships through strong media brands and use them for additional offerings.

All of Burda's products focus on consumers' needs and on helping them in their personal lives and in realizing their own goals. Burda's portfolio in 2016 included roughly 550 products in Germany and 20 other countries.

Sales of single products (such as magazines and other items that can be individually purchased, like conference tickets), subscriptions (magazines and digital subscriptions, such as through XING), advertising, commissions, retail and printing are significant

revenue sources for the company on the different platforms. Burda considers itself an "enterprise for entrepreneurs" and is organized with a decentralized profit center structure. This structure offers Burda's companies the necessary entrepreneurial leeway to grow successfully. At the same time, they can benefit from the size of the company as a whole in several cross-disciplinary areas and can access Burda's strong network at any time to promote the individual businesses.

Burda wants to do more than just keep pace with highly dynamic changes in the media business: It wants to actively shape them itself. With this goal in mind, Burda is consistently strengthening technological and entrepreneurial skills in all operational business divisions, assisted by the strong international networks that were created by means of the world-renowned *DLD* conferences among other things.

One key prerequisite for Burda's continued success lies in the ability to promote further development of existing personnel and to recruit and retain qualified new employees, especially in the areas of digital development, programming and digital product management. To this end, the companies took diverse measures in 2016 that will take effect starting in 2017.

At the end of the past fiscal year, the consolidation group included a total of 233 independently operating companies, 140 of which were in Germany and 93 outside of it. At the end of the year, 10,440 individuals were employed in the Group.

Hubert Burda Media is divided into four operational divisions: National Digital Brands, National Media Brands, International Media Brands and Printing. In addition to those divisions, the Group established its own investment company, Burda Principal Investments, in 2016, in order to invest in technologically innovative consumer internet companies primarily in the USA, Great Britain and Asia and thereby add new value to the business. A number of new international participating interests were acquired in this unit in 2016 (Notonthehighstreet, Priceza, Nebenan.de; investments in Blitsy, Baublebar and Vinted were made at the end of 2015).

In fiscal year 2016, Burda's external sales reached €2.26 billion, and therefore, as predicted, are slightly higher than the prior year. While the two largest divisions, National Digital Brands and National Media Brands, experienced growth, business in Eastern Europe continued to see sharp declines in sales revenues for International Media Brands. The gravure printing business also saw slight declines.

The Group's four operating divisions consistently pursued their plans for expansion and restructuring in 2016. The National Digital Brands division was able to achieve strong growth in 2016 with some of its companies including XING, digital publisher *BurdaForward*

and the physician rating platform Jameda. All shares of Jameda were acquired from the former TOMORROW FOCUS AG on January 1, 2016. TOMORROW FOCUS AG changed its name to HolidayCheck Group AG in 2016, completing its strategic reorganization to focus solely on the travel industry.

Further penetrating key internet technologies – browser and search engine – with the company's own products was another focal point in the expansion of digital activities. *Cliqz*, the browser and search engine offering, gained a significant competitive advantage through an investment by Mozilla, the provider of Germany's marketleading browser Firefox. *Cliqz* can benefit from the partnership through Firefox's market penetration, while Mozilla benefits through *Cliqz*'s unique technological developments, which make it possible for consumers to prevent the unwanted sharing of their personal information.

The German magazine business (National Media Brands division) launched digital products on the market aligned with strong print brands and successfully tested new business models. The objective is to find and stabilize as many new revenue streams as possible to counter ongoing declines in advertising revenues. Two companies posted very high growth: *Blue Ocean*, in the area of children's media, and international content marketing firm *C3*, which acquired a 100 percent interest in British service provider Seven

Publishing, among other things, in 2016. Above and beyond that, the Group worked consistently to secure long-term profitability by implementing cutting-edge production methods and lean internal processes, among other measures.

Burda gained a strong new foothold in Great Britain with the 100 percent acquisition of the *Immediate Media* Group, which was concluded in early 2017. The company is very healthy and operates a magazine-based multiplatform business with a strong digital share as well as diversified revenue streams and business models.

The media business remained under pressure in Eastern Europe, by contrast. The core markets in Russia and Ukraine both saw a continued sharp drop in revenue. By contrast, the printing business in India has shown very positive growth, and in 2016 transitioned over from Burda Druck to the International Media Brands segment.

Slightly lower capacity than in the previous year led to a decline in sales revenue in the Printing division.

To be able to react as quickly as possible to changing media use and in contrast to conventional industrial enterprises, Burda has not bundled the development of new products in a central R&D department. Instead, it conducts these activities in the individual profit centers or previously mentioned divisions.

Overall, Burda ended the 2016 fiscal year successfully.

The stable asset and financial situation was maintained and strengthened. Because of its solid financial situation, the company has the freedom to continue investing heavily in group companies and in new shareholdings. Burda is a balanced company that is widely diversified and therefore very stable with regard to markets, products and business models.

Economic Report

Overall economic and industry situation

International

Overall, the global economy remains in a stagnation phase and growth is lagging behind expectations. Numerous geopolitical risks and looming conflicts are weakening the general outlook. This development in turn has a negative impact on trade, investment confidence, productivity and wage levels. The Organization for Economic Cooperation and Development (OECD) determined a global growth rate of 2.9 percent in 2016, slightly lower than in 2015, and predicts only a slight growth rate increase of 3.2 percent for 2017 as well. Regarding the economies of developed nations, this cautious forecast is based primarily on Great Britain's referendum in June 2016 to exit the European Union as well as the unexpected weak growth figures from the USA. These developments will likely worsen the downward trend in global interest rates. The greatest uncertainties are the stillunclear conditions of Great Britain's exit and its future trade relations with the EU, which have vet to be determined.

Positive effects in this context come from the improved prospects for success of China's growth policy, the increasingly positive macroeconomic news in recent months from emerging markets and recovering commodity prices.

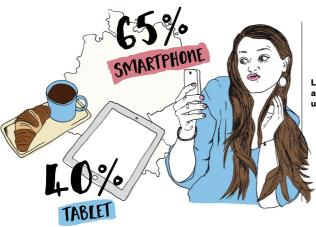
In the euro zone, recovery of economic growth is expected to be sluggish in 2017, compared to 2016. On the one hand, declining oil prices, the limited potential for fiscal expansion and relaxed monetary policy all will contribute to growth. On the other, investor confidence is limited as a result of the Brexit decision, which will have a negative impact on investment behavior. The growth rate fell to 1.7 percent in 2016. In 2017, it is expected to be 1.6 percent (source: IMF).

The OECD predicts a macroeconomic course change for the USA after the presidential election in November 2016, which led to a change of government. Whether the domestic policy promises made during the campaign will actually be implemented remains unclear at this point in time. However, experts anticipate a general easing of fiscal policy that would affect the growth and inflation rate both inside and outside of the United States (source: OECD).

The Russian economy is showing initial signs of stabilizing after a two-year recession phase resulting from international sanctions and declining oil prices. The International Monetary Fund (IMF) forecasts a 1.1 percent growth rate for the year 2017. Russia's economy declined by another 3.7 percent in 2016 (source: IMF). India continues to benefit from political reforms as well as increasing investment activity. According to the OECD, the country's projected annual growth rate of 7.5 percent will make it the G20 economy with the highest growth rate through 2018.

Despite diverse government measures promoting growth, the OECD predicts an economic slowdown for China over the next few years. A decline in China's GDP growth is expected in 2017, going from 6.7 percent in 2016 down to 6.4 percent in the coming year. The IMF assumes that the Chinese economy will continue to pursue a balancing course with regard to investments and consumption growth over the medium term. This should reduce the dependence on loans and government investments.

The communist government wishes to strengthen domestic consumption and focus less on exports, but these efforts have been going on for some time with little economic growth. Social Security reforms and deregulation measures in the service sector should provide positive impetus. However, growing debts and an increasing misallocation of government resources are dampening this outlook.



Last year 65 percent of Germans used a smartphone and 40 percent used a tablet – and the trend is rising.

Despite a rather weak global environment and regional shocks, Africa's economy has enjoyed solid development in recent years. The continent remains the region with the highest growth rates after East Asia. An average economic growth rate of 3.7 percent is expected for Africa for 2016, which could rise to 4.5 percent in 2017 if the global economy stabilizes and commodity prices gradually begin to rise again.

By the year 2050, two-thirds of all Africans will live in cities. For that reason, the urbanization process in Africa will play a decisive role in shaping growth and development on the continent. Urbanization in Africa is proceeding unusually quickly by historical standards and is coupled with strong population growth. Urban populations in Africa doubled to 472 million between the years 1995 and 2015.

Germany

The German economy is still on a solid growth trajectory. This positive trend results primarily from the flourishing domestic economy and favorable developments in the labor market. Positive impetus is not expected for export trade because of the weak global economy, not to mention the Brexit decision and the

outcome of the US presidential election. GDP growth of 1.8 percent is expected for 2016, while an average growth rate of 1.6 percent is predicted for 2017 and 2018 (source: German Federal Government's Autumn Outlook).

The positive developments in the labor market are expected to continue during the same time period. By the year 2018, the number of gainfully employed persons is expected to rise to 44.3 million. The German Federal Statistical Office states that the economic output for 2016 was produced by nearly 43.5 million workers in Germany. According to previous calculations, that was 429,000 people or 1 percent more than the previous year (source: German Federal Statistical Office).

The media industry

The global media industry remains under the massive influence of continually accelerating digitalization. The most important trend in this context is the rapidly increasing access to the internet via mobile devices. Per the International Telecommunication Union, 3.5 billion people worldwide could be using the internet by the end of 2016 due to rapidly spreading mobile networks

and falling prices. Mobile internet access currently outweighs stationary access by a 3 to 1 ratio. By the year 2020, over 50 percent of the population in more than three-quarters of all countries will access the internet via mobile devices. Last year 65 percent of Germans used a smartphone and 40 percent used a tablet - and the trend is rising. The ability to use media regardless of time and place is of central importance to consumers (source: PWC - German Entertainment and Media Outlook 2016-2020). By strategically focusing on increased development of digital products mobile products in particular - Hubert Burda Media is adapting to the changed conditions of consumers' usage, so that it can continue to provide users with specially tailored offerings in the future. While the popular magazine industry as a whole is seeing shrinking advertising revenue and declining sales figures, digital magazine revenue increased by 32.1 percent in 2016. However, since this revenue only comprises 9 percent of total revenue in the magazine segment, publishers are still facing the challenge of monetizing their digital activities

At the same time, major US digital companies like Google, Facebook and Amazon in particular have

revenue in the print sector.

sufficiently to compensate for declining advertising

further expanded their media content offering and continue to dominate the digital advertising market. This development is challenging for traditional media companies, especially in light of the fact that access to consumers and data has become essential for a company's survival in the consumer internet industry. Since the internet favors a monopoly by individual companies, the barriers to market entry for competing companies are extremely high (source: Süddeutsche Zeitung newspaper). Furthermore, because of the continuous expansion of monopolistic companies in related business fields, there is also a risk that market power could shift in those fields (source: cep study).

Those engaged in public policy have meanwhile strengthened their efforts to establish a level playing field for Europe that creates the same conditions for all competitors and puts an end to unequal treatment with regard to business taxation, data protection and issues with antitrust laws among EU member states, which US-based digital companies profited from in particular.

The European Commissioner for Competition has already implemented key initial steps in this process. In August 2016, the European Commission published the findings of a two-year investigation of taxation practices in Ireland for Apple Inc. The result: Ireland may have provided Apple with up to €13 billion in unlawful tax concessions. This practice is not allowed according to EU rules for state aid, because Apple had to pay significantly lower taxes than other companies. However, since Ireland refuses to reclaim the unlawful aid, no predictions can be made on the long-term success of the Commission's course with regard to tax avoidance practices.

The antitrust suit against Google, also being led by the EU Commissioner for Competition, in which the company is being accused of several cases of abusing its dominant market position remains open. Google formally rejected the European Commission's accusations that the company handicapped competitors with its Android business policy and Shopping search. The Commission is currently considering its next step. The outcome of the proceedings cannot be predicted as yet. The Copyright Directive Reform presented in September 2016, which provides for the introduction of property rights for publishers among other things, represents another important step on the road to fairer competition for newspaper and magazine publishers. With this proposal, the EU Commission is recognizing the important role of publishers in democratic societies. which publishers serve through their investments in

journalistic content and therefore preservation of diversity of opinions and information. This new law will put publishers in a position to fight piracy and negotiate the use of their content, particularly with online services. The proposed law is currently before the European Parliament, which is slated to vote on it in June 2017.

At the national level, the German federal government published the draft of a ninth amendment to the Act against Restraints of Competition (Government Draft of the 9th amendment to the ARC) in September 2016. This reform of antitrust law was already provided for in the government's coalition agreement and is now being implemented. The law should facilitate collaboration between publishers in business activities below the editorial level, for example with advertising marketing (source: Federal Ministry for Economic Affairs and Energy).

Advertising market

Growth due to shift to mobile devices

The global advertising market is growing continuously in parallel with increasing media use around the world.



Online video advertising is projected to grow by 20 percent annually through 2018.

Media consumption increased enormously yet again in 2016: According to Zenith Optimedia's 2016 Media Consumption Forecast, people worldwide spent 440 minutes every day on average using media content. Accordingly, forecasts for global advertising spending in 2016 increased by 4.4 percent. The all-pervasive digital transformation and breakneck speed of technologization in advertising continue to be both the greatest growth drivers and the biggest challenge for the global advertising industry.

The ongoing rapid spread of mobile devices is primarily responsible for the increase in media usage. By the year 2018, 75 percent of global internet usage will likely occur on mobile devices. Among other things, media usage via mobile devices leads to a decline in banner advertising in favor of online video, search engine and social media advertising, which users prefer in a mobile format.

With online advertising, most of the revenue flows to the dominant players, Google and Facebook, through search and social media. Zenith estimates that search engine advertising will continue to grow by 13 percent a year, driven by innovations in the areas of personalized searching, automatic adaptive keyword searching that directs users to content on advertisers' websites, and local and real-time searching. However, social media advertising has greater growth potential. Online video advertising is projected to grow by 20 percent annually through 2018, and social media advertising by 27 percent. Within the latter sector, Social Video 2016 – especially favored because of the moving image boom on Facebook – has grown substantially and already accounts for 15 percent of social media spending.

Automation through data use

The described growth of global advertising markets is driven by technology, in particular through programmatic advertising, which encompasses automated purchasing of ad space as well as automated delivery of target-group-oriented ads. Per the programmatic marketing forecasts published by Zenith Optimedia, more than half of all digital advertising formats were delivered with programmatic advertising in 2016.

Programmatic marketing is also beginning to spread in traditional media. Some TV, radio and out-of-home platforms already offer purchasing of advertising contacts through automated, data-driven campaigns.

Data is currency

Rapidly changing media use is forcing the advertising industry to adapt more quickly to users' needs and new forms of communication with them. The growing number of channels, devices, content and usage situations poses enormous challenges for advertisers, making it an increasingly complex process to find the right way to reach individual consumers. The results are progressively more refined targeting options and opportunities for personalizing brand messaging. User data is the key prerequisite for automated booking and targeted delivery – regardless of the channel being used. Consequently, companies that have the most precise and greatest amount of consumer data and that make it accessible through advertising technologies will dominate advertising markets over the long term.

Social and native

Social networks are becoming increasingly important as mobile internet use grows. Social media platforms are benefiting from the growing acceptance of mobile technologies and their integration into everyday life. Many users see social media not only as the corner-



For the first time, online and mail-order sales achieved €70 billion in gross sales.

stone of their social life, but also as their most important information source for content of every kind, even that of professional publishers.

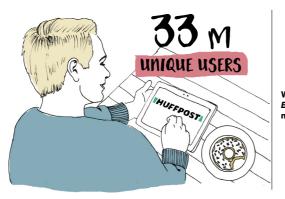
While social media advertising is growing within the total market, the display market is being inhibited by increasingly common ad blocking, which poses a major challenge to refinancing professionally produced journalistic content. Toward the end of the year, a slight decline in ad blocker use was observed for the first time. Nevertheless, the media industry is investing more heavily in advertising forms like native advertising, which links content expertise with advertising messages and thereby can be integrated seamlessly into editorial offerings.

E-commerce

E-commerce revenues in Germany grew significantly in 2016 as well – by 12.5 percent. For the first time, online and mail-order sales achieved €70 billion in gross sales and now comprise almost 13 percent of overall retail sales volume.

With revenue growth of 20 percent, the winner in Germany's online retail is once again Amazon. Despite growth among the remaining nine companies in Germany's top 10, the US giant takes in 55 percent of revenue in the peak segment of online retail in Germany. That is three percentage points more than in the previous year. Looking at total revenue for the industry, Amazon's market share rose from about 13.8 percent last year to 14.8 percent currently.

In fiscal year 2016, e-commerce earned stable revenues in the traditionally strong product groups such as clothing (\in 11.16 billion), electronics and telecommunications (\in 8.74 billion), computers, accessories, games and software (approx. \in 3.68 billion), shoes (\in 3.58 billion) and furniture, lighting and decor (\in 3.19 billion). These areas remain the most lucrative. However, other product segments that generated lower revenue in the past, such as groceries and staple goods, also showed significant growth. These areas posted revenue growth of 26.7 percent in 2016.



With 33 million unique users (AGOF digital facts 2016-11), BurdaForward's comprehensive network of brands reaches more than 60 percent of German internet users.

Business development

National Digital Brands

In the National Digital Brands division, Burda brings together the Group's internet activities, which are mainly located in the German-speaking market. The business-to-consumer portfolio includes leading consumer brands in the areas of e-commerce, social networks, online travel, publishing and subscriptions. In addition, this division offers business-to-business services for companies in the areas of subscription, commerce and IT services. *DLD* (Digital Life Design) is the international conference and innovation platform of Hubert Burda Media. Digital activities also include minority holdings of Burda's corporate venture capital company, as well as more than 30 direct and indirect interests in radio and television broadcasters.

In 2016, the National Digital Brands division generated €1,180.1 million in sales, and thus 52.3 percent of total corporate revenue (2015: €1,133.9 million and 51.3 percent). This is in line with the growth forecasts made in the previous year.

The National Digital Brands division is currently subdivided into the following subunits:

BurdaTech

BurdaTech includes a controlling interest in the e-commerce companies Cyberport GmbH and computeruniverse GmbH. Cyberport GmbH, which operates throughout Europe with a primary focus on the German-speaking region, is one of Germany's largest e-commerce companies and lists more than 45,000 products in the consumer electronics and lifestyle areas at www.cvberport.de. By linking the online shop with a total of 15 brick-and-mortar sales locations (2015: 15 physical stores), Cyberport has become a multichannel company. Despite competitive pressure, which remains high, the company was able to achieve stable sales growth in its core business. In order to make Cyberport even stronger. Burda is investing in the Munich IT unit, where e-commerce technology and processes are developed. Also operating in Europe is the commercial enterprise computeruniverse GmbH. Its online shop at www.computeruniverse.net offers more than 100,000 (last year: 140,000) hardware, software, entertainment and household electronic items and likewise saw its sales grow in 2016.

BurdaForward

Digital publishing house BurdaForward operates the online journalism sites Focus Online. Chip. Finanzen100. Huffington Post, Netmoms and The Weather Channel. This portfolio makes BurdaForward one of Germany's leading digital publishers. With 33 million unique users (AGOF digital facts 2016-11), BurdaForward's comprehensive network of brands reaches more than 60 percent of German internet users. All of the portals are marketed by BurdaForward's own marketing unit, which also includes TV Spielfilm, Xing and Holidaycheck in its portfolio. BurdaForward is therefore one of the leading digital marketers in Germany (AGOF digital facts 2016-11) and considers itself a pioneer in video and native advertising. Transactions are another pillar of BurdaForward's business in addition to advertising. The company launched its own (price) comparison platform. Best Check, in 2016.

Despite a sharply declining market environment (ma 2016 Pressemedien I), the print segment was able to increase profitability and stabilize its profits with *Chip* Magazine as well as several publications in the photography sector in 2016. The strong advertising business (over the previous year) and expanding the Customized Publishing segment also contributed to this result.



Some 11.4 million network members in the Germany-Austria-Switzerland region used this internet platform in 2016 (2015: 9.6 million members) for business, job and career.

BurdaForward's new business park, Sunyard, located on Sankt-Martin Street in Munich, opened in December 2016 and is designed to promote a steady growth trajectory and networking among the more than 500 employees.

XING AG

Burda has held a controlling interest in XING. Germany's largest professional online network, since 2012. Some 11.4 million network members in the Germany-Austria-Switzerland region used this internet platform in 2016 (2015: 9.6 million members) for business, job and career, and more than 929,000 of these are paying users of the premium option (2015: 880.000 premium customers). In addition, XING is involved with B2B e-recruiting. This segment discloses the sales revenues of products and services XING sells to businesses to enable them to compete in the increasingly challenging war for talents. It can be divided into the sub-segments employer branding (fee-based company profiles), active sourcing and passive recruiting. This segment also includes the XING employment market, which offers more than 2 million job openings in the German-speaking region. The Kununu brand, the largest employer-rating platform in the German-speaking region, also belongs to XING. The Xing Events brand belongs to the third

segment, Advertising & Events, and offers event management solutions, building a bridge between the online and offline world.

XING was able to achieve significant growth in every area in 2016 and increase total revenues (+21 percent to €148.5 million, previous year: €122.9 million), EBITDA (+31 percent to €47.9 million, previous year: €36.6 million) as well as profits (+34 percent to €23.6 million, previous year: €17.6 million).

XING members can stay up-to-date with the company's news offerings and join the discussion or learn about changes and trends in the working world of tomorrow in the *Xing Spielraum* portal. With this attractive content offering, the network boosts its appeal for both existing and new members.

HolidayCheck Group AG

In June, the publicly traded TOMORROW FOCUS AG rebranded itself as HolidayCheck Group AG. The company's successfully implemented new focus on its vacation brands, in particular *Holidaycheck*, is also reflected in its name. In fiscal year 2015, all holdings that were basically unrelated to travel were disposed of as part of the strategic focusing on the activities of the travel segment.

HolidayCheck Group AG is one of the leading Euro-

pean digital companies for vacationers. The group has approximately 400 employees and brings together under its roof HolidayCheck AG (the operator of the hotel rating and travel booking portal of that name and the car rental portal *Mietwagencheck*) and Web-Assets B.V. (the operator of the *Zoover* hotel rating portal and *Meteovista-/Weeronline* weather portals). HolidayCheck AG runs its own TÜV-certified online travel agency and works with all well-known tour operators. In addition, *Holidaycheck* offers one-stop shopping, from the initial research to making travel reservations. *Holidaycheck.de* is the largest Germanlanguage online opinion portal for travel and vacation (AGOF digital facts 2016-10).

HolidayCheck Group AG managed to hold its ground in 2016 in a weak industry environment. For example, HolidayCheck AG was able to gain market share in package tours, the largest business area. After the package tour market segment saw revenues decline by 5 to 10 percent in the first half of 2016, this development continued initially in the third quarter 2016 due to events including the attempted coup in Turkey. After that, conditions began to normalize, accompanied by a significant upturn in demand for bookings. This positive trend has continued since October.

Revenue also increased for Netherlands-based Web-Assets B.V., but remained slightly below last year's numbers due to the sale of the travel agency activities of Zoover and Tjingo at the end of 2015 and the termination of most of the B2B activities of *Weeronline* (Key indicators report, HolidayCheck Group AG Q3 2016).

HolidayCheck Group's vision is to build the world's most vacationer-friendly company. For that reason, the main focus will be to continue to intensify investments in the development of products and services for HolidayCheck Group's vacation brands. There could also be some targeted acquisitions of digital travel companies to supplement the existing product portfolio in a meaningful way.

BurdaDirect

BurdaDirect is one of the leading companies offering services in customer relationship management, subscription services and e-commerce. It combines marketing, sales and technology into a complete set of services for online and offline business models. The core business of BurdaDirect is divided into three areas.

In the area of subscription services, in addition to its own magazine marketing, *BurdaDirect* offers comprehensive services such as dialog marketing, customer loyalty and advertising marketing through Neue Verlagsgesellschaft.

The second area includes all commerce services. The focus is on marketing high-quality B2C products with repeated demand, such as *Daydreams*, *Silkes Weinkeller* and *Valentins*. This is supplemented by B2B services for optimizing marketing/sales processes, for example through *Direct Interactive*, a full-service agency for performance marketing, *Paket Plus*, the leading network for advertising inserts in Germany, and *Debitor Inkasso*, a specialist in receivables management.

IT services from *BurdaSolutions* constitute the third area. As a "business enabler," *BurdaSolutions* ensures that a modern IT workstation with the associated support for Windows and Mac is available to employees. Consultation, development and secure operation of applications is a vital component of its service portfolio. *BurdaSolutions* offers its customers extensive technical expertise and many years of experience in the areas of business intelligence, customer relationship management, enterprise resource planning and mobile applications.

BurdaDirect is looking back on a successful 2016. With the sale of its 49 percent holding in the Güll Group, a logistics company, and the expansion of its shareholdings in Silkes Weinkeller to 100 percent, BurdaDirect strengthened its portfolio further and sharpened its strategic focus. If the Güll Group revenues are excluded from consideration, then the subscription services grew in 2016, contrary to the

market trend, and the commerce services area also succeeded in continuing its growth trajectory. The IT services of *BurdaSolutions* provided essential support for its customers' business development by assuming responsibility for additional services, implementing strategic projects and passing on cost advantages.

Jameda

Founded in 2007, this company operates Jameda.de, Germany's largest doctor recommendation portal, which is currently used by more than 5 million patients every month. They can also use it to make doctor appointments. Doctors can use Jameda to present their practice and offer information about their range of services. The company's positive growth continued in 2016, which is also reflected in its growing user numbers. On December 31, 2016, Jameda GmbH acquired a 100 percent stake in Patientus, a company specializing in telemedicine. In light of changing laws in the healthcare market (video consultations will be paid by statutory health insurance starting July 2017), this product portfolio expansion represents a meaningful strategic measure and will enable Jameda to further strengthen its position as the leading digital intermediary between doctors and patients in Germany. Starting in 2017, not only can Jameda users read doctor reviews and make appointments online, they can also schedule a video consultation.

DLD Media

Hubert Burda Media has been operating the internationally renowned conference and innovation platform DLD Media since 2005. In 2016, DLD Media increased its activities and, in addition to holding their flagship DLD conferences in Munich, New York City and Tel Aviv, also held a two-day DLD Europe conference in Brussels for the first time. DLD Salons also took place in Palo Alto, New York, London and for the first time in Tokyo.

Strategy

In 2016, the digital marketplace continued to grow very dynamically. Expanding internet penetration and use in Germany and the growing presence of smartphones in the market contributed to the strong growth of Burda's digital brands. High growth rates were posted most notably in mobile channels.

At the same time, competition intensified and market consolidation increased further. The Burda Group's internet businesses are pursuing the strategic goal of continued growth of their competitive position under even stiffer competitive conditions. All digital publishing offerings showed rising user numbers. Because of its clear platform strategy in the holistically treated "worklife" segment, XING grew significantly in 2016 in terms of user numbers and sales, and should increase its share of the market and number of members in 2017 as well.

All digital brands must rise to the challenge posed by this shift from desktop to mobile use of digital offerings, and must adapt their offerings accordingly. The digital advertising business, which is also increasingly automated and data-driven, is particularly affected by this shift. Burda's digital publishing platforms will continue to concentrate on innovative formats such as video and native advertising.

The foundation for continued positive business growth was laid with targeted investments in growth areas and development of proprietary technologies. At the same time, the overall profitability of the division increased. The two e-commerce businesses in the electronics and technology sector (Cyberport and computeruniverse) continue to work on the strategic objective of distinguishing themselves more effectively from competitors through technology, customer journey, individual consultation and services. Establishing a central IT unit in Munich, the e-commerce hub, is the starting point for gaining a leading position in e-commerce technology and processes.

BurdaDirect will continue to expand its existing expertise in digital direct marketing and technical shop solutions. The strategic goal is to acquire other e-commerce companies with potential and use these skills to assist their growth and increase their market share.

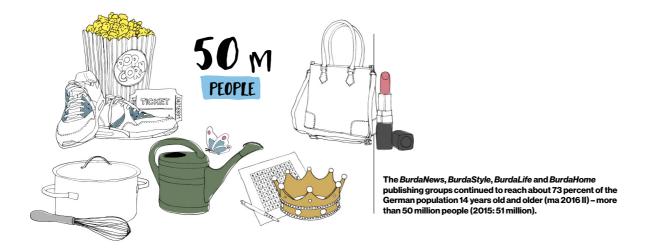
Forecast

It is expected that the described market development (extreme dynamic growth in digital business fields, shift to mobile devices, dominance of global players, excellent growth opportunities for platforms) will continue in 2017. Since Burda's digital companies have long since adapted to these developments and are actively driving their businesses forward, the prospects for growth are fundamentally positive. Further acquisitions that supplement the existing business in a meaningful way are planned for 2017.

For that reason, the National Digital Brands division anticipates a continued moderate growth rate for 2017.

Risks for this division

Digital business activities are competing with much larger US-based digital companies that currently dominate the market. Because of scale and network



effects, there is a special risk here that a monopoly could arise. Added to this are the risks of rapid changes in digital business models. Because of global price transparency and extremely rapid technological developments, companies doing business on the internet are subject to a high risk of a weakening market position and corresponding loss of value. Hubert Burda Media therefore selects its investments in the digital business sector after considering these risks very carefully and is expanding its own technological expertise in an effort to identify changes in the affected business models and markets very early on. For the rest, digital activities are widely distributed among very different business areas, so that concentration risks are avoided.

National Media Brands

According to the Nielsen gross advertising market analysis for 2016, the German advertising market developed positively in comparison with the previous year, increasing by 4.95 percent to €30.9 billion (source: Nielsen). In the traditional print revenue sources of advertising and distribution, however, the magazine market has declined slightly. Popular magazines ended 2016 with a slight 1.8 percent drop in gross advertising revenue to €3.42 billion (2015: 3.49 billion, source: Nielsen). By contrast, gross advertising revenues in the digital area increased by 2.7 percent to €3.45 billion (source: Nielsen; internet and mobile, without Facebook/Google).

In 2016, total revenue from sales of print media to retail businesses at net sales prices amounted to €2.09 billion (2015: €2.18 billion). In 2016, about 1.71 billion copies of print media were sold in Germany (2015: 1.85 billion; source: wholesalers' association).

In the popular magazine market, the National Media Brands division continued to pursue two strategic focuses in 2016: transformation and growth. "GROW!," the program designed for these purposes, follows the "Change" and "S.P.E.E.D" programs that have been successfully implemented since 2009. The goal of "GROW!" is to disengage from the two traditional revenue

sources in the advertising and distribution market and obtain new revenue streams in the business with journalistic content and brands. The strategic approach in this regard is to place consumers and their needs at the heart of product and business models. In addition, the program seeks further optimization of production processes and cost management.

Sales revenues in fiscal year 2016 amounted to €660.6 million, about 1.5 percent above last year's figures and hence within the expected range for growth in this division. The number of regularly published magazines in 2016 – including *Blue Ocean Entertainment* – was 142 (2015: 164).

The BurdaNews, BurdaStyle, BurdaLife and BurdaHome publishing groups together published 86 magazine titles (2015: 80), sold about 279 million copies (2015: 292 million; source: IVW) and continued to reach about 73 percent of the German population 14 years old and older (source: ma 2016 II) – more than 50 million people (2015: 51 million).

Again in 2016, the National Media Brands division significantly increased the power of its brands in the multimedia area. The total reach of all digital platforms in this unit rose in the last fiscal year by 11.2 percent to 1.29 billion cumulative visits (IVW 12/2015); among unique users, in 2016 the division posted growth of 6.6 percent to 16.25 million (AGOF, 2016-10). The brands currently have more than eight million fans and followers in social networks.

Other businesses that belong to the National Media Brands division are the children's magazine publisher *Blue Ocean Entertainment*, the content marketing company *C3*, the central advertising marketer *BCN*, the research institute *Media Market Insights (MMI)* and the in-house licensing agency Brand Licensing. Moderner Zeitschriften Vertrieb (MZV) handles magazine sales for Burda in Germany.

BurdaLife

BurdaLife is a national publishing unit of Hubert Burda Media with a focus on general interest media and with special expertise in the 50+ target group and health topics. BurdaLife publishes around 15 magazines in the entertainment and women's interest segments, which are primarily weekly publications with a total reach of more than 8.5 million readers, just counting the magazines listed in the media analysis (ma 2016 II). The portfolio includes Freizeit Revue, the number one magazine in the field of entertaining weekly magazines for women, Super Illu, Freizeit Spaß, Lisa and Frau im Trend, as well as new publications like Lust auf mehr and a variety of special publications. Health Agency, a central editorial unit for medicine & health, the Mylife.de health portal, magazines like Ma Vie -Gesund leben and the "Health Lab by Burda" industry

event represent *BurdaLife*'s special expertise in this area. In addition, the publishing group puts out around a dozen periodical puzzle magazines as well as digital puzzle offerings, including under the *Freizeit Revue* brand. *BurdaLife* also gives out Germany's largest audience award, *Super Illu's Goldene Henne*. The publishing unit works continuously on new media products and business models, builds its expertise on many different levels, and networks its editorial structures in innovative ways and also in cooperation with *BurdaHome*, with the goal of producing the highest quality content for the *BurdaLife* media brands.

BurdaHome

BurdaHome is home to the special-interest expertise in Hubert Burda Media's four national publishing groups. It publishes around 25 media brands in the food, living, gardening and country living segments with a total reach of more than 6.7 million readers (ma 2016 II). In the food segment, BurdaHome is the print market leader in terms of circulation (IVW IV/2016) and reach (ma 2016 II). Its media portfolio includes Germany's first food magazine, Meine Familie & ich (since 1966), Lust auf Genuss, Slowly Veggie, Sweet Dreams, new titles like Foodboom and the recipe platform Daskochrezept.de. In the gardening

segment. BurdaHome is the market leader in terms of copies (IVW IV/2016) and reach (ma 2016 II) in the gardening segment, with premium brands that include Mein schöner Garten. Gartenspaß and Lisa Blumen & Pflanzen. In the country living segment, the Mein schönes Land family has developed successfully and currently contains five periodical magazines as well as special publications. BurdaHome delivers above average performance with lifestyle magazines as well, including the market leader in circulation, Wohnen & Garten (IVW average I-IV 2016), as well as Lisa Wohnen & Dekorieren, Das Haus and Home & Style. New media products and revenue models are constantly being developed and additional communication channels are constantly being opened up with great innovative spirit and with a steady focus on a 360° brand experience for consumers. These activities include appealing customer and industry events (Plaza Culinaria, Menschen & Märkte with the selection of Supermarket of the Year), online shop concepts, merchandising products and cooperative retail agreements. BurdaHome also owns 100 percent of Stockfood, a subsidiary that is one of Germany's largest food image agencies and one of the leading global marketers in food photography.

BurdaStyle

BurdaStyle is Germany's largest media provider in the areas of lifestyle, fashion, beauty and entertainment, and with its portfolio of exclusive media brands, reaches 7.79 million consumers (ma 2016 II; ma 2015 II: 7.54 million). With the luxury brands Elle, Elle Decoration, Instyle, Instyle Men and Harper's Bazaar, as well as the premium brands Bunte, Freundin and Donna, the portfolio includes offerings for the various life phases of mainly female consumers. The BurdaStyle brands are staged on online portals, through social media, mobile devices, in full video and through events such as the Bunte New Faces Awards.

The *Bunte* and *Instyle* brands in particular enjoyed positive sales growth in 2016. The consistently high number of copies sold was expanded even further under a new editor in chief in each case. *Instyle* posted very positive third-quarter results: The fashion magazine showed high acceptance in the reader market with increased retail sales of 5.1 percent. *Instyle* sells a total of 367,561 magazines each month, which makes it number one in the monthly women's magazine segment (IVW III/2016). *Bunte* sells half a million copies every week (501,812, IVW III/2016; previous year: 524,297, IVW III/2015) and is the undisputed leader in the people segment.

BurdaStyle invested in many specialty publications in

2016, addressing even more areas in the lives of their target group. The new magazine from the *Elle* family, *Elle Hochzeit*, was published for the first time in March and will go into series publication as a new line extension in 2017. *Bunte Gesundheit* appeared for the third time in 2016 and is slated for biannual publication in the future. *Bunte Reise* hit the newsstands for the first time in 2016 – the specialty publication shows the most beautiful vacation destinations of celebrities. The *Freundin* media brand also released two specialty publications: *Freundin Wellfit* and *Freundin Detox*.

BurdaNews

BurdaNews is a leading provider of print and digital media offerings that are primarily directed at male target groups. As an integrated media business, BurdaNews produces journalistic content in various media formats and organizes various business models around these formats. Based on its strong print brands, BurdaNews succeeded in further developing mobile and digital products in 2016 as well as finding new income sources.

The media business is subdivided into the News & Style division and the Screens division. With their magazines, the brands regularly reach more than 12.3 million people (ma 2016 II, total net reach; 2015: 12.7 million). With its

digital offerings, *BurdaNews* reached 8.87 million online users (AGOF digital facts 2016-10).

The newsmagazine *Focus*, with a drop of 4.16 percent in the number of copies sold, showed stable circulation in comparison to the market; the number of sold copies fell from 501,187 to 480,339 copies per week (IVW IV/2015; IVW IV/2016). The digital component of its circulation grew on the other hand by 11.1 percent, from 26,611 to 29,569 copies (ibid.).

The digital offerings available through TV Spielfilm are acknowledged market leaders in their segment (cf. AGOF digital facts 2016-10). With the live streaming offered by TV Spielfilm, consumers can play content from more than 70 TV channels on their digital devices - at home on the big screen and any time on the go. TV Spielfilm, aided by a freemium model (some services are free, others are fee-based), generates both advertising and subscription revenue. By vear's end, the offering had more than 1.6 million registered users. In June 2016, TV Spielfilm entered into a strategic partnership with Germany's largest mobile service provider. Telefónica Deutschland. Via printed and digital offerings, the media brand now reaches 13.08 million consumers (2015: 12.95; cf. b4p 2016; b4p 2015 III).

New business and revenue sources beyond the traditional revenue sources of advertising marketing and sales are systematically initiated by The Enabling Company GmbH. Such sources already include the *Select* brand, with which *Focus* and other media brands conduct transaction-based cooperative business such as selling wine through Vicampo, which Burda has participated in since June 2016.

Numerous other cooperation approaches and new sources of revenue were implemented in 2016. Fit for Fun now has more than 20 active licensing partners, through whom more than 200 products are sold - in such areas as food, sports equipment and entertainment. In cooperation with the TV broadcaster Sky, Cinema offered a series special as well as a TV series calendar for the third time. During the year, Playboy was able to increase its digital copy sales more than six-fold, from around 2,500 to more than 15,000 (IVW IV/2015; IVW IV/2016). The core readership went against the market trend and actually increased by about seven percent (IVW IV/2015; IVW IV/2016). Toward the end of the year. Playboy revamped its visual design and content. with the new Playboy hitting the newsstand in December (issue 01/2017).

Brand Licensing

Brand Licensing by Burda is the in-house licensing agency for developing and implementing licensed products and cooperation agreements for the

National Media Brands. This business unit uses the reach of Burda brands to tap into new revenue sources and bring brands with diverse concepts into contact with consumers. In collaboration with partners from various industries including entertainment, fashion and food, licensed products were launched on the market that placed individual magazine brands in the limelight.

In 2016, Brand Licensing by Burda had entered into 90 licensing and cooperation agreements including a strategic partnership between Burda Media Group brands and mobile service provider Tarifhaus AG for fair and competitive rates, as well as licensing and cooperation agreements between brands like *Fit for Fun* and Rewe, a retailer selling branded products from these brands. Through live entertainment partnerships between artists and the media brands – partnerships that include sharing of sales proceeds from tickets for shows and musicals – Burda's licensing agency was able to sell more than two million concert tickets.

BurdaStudios

BurdaStudios specializes in producing and publishing digital content and offers journalistic narrative forms and publishing revenue models outside of magazines. These include Digital Publishing such as the *Bunte.de*

entertainment brand, which was redesigned and continued to expand its reach (6.56 million unique users, AGOF digital facts 2016-09; previous year: 4.28 million, AGOF digital facts 2015-09). Another business unit, Digital Production, includes *Focus TV*, which produces high-value reporting, documentaries and magazines for private and public TV stations, the food channel *BonGusto TV* as well as the *Video-Factory* production unit. Also part of *BurdaStudios* is *Starnetone*, which is devoted to the production and marketing of events from its base in Berlin. *BurdaStudios* is using the growing possibilities for marketing video and moving images on digital channels and is developing these strategically important revenue areas.

Blue Ocean Entertainment AG

In 2014, Burda became the majority shareholder of the Stuttgart children's magazine publisher Blue Ocean Entertainment AG. At the beginning of 2016, Burda increased its holdings to more than 90 percent. Founded in 2005, this publishing company produces high-quality media products for children and young people. As a children's media provider, the publisher is not dependent on traditional advertising markets by and large, and is primarily financed by sales revenue. In 2016, Blue Ocean Entertainment published 57



In 2016, Blue Ocean Entertainment increased its total sales from 9.6 million (2015) to 10.75 million copies sold (based on magazines tracked by IVW).

regularly appearing magazines and 42 special publications (2015: 69 regular and 34 special publications). By carefully adjusting its portfolio in 2016, Blue Ocean Entertainment increased its total sales from 9.6 million (2015) to 10.75 million copies sold (2016) (based on magazines tracked by IVW, the German Audit Bureau of Circulation: 23 publications tracked in IVW I-IV/2015; 25 publications in IVW I-IV/2016). Blue Ocean Entertainment is also steadily expanding its digital portfolio: The company developed four new game apps and seven e-books in 2016, which were downloaded 480.000 times. International business has also developed into another key pillar for the company. Blue Ocean acts as a link between licensors and currently 22 partner publishers in 19 countries, including France, Poland, Russia, the Netherlands, Italy, Spain, Czech Republic and the UK. The company is utilizing content created for Germany for more than 593 magazine issues in other countries. At the end of 2016, Blue Ocean started licensing LEGO titles to a Chinese publisher. Since many of the license holders are BurdaInternational companies, the Group is therefore actively engaged in publishing Blue Ocean magazines outside of Germany as well. In this way, the company was able to sell a total of 837,000 copies from this magazine portfolio internationally (excluding Germany, Austria and Switzerland) in 2016 (2015: 313.000).

C3

C3 strengthened its leading position in the German content marketing market and continued its growth in 2016. C3 was the result of the merger of KircherBurkhardt GmbH and BurdaCreative at the end of 2014. The digital editorial agency wunder media productions is also part of C3. In 2016, C3 focused more heavily on internationalization: In January 2016, C3 completed its 100 percent takeover of the London content marketing agency Seven Publishing, an important step in the direction of internationalizing the business. Its partnership with the Latin America-based agency EME placed Latin America in the content marketer's sights as well. In June 2016, C3 acquired the leading Slovenian agency PM, poslovni mediji and opened another office in Prague in May. At the end of the year, C3 announced a cooperative agreement with meredith xcelerated marketing (MXM), the leading content marketing agency in the USA, and another with Edge in Australia. C3 has meanwhile become one of the world's largest content marketing agencies. At the important international Content Marketing Awards at Content Marketing World 2016 in Cleveland, the agency won out over 1,300 applicants and was named the best content marketing agency in the world. The international player employs over 600 people at locations in Berlin, Frankfurt.

Hamburg, Munich, Stuttgart, London, Ljubljana, Prague and Zurich.

BCN

BCN (Burda Community Network GmbH and Burda Community Network International GmbH) is the multichannel marketer of Hubert Burda Media and the leading marketer of popular magazines in Germany. In 2016, Burda's market share was 15.3 percent in an overall slightly declining popular magazine market (2015: 16.8 percent, source: Nielsen, both figures exclude media advertising). In addition to Burda magazines, the BCN portfolio includes platforms from external partners such as "ADAC Motorwelt." Since January 2016, the portfolio has also been home to all digital platforms from BurdaStyle, BurdaLife and BurdaHome as well as Bunte.de. BCN specializes in 360° marketing across all channels in accordance with the meanwhile holistic media consumption of readers, users and buyers. To stay abreast of trends in customization and automation, BCN is developing integrated, creative and efficient communication concepts as well as expanding its own digital and technology expertise. At the beginning of 2016, AdTech Factory GmbH & Co. KG was founded as a spinoff of BCN's entire aftersales segment (in particular: order management, dis-

position, magazine structure management and development of ad specials).

Media research

Media Market Insights (MMI) is the main research unit of Hubert Burda Media. MMI focuses on researching publishing brands and consumers: The unit manages all of the research projects for all of Burda's publishing profit centers and brands. In 2016, MMI continued to promote fundamental cooperation projects in Germany's media landscape. Under the auspices of Gesellschaft für integrierte Kommunikationsforschung (GIK), which is backed by Hubert Burda Media, Axel Springer, Bauer Media Group, Gruner + Jahr and FUNKE MEDIEN-GRUPPE, the fourth issue of the market media study "best for planning" (b4p) was published under the motto "The future belongs to the brave." The study offered new possibilities for describing target groups and consumer behaviors. For the first time, familiarity, use and intent to buy were shown for three areas of new digital technologies related to the "Internet of Things": wearables, smart home and connected cars. Since 2015. GIK has also been active in the field of cross-genre impact research, through its "best for tracking" study. The study allows campaigns to be examined for effectiveness and efficiency. In 2016, GIK

published the "b4t Brand Relevance Score" for the first time, a quarterly compass for market development across all industries. The compass consolidates data from the b4t brand tracking and makes an indicator on brand strength available to the market for every studied brand. In 2016, GIK brought representatives of the brand, agency and media industries together again to exchange information with market partners. This meeting, called "best4 – DAS EVENT," will be a regular event in future years.

Sales

MZV, a joint venture with FUNKE MEDIENGRUPPE, is the number one company in the German press distribution market with a revenue share of 27 percent in 2016. MZV currently works with over 100 publishers and distributes more than 850 magazines. In addition to a confident copy price policy, Burda campaigns for prominent display of its top-selling brands. In 2016, MZV introduced a new online sales tool, MyMZV, which contains all the relevant information needed to manage and analyze sales. Burda sells 271 million magazines every year (285 including *Blue Ocean*), which amounts to a 17 percent share of the magazine market. The top 100 magazines in Germany generate around 50 percent of total gross sales. About one-

quarter of those magazines (23) are published by Burda. With an average of 6.4 million copies sold per issue at retail (incl. *Blue Ocean*) (source: IVW I–IV/2016; 2015: 6.8 million incl. *Blue Ocean*), Burda's sales remain stable.

Strategy

The National Media Brands division is continuing the implementation of the transformation and growth program "GROW!" in fiscal year 2017 along with the program's central strategic goals: innovative development of the core business, sustained efforts to tap into new revenue sources and continued expansion of the digital media portfolio and revenue models. "GROW!" successfully continues the process begun in 2009 to make the National Media Brands' structures, processes and product portfolio sustainable for the future. One objective of "GROW!" is to keep growing closer to the customer via all platforms and to learn more about their needs. One measure for achieving this goal: expanding the brand and editor in chief newsletters, which reaches around one million people. Based on market and consumer data, existing products need to be optimized and additional product innovations developed so that new revenue sources can be developed in direct interaction with consumers.



In 2016, Burda and its partner publishers published a total of 313 titles outside of Germany (2015: 308 titles). Central and Eastern Europe, with 207 titles (2015: 220 titles), continue to be the most important regions.

Content and technology are all becoming increasingly intertwined in media. For that reason, Burda aims to supplement journalistic quality with technology. In 2016, Burda developed *Thunder*, a cutting-edge opensource content management system for the publishing industry, investing in the media company's technological expertise and infrastructure. This free editorial system is available online for free use and further development.

Burda plans to optimize its editorial structures in 2017, for operation in a cross-platform and cross-technology environment in the future. Digital and technological possibilities will be taken advantage of under the "GROW!" program, with work processes and editorial structures automated and modernized through newly introduced IT systems.

Forecast

The structural challenges remain large, but the National Media Brands division is optimistic about the future and is pursuing its growth objectives. Because of their high-quality journalism, great appeal and credibility, the national media brands are firmly established throughout Germany in the lives of more than 50 million readers (source: ma 2016 II; 2015: 51 million). The measures that were defined and implemented as part

of the "GROW!" transformation program will continue to have a positive impact on the profitability of this division.

The number of magazines published will likely remain constant in 2017, as will the number of digital products. The National Media Brands division expects sales to rise slightly in 2017.

Risks for this division

It is very likely that the growing use of digital information and entertainment products by consumers and the still increasing surplus of advertising space will result in even lower prices in the advertising market, which in turn will lead to lower revenue in the traditional print media. This risk will be countered by establishing new income streams outside of the traditional advertising and distribution business. Burda is responding to downward trends in magazine sales with marketing measures focused on consumers, both at the point of sale and digital.

International Media Brands

Hubert Burda Media concentrates its foreign publishing activities under the operational leadership of *Burda-International*. Important markets continue to be Central and Eastern Europe, Western Europe and Asia. Through the acquisition of *Immediate Media* at the beginning of 2017, Great Britain became Burda's second most important market after Germany. *BurdaInternational* operates in 21 countries (2015: 20 countries). In 2016, Burda and its partner publishers published a total of 313 titles outside of Germany (2015: 308 titles). Central and Eastern Europe, with 207 titles (2015: 220 titles), continue to be the most important regions.

In 2016, external sales of *BurdaInternational* totaled €272.3 million (2015: €264.9 million), and thus exceeded expectations. The growth is primarily the result of *BurdaInternational* taking over management of printing activities outside of Europe for Hubert Burda Media at the beginning of 2016. These activities include a gravure printing facility in India as well as a participating interest in a printing company in Rwanda, which is active in the textbook field among others. The holding was purchased in the summer of 2016.

In Eastern Europe (Russia, Ukraine, Kazakhstan), the primary focus continues to be on the portfolio of magazines in these segments: women (fashion & style), family

advice, food, living, gardening, men (lifestyle, cars, computers), people, interactive magazines (readers write for readers), and crossword puzzles. Measures to adapt the company structure to Russia's new media law were concluded at the start of 2016.

In Western and Northern Europe (Czech Republic, Romania, Poland, France, Portugal/Spain, Great Britain, Scandinavia), in addition to a similarly very strong portfolio of our own brands, numerous international titles such as *Elle*, *Glamour*, *Instyle*, *Marie Claire* and *Harper's Bazaar* are published under licensing agreements.

In Turkey, Hubert Burda Media and the Dogan Media Group jointly manage the largest Turkish magazine group, Dogan-Burda, with 37 titles (previous year: 39 titles).

In the Asian markets (China, Thailand, Singapore, Hong Kong, Malaysia, Taiwan and India), the focus continued to be on the luxury segment, with brands like *Prestige*. The 2016 acquisition of Southeast Asia's leading luxury lifestyle website, *www.lifestyleasia.com*, opened up additional opportunities in the region in the digital and event business.

In the USA, Portugal and Brazil, the brand landscape around *Burda Style* includes sewing courses, handicraft fairs and e-learning offerings.

Immediate Media in Great Britain, which was fully acquired at the start of 2017, is a group of magazine and

platform companies that publish many renowned titles including *Radio Times* and BBC titles such as *Top Gear*, *Top of the Pops* and *CBeebies. Immediate Media* has experienced continual growth for the last five years, in both the traditional print business and the steadily growing digital business, including the wedding platform *Hitched.co.uk* and the handicraft portal *Jewellerymaker.com*.

Strategy

BurdaInternational was in a transitional phase in 2016. The company was adapting to changing conditions in the markets, which included factors influenced by political situations, such as the media law in Russia, the safety situation in parts of Ukraine and the political reorganization in Turkey, and the long mourning phase after the death of Thailand's king. Market changes all over the world – generally declining advertising revenues, in particular – are also a contributing factor. In addition, how people use media is trending increasingly to mobile devices, which was thoroughly addressed in other chapters.

BurdaInternational responded to these developments with entrepreneurial flexibility. In Russia, for example, the company managed a rapid adjustment to conform with new legal requirements and the difficult economic

conditions. Reorganization and restructuring of the product portfolio was undertaken across all media and in all markets. *BurdaInternational's* activities in 2016 were shaped by its work on the magazines, restructuring activities, and cost reduction measures in every area.

Print remains a stable income and results base for *BurdaInternational*. Despite changing media use behavior, well-made, high-quality, appealing print brands are firmly anchored in their target groups. Further digital activities are being added all around Hubert Burda Media's strongest magazine brands (e.g., the *Burda Style* brand in Brazil) and in the event business (e.g., events for the Marianne brand in the Czech Republic).

Forecast

At the end of the still-ongoing transition phase, *BurdaInternational* will be comparatively well positioned and stable and, in an environment that will continue to be difficult, will take advantage of the revenue opportunities in the media business. The division expects stable revenues in its longtime markets. Through the acquisition of *Immediate Media* in Great Britain, *BurdaInternational's* total revenues will increase significantly in 2017.

Risks for this division

BurdaInternational's business is in a transition phase that is being shaped by three primary risk factors.

The persistent political instability in key markets like Russia, Ukraine, Turkey and Thailand creates uncertainty, which impacts trends in exchange rates, sales and net income.

A general market downturn characterized by weak advertising business due to economic and political uncertainty – something that all internationally active advertising customers are exposed to – is creating additional pressure on net income.

The ongoing shift in how people use media all over the world – toward mobile digital sources and social media platforms, and away from traditional print consumption – poses the risk of further erosion of sales revenues.

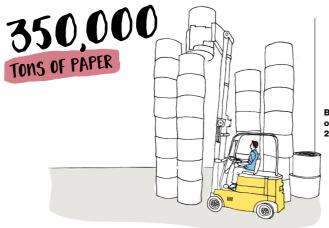
BurdaInternational is countering these risks in its international business by increasing entrepreneurial flexibility in a targeted way. This is how the company successfully managed a rapid adaptation to the new political conditions in Russia, where a new media law reduced foreign ownership of media companies to no more than 20 percent. Reorganization and restructuring of country-specific portfolios were implemented across all media in every market. In these efforts, content produced specifically to match reader and user

interests generated additional sales and transaction revenues, and subsequently established a solid base for future advertising business over the medium term. Comprehensive restructuring in all operating units – especially the advertising departments, editorial offices and management overheads – led to efficient, scalable structures. This enables the company to cushion against future risks – and take consistent advantage of opportunities in recovery phases.

Printing

BurdaDruck specializes in the production of high-quality magazines, catalogs and advertising material in high-volume gravure printing, and in all services necessary for that area. In addition to the Hubert Burda Media publishing houses, customers include independent publishers and infrequent customers from a variety of sectors.

The BurdaDruck Group is one of the largest printing companies in Europe, with sites in Offenburg (two plants), Nuremberg, and Vieux-Thann, France, In 2016, external sales were €133.9 million (2015: €158.2 million). The operational management of Burda Druck India was transferred to *BurdaInternational* during the fiscal year. While technological aspects were in the foreground when the company was young (building and operating a print company in India), now the focus is on acquiring orders for this company. Because Burda Druck India's market is primarily in Africa and India, the Group decided to transfer responsibility for this company to the BurdaInternational division. If Burda Druck India had already been a part of the International Media Brands division in 2015, and if Printing division sales revenues were to be adjusted to reflect this hypothetical situation, then the Printing division would only show a slight 4.6 percent decline in reve-



BurdaDruck will print more than 350,000 tons of paper in fiscal year 2017, thereby significantly exceeding 2016 levels.

nue, in deviation from what was forecast in the previous year.

BurdaDruck operates in an industry that has been characterized for years by declines and overcapacity. Although printing capacities are regularly exiting the market, demand is also declining to a similar extent. As a result, the intense, cutthroat competition over prices has continued unabated. In addition, in a continuing process, large, reel-fed offset printing machines are increasingly penetrating what used to be the domain of gravure.

Details

Printed tonnage was lower than expected, declining from 339,500 tons in 2015 to 328,000 tons in 2016. The main reasons for this were significantly fewer incoming orders from the French market, as well as declining copy volumes and scope in all product segments.

In 2016 it was possible to further reduce overall costs, but not enough to compensate for declines in revenues. Raw material prices (paper and ink) were at approximately the same level as the previous year, as were energy prices as well.

Strategy

BurdaDruck will continue to manage costs in a consistent manner in all segments that can be influenced and will take all possible and sensible measures to improve its ability to compete.

At the Nuremberg facility, the joint venture with Heist to improve the vertical range and reduce operational logistics costs showed further progress in 2016. It will reach the planned size in 2017 with four saddle-stitching systems.

In order to offer customers competitive prices, repro work will be outsourced starting in 2017. This is due to the 2017 closure of Medienpartner International, which was responsible for all of the pre-print work steps.

The company continues to intensively examine on the demand side whether to add other production processes complementary to gravure printing, which is currently the only type of printing done by *BurdaDruck*. Digital printing plays a role here in particular.

Forecast

The tough, cutthroat competition over prices in the European printing market will continue. All in all, it can be assumed that the (albeit slowly weakening) decline

in demand in the European printing market continues. Raw materials may experience price fluctuations in 2017. While paper is unlikely to become more expensive, ink prices may increase significantly. Energy prices are expected to fall. Despite the steadily declining market environment, it is expected that, due to an additional volume of orders, *BurdaDruck* will print more than 350,000 tons of paper in fiscal year 2017, thereby significantly exceeding 2016 levels. Revenues in 2017 are expected to reach the previous year's levels.

Risks for this division

The change in the order mix has occurred as expected, due to the declining circulation and volume of magazines and catalogs. This development will continue in 2017. In addition, the coming year will be characterized by additional pressure on prices in every product segment. Stringent cost management should counter this situation. Digital printing activities were set up in 2016 and will be expanded further in 2017. The European gravure printing market is being intensely monitored and is the subject of energetic efforts.

In order to prevent defaults, the creditworthiness of customers is being checked on a regular basis, and order volumes are secured with credit insurance to the greatest extent possible.

Sales development, net assets and financial situation

Consolidated external sales of Hubert Burda Media – a key management parameter of the Group, along with profit before taxes (previous year: result of usual Group activity) – increased by around 2.0 percent to €2,255.7 million (2015: €2,210.8 million).

Both the National Digital Brands and National Media Brands divisions achieved slight revenue growth as predicted in the previous year. While the increased revenues in the Digital division are due primarily to XING AG, computeruniverse and *BurdaForward*, the positive trend in the National Media Brands division stems largely from growth in the *C3* Group as well as *Blue Ocean Entertainment*.

The other two operating divisions – International Media Brands and Printing – have largely developed as predicted in the previous year, when adjusted for special circumstances. If Burda Druck India had already been part of the International Media Brands division in 2015, and if the previous year's sales revenues for both divisions were to be adjusted to reflect this hypothetical situation, then International Media Brands would show a revenue decline of 3.7 percent. By contrast, the Printing division would have seen a decline in revenues of 4.6 percent.

Operating performance (aggregate unconsolidated sales revenues) increased by 1.1 percent, to €2,821.7 million (2015: €2,792.1 million).

In detail, the consolidated sales of the divisions developed as follows:

		2015		2016	Change
	in million €	in percent	in million €	in percent	Actual (in percent)
National Digital Brands	1,133.9	51.3	1,180.1	52.3	+4.1
National Media Brands	650.9	29.4	660.6	29.3	+1.5
International Media Brands	264.9	12.0	272.3	12.1	+2.8
Printing	158.2	7.2	133.9	5.9	-15.4
Other	2.9	0.1	8.8	0.4	+203.4
Sales revenues	2,210.8	100.0	2,255.7	100.0	+2.0

The consolidated balance sheet total rose by €56.1 million, to €1,565.8 million (2015: €1,509.7 million). On the assets side of the consolidated balance sheet, this increase is primarily attributable to the €66.7 million increase in financial assets, to €280.1 million (2015: €213.4 million). At €533.4 million, the remaining fixed assets (tangible and intangible assets) are close

to the level of the prior year (2015: €531.7 million). This includes goodwill, which is also close to the previous year's level despite higher scheduled depreciation. This, as well as the previously mentioned increase in financial assets, underscores the renewed large investments in the portfolio of shareholdings. According to the fixed asset schedule, additions to fixed assets

totaled €242.0 million (2015: €171.6 million). Most of these additions were in the shareholdings portfolio of Burda Principal Investments and in fixed-asset securities. Total investments affecting cash flow in 2016 were €204.1 million (2015: €160.0 million).

In contrast to the increase in fixed assets, current assets decreased by €14.9 million to €737.6 million (2015: €752.5 million). Of particular note here is the €34.5 million decline in liquid assets, to €246.3 million (2015: €280.8 million). These liquid assets were used in particular for the above-mentioned investments in fixed assets. While inventory also showed a decrease, to €136.3 million (2015: €143.6 million), receivables and other assets increased by €26.9 million to €355.0 million (2015: €328.2 million). The primary reason for this is the increase in trade receivables from the growing project business in the Printing division.

On the liability side of the balance sheet, an increase in bank loans and trade payables is especially noteworthy. The two balance sheet items increased by €57.6 million to €262.3 million and by €15.5 million to €229.7 million, respectively. While bank loans served primarily to finance new shareholding investments, the increase in trade payables is largely a result of increased e-commerce business activity. Furthermore, while prepaid expenses and deferred charges on the liabilities side increased by €11.0 million to €101.0 mill

lion – due to increasing subscription revenues – accruals came in slightly below the previous year at €417.8 million (2015: €424.9 million), as did other liabilities, which were €143.0 million on the balance sheet date (2015: €147.6 million).

Net debt (bank loans plus additional bank obligations recorded in Other Liability items, minus liquid assets and other securities) was €66.0 million on the balance sheet date. Despite positive operating cash flow - due to large investments in fixed assets – there was a net debt, unlike the situation on the balance sheet date of the previous year (net credit balance of +€26.1 million). However, that net debt was far below the amount in fiscal years prior to 2015. The use of existing credit lines on the balance sheet date was once again below 50 percent. Bank loans outstanding as of December 31, 2016, as well as other financial obligations, are subject to interest charges at standard market rates. In these two items, nearly 50 percent of the loans and other obligations had remaining terms of over five years on the balance sheet date. Due to this financing structure, the Group was always in a position to meet payment obligations during the fiscal year as they were due.

Medium and long-term capital, consisting of equity, medium and long-term accruals as well as medium and long-term liabilities, increased by €33.3 million to €856.0 million (2015: €822.7 million).

Equity decreased slightly by €16.0 million to €398.6 million, which, in view of the increased balance sheet total, reduced the equity ratio from 27.5 percent to 25.5 percent.

The fixed assets of the Burda Group are still fully offset by medium and long-term capital.

To the extent foreseeable, the Group has developed in line with expectations and as before, shows sound financial conditions. The financing structure offers adequate flexibility and potential for future growth.





The Group's companies are represented at more than 18 sites in Germany, the most important of which are Munich with 2,054 employees, Offenburg with 1,654 employees and Hamburg with 1,227 employees.

Human Resources

Burda is in the process of transforming from a pure media company into a media and technology company. The Human Resources (HR) department is playing a key role in this process because suitable HR marketing and recruiting measures are what makes it possible for the company to recruit skilled employees who are essential for the digital transformation. Burda also engages in targeted internal efforts to promote rising talent, and existing employees are offered training opportunities as well as subject-matter and management programs to enhance their qualifications. To gain the lasting loyalty of employees, as well as improve their productivity, motivation and performance, the company is employing various methods in HR management, some of which are new. A variety of digital tools for human resource management that were implemented over the last few years ensure the quality and efficiency of HR work.

At the end of the year, HR services will be divided into two distinct business units. The central Shared Services department will take over all administrative tasks such as payroll accounting and contract management. The current HR department will focus on the central areas of employer branding, HR marketing, employee development and advising the profit centers.

Both Burda departments will be operationally responsible for many companies in Munich and Offenburg, along with their satellites in other locations such as Hamburg and Berlin. Various Group companies in Germany, such as XING, Cyberport and HolidayCheck Group AG have their own HR departments, which are in close contact with colleagues of the central HR department. Companies outside of Germany also organize their operational HR work on their own, but they are in regular contact with the HR department located in Germany, particularly in regard to strategic issues.

Employee structure

At the end of 2016, the number of employees (10,440) was about the same as the previous year (2015: 10,297). The Group's companies are represented at more than 18 sites in Germany, the most important of which are Munich with 2,054 employees, Offenburg with 1,654 employees and Hamburg with 1,227 employees. The largest country sites outside Germany are Russia, India, Poland and Romania. The average age of Group employees is 40. Women comprise 52.8 percent of employees and 35.2 percent of all managers.

Training

Burda offers a variety of programs to promote rising talent from within. In 2016, five new recruits with master's degrees began the 18-month "Management Graduate Program" for junior staff. The "Professional Graduate Program" was revamped in 2016 and now, as the "Bachelor Trainee Program," focuses on this particular group of graduates with the goal of developing them into young professional with a defined area of expertise.

In the fall of 2016, 20 journalism students began their training at the Burda School of Journalism (2015: 20), which offers a multimedia training approach that takes into account to the changing requirements for the journalism profession in the digital world. In addition, Burda offers vocational training in 12 trades throughout Germany. In autumn 2016, 20 apprentices started their training at Burda. This means that counting all classes together, there are now 112 apprentices at the Munich and Offenburg sites.

Together with the universities at Ravensburg, Mannheim, Lörrach and Karlsruhe, Burda offers a dual studies model that enables students to combine academic and practical vocational training. There are currently 13 students in dual training at Burda's German locations (2015: 12).

Despite the introduction of a minimum wage and associated regulatory restrictions, some 574 interns at Burda had the opportunity to acquire practical experience in an international media and technology company in 2016.

Systematic employee development

Burda wants to prepare its employees for the challenges of the digital transformation with a variety of development measures. In 2016, the three proven management and employee programs were expanded to include a fourth program: "GUIDE! – Guiding teams." A total of 107 employees took part in the multi-modular programs that are tailored to specific target groups.

Burda's in-house continuing education offerings in 2016 included 340 different seminars, lectures and training sessions (2015: 421). A total of 1,679 employees took advantage of them (2015: 2,174). A learning management system was developed in 2016 that makes it easier to plan and implement training measures. This tool is slated to go live at the start of 2017.

Employer appeal and recruiting of new employees

Burda continued to develop its employer brand in 2016 and further enhanced its appeal as a media and technology company. In addition, the company expanded its HR marketing measures and collaborations with universities. Efforts focused primarily on IT specialists and digital experts who are highly sought after in the job market. A new career website was designed and completed as a key element of Burda's employer brand presence. The recently introduced Talent Relationship Management Tool actively maintains contact with top former interns and trainees.

The setup of the recruiting center was modified slightly in 2016. Since the middle of the year, the team has been strengthened with an experienced tech recruiter. The recruiters who are responsible for hiring IT specialists now specialize in specific IT target groups.

Management tools

A structured talent management project was introduced at the management level in 2016 to improve succession planning at the company. Performance reviews are now firmly established nationally and in international subsidiaries as a management tool. In National Digital Brands division units, this tool is extended with the Burda Digital Model for Interpersonal Skills.

Balancing career and family

Burda supports employees in balancing career and family, and thereby enhances its appeal as an employer. Several times in past years, Burda has been awarded the non-profit Hertie Foundation's "Family and Career" certificate for its Munich and Offenburg sites. The company was recertified in 2016 for both locations after completing a successful audit.

At the end of 2016, a total of 75 children were receiving daycare at the on-site Burda Bande daycare center in Munich. The children were divided into one toddler and two kindergarten groups as well as an afterschool daycare group (2015: 68 children). The Burda Bambini daycare center in Offenburg was providing daycare to seven toddlers and eight kindergartners of Burda employees at the end of 2016 (2015: 25 children). Both facilities also offer daycare during school vacation periods.

Occupational health management

In 2015, Burda introduced an occupational health management program under the name TAKE CARE, and the rollout continued and was professionalized in 2016. Measures implemented in 2016 included a colon and skin cancer prevention campaign and health course offerings. An employee and manager consulting ser-



To date, about 6 million people have participated in the colonoscopy program introduced in 2002, which has prevented some 200,000 new colon cancer cases and 100,000 deaths from colon cancer.

vice was implemented in cooperation with the Fürstenberg Institute, a systemic consulting company. In addition, the company launched a tool from B.A.D., a healthcare consulting service provider, called "PreSys," which describes all relevant workplace safety processes. The role of occupational health management is to preserve employee health, strengthen employee loyalty and boost Burda's appeal as an employer.

Outlook

In 2017, the HR department will focus even more intently on employer branding and on recruitment and retention of qualified employees. The tech community network will be expanded and cultivated in order to better reach in-demand IT specialists and digital experts. Burda would like to position itself well with these target groups by participating in industry events. Furthermore, the company plans to expand efforts to promote rising talent in the digital area and to use its own employees more as brand ambassadors.

Burda will also continue to develop its occupational health management in 2017. Planned efforts include auditing health management in the company (Corporate Health Award Audit), performing psychological risk evaluations and implementing structured operational integration management.

Corporate Social Responsibility

Burda is particularly involved in the areas of art, literature and education as well as research, science and health. Hubert Burda Media also uses its media expertise for good causes. For example, aid organizations and particular individuals received recognition and support for their social involvement at major events such as the *Bambi* Awards.

Hubert Burda Foundation

The Hubert Burda Foundation was founded in 1999. Promotional activities in the area of science, education, cancer prevention, art and the humanities include, among others, the Felix Burda Foundation, the *European Translator Prize* and the *Senator-Ehrenamtspreis*.

Felix Burda Foundation

Since 2001, the Felix Burda Foundation has worked to prevent colon cancer. Its goal: to drastically reduce the frequency and mortality of colon cancer through timely preventative measures. The foundation uses coordinated, creative communication and marketing

measures to explain the options for colon cancer prevention to the general public. Thus as part of the annual advertising campaign for National Colon Cancer Month in March 2016, more than 4,500 TV spots and about 4,700 radio spots were placed, and coverage exceeding 293 million contacts was generated in print (source: Felix Burda Foundation).

The foundation annually honors outstanding projects and services related to colon cancer prevention with the *Felix Burda Award* – which generated a national reach of more than 2.2 billion contacts in 2016. This and other foundation activities have significantly contributed to the declining frequency and mortality of colon cancer in past years. To date, about 6 million people have participated in the colonoscopy program introduced in 2002, which the Felix Burda Foundation played a key role in establishing it with health insurance companies. This has prevented some 200,000 new colon cancer cases and 100,000 deaths from colon cancer (source: Felix Burda Foundation).

Tribute to Bambi Foundation

Since 2006, the Tribute to Bambi Foundation has promoted aid projects for children and adolescents throughout Germany on a year-round basis, raising awareness of people's fates and shortcomings in society. Its goal

is to provide concrete, sustainable assistance to needy children and youths and to help improve their situation over the long term. The Foundation has been awarded the German Central Institute for Social Issues (DZI) seal of approval for donations and is exemplary for trust and transparency.

At the annual charity event, *Tribute to Bambi* – Help for Children in Need, donations to the Tribute to Bambi Foundation are collected with the assistance of well-known personalities and partners from business and media. Guests and celebrities get involved to help needy children and young people in Germany and can donate through a variety of partner campaigns, for example by participating in a raffle. Over the past 16 years, more than 100 charitable organizations have received support – some several times – and more than €7 million in donations have been collected (source: Tribute to Bambi Foundation).

Environment and Sustainability

Acting in an entrepreneurial manner requires a sense of social responsibility. Especially in the producing units, Burda therefore strives for sustainable development that meets the needs of the current generation without endangering the opportunities of future generations. In production, the latest technology is therefore used to make economic growth consistent with preservation of a healthy environment.

Energy management and climate protection

At the Offenburg and Nuremberg sites, *BurdaDruck* voluntarily participates in the Community Eco-Management and Audit Scheme, also known as the "eco-audit." As a central element of this involvement, *Burda-Druck* publishes an environmental statement every three years and a brief updated version every year. This provides all interested parties with information about production activities, related environmentally relevant topics, and action that has been taken to protect the environment efficiently and sustainably. Environmental indicators ("core indicators") are a key component of the environmental statement. These indicators show the development of the environmental

performance over past years, as well as the environmental program in which the measures for continually improving the environmental performance are described. The environmental statement is verified by an accredited environmental auditor and is publicly accessible online at www.burda-druck.de.

Because of its participation in the climate initiative of the German Printing and Media Industries Federation, *BurdaDruck* can use the professionally respected, Federation-developed CO₂ calculator to calculate the carbon footprint of printing orders for its customers. This determination is based on the amount of paper used and on site-specific emissions.

Sustainable paper production

Along with price, quality and availability, the environmental quality of the raw materials is important for the acceptance of print products. *BurdaDruck* strives for complete transparency of the paper production process, starting with the extraction of raw materials for paper in the forest.

Production chain certificates are intended to inform the customer of the fact that the raw materials used come from forests that are managed in an exemplary manner. The certification systems relevant to the printing industry at present are those of the FSC (Forest

Stewardship Council) and the PEFC (Programme for the Endorsement of Forest Certification Schemes). BurdaDruck's gravure printing operations in Offenburg, Vieux-Thann and Nuremberg have certificates, allowing them to confirm to customers that certified raw materials have been used and to add corresponding labels to material that is printed on certified paper.

Outlook, Opportunities and Risk Report

Report on opportunities

The transformation of the entire media market is resulting in great development opportunities for the Group, all of which it wants to take advantage of. In particular, the rapidly growing significance of the consumer internet as a media, advertising and transaction channel, the merging of content and technology, and the constantly increasing use of media content – especially content delivered on mobile devices – open up great opportunities for the company. Various factors aid the company in this process.

The decentralized profit-center structure is fundamentally advantageous to Burda, since it enables each company to react flexibly to its markets, largely independent of the group structure. On the one hand, opportunities for positive development result from the great diversification of products and business models within the group. On the other hand, increasing advantage is being taken of possibilities for synergy among the individual companies.

Due to its very positive financial condition, Burda is able to continually invest in developing its existing

products, further develop its companies, and increasingly, as an investor, also participate in leading technology companies with internationally scalable business models. With the goal of making additional international investments and creating additional shareholder value, Burda Principal Investments, the company unit that was specifically created for this purpose, is examining investment options for Burda. Several such investments were made in 2016, and more will follow in the next few years. Its focus is in the USA, Western Europe and Asia. Special opportunities are provided by the ability to use Burda's own media portfolio to raise awareness of the products and services of these holdings, especially in Germany.

Above all, Burda seeks to recognize and integrate the latest technology trends or develop the technologies itself. This approach succeeded in an exemplary manner in the company unit *Cliqz*, where developers, programmers and user experience experts work on new digital products. This exploratory unit prides itself on creating the latest technology and finding new ways to monetize it. Its own *Cliqz* browser with an innovative search function has been on the market since early 2016. The collaboration with Mozilla, which operates the Firefox browser with a market share of 34 percent in Germany and 8.5 percent worldwide, offers excellent opportunities as well as

access to millions of internet users. The competitive advantage for *Cliqz* is the fact that a growing number of people want to protect their personal data online from data dealers. *Cliqz* is the only browser in the world with the technology to do that. Starting in 2017, *Cliqz* will be using a new advertising model to monetize its offerings.

Likewise notable are the regular "Burda Hackdays" events at which new forms of data-driven journalism are developed. Through subsequent "Burda Bootcamps," the newly acquired expertise is supposed to be directly implemented over a period of several months in the Group units that work in areas related to journalism. New digital products based on the familiar print brands are supposed to arise and be tested on the market in this way. The central HR department took over responsibility for the "Burda Bootcamp" in 2016. This underscores the increasing importance of data-driven journalism and technology in journalistic units at Burda.

The further development of new products and business models also offers great opportunities for growth. A good example is Germany's largest digital publisher, *BurdaForward*, which reaches more than 35 million German internet users through its portals and is always testing new ways to generate revenue from its enormous reach.

Another example is the doctor rating portal Jameda, which has made another leap in digital doctor-patient communication and is using it to expand its business activities. With many millions of users, this company has acquired an advantage in the area of digital physician-patient communication and intends to use it for additional products and services such as video consultations, made possible through acquisition of the company Patientus, which specializes in this area. Inclusion in Burda's media portfolio network can ensure greater recognition and rising user numbers. Especially links to and from far-reaching journalistic offerings like Focus Online can be very useful in generating traffic for this and other company services.

In the area of magazines, additional revenue opportunities are opening up due to the expansion of magazine brands into related product areas such as commerce, events and merchandising. Because of their high journalistic quality as well as their strength and credibility, the national media brands enjoy a high level of trust among consumers. This proximity to people results in many opportunities for Hubert Burda Media to develop new revenue sources in direct interaction with consumers. One example is the TV streaming product from TV Spielfilm, which is based on a subscription model and which enables consumers to watch TV programs in real-time or on-demand on their

mobile device – anytime, anywhere. *TV Spielfilm*'s editorial expertise in evaluating TV programs and its customized program recommendations distinguish it from other providers of such services.

In marketing magazines, the company can benefit from the expansion of digital advertising forms and the increasing focus on customized advertising solutions for companies that advertise.

Additional opportunities are available in the content marketing growth market in which the Group is already well positioned through C3.

Outside of Germany, Burda can develop good opportunities for growth that have resulted from the growing prosperity in former third-world and emerging countries, because the need for printed and digital media products, and also the general need for printed matter, will most likely increase. In Russia, steps were taken to ensure compliance with the regulations for foreign media companies in force as of 2016 and to continue to operate.

The acquisition of the *Immediate Media* media group at the beginning of 2017 has positioned Burda well in Great Britain. The group has seen positive revenue growth and results for five years straight and is constructively driving its magazine and platform businesses forward. *Immediate Media*'s exhibits high synergy potential for Burda's media portfolio in Germany.

Ongoing digitalization throughout the world and the rising level of prosperity and education in several large countries are creating opportunities for digital business models and for opening new markets with media products.

Burda will continue to take advantage of opportunities that arise and will continue to promote the positive financial development of the Group.

Risk report

Beyond the previously described risks for the individual business divisions, which are classified as minor, Hubert Burda Media is exposed to additional risks that are inseparable from entrepreneurial activities. Hubert Burda Media responds to the various business risks with an efficient and effective risk management system based on the principles and framework of the internationally recognized risk management standard ISO 31000.

Risk management

The procedure for assessing and evaluating risk, which has been in existence for many years, was further refined in the past fiscal year as well. Potential risks are systematically identified and evaluated by company management using a uniform risk catalog. The risk catalog includes compliance risk categories along with strategic, operational and financial risks. The respective responsible managers and executive officers take appropriate action to minimize risk based on this information. The risk management process is efficiently supported by standard software. Centralized and local monitoring functions, as well as an independent inter-

nal audit, monitor the effectiveness of risk management in order to ensure that risks are detected early on, correctly assessed and continually monitored.

Risk management in respect to financial reporting

There are strict requirements for monitoring accounting and financial reporting to ensure that it is proper and reliable. The internal monitoring and risk management system ensures that all requirements are met. It is designed in a manner to ensure with a satisfactory degree of certainty that the financial reporting is reliable and that the preparation of the consolidated financial statements are in conformance with the relevant laws and standards. During the preparation of the consolidated financial statements, the completeness of the financial reporting, the principle of functional division, and adherence to the four-eyes principle ensure that all transactions are recorded promptly and in due time in order to ensure on-schedule completion of the accounts. Intragroup transactions are fully recognized, balanced, and eliminated. Issues that are related to agreements that have been reached, that have effects on accounting, and that are subject to disclosure are identified and correctly represented in the statements.

The use of an intragroup Shared Service Center is essential in that process. The Shared Service Center prepares the statutory statements of most of the consolidated German affiliates. The Group parent company is responsible for performing the consolidation work and preparing the consolidated statements. Consistent accounting is assured through group-wide regulations and processes, appropriate checks of the incoming data and the use of SAP software applications.

Investment risks

Risks arising from significant investments, projects and acquisitions are identified through investment reviews, are evaluated and are authorized by in-house authorization controls. Large-scale one-time investments are applied for and approved within the framework of an expenditure approval guideline. Risks that arise in connection with plant and equipment investments or financial investments could lead to lower valuations, which would negatively impact earnings in accordance with the size of the investment. Risks related to shareholdings mainly come from risks that range from a significantly worsened situation of the relevant company to bankruptcy; they are monitored by appropriate investment monitoring. Even though individual devaluations could have significant effects on

the Group results, the company assesses the overall risk for the widely diversified portfolio to be minor – not least because of the low probability of a single occurrence.

Raw material, procurement and supplier risks

Goods and services for performance-related processes for Group divisions are purchased in various procurement markets in Germany and abroad.

Strategic procurement to supply the publishing and gravure operations with their most important raw materials, paper and ink, is done from the perspectives of supplier management, quality management and risk management. This ensures early recognition and response to market changes, thus ensuring security of supply at market prices.

As a result of the financially strained position of paper and ink producers, business risks include

- further reduction of capacity (in the form of plant closings, machinery shutdowns or conversion to test liners, change of shift models or the like),
- commodity price developments (for recycled paper, energy, cellulose, pigment, resin, etc.) and
- euro to dollar exchange rates and therefore supply shortages in European markets.

Since paper and ink procurement is considered the

greatest single risk overall, these commodities have been purchased centrally in the Burda Group for many years.

In 2016, the company began thinking about centralizing procurement for other product groups to further minimize the (low) risks associated with these goods and services. The new procurement policy is currently being documented in the appropriate Group guidelines.

Financial and liquidity risks

Exchange rate and interest rate risks as well as other financial risks are closely monitored, effectively managed, and partially reduced through hedging transactions. A treasury guideline defines the scope of options for taking on exchange rate and interest rate risks, and centralizes the necessary hedging activities.

Interest and currency hedging transactions are only entered into if they can minimize risks related to changes in corresponding underlying transactions.

Currency exchange risks are regularly analyzed on the basis of Group-wide reports on currencies that are significant for Burda. As far as possible, hedging units – including ones that are relevant for balancing of accounts – are formed between underlying transactions (purchase and sales transactions, which are very likely to be in foreign currency) and hedging transactions in the form of forward currency contracts. Hedging based on micro and portfolio hedges is undertaken in order to offset future cash flow fluctuations that are caused by changes in currency exchange rates. In the case of hedging, at the current time only forward exchange transactions or foreign currency option transactions are undertaken. When hedging transactions are still open on the balance sheet date, the effectiveness of the hedging units is investigated by means of the cumulative dollar offset method. Outside of existing hedging relationships, significant exchange rate risks are currently seen in the case of the Russian ruble. British pound and Indian rupee because of the present economic and political situation. These currencies are constantly analyzed, and hedging possibilities are regularly reviewed. Effects on sales and earnings can be calculated at any time. If it is financially sensible, bank loans will also be taken out in foreign currency for the purpose of establishing natural hedging relationships.

Interest rate risks are also centrally monitored on a continuous basis and, where it makes sense, are protected by micro-hedges. The goal of this kind of hedging is to avoid potential negative cash flow fluctuations due to variable-interest bank loans. Effectiveness is reviewed using the critical term-match method, taking into account the creditworthiness of the hedge partner. In the case of variable-interest bank loans not covered

by any hedging transactions, we are currently assuming that there is no significant interest rate risk. With the aid of adequately high credit lines and a consistently positive cash flow, Hubert Burda Media is always provided with sufficient liquidity. The financial and liquidity risk is therefore considered slight.

IT and data protection risks

Data losses, malfunction of IT systems and hacker attacks entail revenue and reputation risks that are high in some cases, depending on the business model and its dependence on IT systems. The trend toward digital transformation in all business areas continued during the past year, along with growing companywide networking and increasingly targeted attacks executed against the IT infrastructure and data of private companies.

IT risks are continually investigated, evaluated and minimized or avoided through appropriate measures with the help of an information security management system (ISMS) based on the internationally recognized standard ISO 27001. Information security requirements are integrated in the respective business processes by the security organization and compliance is monitored and improved with the help of continuous monitoring activities.

In order to avoid or reduce IT risks, Hubert Burda Media uses continuously refined protective measures including measures against denial of service attacks, backup and recovery procedures and measures for virus and access protection. Targeted emergency tests further reduce the risks of longer-lasting system outages.

Compliance with data protection laws is extremely important for the business activities of Hubert Burda Media. Protection of data is therefore taken into account when designing new processes (privacy by design) and intensively monitored by independent, highly skilled data security specialists.

Based on the above described measures, the Group considers the overall IT and data protection risks to be slight, even though unauthorized data leakage or longer service outages could have significant effects on individual businesses.

Strategic personnel risks

The individual skills and subject-matter expertise of employees and managers are a key and critical component of the continued growth and success of the company. Targeted HR management measures counter the potential risk of losing these skills and commitment. These measures include systematic training and continuing education in every area, targeted support of

managers as well as universal talent management for skilled employees and managerial staff.

A comprehensive TAKE CARE program supports longterm commitment and capability, not only by promoting employee health, but also by responding to the varying demographically-related requirements of the different generations of employees with flexible working conditions.

The more difficult situation with regard to recruiting not only rising talent but also potential managers poses a growing risk as well. As a result of demographic changes and growing competition in the labor market, it is becoming increasingly difficult to hire qualified personnel in a timely manner. Demand for IT experts is constantly growing, especially in light of the increasing digitalization of business models.

Employer branding plays a key role in recruiting employees – and therefore in risk management as well. In parallel with the transformation to a technology and media company, efforts have been initiated to extend the employer appeal of Hubert Burda Media in the traditional business fields to the innovative digital areas.

A companywide tech recruiting initiative is currently drafting solutions to cover the need for qualified tech-savvy next-generation employees in the future as well.

The overall risk in this area is considered slight.

Legal risks

Civil law, corporate law and tax law risks arising from existing contracts or current proceedings are covered, as needed, by setting up accrual accounts. Court decisions as well as amendments of the law initiated in Germany or on the European level are analyzed for the purpose of identifying the resulting risk and limitations to business activities in time and reacting accordingly.

A compliance management system analyzes and prioritizes the risks for the individual business areas with the goal of avoiding compliance violations through preventive education and procedural rules. These preventative measures include Group guidelines for a variety of compliance-relevant topics as well as regular training sessions. Moreover, the compliance management system offers clear reporting paths to report, clarify and penalize any violations.

As the protection of brands, data and intellectual property rights is very important to Hubert Burda Media as a technology and media company, all relevant developments in this field are closely monitored and analyzed. Changes to laws in the above-mentioned legal areas could have significant effects on individual business models.

However, the Group considers the overall risks in this area to be slight.

Outlook

The German Central Bank predicts continuing growth in Germany in 2017, based primarily on domestic demand. In their semiannual forecast in December 2016. Bundesbank economists predicted real economic growth of 1.8 percent in 2017 and a 1.7 increase in economic output in 2018. The continuing willingness of Germans to spend and the high rate of employment continue to create good conditions for Burda's business in Germany, and the general consumer climate in Germany has a fundamentally positive effect on Burda's sales markets. Germany's good economic position in Europe could be jeopardized, however, by various crisis scenarios (bank crisis, political and cultural conflicts, refugee crisis) if no sustainable solutions are found for them. The Brexit, the new administration that took power in the USA in early 2017, the ongoing refugee crisis and the revival of populist parties in Germany and throughout Europe - combined with diverse hotspots of conflict around the world – are creating uncertainty about future social and economic development.

The decentralized structures of Hubert Burda Media, the consistently encouraged diversification with regard to products and business models, and the related balancing of risks create the prerequisites for Burda to continue to maintain its ground even under crisis conditions. Both the asset and financial situations have been consistently improved over the past years.

Financial independence and the entrepreneurial freedom to take advantage of attractive investment possibilities at all times create a foundation for Burda's continued successful development.

Burda's good strategic position results from media platforms that are strong in the market and based on stable, close relationships with consumers. The company invests continuously and substantially in new companies and in its own innovations. The Group is not dependent either economically or structurally on one single business and thus is entrepreneurially organized as a dynamic "fleet of ships." Burda has acquired a deep understanding of digital technologies and continues to develop it further. Access to international networks (e.g., *DLD*) also promotes company growth.

The consumer internet continues to gain importance as a channel for transactions and advertising, especially with respect to mobile applications. Exploding global use of mobile devices means that mobile offerings are putting purely desktop-based offerings under increasing pressure. Various digital brands of Burda are therefore following a "mobile first" strategy. Rising consumer use of these offerings is anticipated for

2017. Broad reach and loyal users enable Burda to adopt and develop new business models, for example models based on transactions or commissions. The increasing focus on native advertising formats such as video marketing create a good opportunity to offset the still-falling prices of coverage-based display advertising.

Strong revenue growth is expected in particular from digital companies BurdaForward, XING and Burda-Direct. Burda continues to invest heavily in e-commerce companies Cyberport und computeruniverse in order to help them compete against powerful players like Amazon. The HolidayCheck Group focuses on the wants and needs of travelers with the goal of creating the best possible travel experience for them. The company is showing fast-paced innovation on the technology and product side, which invites the expectation that the company will enjoy commercial success vet again. Burda will continue to invest heavily in international companies in 2017. Burda considers itself to be a reliable long-term partner for these companies in which it has invested - a partner that would like to use its market insights and technological expertise to accelerate their growth.

In the National Media Brands division as well, Burda assumes mild growth in 2017 despite considerable structural challenges. This expectation is based on the appeal and credibility of the brands, which pro-

vides a foundation for development of new products and business models. Burda will use the content marketing growth area, among other things, to offset the decline in traditional print and online advertising. The C3 agency is very well positioned for this and seeks quick international growth with the goal of becoming not just a European market leader, but a global player. Again in 2017, further growth will be supported by direct business with consumers, with this business area successively freeing itself from dependence on advertising business ("display"). The success due to the transformation that has taken place over several years has proven that the publishing business can be run in a sustainable, profitable and growth-oriented manner. Therefore, Burda will actively use opportunities for expansion, continue to work on new revenue models and use the strength of its brands to support these efforts.

In international business, Burda is finding its way back to its old strength in 2017 and will significantly grow its revenues here. The persistent political crises in Russia, Ukraine and Turkey are a continuing cause of weak revenues in these countries. The International Media Brands division will continue to be impacted by this trend in what were previously its core foreign markets, with Great Britain now taking their place. In 2017, however, Burda will strive for growth in these weakened foreign subsidiaries as well. Portfolio ad-

justments and stringent cost reduction programs in all foreign subsidiaries created positive conditions for this in 2016. Continued growth and a significant contribution to revenues are expected from the acquisition of Great Britain's *Immediate Media* at the beginning of 2017.

The Printing Division will continue to hold its position in the European market through consistent cost and quality management. There is good reason to expect that the long-term consolidation of the industry is gradually coming to an end. *BurdaDruck* is emerging from this market shakeout in a stronger position.

At the Group level, Burda expects sales revenues for 2017 to be substantially above the 2016 level. Revenue growth in the National Media Brands and National Digital Brands divisions will be supplemented by the recently acquired media business in Great Britain which belongs to the International Media Brands division. Revenues for the Printing division are expected to be at the 2016 level.

Burda continues to work consistently on the digital transformation and expects a satisfactory result for 2017. The company's organizational structure creates positive conditions for this outcome, because Burda has established a good balance in the markets, in risks and in business models. The company operates stable and balanced businesses with strong cash flows that support further innovation and investment.

Consolidated Balance Sheet as of 31 December 2016 Hubert Burda Media Holding Kommanditgesellschaft

Assets	2015 k €	2016 €
(6) Fixed assets	745,127	813,531,465.56
Intangible assets	334,444	341,347,012.82
Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets	98,597	96,597,724.78
Goodwill	234.457	237,760,965.40
Prepayments	1,390	6,988,322.64
Tangible assets	197,283	192,106,835.55
Land, similar rights and buildings, including buildings on leasehold land	131,109	125,498,113.25
Technical equipment and machinery	27,114	22,030,068.62
Other equipment, factory and office equipment	38,391	39,233,686.03
Prepayments and construction in progress	669	5,344,967.65
Financial assets	213,401	280,077,617.19
Participating interests	110,685	109,840,753.67
Shares in affiliated companies	37,578	85,407,891.66
Loans to companies in which the company has a participating interest	58	57,502.00
Securities	58,270	84,413,460.47
Other loans	6,810	358,009.39
Current assets	752,549	737,568,268.70
Inventories	143,590	136,278,074.46
Raw materials and operating supplies	23,938	21,215,392.98
Work in progress	16,560	15,852,890.90
Finished goods and merchandise	102,628	97,184,352.04
Prepayments	464	2,025,438.54
(7) Receivables and other assets	328,157	355,012,863.35
Trade receivables	221,247	251,689,205.60
Receivables from companies in which the company has a participating interest	40.974	47,799,292.72
Other assets	65,935	55,524,365.03
Other securities	7,005	7,215,964.46
Cash on hand. German Central Bank balances and	,	
other bank balances and checks	273,797	239,061,366.43
(8) Prepaid expenses and deferred charges	11,977	14,741,795.41
Total assets	1,509,654	1,565,841,529.67

	Liabilities	2015 k €	2016 €
(9)	Equity	414,644	398,551,978.55
	Accruals	424,943	417,776,858.51
	Pension accruals	194,077	187,848,241.39
(10)	Tax accruals	36,163	36,105,065.52
(11)	Other accruals	194,704	193,823,551.60
(12)	Payables	566,474	634,967,623.21
	Bank loans and overdrafts	204,702	262,335,341.88
	Customer advances	9,861	11,951,196.32
	Trade payables	214,194	229,659,776.97
	Payables to companies in which the company has a participating interest	11,673	11,295,798.92
	Other liabilities	126,044	119,725,509.12
	Prepaid expenses and deferred charges	90,042	101,001,278.51
(40)	<u> </u>	•	
(13)	Deferred tax liabilities	13,550	13,543,790.89

1,565,841,529.67

The numbers in parentheses refer to information in the notes

Total liabilities

Notes to the Consolidated Financial Statements for Fiscal Year 2016

Number of consolidated companies:

	31 Dec 2015	31 Dec 2016
Domestic Foreign	133 86	140 93
Total	219	233
Including fully consolidated proportionately consolidated associated companies	191 15 13	202 14 17

(1) General remarks

Hubert Burda Media Holding Kommanditgesellschaft has its headquarters in Offenburg and is listed in the commercial register at the District Court of Freiburg im Breisgau (reg. no. HRA 471250).

The consolidated financial statements as of 31 December 2016 were prepared in accordance with the regulations of the German Transparency and Disclosure Act. The regulations of the Accounting Directive Implementation Act (BilRUG) were applied as appropriate. This first-time application of BilRUG affected the information in these notes.

(2) Consolidation group

In the case of fully consolidated companies, 52 reported shares held by third parties (2015: 51). 27 companies were not consolidated or were not recognized as associated companies as defined in Sec. 311 of the German Commercial Code (HGB), because they are of minor importance for conveying a true and fair view of the net assets, financial position and earnings situation, or because their shares are only held for purposes of resale, or because no significant influence can be exercised on them (2015: 20). Proportionate consolidation as defined in Sec. 310 HGB is used in the case of companies that are jointly managed together with a partner that is outside the Group in most cases. The consolidated companies are listed in an appendix to the notes in accordance with Sec. 313 (2) HGB. ROSEA Grundstücks- Vermietungsgesellschaft mbH & Co. Objekt BURDA Medien Park KG, Düsseldorf, as well as ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt BURDA Offenburg KG. Düsseldorf, were consolidated in accordance with Sec. 290 (2) no. 4 HGB.

In the reporting year, the following companies were included in the Consolidated Financial Statements for the first time:

	Percentage of shares	Date of initial inclusion	
Fully consolidated companies			
AdTech Factory Verwaltungs-GmbH, Offenburg	100.00	16 Dec 2016	
AdTech Factory GmbH & Co. KG, Offenburg	100.00	16 Dec 2016	
Focus Line Extensions GmbH, Munich	100.00	16 Dec 2016	
SHWRM.de GmbH, Offenburg	100.00 ³⁾	01 Jan 2016	
Clico GmbH, Munich	84.04	07 Jun 2016	
Burda Principal Investments GmbH & Co. KG, Munich	100.00	05 Sep 2016	
Burda Principal Investments Verwaltungs-GmbH, Munich	100.00	25 Jul 2016	
Stockfood GmbH, Munich	100.00	1 Jul 2016	
Stockfood Ltd., London/Great Britain	100.00	1 Jul 2016	
Stockfood America, Inc., Kennebunk/USA	100.00	1 Jul 2016	
Seven Publishing Group Ltd., London/Great Britain	100.00 ²⁾	1 Jan 2016	
Burda Nordic A/S, Kolding/Denmark	100.00	1 Jan 2016	
C3 Creative Code and Content s.r.o. Prague/Czech Republic	100.00 ²⁾	16 May 2016	
PM, poslovni mediji d.o.o., Ljubljana/Slovenia	51.00 ²⁾	1 Jul 2016	
Patientus GmbH, Lübeck	100.00	31 Dec 2016	
Eqipia GmbH, Zug/Switzerland	100.001)	14 Apr 2016	
XING E-Recruiting Switzerland AG, Sarnen/Switzerland	100.001)	14 Apr 2016	
XING Marketing Solutions GmbH, Hamburg	100.001)	31 Mar 2016	
XING News GmbH, Hamburg	100.001)	17 Aug 2016	
XING Students Consulting GmbH, Hamburg	100.001)	12 Aug 2016	
LIFESTYLE HK LIMITED, Hong Kong/China	100.00	31 Dec 2016	
LIFESTYLE MARKETING PTE LTD, Singapore	100.00	31 Dec 2016	
LIFESTYLE ONLINE SDN BHD, Kuala Lumpur/Malaysia	100.00	31 Dec 2016	
Proportionately consolidated companies			
kununu US LLC, Boston/USA	50.00 ¹⁾	2 Feb 2016	
Associated companies (at equity consolidation)			
COC COC PTE. LTD., Singapore	23.14	1 Jan 2016	
Vicampo.de GmbH, Mainz	25.10	1 Jun 2016	
Priceza Company Limited, Bangkok/Thailand	24.90	1 Sep 2016	A
Notonthehighstreet Enterprises Ltd., Richmond/England	28.70	1 Sep 2016	 Indirect holding of Indirect holding of
PLANIT LPGM Limited, London/Great Britain	37.50 ²⁾	1 Jan 2016	3) Indirect holding of S

f XING AG f C3 Creative Code Content GmbH f Showroom Sp. z o.o.

(3) Principles of consolidation

As a basic principle, the annual financial statements of the consolidated companies were prepared as of the Group balance sheet date, 31 December 2016. In the case of three companies, interim statements as of 31 December 2016 were prepared for the purpose of inclusion in the Group consolidated statements. Associated companies were included on the basis of their financial statements as of 31 December 2016. The supplemental regulations of the German Accounting Standards (DRS) were applied as a basic principle.

For acquisitions up until the end of fiscal year 2009, the capital of fully and proportionately consolidated subsidiaries was consolidated in accordance with the book value method specified in Sec. 301 (1) no. 1 HGB, old version. Under this method, the book values of the investments were offset with the proportionate capital that was subject to consolidation as of the date the shares were acquired or the date of initial inclusion in the consolidated statements.

The revaluation method specified in Sec. 301 (1) HGB applies for acquisitions since the beginning of fiscal year 2010. In this method, the stated value of the shares in the relevant subsidiary held by the parent company is offset against the equity of the subsidiary that is apportionable to these shares and that corresponds to the market value of the assets,

debts, prepaid expenses and deferred charges that must be included in the consolidated financial statements. Accruals are valued in accordance with Sec. 253 (1) clauses 2 and 3 and Sec. 253 (2) HGB, and deferred taxes are valued in accordance with Sec. 274 (2) HGB. Offsetting is carried out on the basis of the value stated at the time the company concerned became a subsidiary. Subsidiaries added as of the balance sheet date were only subject to a provisional initial consolidation as defined in German Accounting Standard (DRS) Sec. 4, Subsec. 10a; in other words, the net assets of these subsidiaries are still stated at book value. A final fair value determination will be performed in fiscal year 2017 per DRS Sec. 4 Subsec. 10a.

Any goodwill arising from the consolidation of investments up until the end of the fiscal year 2009 was capitalized and offset proportionately against equity. This treatment of goodwill was retained and also continued to apply in the fiscal years following 31 December 2009. In fiscal year 2016, €17,484k of this existing goodwill was newly offset (2015: €18,679k). Goodwill from acquisitions after 1 January 2010 is depreciated in the income statement over the course of the anticipated useful life.

For acquisitions up until the end of fiscal year 2009, associated companies were included in the consolidated statements in accordance with the capital share method specified in Sec. 312 (1) clause 1 no. 2 HGB, old version, with equity consolidated as of the date of acquisition. Past goodwill was carried forward and an amount equal to €1,196k was offset against equity in fiscal year 2016 (2015: €1,196k).

Starting in fiscal year 2010, investments in associated companies have been recorded at book value in the consolidated financial statements. The book value and any difference between the book value and the share of equity are calculated as of the date the company became an associated company. Any difference arising from the consolidation of investments is calculated, carried forward, written off or dissolved in accordance with Sec. 312 (2) HGB. The disclosed goodwill resulting from previous years and shown under the balance sheet item of the same name was previously transferred to the investment book value of the corresponding affiliated company in 2010. Depreciation of goodwill from associated companies is reported in the sub-group profit and loss statement under "Income/ losses from associated companies."

At the reporting date, the difference between the book value and the share of equity in the affiliated companies amounted to €64,867k; the goodwill included therein amounted to €36,755k.

Goodwill arising from capital consolidation generally has a useful life of between 5 to 15 years. Periods of useful life over five years result from the business model of the company concerned or fluctuations in the number of employees. In the case of a business model similar to a subscription business, Hubert Burda Media continues to rely on figures that are based on experience with the development or duration of comparable customer bases in the publishing business, and that are also expected in the future. The same applies to sales-oriented business models, because in this case, too, the company has experience (for example, with comparable product lifecycles) that justifies a correspondingly long period of useful life. The straight-line method of depreciation is used.

Any negative goodwill arising from the consolidation of investments is disclosed on the liabilities side of the balance sheet as a separate item after equity and is written back in accordance with Sec. 309 (2) HGB. As of the balance sheet date, there was no negative goodwill.

Loans and other receivables, accruals, and liabilities between companies included in the consolidated statements, as well as corresponding prepaid expenses and deferred charges have been consolidated. Sales revenues, expenses and earnings between companies included in the consolidated statements are offset against each other.

(4) Currency conversion

Accounts receivable and other assets, bank balances, and accounts payable that are denominated in non-euro foreign currencies were converted into euro at the exchange rate applicable as of the time of transaction or at the higher or lower currency exchange rate as of the balance sheet date. Items with a remaining term of up to one year were generally valued at the mean spot exchange rate applicable as of the balance sheet date.

Historical exchange rates were used for conversion of the equity position of consolidated companies outside the European Currency Union. Remaining balance sheet items were converted at the mean spot exchange rate on the balance sheet date, and profit and loss account items were converted at the average exchange rates for the year. Resulting conversion differences were offset against equity, not affecting net income.

(5) Accounting and valuation principles

The accounting and valuation principles that applied last year remained unchanged. Changes due to the initial application of BilRUG were taken into account.

Assets and liabilities were valued in compliance with the

prudence principle and in accordance with the methods used at the parent company.

Except for subscriptions, which were depreciated on the basis of actual usage, purchased intangible assets were recorded at acquisition cost and were depreciated according to the straight-line method over the course of their anticipated useful life. Unscheduled depreciation was undertaken to the extent necessary. Offsetting or amortization of goodwill was based on an anticipated useful life of up to 15 years, depending upon the business model of the company in question. Internally generated intangible assets were not capitalized.

Fixed assets were recorded at their cost of acquisition or production, less scheduled depreciation and, if required, unscheduled depreciation. In addition to direct costs, appropriate portions of necessary material and production overhead were included in production costs. As a rule, movable depreciable assets were written off over their useful life according to the straight-line method; alternatively, in the case of fixed assets added prior to 1 January 2010, movable depreciable assets were written off according to the declining-balance method for tax reasons. In these old cases, the method used is changed to the straight-line method as soon as this results in higher annual depreciation.

Independently usable movable assets subject to depreciation were fully written off in their year of acquisition and treated as disposals in the consolidated fixed assets schedule insofar as their respective acquisition or production costs were not above €410.00 (low-value assets). If the acquisition or production costs exceeded €410.00, the respective assets were capitalized and written off as scheduled over the course of their useful life.

Financial assets were recognized at original cost or the lower fair value in the event of an impairment that was expected to be permanent. Interest-bearing loans were recognized at face value. Low interest loans and non-interest-bearing loans were discounted according to their remaining time to maturity to the extent that the interest-free nature of the loans is not compensated by immanent benefits.

Raw materials, operating supplies and merchandise were recorded at their average cost of acquisition. If the replacement cost and/or market price was lower at the reporting date, that figure was used in the valuation. Finished goods and services and work in process were capitalized at cost or the lower fair value at the reporting date. In addition to material and manufacturing costs, production costs also include appropriate portions of material and production overhead, as well as depreciation insofar as it is applicable to production.

All separately identifiable risks were taken into consideration in the valuation of accounts receivable and other assets. An appropriate lump sum charge was recognized in order to cover general credit risks. Low interest receivables and non-interest-bearing receivables with a remaining term of more than one year were recorded at cash value. The same also applies to corporate tax credits pursuant to Sec. 37 (5) KStG (German Corporate Tax law), which are shown under other assets. Input tax amounts for liabilities from received services for which no invoices are available as of the balance sheet date are posted under other assets.

Other receivables from income tax refund claims that result from prepayments that are higher than actual

result from prepayments that are higher than actual lower tax liabilities are capitalized in the fiscal year that they belong to from an economic perspective.

The estimate is recorded at face value.

Other securities were valued at acquisition cost or at lower market prices as of the balance sheet date. Dis-

posals are reported at the average depreciated book value for the Group.

Liquid assets were recorded at face value.

If, in prior years, an unscheduled depreciation was carried out on assets or if current assets were recognized at a lower cost or market value and the reasons for the depreciation have become partially or completely irrelevant in the meantime, then the value was increased to an amount no higher than the amortized cost of acquisition or production. This does not apply to any unscheduled devaluation of goodwill carried out in past years.

Accruals for pensions, part-time employment preceding retirement, anniversaries and death-related benefits are inventoried on 31 October of the fiscal year. These accruals were determined on the basis of actuarial computations using biometric probability (2005 G Heubeck mortality tables) in accordance with the projected unit credit method, taking into consideration the following general assumptions valid as of 31 October 2016:

	Wage, salary and pension increases in % p.a.	Assumed remaining term in years	Interest rate in % p.a.	Fluctuation in % p.a.
Pensions	1.8	up to 28	up to 4.11	0
Part-time employment preceding retirement	1.8	2	1.67	0
Anniversaries	n/a	15	3.23	up to 3.0
Death-related benefits	1.8	15	3.23	up to 3.0

As a basic principle, the average market interest rate over the last ten years, as published by the German Federal Bank and calculated for an assumed remaining term of 15 years, is used for valuation of pension accruals. The average market interest rate published by the German Federal Bank for the last seven years was used in the previous year. On 31 October 2016, an interest rate of 4.01 percent per year was forecast for 31 December 2016 and was used as a basis for the valuation. In cases where the remaining terms are significantly shorter or significantly longer than 15 years, the actual remaining terms and the corresponding forecast interest rates were applied.

Because the majority of pension obligations are based on regulations that do not apply to employees who joined the Group after September 1993, and because the still active employees entitled to the pension fund have been with the company for a long time as of the balance sheet date, fluctuations at individual plants were not considered in this calculation due to their immateriality.

An average annual fluctuation of 3.0 percent per year in the first 10 years of employment was assumed with regard to accruals for anniversary bonuses and for death-related benefits. Starting at the 11th year of employment, fluctuations at individual plants were not considered in this calculation due to their immateriality.

Valuation of current pensions and pension entitlements has changed in accordance with the German Accounting Law Modernization Act (BilMoG), in force since 29 May 2009. The difference resulting from the changed valuation of current pensions and pension entitlements is allocated over a period of 15 years. As of the reporting date, the amount not yet allocated, as defined in Sec. 67 (2) of the Introductory Act to the German Commercial Code (EGHGB), amounts to €22.889k.

The difference resulting from the changed estimate of pension accruals in accordance with the average market interest rate over the last seven years and the estimate of pension accruals in accordance with the average market interest rate over the last ten years is €17,425k.

Pension plan reinsurance values, which would have otherwise been disclosed under other assets, were offset against pension obligations in the amount of €3,794k, for which the insurance policies were taken out. These values correspond to the market value and the amortized cost of the offset assets as well as the repayment amount of the offset liabilities. The reinsurance values have been confirmed by the respective insurance companies. They were valued at the amount that the insurance company derived from the actuarial reserve calculated in the business plan at the end of the insurance period or,

at minimum, as derived from the guaranteed repurchase value.

The employers have provided bank guarantees for the beneficiaries in order to guarantee the obligations arising from the accruals for part-time employment preceding retirement.

Tax accruals and other accruals include all obligations and risks that are identifiable on the basis of a reasonable commercial assessment at the time the consolidated financial statements are prepared. These accruals are recorded at their anticipated settlement amount. Future price and cost increases are taken into consideration provided that there is sufficiently objective evidence that they will occur. Accruals with a remaining term of more than one year are discounted by the average market rate prevailing over the past seven fiscal years as calculated and published by the German Federal Bank.

Liabilities are recorded at their settlement amount. Insofar as hedging is carried out in order to secure currency exchange rates, the hedging rates are generally used for the valuation of the relevant receivables and payables. An accrual for contingent losses is created for any potential excess losses from currency hedging transactions.

To the extent that valuation units (hedging units) are formed, the net hedge presentation method is used for recording them in the accounts.

(6) Fixed assets

A separate consolidated fixed assets schedule shows the development of individual items of the consolidated fixed assets. This is attached as an appendix to the notes to the consolidated financial statements. The goodwill reported is primarily the result of the initial consolidation of investments. Consequently, the changes in respect to the prior year must also be attributed to the initial consolidations of the fiscal year (also see Subsection 2) and to scheduled and unscheduled depreciation. Unscheduled depreciation undertaken on tangible and intangible assets amounted to $\in 8,382$ k in the fiscal year (2015: $\in 12,399$ k). Unscheduled depreciation of financial assets amounted to $\in 19,086$ k (2015: $\in 97,504$).

The participating interests item includes €155k in the resale of certain shares in fully consolidated subsidiaries.

(7) Receivables and other assets

€37k of trade receivables (2015: €0k), €357k of receivables due from companies in which the company has a participating interest (2015: €351k), and €10,947k of other assets (2015: €6,086k) have a remaining term of more than one year. All other ac-

counts receivable and other assets are due within a year.

Subject to separate disclosure, €41,997k of receivables due from companies in which the company has a participating interest would have to be disclosed as trade receivables, and €5,802k of such receivables would have to be disclosed as other assets.

Other assets include €1,246k in corporate tax credits pursuant to Sec. 37 (5) of the Corporation Tax Law (KStG).

Other assets also include input tax refund claims in the amount of $\$ 3.074k, which legally accrue only after the reporting date.

(8) Prepaid expenses and deferred charges

The prepaid expenses and deferred charges shown on the assets side of the consolidated balance sheet include a discount as defined in Sec. 250 (3) HGB in the amount of €40k (2015: €54k).

(9) Equity

Equity includes the capital shares and reserve accounts of the general partner and the limited partners; the exchange rate difference resulting from currency conversion; the goodwill amortization that is offset against equity; the reserves of subsidiaries; Group net profit; and third-party interests in the capital of consolidated subsidiaries.

(10) Tax accruals

Accruals for taxation primarily include amounts to be paid in 2017, and also include amounts related to risks identified in tax audits.

(11) Other accruals

Other accruals basically consist of amounts for outstanding supplier invoices, holiday entitlements, other personnel expenses, returns, discounts and rebates, litigation risks, and losses from pending transactions.

(12) Payables

Remaining terms to maturity	under 1 year k €	1 to 5 years k €	over 5 years k €	Total k €
Bank loans and overdrafts	63,957	104,447	93,931	262,335
2015	(51,808)	(56,366)	(96,528)	(204,702)
Customer advances	11,951	0	0	11,951
2015	(9,861)	(0)	(O)	(9,861)
Trade payables	227,365	2,295	0	229,660
2015	(214,194)	(0)	(O)	(214,194)
Payables to companies				
in which the company has a participating interest	11,296	0	0	11,296
2015	(11,673)	(0)	(0)	(11,673)
Other liabilities	67,082	2,429	50,215	119,726
Taxes	29,369	4	29	29,402
Social security obligations	2,418	0	1	2,419
Other liabilities	35,295	2,425	50,185	87,905
2015	(74,747)	(1,297)	(50,000)	(126,044)
Taxes	(35,946)	(0)	(0)	(35,946)
Social security obligations	(2,629)	(0)	(0)	(2,629)
Other liabilities	(36,172)	(1,297)	(50,000)	(87,469)
2016	381,651	109,171	144,146	634,968
2015	(362,283)	(57,663)	(145,528)	(566,474)

€25,510k of liabilities due to banks are secured by liens on property, and €4,328k by security interests in machines. Subject to separate disclosure, almost all

payables due to companies in which the company has a participating interest would have to be disclosed as other payables.

(13) Deferred tax liabilities

The deferred tax liabilities pursuant to Sec. 274 HGB are primarily the result of lower tax valuations of fixed tangible assets. These liabilities were offset against deferred tax assets, most of which result from differences in tax valuations of pension accruals. Deferred tax assets also include the losses carried forward that will probably be used within the next five years. The deferred tax assets remaining after the offset have not been capitalized in accordance with the option under Sec. 274 (1) clause 2 HGB, combined with Sec. 298 (1) HGB.

Therefore, the recorded deferred taxes result entirely from the application of Sec. 306 HGB. The amount on the balance sheet is based on the differences between the elimination of intercompany profits, the consolidation of debts, and the capitalization of hidden reserves within the context of consolidation of equity.

The development of net deferred tax liabilities is recorded in the table below:

	01 Jan 2016 k €	Change k €	31 Dec 2016 k €
Deferred tax assets	4,721	334	5,055
Deferred tax liabilities	18,271	328	18,599
Net deferred tax liabilities	13,550	-6	13,544

The tax rates for the respective Group units were applied for the valuation; these rates ranged from about 10.00 percent to 34.1 percent.

(14) Sales revenues

Sales revenues were recorded in fiscal year 2016 per their definition in Sec. 277 (1) HGB, as amended in the BilRUG. They are broken down as follows:

k€
2,255,710
1,180,099
660,650
272,260
133,893
8,808
2,255,710
1,659,492
596,218

The previous year's numbers for sales revenues are only comparable to a limited extent due to the new wording of Sec. 277 (1) HGB as amended by the BilRUG. Under Sec. 277 (1) HGB as amended by the BilRUG,

the previous year's numbers for sales revenues would have been €2,221,633k.

(15) Wages and salaries, social security contributions and expenses related to retirement benefits and support

k € 534,565

(16) Income from participating interests

k € 6,160

(17) Material changes in the consolidation group

There were no significant material changes in the consolidation group.

(18) Hedging units

To hedge against future interest rate fluctuations arising from variable-interest bank loans, the Group has concluded interest rate swaps with matching maturities. Valuation units (hedging units) are formed between the underlying transactions, which are the amounts due to banks, and the hedging transactions, which are in the form of interest rate swaps. Hedging based on micro hedges is undertaken in order to offset future cash flow fluctuations due to variable interest rates.

These interest rate swaps that are included in the valuation units show a nominal value of $\mathfrak{C}6,046k$ and a negative fair value of $\mathfrak{C}276k$. The nominal value of the underlying transactions is $\mathfrak{C}6,046k$. The hedge ratio is 100 percent. The net present value method is used for determining the fair values of the interest rate swaps. This method calculates the present values of the future payments up until the end of the contract, taking as a basis the forward rates that were calculated on the basis of the yield curve.

The effectiveness of hedging activities with regard to the risk of changing interest rates was measured prospectively using the critical term match method, since all the parameters relevant to valuation match. The valuation units are thus 100 percent effective. The interest rate swaps show the following nominal values and maturities:

Nominal value in k €	Euribor	Remaining terms to maturity up to
5,124	6 months	29 Mar 2018
922	3 months	31 Mar 2019

(19) Contingent liabilities

On the balance sheet date, Group companies had contingent liabilities that were primarily the result of guarantees to third parties in the amount of €5,018k. In addition, there was a letter of comfort to an affiliated company that is not consolidated. As of the balance sheet date, there was no reason to expect a possible claim because there is a sufficiently high probability that the underlying obligations will be fulfilled by the companies concerned.

(20) Other financial obligations

Group companies enter medium and long-term rental contracts in order to safeguard their business operations. As the result of these contracts and others, significant other financial obligations existed at the balance sheet date in the following amounts and with the following due dates:

	k€
a) Limited in time	181,657
Due in 2017	53,586
Due from 2018 to 2021	106,356
Due after 2021	21,715
b) Unlimited in time (amount per year)	2,782

At the balance sheet date, there were liabilities in the amount of €3,526k from initiated investment projects in tangible fixed assets, as well as €204,567k in miscellaneous other financial obligations resulting from commitments for payments that were not yet due as of the balance sheet date. Other financial obligations of €190,803k are due within one year; the remaining liabilities are unlimited in time.

(21) Employees

	Average number for the year
Industrial employees	1,459
Salaried employees	8,848
	10,307
Including	
Male employees	4,960
Female employees	5,347
286 of these employees were at proportionately consolidated companies	
	Number at year's end
Number of employees	10,440
233 of these employees were at proportionately consolidated companies	

(22) Total audit fee

	K€
Total	1,724
Annual audit services	757
Other certification services	35
Tax advisory services	86
Other services	846

(23) Other information

The Munich-based company HolidayCheck Group AG and the Hamburg-based company XING AG are exchange-listed subsidiaries that are included in the consolidated financial statement. In November 2016 and February 2016, respectively, the Management and Supervisory Boards of these companies made their declarations of compliance with the German Corporate Governance Code pursuant to Sec. 161 of the German Stock Corporation Act (AktG) permanently available to shareholders on the Investor Relations pages of their respective websites, www.holiday-checkgroup.com and www.xing.com.

(24) Events after the balance sheet date

In January 2017, 100% of shares were acquired in Vancouver Topco Ltd., the parent company of the Immediate Media Group. This will result in a significant increase in fixed assets due to the consolidation in fiscal year 2017. Medium and long-term bank loans were taken out to finance the purchase. The profitability of the sub-group will see a positive effect from this acquisition over the long term.

Offenburg, 31 March 2017

The Management Board

Dr. Paul-Bernhard Kallen (Chairman) Holger Eckstein Dr. Andreas Rittstieg Philipp Welte Stefan Winners

Development of Fixed Assets of the Group

	Acquisition/ production costs Status as of 1 Jan 2016	Additions from changes in consolidation group	Additions	Disposals from changes in consolidation group	Disposals	Transfers	Currency translation effects	Acquisition/ production costs Status as of 31 Dec 2016
	€	€	€	€	€	€	€	€
Intangible assets	1,104,629,830.37	62,572,068.20	14,127,762.70	12,744,612.06	9,020,343.77	5,000.00	-277,653.06	1,159,292,052.38
Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets	330,580,213.99	16,868,638.43	7.736.618.60	257.425.03	8,935,525.87	714.814.86	-202,480.10	346,504,854.89
Goodwill	772,659,955.60	45,703,429.77	0.00	12.487.187.03	0.00	0.00	-77.323.49	805,798,874.85
Prepayments	1,389,660.77	0.00	6,391,144.10	0.00	84,817.90	-709,814.86	2,150.53	6,988,322.64
Tangible assets	714,270,875.42	3,768,316.14	24,939,857.96	3,239,444.40	21,234,759.43	-5,000.00	-493,310.76	718,006,534.94
Land, similar rights and buildings, including buildings on leasehold land	266,095,042.48	0.00	1,193,291.30	1,812,904.25	22,102.05	1,255.00	18,394.80	265,472,977.27
Technical equipment and machinery	288,625,721.37	189,541.16	2,674,479.58	629,614.88	6,379,689.90	263,927.00	102,322.01	284,846,686.34
Other equipment, factory and office equipment	158,881,471.41	3,578,774.98	15,761,702.67	796,925.27	14,762,825.13	295,184.38	-615,479.36	162,341,903.68
Prepayments and construction in progress	668,640.17	0.00	5,310,384.42	0.00	70,142.35	-565,366.38	1,451.79	5,344,967.65
Financial assets	351,800,825.23	55,590,654.05	80,979,112.01	4,852,234.80	44,339,064.35	0.00	-349,352.62	438,829,939.52
Participating interests	234,048,223.15	55,740.83	20,050,466.83	24,968.81	16,772,548.90	-1,793,296.79	-6,525.33	235,557,090.98
Shares in associated companies	52,039,789.94	55,469,793.14	11,569,250.82	4,827,265.99	13,033,431.08	1,793,296.79	-342,805.01	102,668,628.60
Loans to companies in which the company has a participating interest	113,684.18	0.00	15,694,220.48	0.00	0.00	0.00	0.00	15,807,904.66
Investment securities	58,269,702.51	64,514.39	33,405,173.88	0.00	7,320,035.32	0.00	-0.01	84,419,355.46
Other loans	7,329,425.44	605.69	260,000.00	0.00	7,213,049.05	0.00	-22.26	376,959.82
Total	2,170,701,531.02	121,931,038.40	120,046,732.67	20,836,291.26	74,594,167.55	0.00	-1,120,316.43	2,316,128,526.84

Development of Fixed Assets of the Group

	Opening balance depreciation Status as of 1 Jan 2016	Additions from changes in consolidation group	Depreciation for the fiscal year	Disposals from changes in consolidation group	Disposals	Transfers	Currency translation effects	Depreciation Status as of 31 Dec 2016	Book value Status as of 31 Dec 2016	Book value Status as of 31 Dec 2015
	€	€	€	€	€	€	€	€	€	€
Intangible assets	770,186,073.17	1,048,541.25	68,097,710.87	12,362,090.60	8,779,686.39	0.00	-245,508.75	817,945,039.56	341,347,012.82	334,443,757.19
Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets	231.983.545.68	636,819.25	26,413,408.85	158.873.93	8,779,686.39	0.00	-188,083.35	249.907.130.11	96.597.724.78	98,596,668.31
Goodwill	538.202.527.49	411.722.00	41.684.302.02	12.203.216.67	0.00	0.00	-57.425.40	568.037.909.45	237.760.965.40	234,457,428.11
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.988.322.64	1,389,660.77
Tangible assets	516,987,940.35	2,630,133.20	29,143,939.11	2,459,694.57	19,957,204.58	0.00	-445.414.11	525,899,699.39	192,106,835.55	197,282,935.08
Land, similar rights and buildings, including buildings	010,307,340.00	2,000,100.20	23,140,303.11	2,403,034.07	13,331,204.30	0.00	-440,414.11	023,033,033.03	132,100,000.33	131,232,333.03
on leasehold land	134,985,620.65	0.00	6,200,529.85	1,195,332.24	21,219.80	0.00	5,265.56	139,974,864.02	125,498,113.25	131,109,421.83
Technical equipment and machinery	261,512,088.35	135,237.42	8,006,931.77	549,111.83	6,367,933.82	0.00	79,405.84	262,816,617.72	22,030,068.62	27,113,633.02
Other equipment, factory and office equipment	120,490,231.36	2,494,895.78	14,936,477.48	715,250.50	13,568,050.96	0.00	-530,085.51	123,108,217.65	39,233,686.03	38,391,240.06
Prepayments and construction in progress	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,344,967.65	668,640.17
Financial assets	138,400,080.64	12,237.89	23,237,078.01	1,206,692.46	1,811,272.05	0.00	120,890.30	158,752,322.33	280,077,617.19	213,400,744.58
Participating interests Shares in associated	123,363,515.22	0.00	4,412,683.70	0.00	2,059,861.61	0.00	0.00	125,716,337.31	109,840,753.67	110,684,707.93
companies	14,461,431.81	0.00	3,885,107.29	1,206,692.46	0.00	0.00	120,890.30	17,260,736.94	85,407,891.66	37,578,358.13
Loans to companies in which the company has a participating interest	56,183.18	0.00	14,939,287.02	0.00	-754,932.46	0.00	0.00	15,750,402.66	57,502.00	57,501.00
Investment securities	0.00	12,237.89	0.00	0.00	6,342.90	0.00	0.00	5,894.99	84,413,460.47	58,269,702.51
Other loans	518,950.43	0.00	0.00	0.00	500,000.00	0.00	0.00	18,950.43	358,009.39	6,810,475.01
Total	1,425,574,094.16	3,690,912.34	120,478,727.99	16,028,477.63	30,548,163.03	0.00	-570,032.56	1,502,597,061.28	813,531,465.56	745,127,436.85

Shareholdings pursuant to Sec. 313 (2) HGB Hubert Burda Media Holding Kommanditgesellschaft as of 31 December 2016

	Shares in %		Shares in %
a) Fully consolidated companies		Burda Druck GmbH, Offenburg	100.00
Hubert Burda Media Holding Kommanditgesellschaft, Offenburg		BURDA DRUCK FRANCE SAS, Vieux-Thann/France	100.00
Hubert Burda Media Holding Geschäftsführungs-GmbH, Offenburg	100.00	BURDA DRUCK INDIA Private Limited, New Delhi/India	100.00
Abonnenten Service Center GmbH, Offenburg	100.00	Burda Druck Nürnberg GmbH & Co. KG, Nuremberg	100.00
AdTech Factory Verwaltungs-GmbH, Offenburg	100.00	Burda Druck Nürnberg Verwaltungs GmbH, Nuremberg	100.00
AdTech Factory GmbH & Co. KG, Offenburg	100.00	BurdaForward GmbH, Munich	100.00
Aenne Burda Verwaltungsgesellschaft mit beschränkter Haftung, Offenburg	100.00	Burda France SAS, Paris/France	100.00
amiando UK Ltd., Birmingham/Great Britain	100.001)	Burda Gesellschaft mit beschränkter Haftung, Offenburg	100.00
Amica Verlag GmbH & Co. KG, Munich	100.00	Burda GL Polska Sp. z o.o., Warsaw/Poland	100.00
BDV Beteiligungen GmbH & Co. KG, Munich	90.91	Burda Glam AG in Liquidation, Basel/Switzerland	100.00
pestwetten.de GmbH, Offenburg	100.00	Burda Grundstücksgesellschaft mbH & Co. KG, Offenburg	100.00
Blue Ocean Entertainment AG, Stuttgart	90.34	Burda Grundstücksverwaltungsgesellschaft Objekt München mbH, Offenburg	100.00
Bunte Entertainment Verlag GmbH, Munich	100.00	Burda Holdings (Thailand) Co. Ltd., Bangkok/Thailand	100.00
Burda (Thailand) Co., Ltd., Bangkok/Thailand	100.00	Burda Holding Publishing Polska Sp. z o.o., Warsaw/Poland	100.00
Burda Broadcast Media Baden-Württemberg GmbH & Co. KG, Offenburg	100.00	Burda International GmbH, Offenburg	100.00
Burda Broadcast Media Geschäftsführungs-GmbH, Munich	100.00	Burda Magazine Holding GmbH, Munich	100.00
Burda Broadcast Media GmbH & Co. KG, Munich	100.00	Burda Media Polska Sp. z o.o., Warsaw/Poland	100.00
Burda Broadcast Verwaltungs GmbH, Offenburg	100.00	Burda Medien Vertrieb GmbH, Offenburg	100.00
Burda Ciscom GmbH, Offenburg	100.00	Burda News GmbH, Hamburg	100.00
Burda Community Network GmbH, Munich	100.00	Burda NG Polska Sp. z o.o. Spol. Komandytowa, Warsaw/Poland	100.00
Burda Community Network International GmbH, Munich	100.00	Burda Nordic A/S, Kolding/Denmark	100.00
Burda Digital Commerce GmbH, Offenburg	100.00	Burda Praha spol. s r.o., Prague/Czech Republic	100.00
Burda Digital GmbH, Munich	100.00	Burda Principal Investments GmbH & Co. KG, Munich	100.00
Burda Digital Systems GmbH, Offenburg	100.00	Burda Principal Investments Verwaltungs-GmbH, Munich	100.00
Burda Digital Ventures GmbH, Offenburg	100.00	Burda Publishing Polska Sp. z o.o., Warsaw/Poland	100.00
Burda Direct France SAS, Schiltigheim/France	100.00	Burda Romania S.R.L., Bucharest/Romania	100.00
Burda Direct GmbH, Offenburg	100.00	Burda Senator Verlag GmbH, Offenburg	100.00
Burda Direct Interactive GmbH, Offenburg	100.00	Burda Service AG, Basel/Switzerland	100.00
Burda Direkt Services GmbH, Offenburg	100.00	Burda Services GmbH, Offenburg	100.00

	Shares in %		Shares in %
Burda Service-Handel-Märkte GmbH, Offenburg	100.00	Debitor-Inkasso GmbH, Bad Schwartau	100.00
Burda Singapore Pte. Ltd., Singapore	100.00	DLD Media GmbH, Munich	100.00
Burda Studios Pictures GmbH, Munich	100.00	DLD Ventures GmbH, Munich	100.00
Burda Studios Publishing GmbH, Munich	100.00	Editions DIPA Burda SAS, Schiltigheim/France	100.00
BurdaStyle GmbH, Munich	100.00	EDITIONS HUBERT BURDA MEDIA SAS – PARIS, Paris/France	100.00
BurdaStyle, Inc., New York/USA	100.00	Editions Nuit et Jour SAS, Paris/France	100.00
Burda Taiwan Co. Ltd., Taipei/Taiwan	80.00	Eqipia GmbH, Zug/Switzerland	100.001)
Burda Verlag Osteuropa GmbH, Offenburg	100.00	Essential Publishing Limited, Colchester/Great Britain	100.00
Burda Wireless GmbH, Munich	100.00	Exposure Media Marketing Private Ltd., New Delhi/India	100.00
Burda-Ukraina, Kiev/Ukraine	100.00	fi services gmbh, Pleidelsheim	100.004)
BZV Zeitschriften Verlag Verwaltungs-GmbH, Munich	100.00	Fit for Fun Verlag GmbH, Hamburg	100.00
C3 Creative Code and Content AG, Stäfa/Switzerland	95.00 ⁵⁾	Focus Line Extensions GmbH, Munich	100.00
C3 Creative Code and Content GmbH, Berlin	50.00	Focus Magazin Verlag GmbH, Munich	100.00
C3 Stuttgart Creative Code and Content GmbH, Stuttgart	100.00 5)	Focus Money Redaktions-GmbH, Deutsches Institut für Qualität und Finanzen, Munich	100.00
C3 Creative Code and Content Ltd., London/Great Britain	100.00 5)	FOCUS Online Group GmbH, Munich	100.00
C3 Creative Code and Content s.r.o. Prague/Czech Republic	100.00 5)	Focus TV-Produktions GmbH, Munich	100.00
Casa de Difuzare Presa - New Concept S.R.L., Bucharest/Romania	100.00	ForwardAdGroup GmbH, Munich	100.00
Cliqz GmbH, Munich	75.63	ForwardContentServices GmbH, Munich	100.00
CHIP Communications GmbH, Munich	100.00	Freedreams B.V., Nijmegen/Netherlands	100.00
CHIP Digital GmbH, Munich	100.00	freundin Verlag GmbH, Munich	100.00
CHIP Holding GmbH, Munich	100.00	FTM Freizeit- und Trendmarketing GmbH & Co. KG, Cleves	100.00
Cinema Verlag GmbH, Hamburg	100.00	FTM Freizeit- und Trendmarketing Verwaltungsgesellschaft mbH, Cleves	100.00
Clico GmbH, Munich	84.04	Globus Verlag GmbH, Munich	100.00
computeruniverse GmbH, Friedberg	100.00	Grupo Galenicom Tecnologias de la Informacion (eConozco), S.L., Barcelona/Spain	100.001)
CP-Retail GmbH, Berlin	100.003)	HolidayCheck AG, Bottighofen/Switzerland	100.002)
Cyberport GmbH, Dresden	98.00	HolidayCheck Group AG, Munich	61.92
Cyberport S.à r.l., Luxembourg City/Luxembourg	100.003)	HolidayCheck Polska Sp. z o.o., Warsaw/Poland	100.002)
Cyberport Services GmbH, Dresden	100.003)	Hubert Burda Media Brasil Agenciamento e Distribuicao Ltda, São Paulo/Brazil	100.00
daskochrezept.de GmbH, Offenburg	100.00	Hubert Burda Media Hong Kong Limited, Hong Kong/China	100.00

	Shares in %		Shares in %
Hubert Burda Media India Private Limited, New Delhi/India	100.00	Ortenauer Papierverarbeitung GmbH, Offenburg	100.00
Hubert Burda Media Limited, Colchester/Great Britain	100.00	PaketPLUS Marketing GmbH, Berlin	100.00
HUBERT BURDA MEDIA MALAYSIA SDN. BHD, Kuala Lumpur/Malaysia	100.00	Patientus GmbH, Lübeck	100.00
Hubert Burda Media UK LP., Colchester/Great Britain	100.00	P-Eleven GmbH, Hamburg	100.00
Hubert Burda Media, Inc., New York/USA	100.00	Playboy Deutschland Publishing GmbH, Munich	100.00
INO24 AG, Pleidelsheim	86.08	PM, poslovni mediji d.o.o., Ljubljana/Slovenia	51.00 ⁵⁾
ino24 clever versichert GmbH, Pleidelsheim	100.004)	rethink GmbH, Berlin	51.00 ⁵⁾
Internet Magazin Verlag GmbH, Munich	100.00	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt BURDA Medien Park KG, Düsseldorf	100.00
jameda GmbH, Munich	100.00	$ROSEA\ Grundstücks-Vermietungsgesellschaft\ mbH\ \&\ Co.\ Objekt\ BURDA\ Offenburg\ KG,\ D\"{u}sseldorf$	100.00
Komunikace 2000 s.r.o., Prague/Czech Republic	100.00	Seven Publishing Group Ltd., London/Great Britain	100.005)
kununu GmbH, Vienna/Austria	100.00 1)	Showroom Sp. z o.o., Warsaw/Poland	64.80
LIFESTYLE HK LIMITED, Hong Kong/China	100.00	SHWRM.de GmbH, Offenburg	100.006)
LIFESTYLE MARKETING PTE LTD, Singapore	100.00	Silkes Weinkeller GmbH, Mettmann	100.00
LIFESTYLE ONLINE SDN BHD, Kuala Lumpur/Malaysia	100.00	Smart Inkasso Service GmbH, Lüneburg	100.00
M.I.G. Medien Innovation GmbH, Offenburg	100.00	STARnetONE GmbH, Berlin	100.00
MAX Verlag GmbH & Co. KG, Hamburg	100.00	Stockfood GmbH, Munich	100.00
Media Market Insights GmbH, Offenburg	100.00	Stockfood Ltd., London/Great Britain	100.00
Medienpartner International GmbH, Offenburg	100.00	Stockfood America, Inc., Kennebunk/USA	100.00
Meteovista B.V., Amsterdam/Netherlands	98.002)	Super Illu Verlag GmbH & Co. KG, Berlin	100.00
MFI Meine Familie und ich Verlag GmbH, Munich	100.00	Super Illu Verlag Verwaltungs-GmbH, Berlin	100.00
Mirabo AG, Basel/Switzerland	100.00	TEC The Enabling Company, Hamburg	100.00
mobileminds GmbH, Munich	100.00	Tailormade Media Lda., Lisbon/Portugal	100.00
Neue Verlagsgesellschaft mbH, Offenburg	100.00	Tomorrow Travel B.V., Zeist/Netherlands	100.002)
OOO Burda Distribution Services, Moscow/Russia	100.00	HolidayCheck Solutions GmbH, Munich	100.002)
OOO DigiVent, Moscow/Russia	100.00	TOV Burda Distribution Services Ukraina, Kiev/Ukraine	100.00
OOO Everest Distribution, Moscow/Russia	100.00	tracdelight GmbH, Munich	100.00
OOO Burda Interaktiv, Moscow/Russia	100.00	Trans Log – Presa S.R.L., Bucharest/Romania	100.00
OOO Sales, Moscow/Russia	100.00	Treehouse Sp. z o.o., Warsaw/Poland	100.00
OOO TK Pressexpo, Moscow/Russia	100.00	TV Spielfilm Verlag GmbH, Hamburg	100.00

	Shares in %		Shares in %
tv.gusto GmbH, Munich	83.50	b) Proportionately consolidated companies pursuant to Sec. 310 HGB	
Valentins GmbH, Mörfelden-Walldorf	100.00	B+B Media Services GmbH, Offenburg	50.00
Valiton GmbH, Munich	100.00	BB RADIO Länderwelle Berlin/Brandenburg Beteiligungs GmbH, Potsdam	50.00
Verlag Aenne Burda GmbH & Co. KG, Offenburg	100.00	BB Radio Länderwelle Berlin/Brandenburg GmbH & Co. Kommanditgesellschaft, Potsdam – Gruppe –	50.00
Verwaltungsgesellschaft MAX Verlag mbH, Hamburg	100.00	Burda + Heist Binding GmbH, Nuremberg	49.00
VSG Advertising Italy S.r.I., Milan/Italy	100.00	Burda FW Media, LLC, New York/USA	50.00
VSG Advertising (Beijing) Co. Ltd., Beijing/China	100.00	Burda Hearst Publishing GmbH, Munich	50.00
Webassets B.V., Amsterdam/Netherlands	98.00 ²⁾	DOGAN BURDA DERGI YAYINCILIK VE PAZARLAMA A.S., Istanbul/Turkey	49.52
wunder media production GmbH, Munich	100.00 5)	kununu US LLC, Boston/USA	50.00 ¹⁾
XING AG, Hamburg	50.26	M.O.R.E. Lokalfunk Baden-Württemberg GmbH & Co. KG, Ulm	50.00
XING Events GmbH, Hamburg	100.001)	M.O.R.E. Lokalfunk Baden-Württemberg Verwaltungs-GmbH, Ulm	50.00
XING E-Recruiting GmbH & Co. KG, Hamburg	100.001)	Musicstarter GmbH & Co. KG, Berlin	50.00
XING E-Recruiting Switzerland AG, Zürich/Switzerland	100.001)	SEG Stegenwaller Entertainment Group GmbH & Co. KG, Essen	50.00
XING E-Recruiting GmbH, Vienna/Austria	100.001)	SEG Stegenwaller Entertainment Group Verwaltungs GmbH, Essen	50.00
XING International Holding GmbH, Hamburg	100.001)	TOO Burda-Alatau Press, Almaty/Kazakhstan	50.00
XING Marketing Solutions GmbH, Hamburg	100.001)		
XING News GmbH, Hamburg	100.001)	c) Associated companies pursuant to Sec. 311 HGB	
XING Networking Spain, S.L., Barcelona/Spain	100.001)	AllStar Deals, Inc., Rockville/USA	26.43
XING Students Consulting GmbH, Hamburg	100.001)	COC COC PTE. LTD., Singapore	23.14
XING Switzerland GmbH, Sarnen/Switzerland	100.001)	Dergi Pazarlama Planlama ve Ticaret Anonim Sirketi, Istanbul/Turkey	44.00
XING SARL, Luxembourg City/Luxembourg	100.001)	Gesellschaft für integrierte Kommunikationsforschung mbH & Co. KG, Munich	20.00
Zoover France SARL i.L., Paris/France	98.002)	Lidyana Elektronik Hitzmetler Ithalat Ihracat Pazarlama A.S., Istanbul/Turkey	26.69
ZOOVER GmbH, Munich	98.002)	Mediaprint & Kapa Pressegrosso spol. s r.o., Prague/Czech Republic	34.83
Zoover International B.V., Amsterdam/Netherlands	98.00 ²⁾	MZV Export-Import Zeitschriften-Vertrieb GmbH & Co. Kommanditgesellschaft, Unterschleissheim	40.00
Zoover Media B.V., Amsterdam/Netherlands	98.00 ²⁾	MZV Export-Import Zeitschriften-Vertrieb Verwaltungs-GmbH, Unterschleissheim	40.00
Zoover Travel B.V., Amsterdam/Netherlands	98.002)	MZV Moderner Zeitschriften-Vertrieb GmbH & Co. Kommanditgesellschaft, Unterschleissheim	40.00
ZVB Zeitschriften-Vertriebs AG, Basel/Switzerland	100.00	MZV Moderner Zeitschriften-Vertrieb Verwaltungs-GmbH, Unterschleissheim	40.00
		Notonthehighstreet Enterprises Ltd., Richmond/Great Britain	28.70
		PLANIT LPGM Limited, London/Great Britain	37.505)

	Shares in %		Shares in %
Priceza Company Limited, Bangkok/Thailand	24.90	OOO BimBasket, Moscow/Russia	22.10
Privatradio Landeswelle Mecklenburg-Vorpommern GmbH & Co. Studiobetriebs KG, Rostock	47.15	PRINTEX Ltd., Kigali/Rwanda	24.00
Radio Arabella Studiobetriebsgesellschaft mbH, Munich	20.56	Radio TEDDY GmbH & Co. KG, Potsdam	90.008)
Studio Gong GmbH & Co. Studiobetriebs KG, Munich – Gruppe –	41.67	Radio TEDDY Verwaltungs GmbH, Potsdam	90.008)
Vicampo.de GmbH, Mainz	25.10	sevenload GmbH i.L., Cologne	100.00
		Susema A/S, Kolding/Denmark	33.33
d) Companies pursuant to Sec. 296 HGB or Sec. 313 (2) no. 4 HGB		Tom Press AG, Soreze/France	100.007)
Acton GmbH & Co Heureka KG, Munich	40.21	TopPatterns AB, Lidingö/Sweden	50.00
Acton GmbH & Co. Heureka II KG, Munich	11.81	Virtueller Bau-Markt Aktiengesellschaft, Meerbusch	26.02
BB Radio Lokalwellen Brandenburg GmbH & Co. KG, Potsdam	100.008)	Zoover Internet Teknolojileri Tuzim Ticaret Ltd., Kusadasi/Turkey	98.002)
BL Engineering Solutions Private Limited, New Delhi/India	51.00		
Burda East Africa Ltd., Kigali/Rwanda	100.00	e) Substantial shareholdings < 20%	
Burda Hong Kong Limited, Hong Kong/China	82.15	AlphaSights Ltd., London/Great Britain	9.62
BURDA PRINICIPAL INVESTMENTS LIMITED, London/Great Britain	100.00	Antenne Bayern GmbH & Co. KG, Ismaning	16.00
BURDA PRINICIPAL INVESTMENTS PTE. LIMITED, Singapore	100.00	Bauble Bar, Inc., New York/USA	10.00
computeruniverse S.à r.l., Luxembourg City/Luxembourg	100.00	Blitsy, Inc., Chicago/USA	16.00
COPE Management GmbH, Hamburg	100.00 5)	Good Hood GmbH, Berlin	17.72
Denfin Publishing ÖU, Tallinn/Estonia	45.00	Jungle Ventures II, L.P. Cayman/Cayman Islands	2.00
Dialog Service Center GmbH, Neckarsulm	50.77	lool Ventures L.P., Cayman Islands	11.11
eins ah!-Medien GmbH, Stuttgart	50.00 ⁵⁾	Radio/Tele FFH GmbH & Co. Betriebs KG, Frankfurt	4.37
Europe Online Deutschland GmbH, Munich	100.00	UberMedia Inc., Delaware/USA	4.28
Gesellschaft für integrierte Kommunikationsforschung Verwaltungs GmbH, Munich	20.00	Vinted Limited, London/Great Britain	16.02
IR Holding GmbH, Potsdam	100.008)	ZAO Verlagshaus Burda, Moscow/Russia	10.00
IR MediaAd GmbH, Berlin	100.00 ⁸⁾		
KB sports communications GmbH, Stuttgart	51.00 ⁵⁾	1) Indirect holding of XING AG	
L.M.2.F SAS., Soreze/France	25.01	Indirect holding of HolidayCheck Group AG Indirect holding of Cyberport GmbH	
Mode Media Corporation, Brisbane/USA		4) Indirect holding of INO24 AG 5) Indirect holding of C3 Creative Code Content GmbH	
Online International Beteiligungs-GmbH, Munich		6) Indirect holding of Showroom Sp. z o.o. 7) Indirect holding of L.M.2.F. SAS	
OOO 7dach, Moscow/Russia	25.00	8) Indirect holding of BB Radio Länderwelle Berlin/Brandenburg GmbH & Co. Kommanditgesellschaft	

The following translated auditor's opinion relates to the German version of the Consolidated Financial Statements and Group Management Report:

The above Consolidated Financial Statement and Group Management Report that are intended for publication have been abridged on the basis of the claimed exemption from disclosure obligations. We have issued the following audit opinion in reference to the unabridged Consolidated Financial Statement and Group Management Report:

Auditor's Opinion

We have audited the consolidated financial statements prepared by Hubert Burda Media Holding Kommandit-gesellschaft, Offenburg – comprising the balance sheet, profit and loss statement and the notes – as well as the group management report for the fiscal year from 1 January to 31 December 2016. The company's Management Board and General Partner are responsible for the preparation of the consolidated financial statements and group management report in accordance with the provisions of German commercial law and the supplementary provisions contained within the company's Articles of Association. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

statements in accordance with Sec. 317 HGB (German Commercial Code) and in compliance with the German

principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in such a way that there is reasonable assurance of detecting inaccuracies and violations that materially affect the presentation of the net assets, financial position and results of operations, as given in the consolidated financial statements and management report, with due regard for general accepted accounting principles. Knowledge of the business activities and the economic and legal environment of the Group, as well as expectations in regard to possible errors, are taken into account in the determination of audit procedures. In the audit. the effectiveness of the accounting-related internal control system and the evidence supporting the information in the consolidated financial statements and group management report are assessed primarily on the basis of random samples. The audit includes assessment of: the annual financial statements of the companies included in the consolidated financial statement; the definition of the consolidation group; the accounting and consolidation principles applied: and the significant estimates made by the company's Management Board and General Partner. In addition, it also includes evaluation of the overall presentation of the consolidated financial statements and group management report. We are confident that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal regulations and the supplementary provisions contained within the company's Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the group, in accordance with (German) principles of proper accounting. The group management report is consistent with the consolidated financial statements, complies with legal regulations, provides an accurate view of the group's position overall, and accurately describes the opportunities and risks of future development.

Munich, 7 April 2017

KPMG AG Wirtschaftsprüfungsgesellschaft

Hagner, Auditor Kaltenegger, Auditor

Publishing Company:
Hubert Burda Media Holding Kommanditgesellschaft
Hauptstraße 130, 77652 Offenburg, Germany
Responsible for the content of the consolidated financial statements:
Heinz Spengler, Thilo Knöller

Implementation: Hubert Burda Media Holding Kommanditgesellschaft Corporate Communications Phone +49(0)89 9250-2575 info@hubert-burda-media.com

Oversight: Philipp Wolff Management: Julia Korn Managing Editor: Bernd Hölzner Art Direction: Ben Liersch Illustration: Marion Bauer Translations: Peritus Language Services