

Financial Statements

2017

Hubert Burda Media Holding
Kommanditgesellschaft

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The Management Board of Hubert Burda Media

Left to right: Martin Weiss (International), Holger Eckstein (Finance), Philipp Welte (National Media Brands), Stefan Winners (National Digital Brands), Dr Paul-Bernhard Kallen (CEO), Dr Andreas Rittstieg (Legal and Compliance)

Five-Year Overview

	2013	2014	2015	2016	2017	in
Operating performance	3,249	3,030	2,792	2,822	3,234	million €
Consolidated sales	2,617	2,455	2,211	2,256	2,672	million €
comprised of National Digital Brands	1,401	1,314	1,134	1,180	1,403	million €
National Media Brands	630	649	651	661	670	million €
International Media Brands	378	330	265	272	455	million €
Printing	204	158	158	134	130	million €
Other	4	4	3	9	14	million €
Balance sheet total	1,551	1,518	1,510	1,566	1,874	million €
Depreciation of fixed assets	83	91	85	80	125	million €
Personnel expenses	499	527	543	535	657	million €
Number of employees at year end	10,017	10,374	10,297	10,440	11,918	

Group Fundamentals

Hubert Burda Media (hereafter also referred to as “Burda”) is a modern, internationally operating media company with a strong focus on technological innovation. Burda is concentrating increasingly on platform businesses – in which a variety of changing business models operate on a specific thematic platform such as career, fashion, or living & gardening – with the goal of becoming a market leader or securing that leading position through long-term growth. To achieve this goal, Burda invested heavily in innovation in 2017 in its own companies as well as through acquisition of participating interests in growing media and digital companies with sustainable business models. The objective of all entrepreneurial activities is to win new markets and consumers, expand existing customer relationships through strong media brands and use them for additional offerings.

All of Burda's products focus every day on consumers' needs and on helping them in their personal lives and in realizing their own goals. Burda's portfolio in 2017 included roughly 600 products in Germany and 19 other countries.

Significant revenue sources for the company on the different platforms include retail sales of individual products such as magazines and other sellable items that can be individually purchased like conference tickets, subscrip-

tions (magazines and digital subscriptions such as *Xing*), advertising, commissions, retail and printing. 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 access Burda's strong network to promote their own 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 through the world-renowned *DLD* conferences and other activities.

One key prerequisite for Burda's continued success lies in the ability to promote further development of existing personnel and recruit and retain qualified new employees. To this end, a new HR strategy was developed in 2017 that will take effect in 2018. The strategy focuses on four development areas: change management; diagnostics for hiring skilled employees and managers; optimization of HR operations; and sourcing, scouting and recruiting.

At the end of the past fiscal year, the consolidation group included a total of 252 independently operating companies,

141 of which were in Germany and 111 outside of it. At the end of the year, 11,918 individuals were employed in the Group.

In addition to a central holding and services division, Hubert Burda Media is divided into four operational divisions: National Digital Brands, National Media Brands, International Media Brands and Printing. In fiscal year 2017, the Group's external sales reached €2.7 billion, and therefore, as predicted, are significantly higher than the prior year. The four operating divisions consistently pursued their growth plans during the year.

The National Digital Brands division was able to achieve strong growth overall (+18.9 percent). *Xing* and the two e-commerce retailers *Cyberport* and *Computeruniverse* were the most successful digital companies in 2017 in terms of sales. The acquisition of HQ-Patronen GmbH during the year helped *Cyberport* strengthen its customer relationships in both the B2C and B2B segments. In 2017, the physician rating platform *Jameda* further expanded its market-leading position in digital doctor-patient communication through measures including the acquisition of the technology company *Patientus*, which enables digital consultations.

Digital publisher *BurdaForward* is increasingly evolving from a provider of traditional news portals to a provider of platforms that display partner content right alongside

their own content. For example, *BurdaForward* is establishing a new digital offering for regional news called “Focus Local.” Strategically focused on the travel industry, HolidayCheck Group AG showed revenue growth once again in 2017.

In the expansion of digital activities, another focus was on using *Cliqz* to advance further into key internet technologies – browsers and search engines – with the company’s own products. Mozilla, the developer of the browser Firefox, which has been especially successful in Germany, invested in the Munich-based startup back in 2016.

The investment company *BurdaPrincipal Investments*, which reports to the Management Board Member responsible for the Group’s international business, also provides long-term growth capital for fast-growing technology and media companies; in 2017, it invested in Great Britain and Asia. During the fiscal year, initial participating interests were acquired in the UK-based online flower shop *Bloom & Wild*, the US-based direct-to-consumer platform *M.Gemi*, and the Asia-based fashion platform *Zilingo*.

Revenues grew slightly in 2017 for the National Media Brands division. The German magazine business successfully continued its transformation and is operating a variety of sustainable, lucrative business models. It launched new products on the market aligned with strong media brands and successfully established new business mod-

els. The objective is to gradually gain independence from the advertising market and generate revenues through direct interaction with consumers beyond traditional sales revenues. *Blue Ocean* posted higher than average growth in sales revenues with children’s media and increasingly with international licenses for brand-related magazines popular with children (e.g., LEGO magazines like *LEGO Ninjago* and *LEGO Star Wars*). Burda currently holds 85 percent of shares (2016: 50 percent) in the international content marketing company C3. 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.

Most of the revenue growth in the International Media Brands division can be traced back to the 100 percent acquisition of the media company *Immediate Media*, a platform for the magazine business as well as the digital consumer market in Great Britain. This represents *BurdaInternational’s* largest investment in fiscal year 2017. *Immediate Media* is strong in the publishing, technology and e-commerce sectors and has built up a large and loyal customer base. This group of companies is active in similar areas as Burda’s National Media Brands division in Germany – and there is a great deal of cultural and entrepreneurial alignment between the German parent company and the new UK-based subsidiaries. The increasingly unpredictable business in Eastern Europe once again saw declines in sales revenues. Sales revenues from printing schoolbooks were

also slightly lower than the previous year primarily because some orders planned for 2017 were postponed until the next year.

Despite a workload comparable to the previous year, there was a minor decline in sales revenue in the Printing division (i.e., in the European gravure printing business).

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 a decentralized manner in the individual profit centers or previously mentioned divisions.

Overall, Burda ended the 2017 fiscal year successfully. Over the course of the fiscal year, the Group was able to significantly reduce the level of debt, which had initially risen at the beginning of the year due to acquisitions, especially of *Immediate Media*. Because of its solid financial position, the company has the freedom to successfully continue investing heavily in development of its own divisions and in new shareholdings. Burda is very widely diversified with regard to markets, products and business models, and is therefore a very stable, well-positioned company.

Economic Report

Overall economic and industry situation

International

Overall, the global economy is picking up steam again and growing at the greatest rate since 2010, with the situation improving in the national economies of developed nations as well as emerging nations. The Organization for Economic Cooperation and Development (OECD) recorded a 3.6 percent increase in global growth for 2017 and predicts a comparable increase of 3.7 percent over the previous year for 2018. However, the outlook indicates a variety of obstacles that could cause below-average growth in the private sector, especially in investments, trade and productivity. In comparison to past upward economic trends, this upswing will remain restrained according to the OECD, particularly since the fallout from the financial crisis is still evident.

Slowed reform efforts and financial risks from high debt burdens are considered factors that are putting the brakes on emerging economies. Financial risks are also growing in developed economies because the long phase of low interest rates promotes greater risk-taking and another increase in asset prices. However, the relaxed fiscal and monetary policies will continue to have a positive

effect on the momentum of growth throughout the world – especially for growth in the euro zone – just like China's infrastructure investments in 2016 and 2017 totaling in the billions.

The recovery in the euro zone picked up speed in 2017 compared to the previous year. The growth rate increased to 2.4 percent in 2017. In 2018, it is expected to be slightly lower at 2.1 percent (source: IMF). The positive development reflects a powerful increase in exports in combination with a revival of global trade as well as brisk domestic demand. However, the International Monetary Fund also draws attention to imbalances such as varying development in the job market and in wage growth within the euro zone.

The weak British pound has led to losses in real wages and cautious private consumer spending. In its most recent country report, the IMF determined that the British economy is growing less dynamically due in part to the Brexit. The Fund predicts 1.8 percent growth for the year 2017 and 1.6 percent growth for 2018. The ongoing question of what trade relations will look like between the EU and UK after the referendum remains an uncertainty factor. Among other things, the IMF predicts a 40 percent decline in exports of financial services to the EU.

According to OECD forecasts, the economic expansion in the USA will continue in 2018. Continued growth in consumption and innovation is generally anticipated, stimu-

lated by the dynamic growth of asset prices as well as strong business and consumer confidence. Shortly before the year's end, the US Congress passed the tax reform announced by the President during the election campaign, which is having massive effects on American companies. At its core is a reduction of the corporate tax rate from 35 to 21 percent. Another component is the tax treatment of profits earned outside the country; in the future it will be possible to bring them back into the USA cost-effectively. Private individuals will also initially benefit to a more modest degree from the tax reductions enacted. However, critics of the reform package are concerned about the dramatically increasing national debt foreseeable in the coming years.

Russia's two-year-long recession phase seems to have been overcome in 2017. Stable oil prices, favorable credit terms and an improved business climate have aided Russia's economic recovery. The IMF anticipates a 1.8 percent growth rate for 2017. Moderate growth of 1.6 percent is expected for 2018 (source: IMF).

According to OECD projections, India's economy will gradually recover from the temporary negative effects of introducing a new general sales tax (GST) and measures for curbing the shadow economy. Political reform efforts should further boost business investments, productivity and growth over time. The OECD predicts an increased growth rate to 7 percent for 2018.



77% OF TOTAL DATA CONSUMPTION

Today, the mobile internet already represents a good two-thirds of total data consumption – this share could rise to 77 percent by 2021.

China's growth rate increased slightly from 6.7 percent in 2016 to 6.8 percent in 2017 due to services and some strategic industries, according to the OECD. The People's Republic was Germany's most important trading partner in 2017 for the second year in a row and has the potential to maintain its powerful growth over the medium-term according to estimates by the International Monetary Fund.

Looking back at 2016, Africa's economic growth experienced continued regional and global headwinds, which slowed down the economy further. Nevertheless, the medium-term forecast is positive: A GDP growth rate of 3.4 percent is expected for Africa for 2017, which could rise to 4.3 percent in 2018. The continent is therefore the region with the highest growth rates after Asia.

Germany

The German economy is still on a steady and broad growth trajectory based on a solid domestic economy. Expectations for continued growth over the next year are based on further revival of export trade, increasing private investment activity and the positive employment situation in Germany. The German Federal Statistical Office states that the economic output for 2017 was produced by nearly 44.3 million workers in Germany. According to preliminary calculations, that was about 638,000 or 1.5 percent more workers than in the previous year (source: German Federal Statistical Office). By the year 2018, the number of workers in the labor force is expected to rise to a record level of 44.8 million. Low interest rates and a powerful increase in demand for homes are driving the construction industry as well. The price-adjusted gross domestic product for 2017 was 2.2 percent higher than in the previous year (source: German Federal Statistical Office). The OECD recently increased its growth forecast for 2018 by 2.3 percent.

The media industry

The global media industry remains under the massive influence of ever more quickly accelerating digitalization. Although the technological transformation impacts every aspect of the economy, it is more advanced in the media industry than in other sectors. While traditional content providers face the challenge of changing their products, processes, business models and position in the value chain, comparatively new players like Netflix have been able to gain millions of new customers worldwide in a very short time. Given this situation, competition has intensified enormously for consumers' limited "attention budget" across the multitude of communication channels. Rapidly increasing access to the internet via mobile devices remains perhaps the most visible driver of digital growth. Per the International Telecommunication Union, 4.3 billion people worldwide could be using the internet by the end of 2017 due to rapidly spreading mobile networks and falling prices. The number of broadband mobile phone plans has increased over the past five years by more than 20 percent per year. Today, the mobile internet already represents a good two-thirds of total data consumption – this share could rise to 77 percent by 2021 (source: PwC German Entertainment & Media Outlook). Through Hubert Burda Media's strategic focus on increased development of digital products – mobile products, in particular – the company is adapting to consumers' changed conditions of use so that it can provide them with customized offerings in the future as well.

While shrinking advertising revenue and – to a lesser extent – declining sales figures characterize the market for popular magazines, and will continue to do so in the future, the digital segment is trending upwards. Digital magazine sales in Germany are predicted to reach €192 million by the year 2021, an increase of €78 million, with their share of total sales revenue growing to 10.5 percent (PwC German Entertainment & Media Outlook). Digital advertising revenues for popular magazines are also increasing in contrast to the print sector, so that their share of total advertising revenues will rise from 14.4 percent (2016) to 20.9 percent in the year 2021. Despite this development, publishers are still facing the challenge of monetizing their digital activities sufficiently to compensate for declining advertising revenues in the print sector.

At the same time the “big four” US digital companies in particular – Google, Facebook, Amazon and Apple – have invested massively in media content and, in the case of the first two providers mentioned, continue to dominate the online advertising market. In 2017, Amazon also entered the worldwide advertising market, raising expectations of rapid growth in this global business sector. This development is challenging for traditional media companies 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 opportunities for a successful market entry for competing companies are di-

minished. 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).

In the meantime, politicians are saying increasingly emphatically that they want to create a level playing field for all competitors and are looking for ways to put an end to the prevailing unequal treatment within the EU in regard to business taxation, data protection and antitrust issues – unequal treatment which benefits US-based digital companies in particular. But creating a path to a level playing field remains difficult and is marked by successes as well as setbacks.

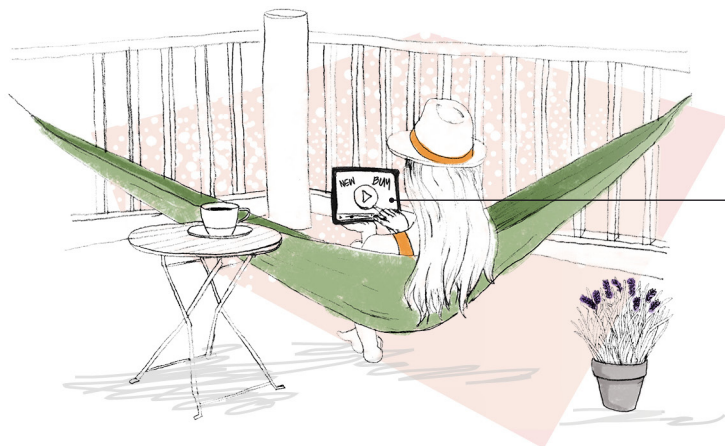
In August 2016, the European Commission decreed that Ireland must reclaim from Apple a total of €13 billion in unlawful tax concessions. Ireland initially refused to accept the ruling and filed an appeal, but this did not lead to the hoped-for suspensory effect. After Ireland still failed to comply with the Commission’s request one year after the ruling, the European Commissioner for Competition filed a lawsuit in the European Court of Justice. Despite Apple’s and Ireland’s ongoing appeals process against the decision of the EU Commission, the required sum has since been placed in an escrow account in Ireland. No predictions can be made, however, on the long-term success of the Commission’s battle against tax avoidance practices.

In July 2017, the EU Commissioner for Competition also levied a record-setting fine against Google. The company is required to pay a €2.42 billion fine for abusing its dominant market position as a search engine through illegal preferential treatment of its own price comparison service. Google submitted a compromise proposal in September that provides for moving product ads to an independent unit, so competitors can compete on the same basis with Google for advertising space. Competitors criticized the proposal. The EU Commission wants to observe the new practice and then deliver a final ruling.

The proposed amendment of the Copyright Directive Reform, which was presented in September 2016 under the then-Digital Commissioner and which includes the introduction of property rights for publishers, would be 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 – a role which they have as a result of their investments in journalistic content and therefore in preserving the diversity of opinions and information. This new law is intended to put publishers in a position to fight piracy and negotiate the use of their content, particularly with online services. The proposed law has been before the European Parliament since early 2017 and sections of it are hotly debated. The vote in the responsible judiciary committee is currently scheduled for the beginning of 2018.

59% OF ONLINE AD SPENDING MOBILE

In 2018, 59 percent of internet advertising spending will be for mobile devices.



After a two-year transition phase, the General Data Protection Regulation (GDPR) established in 2016 is finally set to take effect in May 2018. The GDPR will create a harmonized and significantly higher standard for data protection in all member states of the European Union. Many companies across Europe currently have to work on implementing measures to comply with the new regulations that will come into effect in May. This represents a major challenge for every industry.

In early 2017, the Commission also presented the new ePrivacy Directive, to supplement the General Data Protection Regulation. The revised regulations in the ePrivacy Directive serve primarily to ensure the confidentiality of electronic communications and thereby better protect users. The Commission and Parliament would like to have the more restrictive ePrivacy Directive take effect simultaneously with the GDPR across Europe. According to the ePrivacy Directive, in the future data regarding user behavior can only be passed on to third parties with the customer's express approval. The opt-out principle applied previously, which allowed data to be used for a legitimate interest if the user had not actively decided against it. Critics of the ePrivacy Directive worry that European consumers will not be better protected in reality because dominant platforms would receive consent for data usage in contrast to other companies. This would specifically provide digital monopolies with an even greater competitive advantage over the European digital

economy, particularly in the area of online advertising. Once the Council of Ministers has declared its position, the three-way negotiations between the Council, Parliament and Commission can begin and ultimately end in agreement on a finalized text. Germany has not yet taken an official position.

At the national level, the ninth amendment to the Act against Restraints of Competition (Ninth Amendment to the ARC) came into effect in June 2017. With this development shortly before the parliamentary election in September 2017, the federal government honored the promise it made to the German publishing industry in the last coalition agreement. The law aims to facilitate business collaboration between publishers in business activities below the editorial level, for example in the marketing of advertising space. The publishing industry is currently in a phase of exploring future collaborations.

Advertising market

The shift to mobile devices is reality

The global advertising market is growing continuously along with increasing media use around the world. ZenithOptimedia predicted in its advertising expenditure forecasts a 4.2 percent rise in advertising spending to US\$559 billion by the end of 2017. The digital transformation and tech-

nologization of advertising continue to be both the greatest growth drivers and the biggest challenges for the global advertising industry.

The ongoing rapid spread of mobile devices has changed consumer media habits worldwide and increased media usage overall. Now, however, this development is slowing down because mobile market penetration has reached 80 to 90 percent in the most developed markets. According to ZenithOptimedia's media consumption forecasts, mobile internet usage only grew by about 17 percent in 2017 compared to 25 percent in the previous year. Total media consumption also remained at the 2016 level with an increase of around 3 percent. The shift to mobile devices has arrived.

The mobile trend is also driving spending for online advertising: ZenithOptimedia predicted in its mobile advertising forecasts that 53 percent of all investments in online ads in 2017 will be spent on ads for mobile devices – mobile is passing the desktop. In 2018, 59 percent of internet advertising spending will be for mobile devices.

With online advertising, a large portion of the revenue still flows through search and social media to the dominant players, Google and Facebook, the two largest media companies in the world in 2017, based on advertising sales. ZenithOptimedia predicts that search engine advertising will grow 9 percent per year until 2019. However, social



78^{BILLION} IN GROSS SALES

Online and mail-order commerce (including services) achieved over €78 billion in gross sales.

media in particular benefits from the shift to mobile devices – and has the greatest growth potential here with user-oriented advertising formats. Why? Because: Many consumers use their mobile devices to access social networks and advertising forms adapt seamlessly to mobile app newsfeeds. Online video also benefits from mobile media consumption – and is growing by 16 percent a year while traditional banner advertising is growing by only a very small percentage.

Automation: Data is currency

Programmatic advertising is playing a key role in the rapid technologization of advertising for the growth of global advertising markets. It encompasses automated purchasing of ad space as well as automated delivery of target-group-oriented ads. Per the programmatic marketing forecasts published by ZenithOptimedia, programmatic advertising rose by 31 percent in 2017. Thus, it grew faster than social media and online video, both of which will also be handled programmatically to an ever-greater extent in the future. Spending for programmatic advertising already comprised 58 percent of spending for display advertising in 2017. 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.

The advertising industry's goal is to reach consumers through communication formats and appeal to them with a personal touch. The growing number of channels, devices, content and usage situations will make this increasingly complex and difficult. User data is the key prerequisite for automated bookings and customized formats. Consequently, companies that have the most precise and greatest amount of consumer data and that make this data accessible through advertising technologies will dominate advertising markets over the long term. Today, Google, Facebook and Amazon are already market-leading companies that use data as currency. The new ePrivacy Directive planned by the EU Commission could reveal this imbalance (see "The media industry"). This directive will therefore be the greatest challenge facing the global, and especially the European digital advertising industry in 2018.

Social and native

Social networks are becoming increasingly important as mobile internet use grows. According to ZenithOptimedia, advertising spending for social media will increase by 20 percent a year on average until 2019. Facebook, Twitter and Instagram profit the most from this boom (Esome Advertising's Social Media Price Index).

While social media advertising is growing within the total market, the display market is being obstructed by in-

creasingly common ad blocking, which poses a major challenge for refinancing professionally produced journalistic content. For that reason, 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 2017 as well – by 10.9 percent. As a result, one out of every eight euros of total retail sales revenue came from internet sales. Online and mail-order commerce (including services) achieved over €78 billion in gross sales.

According to a study on the 2017 e-commerce market in Germany that ranked the top-earning online retailers in Germany, Amazon was again the clear first place winner. The US retail giant generated more than 53 percent of Germany's e-commerce sales in 2017. In a current PwC study, 45 percent of those surveyed stated that they start product searches on Amazon and more than 48 percent research prices there. During 2017, around 40.4 percent of the German-speaking population age 14 and older ordered something from Amazon in the last 12 months.

In fiscal year 2017, e-commerce earned stable revenues in the traditionally strong product groups such as clothing (€11.76 billion), electronics and telecommunications (€9.88 billion), computers, accessories, games and software (approx. €4.45 billion), shoes (€3.84 billion) and in the overall area of furniture, lighting and decor (€3.76 billion). As before, these areas are among the most lucrative. However, other product segments such as groceries also showed significant rates of growth. This area posted revenue growth of 21.3 percent.

Business development

National Digital Brands

In the National Digital Brands division, Burda brings together the Group's key internet activities in Germany. 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 and commerce services. Digital activities also include more than 30 direct and indirect participating interests in radio and television broadcasters.

In 2017, the National Digital Brands division generated €1,402.8 million in sales, and thus 52.5 percent of total corporate revenue (2016: €1,180.1 million and 52.3 percent). Thus, actual growth exceeded what was forecast in the previous year. *BurdaTech*, XING SE and HolidayCheck Group AG enjoyed particularly strong growth during the reporting year.

The foundation for continued positive business growth – and especially revenue growth – was laid with targeted investments in growth areas and the development of proprietary technologies.

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

BurdaDirect

BurdaDirect is one of the leading companies for cross-media performance in subscription services, customer relationship management and e-commerce. It combines marketing, sales and technology into a full-service provider and supports its customers through innovative sales and cross-media multichannel marketing for online and offline business models.

The core business of *BurdaDirect* is divided into two areas:

The first area is consumer products. The focus is on marketing high-quality B2C products with repeated demand such as distribution of magazines by *Neue Verlagsgesellschaft*, tour operator *Daydreams*, *Silkes Weinkeller* and *Valentins*.

The second area focuses on consumer products services (publishing services) and on B2B services for optimizing marketing and sales processes – such as *Direct Interactive*, a full-service agency for performance marketing, and *Paketplus*, the leading network for advertising inserts in Germany.

34 MILLION PEOPLE

BurdaForward reaches more than 34 million people in Germany per month, and thus one out of every two German internet users (AGOF daily digital facts, single month, November 2017).

BurdaDirect is looking back on a successful 2017, having achieved a slight rise in sales revenue – adjusted to reflect disposals from the consolidation group. In addition, it continued its focus on its portfolio over the past year. In keeping with this strategy, *BurdaDirect* sold its shares in Debitor Inkasso GmbH in Q4 2017.

BurdaForward

The digital publishing house *BurdaForward* publishes and markets a large selection of journalistic offerings such as *Focus Online*, *Chip*, *HuffPost*, *Finanzen100*, *NetMoms* and *The Weather Channel*. In this way, the company reaches more than 34 million people in Germany per month, and thus one out of every two German internet users (AGOF daily digital facts, single month, November 2017). Most *BurdaForward* portals are considered leaders in their sectors.

More than 500 journalists, editors, developers, digital analysts, communication experts, and digital strategists work at the locations in Munich, Cologne, Frankfurt, Düsseldorf, Hamburg and Berlin. Together they direct their attention every day to the needs of their users, lending their support to people in Germany with relevant information and constructive solutions for their everyday issues.

All of the portals are marketed by one marketing unit, which includes *TV Spielfilm*, *Xing* and *HolidayCheck* in its

portfolio of customers. *BurdaForward* is therefore one of the leading digital marketers in Germany (AGOF digital facts 2017-11) and considers itself a pioneer in video and native advertising.

In 2017, in a market environment that continued to decline (ma 2017 Pressemedien I), the print segment was able to maintain profitability with *Chip* magazine, special issues on technology and several publications on photography, and was also able to generate a slight growth in sales through new revenue sources such as its test certificate business.

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 brand products in the areas of connected products and IT at www.cyberport.de. By linking the online shop with a total of 14 brick-and-mortar sales locations (2016: 15 physical stores), *Cyberport* has become a multi-channel company. The closing of one physical store was due to the landlord. Despite competitive pressure, which remains high, and stagnating markets, the company was able to achieve strong growth. In order to continue

strengthening *Cyberport*, Burda is investing in a central IT unit in Munich where e-commerce technology and processes will be developed. In August 2017, *Cyberport* acquired ink and toner specialist *HQ-Patronen*, thereby complementing its core IT business, strengthening its consumer and service products unit and further promoting company growth as a whole. With revenue growth at 18 percent, *Cyberport* is currently seeing stronger growth than the IT and CE industries and is gaining market share. *computeruniverse GmbH* is a commercial enterprise that also operates throughout Europe. Its online shop at www.computeruniverse.net includes more than 100,000 hardware, software, entertainment, and household electronics items. *Computeruniverse* also saw its sales revenues grow in 2017.

DLD Media

Hubert Burda Media has been operating the internationally renowned conference and innovation platform DLD Media since 2005. In 2017, DLD Media increased its activities and, in addition to the DLD conferences in Munich, New York City, Brussels and Tel Aviv, also held a day-and-a-half-long DLD conference in Berlin for the first time. In addition, DLD Media launched a new series of conferences at German universities under the heading *DLD Campus* in 2017. The kickoff event was held at University of Bayreuth in June 2017. *DLD Salons* also took place in London, New York City and San Francisco.

HolidayCheck Group AG

HolidayCheck Group AG is one of the leading European digital companies for vacationers. The group has approximately 450 employees and brings together under its roof HolidayCheck AG, which operates the hotel rating and travel booking portals of that name and Driveboo AG as the car rental portal *MietwagenCheck* for the German-speaking market. The Benelux market is covered by WebAssets B.V., which operates the *Zoover* hotel rating portal and the *Meteovista-/Weeronline* weather portals. HolidayCheck AG, the largest operating unit in the group, runs its own TÜV-certified online travel agency and works with all well-known tour operators. *HolidayCheck* offers one-stop shopping, from the initial research to making travel reservations. *HolidayCheck.de* is the largest German-language online opinion portal for travel and vacations (AGOF digital facts 2017-8).

Fiscal year 2017 was characterized by investments focused on further development of existing products and platforms in the key areas of package tours and hotel-only bookings, as well as investments focused on expansion into adjacent markets such as cruise bookings. In addition, the successful growth area of personalized vacationer advising was further expanded as well.

HolidayCheck AG launched a new marketing campaign in June 2017 with the slogan: "Buch Dein Ding." ("Book Your

Thing."). Increased investments were also made in order to establish this brand position.

With the help of the measures mentioned above, the company achieved sustainable and accelerated revenue growth over the medium-term with a disproportionately low increase in marketing and personnel expenses.

The HolidayCheck Group achieved overall revenue growth of around 13.3 percent in 2017. 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.

Jameda

Founded in 2007, the company operates *Jameda.de*, Germany's largest doctor recommendation portal and is also the market leader for online doctor appointments. Every month, more than 6 million patients find a suitable doctor on the *Jameda* portal and, with many doctors, can make a doctor appointment right away. Around 2 million online doctor reviews by other patients, as well as many filter options, help patients in their search. Doctors can use

Jameda to present their practice and offer information about their range of services. After the acquisition of *Patientus*, the leading online video consultation provider, on 31 December 2016 and its integration in 2017, *Jameda* was able to further expand its eHealth services offering. Now patients also have the opportunity to schedule online video consultations directly in *Jameda*. To continue building its market leadership in online searches for doctors and appointment scheduling, as well as its associated position as the leading digital facilitator between doctors and patients, *Jameda* began 2018 with a new search engine for doctors. Based on a cutting-edge new technology, it can sort through the huge volume of reviews and other information regarding the symptoms and treatments that users have searched for. That will make it even easier for patients to find the right doctor for their concerns. In addition, *Jameda* is working on many more product innovations that will enable doctors to integrate the online appointment solution more closely with their everyday medical practice.

In February 2018, Germany's Federal Court of Justice ruled in favor of a doctor who wanted to be deleted from *Jameda*. As a result, the company immediately removed the ad format that was the subject of the lawsuit, for the purpose of continued lawful and full listing of doctors. As a result, patients can still find every doctor on *Jameda*. With that ruling, the federal judges once again confirmed that storing personal data together with a review of doctors



OVER
13.4 MILLION
MEMBERS

In 2017, over 13.4 million members in the Germany-Austria-Switzerland region used *Xing*, the internet platform for business, job and career (2016: 11.4 million members).

by patients is fundamentally permissible, and concedes the high importance of the information needs of the general public.

XING SE

Burda has held a controlling interest in *Xing*, Germany's largest professional online network, since 2012. Over 13.4 million members in the Germany-Austria-Switzerland region used this internet platform in 2017 for business, job and career (2016: 11.4 million members), and more than 994,000 of these are paying users of the premium option (2016: 929,000 premium customers). In addition, *Xing* is involved with B2B e-recruiting. This segment discloses the sales revenues from products and services that *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, passive recruiting, and recommendation management. In addition, it also includes the *Xing* job market with the new function, *Xing Jobbox*. Members have access to an intelligent overview list that combines job postings from a variety of sources. 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 SE was able to achieve significant growth in every area in fiscal year 2017 and, as per the company's own reporting in accordance with IFRS, was able to increase total revenues (up 26 percent to €187.8 million, 2016: €148.5 million), EBITDA (up 22 percent to €58.4 million, 2016: €47.9 million) as well as annual net profit (up 10 percent to €25.9 million, 2016: €23.6 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.

To boost its software development capacity, XING SE opened a new location in Porto, Portugal in October 2017. *Xing* already has another development location outside of the German-speaking region in Barcelona, Spain. More than 50 employees have been working here since 2011, successfully developing digital e-recruiting products.

Xing elevated its engagement in the area of new work to a new level in March 2017 with the "New Work Experience" event. A good 900 people from business, politics and academia came together for the sold-out event at Berlin's Westhafen Event & Convention Center. Attendees experienced more than 80 speakers and 40 hours of scheduled programs on eight stages, all on the topic of New Work.

Risks for this division

Digital business activities are competing with huge 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, e-commerce companies in particular are vulnerable to a high risk of a weakening market position and corresponding loss of value. Moreover, the digital business models are facing major challenges due to changing legal foundations at the national and European levels, such as the EU's General Data Protection Regulation and the ePrivacy Directive, which could necessitate adjustments of the business models. Hubert Burda Media therefore selects its investments in the digital business sector after considering these risks very carefully and is also continually expanding its own technological expertise in an effort to identify changes in the affected markets very early on and develop new business models. For the rest, digital activities are widely distributed among very different business areas, with the result that concentration risks are avoided.

Strategy

In 2017, the digital marketplace continued to grow very dynamically. Expanding internet penetration and use in



73.9% OF THE GERMAN POPULATION

In 2017, the five publishing groups reached 51.8 million people (2016: 50.0 million), or 73.9 percent of the German population age 14 and up (source: ma 2017 II).

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.

The Burda Group's internet businesses are pursuing the strategic goal of continued growth of their competitive position under stiffer competitive conditions. For example, the companies *Cyberport* and *Jameda* were purposefully strengthened through strategic acquisitions (*HQ-Patronen* and *Patientus*).

All digital publishing offerings showed rising user numbers. Because of its clear platform strategy in the holistically treated "work life" segment, *Xing* grew significantly in 2017 in terms of user numbers and sales, and should increase its share of the market and gain additional members in 2018 as well.

All digital brands must rise to the challenge posed by the 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 native advertising, and will expand transactional business in order to reduce their dependence on traditional advertising sales.

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. The 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. The strategic goal is to acquire other e-commerce companies with potential and use the above-mentioned expertise to help these companies grow and increase their market share.

Forecast

It is expected that the described market development (extremely dynamic growth in digital business fields, shift to mobile devices, dominance of global players, excellent growth opportunities for platforms) will continue in 2018. 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 2018.

For that reason, the National Digital Brands division anticipates a continued moderate growth rate for 2018.

National Media Brands

The National Media Brands division encompasses the Burda Group's national publishing business including all of its print and digital activities: *BurdaNews*, *BurdaStyle*, *BurdaLife*, *BurdaHome* and *Blue Ocean Entertainment AG*, a children's magazine publisher. In 2017, the five publishing groups published a total of 147 regularly appearing publications (2016: 142), that reached 51.8 million people (2016: 50.0 million), or 73.9 percent of the German population age 14 and up (source: ma 2017 II).

Burda Magazine Holding handles the operational management of the National Media Brands division, which includes publishing-related services such as Burda's own Repro *Pixel4Media* and the in-house licensing agency *Brand Licensing* along with traditional holding responsibilities. Other businesses that belong to the National Media Brands division include *BurdaStudios*, which specializes in the production, publication and marketing of TV productions and digital platforms, the central advertising marketer *BCN*, the content marketing company *C3*, the market research institute *Media Market Insights (MMI)* and *StarnetOne*, which specializes in the production, creation and marketing of media events like *Bambi*, Europe's most important media prize. *Moderner Zeitschriften Vertrieb (MZV)* handles magazine distribution for Burda in Germany.

The National Media Brands division traditionally earns income from the two revenue sources, advertising and sales. Due to digitalization, the media market has undergone major structural changes over the last two decades, with the result that these two traditional revenue pillars have also declined at Burda, albeit to different degrees.

The advertising market in particular has shifted fundamentally toward digital media offerings in recent years. According to the Nielsen gross advertising market analysis, the German advertising market grew by 1.9 percent in 2017, to €31.9 billion (Source: Nielsen). The advertising market for popular magazines continued to decline slightly, however, ending 2017 with a slight 1.6 percent drop in gross advertising revenue to €3.4 billion (source: Nielsen). In contrast, digital advertising revenues increased, but even today this growth primarily benefited the US duopoly, Google and Facebook. In 2020, these two companies will dominate up to 70 percent of Germany's digital advertising market (Source: Schickler Media Index). Burda remained the market leader among German publishers in 2017 with gross advertising revenue totaling €389.1 million (2016: €399.4 million) and a market share of 15.1 percent (2016: 15.2 percent) (source: Nielsen, each figure excludes media advertising).

The sales market is currently the most important revenue pillar for the National Media Brands division. In 2017, a to-

tal of about 1.54 billion magazines were sold in Germany (2016: 1.71 billion; source: Presse Grosso). Sales revenues from wholesale sales at net invoice pricing to retail businesses in 2017 were €1.96 billion (2016: €2.09 billion; source: Grossoverband Wholesalers' Association). With a total of 255 million copies sold (2016: 276 million) representing an 8 percent decline, publications from Hubert Burda Media are seeing more stable development than the market as a whole (source: IVW).

The National Media Brands division continued to pursue two strategic focuses in 2017: growth and transformation. The division has continued to follow the missions formulated in the "GROW!" transformation program launched back in 2014: pursuing innovative and excellent growth of the core business, expanding digital media offerings and revenue models, and obtaining sustainable alternative revenue streams. The new business will be developed with journalistic brands and content belonging to the National Media Brands and will gradually achieve independence from the advertising market.

Thanks to the ongoing successful management of the transformation program in 2017, the division as a whole has grown for the second year in a row. Sales revenues in fiscal year 2017 amounted to €670.4 million, about 1.5 percent above last year's figures and hence a slight increase, as predicted in the previous year. For the first time in 2017, revenue from alternative revenue streams was higher than

revenue from print advertising, making it the second-most important revenue pillar after sales revenue.

The digital dimension was also expanded significantly in 2017. The total reach of all digital platforms in this division rose in the last fiscal year by 8.5 percent to 1.4 billion cumulative visits (source: IVW); among unique users, in 2017 the division posted growth of 28 percent to 21.22 million (source: AGOF, crossmedia). The "Burda Women Hub" comprised of *Bunte.de*, *Freundin.de*, *Elle.de*, *Instyle.de* and *Harpersbazaar.de* increased its reach to 542 million visits (source: IVW) and 11.1 million unique users (source: AGOF, crossmedia), which represents an increase of 20.9 percent and 19.5 percent respectively. Thus, the division succeeded in transferring the brands' great strength in the female target group from analog to digital. The National Media Brands currently have more than 10.6 million fans and followers in social networks.

BurdaLife

BurdaLife's print and digital media portfolio focuses on general interest media and is distinguished by special expertise in targeting the 50+ age group and great expertise on health topics. The Health Agency, a central editorial unit for medicine & health, the innovative *MyLife.de* health portal, *Ma Vie – Gesund leben* magazine and the "Health Lab by Burda" industry event represent *BurdaLife's* extensive

expertise in this area. *BurdaLife* publishes many magazines in the entertainment and women's interest segments, most of which appear weekly. With just the eight magazines currently listed in the media analysis, *BurdaLife* achieves a total reach of around 8.2 million readers (ma II/2017; 2016: around 8.5 million readers, ma II/2016). The portfolio includes *Freizeit Revue*, the number one magazine in the field of entertaining weekly magazines for women (IVW IV/2017), *Super Illu*, the most-read newsstand magazine in the former East German states (ma II/2017), *Lust auf mehr*, *Freizeit Spass*, *Lisa* and *Frau im Trend*. The *Guter Rat* business magazine is a source of information for consumers covering finance, health, retirement planning, technology, leisure time, and law. In addition, the media group puts out around a dozen periodical puzzle magazines as well as digital puzzle offerings, under the *Freizeit Revue* brand, among others. Numerous special publications also appear under *BurdaLife*'s successful brand names: for example, special travel editions of *Super Illu* and the special edition, *Freizeit Revue Advent*. In 2017, new special publications included a special Easter edition of *Freizeit Revue*, *Freizeit Revue*'s periodical puzzle magazine, *Mein Lieblingsrätsel*, and a special advent publication under the *Lisa* brand. *Super Illu* also gives out Germany's largest audience award, the *Goldene Henne*, in a joint production with mdr and rbb television. Again in 2017, the *BurdaLife* media group worked continually on new media products and business models, expanded its expertise on many different levels and, in collaboration with *BurdaHome*, interlinked its

editorial structures and other things in an innovative way using a "connected workflow" in order to produce the highest quality content for the *BurdaLife* media brands.

BurdaHome

BurdaHome is the national publishing group of Hubert Burda Media with expertise in matters of special interest. It publishes more than 25 media brands in the food, living, gardening and country living segments with a total reach of more than 7.2 million readers (ma II/2017; 2016: around 6.7 million readers, ma II/2016). In the food segment, *BurdaHome* is the print market leader in regard to the number of copies sold (IVW IV/2017). Its media portfolio includes Germany's first food and enjoyment magazine, *Meine Familie & ich* (since 1966), *Lust auf Genuss*, *Slowly Veggie*, *Sweet Dreams*, and the recipe platform *Daskochrezept.de*. On the marketing side, the broad-coverage "First in Food" premium network was launched in 2017, and is gradually being expanded. *BurdaHome* also owns 100 percent of *Stockfood*, a subsidiary that is one of Germany's largest photo agencies and one of the world's leading marketers in the area of food photography. *Stockfood* in turn owns the lifestyle specialist agency living4media; seasons.agency, an agency that focuses on beauty photography; science-photo-Agentur, a photo agency specializing in medicine and science; and friedrichstrauss.de, a garden photo agency. *BurdaHome* is the market leader in the gardening segment, in regard to

copies (IVW IV/2017) and reach (ma II/2017), with publications that include the premium brands *Mein schöner Garten*, *Gartenspass* and *Lisa Blumen & Pflanzen*. *Mein schöner Garten* is also number one in the digital arena and increased its reach in 2017 over the previous year by nearly one million unique users to 2.42 million (AGOF digital facts 2017-03). In 2017, the "Garden" brand group also successfully pushed ahead with the expansion of merchandising/3rd revenue in the e-commerce segment, among others. In the country living segment, the *Mein schönes Land* family has developed successfully and currently contains a total of six periodical magazines as well as various special publications. *BurdaHome* sets the standard with magazines in the living segment as well, with a broad portfolio that includes the market leader in circulation *Wohnen & Garten* (IVW IV/2017), as well as *Lisa Wohnen & Dekorieren*, *Das Haus* and a new publication from 2017, *Hund im Glück*. 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 focus on a 360° brand experience for consumers. These include appealing influencer, customer and industry events (e.g., Bake Days, Plaza Culinaria, Menschen & Märkte).

BurdaStyle

BurdaStyle is Germany's largest media company in the areas of lifestyle, fashion, beauty and entertainment, and reaches

8.36 million readers per month (ma 2017 II; ma 2016 II: 7.79 million). With the luxury brands *Elle*, *Elle Decoration*, *InStyle*, and *Harper's Bazaar*, as well as the premium brands *Bunte* and *Freundin*, the portfolio includes offerings for the various life phases of mainly female consumers. *Donna* was also part of the premium brands portfolio up to November 30, 2017. The sale of *Donna* magazine to the Funke Media Group took effect on that date. 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* and the *InStyle Lounge* at Berlin Fashion Week.

The *Bunte*, *Freundin* und *Elle* brands in particular enjoyed positive sales growth in 2017. With 140,433 copies sold (IVW III/2017), *Elle* continues to position itself as the market leader in the high-end segment. Especially in the "hard currency" area (retail sales and subscriptions), luxury publications achieved slight growth over the same quarter in the previous year: *Elle* went up by 6 percent, *Elle Decoration* by 7.4 percent and *Harper's Bazaar* by 4.6 percent (IVW III/2017). *Bunte* saw a minor decline. It sells almost half a million copies every week (479,386; IVW III/2017; 2016: 501,812; IVW III/2016) and therefore continues to be the undisputed leader in the people segment. *Freundin* enjoyed a 13.2 percent rise in retail sales compared to the previous year (90,722; IVW III/2017; 2016: 80,152 III/2016).

In 2017, *BurdaStyle* invested in new business projects like *Bunte Beauty Days* in addition to continuing its special pub-

lications *Bunte Gesundheit*, *Elle Hochzeit*, *Freundin Detox* and *Freundin Wellfit*. The beauty forum was held on October 28-29 and targeted end consumers. Planning for continuing the project in 2018 is already underway.

BurdaNews

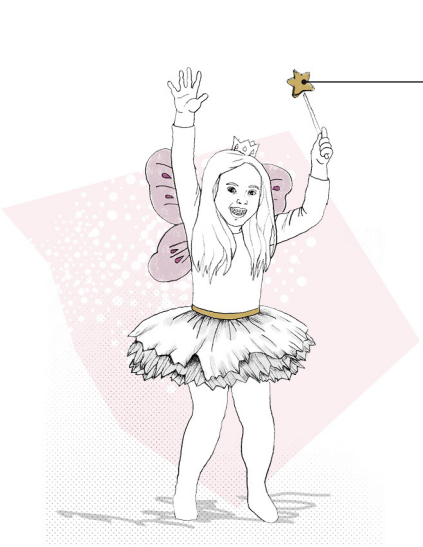
BurdaNews is a provider of print and digital media offerings that are primarily directed at male target groups. As an integrated media business, *BurdaNews* prepares journalistic content in various media formats and organizes business models around these formats. Based on its strong print brands, *BurdaNews* succeeded in further developing mobile and digital products in 2017 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 13.08 million people (ma 2017 II, total net reach; 2016: 12.3 million). With its digital offerings, *BurdaNews* reached 10.9 million online users (AGOF digital facts 2017-10), a significant increase over the previous year.

The newsmagazine *Focus*, with a drop of 11.3 percent in the number of copies sold, showed stable circulation in comparison to the market; the number of sold copies fell from 480,339 to 425,891 copies per week (IVW IV/2016;

IVW IV/2017). The digital component of its circulation grew on the other hand by about 18 percent, from 29,569 to 34,972 copies (ibid.). The business and finance magazine *Focus-Money* delivered convincing results by increasing subscriptions by 6.3 percent (ibid.). And *Focus* has succeeded in its transformation as shown by the *Focus* group's changing revenue structure: About 25 percent of earnings already come from new revenue streams. In addition, the newsmagazine's editorial structure was modernized at the beginning of the year, with editing activities no longer distributed across several locations. Since then, *Focus* has been produced entirely in the German capital.

The digital offerings available through *TV Spielfilm* are clear market leaders in their segment (AGOF digital facts 2017-10). With the live streaming offered by *TV Spielfilm*, consumers can play more than 80 TV channels on their digital devices – at home on the big screen and any time on the go. What's more, the product is being continuously refined. The restart function available since this year enables users to decide for themselves when a TV program should begin: A currently running show can be watched from the beginning and paused at any time. In addition, *TV Spielfilm* is moving further into the conversational interfaces market and, in collaboration with Amazon and Google, is making its content searchable by voice command. *TV Spielfilm live* also partnered with Telekom back in June. Since that time, users have been able to watch unlimited TV with the StreamOn function. *TV Spielfilm*



11.54 MILLION COPIES SOLD

By optimizing its portfolio through targeted adjustments, *Blue Ocean Entertainment* increased its total sales from 10.75 million copies sold (2016) to 11.54 million (2017, based on magazines tracked by IVW).

generates advertising income with a freemium model (some services are free, others are fee-based), with subscription income coming through the premium model in addition. By year's end, the offering had well over two million registered users. Via printed and digital offerings, the media brand now reaches 13.45 million consumers (b4p 2017; 2016: 13.08 million, b4p 2016).

New business and revenue sources beyond the traditional revenue sources of advertising marketing and sales are systematically initiated by The Enabling Company GmbH. The participating interest in Vicampo was increased this year to over 30 percent. In addition, Burda underscored the partnership with Roast Market, an online platform offering German and international coffees as well as accessories, with a direct participation.

Numerous other cooperation approaches and new forms of revenue were implemented in 2017. In the meantime, *Fit for Fun* now has more than 20 active licensing partners, through whom about 300 products are sold – in such areas as food, sports equipment and entertainment. The website for the fitness and lifestyle brand was completely revamped and has opened up new marketing opportunities since then. In cooperation with the TV broadcaster Sky, *Cinema* offered a series special for the fourth time. Other specials were brought to the market in collaboration with Amazon and Fox. *Playboy* was able to run counter to the market trend and increase its subscriptions for

the eighth time in a row – from around 39,053 to 39,539 (IVW IV/2016; IVW IV/2017) – and is far ahead of the competition in terms of copies sold (subscription and retail). The men's magazine celebrated its 45th anniversary in Germany in 2017.

Blue Ocean Entertainment AG

Since 2014, Burda has been the majority shareholder of the Stuttgart children's magazine publisher Blue Ocean Entertainment AG, with a participating interest that has meanwhile risen to over 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 2017, *Blue Ocean Entertainment* published 60 regularly appearing magazines and 55 special publications (2016: 57 regular and 42 special publications). By optimizing its portfolio through targeted adjustments, *Blue Ocean Entertainment* increased its total sales from 10.75 million copies sold (2016) to 11.54 million (2017) (based on magazines tracked by IVW: IVW I-IV/2017: 25 tracked publications; I-IV/2016: 25 tracked publications). *Blue Ocean Entertainment* is also steadily expanding its digital portfolio: The company developed two new game apps and five e-books in 2017. All in all, *Blue Ocean's* digital portfolio consisted of 12 game apps and 21 e-books, which were

downloaded approximately 520,000 times in 2017. International business has also developed into another key pillar for the company. *Blue Ocean* acts as a link between licensors and currently 24 partner publishers in 21 countries, including France, Poland, Russia, the Netherlands, Italy, Spain, Czech Republic and the UK. In this way, the company is utilizing content created for Germany for more than 800 magazine issues in other countries. In fiscal year 2017, the company was able to sell a total of 3.99 million copies from this magazine portfolio in countries outside of Germany, Austria and Switzerland (2016: 837,000).

Brand Licensing

Brand Licensing by Burda is the group's in-house licensing agency for developing and implementing innovative licensed products and cooperative commercial agreements for the brand products. In addition to marketing Hubert Burda Media's national media brands, in the past fiscal year for the first time ever, this business unit received the marketing contract for external media brands such as the business magazine "manager magazin" of Hamburg's Spiegel Verlag and the licensing business for the *Elle* brand in German-language markets.

In keeping with the conceptual requirements for a full-service agency, *Brand Licensing* has the organizational and staff expertise to bring brands with individual concepts

into contact with consumers and thereby tap into new revenue sources. Working together with partners from various industries including entertainment, fashion and food, brand experiences are created and licensed products are launched in the market. These licensed products are individually highlighted in Burda's magazine brands with a broad reach and also in appropriate media of external clients.

In fiscal year 2017, *Brand Licensing* had entered into more than 90 licensing agreements and was once again able to increase revenue and results. In addition to the strategically important expansion of retail partnerships, for example with Rewe in the food retail market and LIDL in the discount segment, the development of maximally integrated product landscapes was successfully expanded with the launch of furniture as part of the existing *Freundin Home Collection*, among other things. Building on the positive results of previous years, *Brand Licensing* secured the marketing mandate for the fourth time in a row for Germany's most successful magician duo, the Ehrlich Brothers, which Burda's media brands had successfully built up in the past. Taking advantage of the broad multimedia coverage and in-house digital sales channels, in 2017 all the unit managed – in close collaboration with various Burda Media Group brands – to successfully sell mobile phone contracts with Telefonica once again, as well as pine trees through *Mein schöner Garten* for the first time.

BurdaStudios

BurdaStudios specializes in producing and publishing digital content and is responsible for journalistic content and publishing revenue models outside of magazines. This includes, among other things, Digital Publishing, such as the *Bunte.de* entertainment brand, which repositioned itself even more broadly with additional content categories (beauty, family, fitness and fashion) and in that way was able to continually increase its reach (8.10 million unique users, AGOF digital facts 2017-09, 2016: 6.56 million, AGOF digital facts 2016-09). Since November 2017, *Bunte.de* is one of just five German-language offerings that now reaches a greater public audience with new journalistic content on Snapchat.

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* and the *Video-Factory* production unit.

BurdaStudios is using the growing possibilities for marketing video and moving images on digital channels and is developing these strategically important revenue areas. *Focus TV* expanded its productions at RTL2 in 2017. Airtime doubled for the weekly motor magazine, "GRIP," and the successful format, "Mein neuer Alter," had its number of episodes per series increased from 12 to 24. In the

Branded Entertainment unit, the company handled its first project for the automotive industry and produced a 14-part series, "Mazda Garage," with its own YouTube channel.

C3

C3 strengthened its leading position in the European content marketing market in 2017 and secured its position as one of the largest content marketing networks in the world, even though the initially planned revenue growth was not fully achieved. Hubert Burda Media has been the majority shareholder in C3 since the beginning of 2017: The media company increased its shareholding in the agency group from 50 to 85 percent in February 2017. Since September 2017, C3 has been run by a management team rather than the founders themselves. C3 was the result of the merger of KircherBurkhardt GmbH and BurdaCreative at the end of 2014. The digital editorial agency wunder media production and the digital and social media agency rethink are also part of the agency group. With the 100 percent acquisition of the London-based content marketing agency Seven Publishing in 2016, C3 positioned itself as an international player. Then came a partnership with the Latin American agency EME and the acquisition of leading Slovenian agency PM, poslovni mediji. In addition, there was a cooperative agreement with meredith xcelerated marketing (MXM), the leading content marketing agency in the USA, and an-

other with Edge in Australia. The company will align its structures in 2018 and focus more fully on digital business areas to be able to take better advantage of existing market opportunities. C3 employs over 650 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 2017, Burda's market share was 15.1 percent in an overall slightly declining popular magazine market (2016: 15.2 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." Furthermore, the portfolio includes all digital platforms of *BurdaStyle*, *BurdaLife*, *BurdaHome* and *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. *BCN* is supported in both fields by companies it founded. For example, since 2016 *BCN*'s entire after-sales

segment (in particular: order management, disposition, magazine structure management and development of ad specials) has been brought together in AdTech Factory GmbH & Co. KG. *BCN* joined forces with C3 in 2017 to found b.famous content studios, which develops customized campaigns for customers exclusively for the journalistic platforms and media offerings of Hubert Burda Media.

Media research

Media Market Insights (MMI) is the in-house research unit of Hubert Burda Media. *MMI* focuses on publishing brand, media and consumer research: The unit manages all of the research projects for all of Burda's brands and publishing units, including brand status surveys, cover and copy tests, and reader and employee surveys. In 2017, *MMI* also continued to promote seminal cooperation projects in Germany's media landscape. The fifth issue of the market media study "best for planning" (b4p) was published under the auspices of the Gesellschaft für integrierte Kommunikationsforschung, GfK, which is backed by Hubert Burda Media, Axel Springer, Bauer Media Group, Gruner + Jahr and FUNKE MEDIENGRUPPE. The "Optimism Index" developed by the coalition tracked Germans' expectations for the future for the first time. Furthermore, the fifth issue of b4p addressed the subject area of "touchpoints" for the first time, essentially about important information sources when purchasing selected products. With

the "b4p t.o.m. Pharma 2017," the GfK also delivered the fifth wave of the b4p pharma satellite studies. Since 2015, the GfK 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. The GfK designated the "Ads of the Year" for the first time in 2017. These print ads of the year are determined on the basis of b4t's creative tracking. In 2017, the GfK brought representatives of the brand, agency and media industries together again to exchange information with market partners at the "best4 – DAS PRINT-EVENT."

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 2017. MZV currently works with over 100 publishers and distributes more than 850 magazines. Along with a confident copy price policy, Burda advocates prominent positioning of top-selling brands, and is intensifying its POS marketing activities in retail sales. Burda sells 255 million magazines every year (source: IVW I-IV/2017), which amounts to a 17 percent share of the wholesale magazine market. The top 100 magazines in Germany generate around 50 percent of the total gross sales. Burda publishes around one quarter of those (23 magazines) (source: DNV 2/2018). With an average of 6.1 million copies sold per issue in retail



358 TITLES

Burda and its partner publishers published a total of 358 titles outside of Germany (2016: 313 titles) in 2017. With 338 titles (2016: 289 titles), Europe continues to be the most important region by far.

sales (source: IVW I-IV/2017; 2016: 6.4 million), Burda's sales remain stable. As part of the media alliance, Burda has advocated for establishing a new industry agreement with the Pressegrosso Industry Association to preserve an efficient, sustainable press distribution system for years to come.

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 progressively lower prices for advertising, 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 in the digital market. The risks described in section "National Digital Brands" – especially the dominant market position of the large US digital companies – are also relevant for the division's income models.

Strategy

The National Media Brands division is continuing the implementation of the transformation and growth program "GROW!" in fiscal year 2018, along with the program's

central strategic goals: placing consumers and their needs at the heart of the product and business model.

In fiscal year 2018, the National Media Brands division will also focus on modernizing publishing-related services, also in cooperation with other publishers.

Forecast

The structural challenges facing popular magazines remain large overall, 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 home environments of more than 51.8 million readers (source: ma 2017 II; 2016: 50.0 million). The measures that were defined and implemented as part of the "GROW!" transformation program will continue to have a positive impact on the sales revenues of this division. Alliances reaching across publishing houses at the central market interfaces will have a positive effect on profitability for the National Media Brands division.

The number of magazines published will likely remain constant in 2018, as will the number of digital products. The National Media Brands division expects sales to rise slightly in 2018 for the third year in a row.

International Media Brands

Hubert Burda Media concentrates its foreign publishing activities in the International Media Brands division. Important markets continue to be 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. The division operates in 20 countries (2016: 21 countries). Burda and its partner publishers published a total of 358 titles outside of Germany (2016: 313 titles) in 2017. With 338 titles (2016: 289 titles), Europe continues to be the most important region by far.

In 2017, external sales of the International Media Brands division totaled €454.9 million (2016: €272.3 million) and thus, as expected, were significantly higher than in the previous year. An anticipated increase due to the first-time inclusion of the *Immediate Media* Group in the amount of €223.9 million stands in contrast to a decline in sales revenues in the other Group businesses amounting to €39.5 million. When adjusted to reflect other changes in the consolidation group, a moderate decline of €24.7 million remains for these companies.

Burda reorganized its international publishing business at the end of 2017. Under the Management Board member responsible for international business, there are now four

independent subdivisions: *Immediate Media*, *Publishing Europe*, *Luxury Asia* and *Burda Education*.

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 magazines including *Radio Times* and BBC titles such as *Top Gear*, *Top of the Pops* and *CBeebies*. *Immediate Media* has experienced constant growth for the last several years both in the traditional print business and in the digital business, which is steadily growing due to, among other things, the wedding platform *Hitched.co.uk* and the crafting portal *Jewellerymaker.com*. The launch of the TV shopping channel *Sewing Quarter* (crafting segment) in January continued this course. The company combines market leadership in the magazine segments with strong digital growth and was able to increase the total reach of its print and online brands in 2017 by 1.79 percent. Burda's pre-existing magazine business in Great Britain, consisting of six publications that it owned prior to the acquisition, are also in this subdivision.

Strong, independent national subsidiaries in seven countries from France to Russia are continuing on their transformation course within the *Publishing Europe* subdivision. The primary focus here is on 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. In addition, several publishing companies also publish international titles such as *Elle*, *Glamour*, *Instyle*, *Marie Claire* and *Harper's Bazaar* under licensing agreements. The Publishing Europe subdivision also includes the *Burda Style* brand, with its crafting activities like sewing classes, craft fairs and e-learning offerings in the Nordic countries (*BurdaNordic*), on the Iberian Peninsula and through the joint venture with F+W in the US. The activities in Turkey, where Hubert Burda Media and the Dogan Media Group jointly manage the largest Turkish magazine group, Dogan-Burda, with 27 titles (previous year: 37 titles), also belong to this subdivision.

In the Asian markets (Thailand, Singapore, Hong Kong, Malaysia and India), the focus continues to be on the luxury segment, with brands such as *Prestige* and platforms like *Lifestyleasia.com*. This subdivision is now called *Luxury Asia*.

Hubert Burda Media's printing activities outside of Europe are bundled in the *Burda Education* subdivision, which includes a gravure printing facility in India. Burda Education serves the large market for school books and educational materials in developing and emerging nations. In 2017, it won new orders from countries including India, Ethiopia, Kenya and other African nations with a total volume of more than US\$4 million.

Risks for this division

BurdaInternational's business remains in a transition phase that is being shaped by three basic developments.

The persistent political instability in important markets like Russia, Ukraine, Turkey and Thailand leads to ongoing uncertainties, which impacts trends in exchange rates, sales and results. A general downturn in advertising business 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 continuing to optimize the business focus and structures.

Moreover, the division is consistently pursuing the restructuring with the acquisition of a strong business in Great Britain, the termination of business operations in the advertising marketing units in Italy and Switzerland, the initiated withdrawal from Kazakhstan and Taiwan, the merger and therefore reduction of numerous investments in Poland, the restructuring of the investment structure in Brazil and the ongoing cross-media reorganization of country-specific portfolios.

The portfolio in Great Britain is primarily local business with only minimal connections to the rest of Europe. The weakening British pound has only had a slight negative effect on Group results because the goodwill and hidden reserves, or their ongoing depreciation, are recorded in foreign currency. However, a negative effect on Group equity could emerge because some of the assets of the *Immediate Media* acquisition, which are recorded in GBP (British pounds), were financed in euros (currency translation risk). This translation risk can also result in sales revenues from *Immediate Media* remaining stable in the local currency but experiencing a decline in euros. The overall political and economic risks from the Brexit are estimated to be low.

Comprehensive restructuring in all operating units – especially the advertising departments, editorial offices and administrative areas – are resulting in efficient, scalable structures. This enables the company to cushion against future risks – and take consistent advantage of opportunities in recovery phases.

Strategy

The four newly created independent subdivisions within the International Media Brands division reflect the fundamental strategy of strengthening and expanding entrepreneurial thinking and action at every level. Autonomous in-

dependent country subsidiaries are also operated within these subdivisions.

The division will continue with its course towards strong, sustainable growth that was set with the acquisition of *Immediate Media* in Great Britain. At the same time, existing units, structures and portfolios will be continuously reviewed and adjusted. These actions include the initiated withdrawal from Kazakhstan and Taiwan, the merger of numerous investments in Poland and the restructuring of the investment structure in Brazil.

This establishes the foundation that enables entrepreneurial decision-making on innovations and developments in the print and digital portfolios within the individual subdivisions.

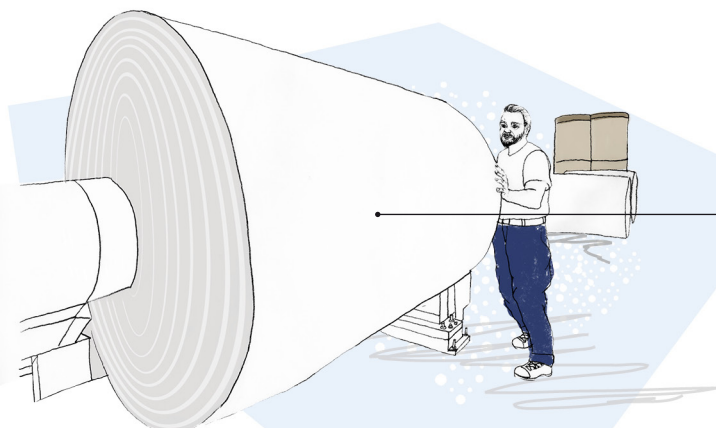
Forecast

The International Media Brands division anticipates stable revenues in an economic environment that continues to be challenging. A slight rise in revenue is expected in the *Burda Education* and *Immediate Media* subdivisions.

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 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 2017, external sales were €130.2 million (2016: €133.9 million). Revenues were slightly lower than predicted in the previous year, which is primarily the result of shifts in the order mix, resale of purchased paper or offset work steps. *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, cut-throat 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.



341,000

TONS OF
PAPER

Due to significant increase at one major customer, printed tonnage increased significantly from 328,000 tons in 2016 to 341,000 tons in 2017.

Details

Due to significant increase at one major customer, printed tonnage increased significantly from 328,000 tons in 2016 to 341,000 tons in 2017. As in previous years, the order mix shifted in 2017 from magazines to commercial orders (catalogs and advertising items). The percentage of Burda magazines in the total order volume continues to decline and is at about 20 percent. Price declines were compensated for in 2017 with cost savings and better capacity usage.

The joint-venture project to expand processing at the Nuremberg facility concluded in early 2017 with the production hall and the installation of the final two of the four total saddle-stitching systems. Since repro work cannot be done cost-effectively in Germany anymore, the company that performed all the pre-print work steps, Medienpartner International, ceased its business activities in June 2017. Burda Druck India now performs the traditional image processing; Burda Magazine Holding and the publishing houses have taken over responsibility for order and quality management for these activities.

Risks for this division

The change in the order mix has continued as expected. While the magazine and catalog business is declining, the

printed advertisement segment is stable and even growing in some areas. However, the intense, cutthroat competition has continued unabated in the overall shrinking market, causing ongoing price pressures. Hubert Burda Media is responding to this situation with stringent cost management and a focus on optimizing and automating production processes. A decline in capacity due to the loss of major orders can lead to insufficient coverage of fixed costs. In this case, a lasting decrease in capacity would be countered by adapting total capacity. Efforts to develop new business models in the area of customization and digital printing will continue.

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.

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.

On the demand side, the company continues to intensively examine whether to add other production processes – digital printing in particular – to supplement the gravure printing, which is currently the only type done by *BurdaDruck*.

Forecast

Demand in the European gravure printing market is still declining, so tough, cutthroat competition over prices will continue. Prices for both paper and ink are expected to rise significantly, while energy prices should decrease substantially compared to 2017.

While the acquisition of additional print orders largely balanced out price declines in 2017, printed tonnage is expected to see a moderate decline in 2018. Even massive cost savings will not be sufficient to compensate fully for revenue declines due to price and volume effects.

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

	2016		2017		Change
	in million €	in percent	in million €	in percent	Actual (in percent)
National Digital Brands	1,180.1	52.3	1,402.8	52.5	+18.9
National Media Brands	660.6	29.3	670.4	25.1	+1.5
International Media Brands	272.3	12.1	454.9	17.0	+67.1
Printing	133.9	5.9	130.2	4.9	-2.7
Other	8.8	0.4	13.5	0.5	+53.4
Sales revenues	2,255.7	100.0	2,671.8	100.0	+18.4

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 – increased by around 18.4 percent to €2,671.8 million (2016: €2,255.7 million).

The National Digital Brands, National Media Brands, and International Media Brands divisions achieved revenue growth as predicted in the previous year. While the increased revenues in the Digital division are due primarily to *BurdaTech* (*Computeruniverse* and *Cyberport*), XING SE and HolidayCheck Group AG, the slight positive overall trend in the National Media Brands division stems largely from growth in Blue Ocean Entertainment AG.

Sales revenues in the International Media Brands division rose sharply as expected. An increase due to the first-time inclusion of the *Immediate Media* Group at €223.9 million stands in contrast to a decline in sales revenues in the other Group businesses amounting to €39.5 million. When adjusted to reflect other changes in the consolidation group, a decline of €24.6 million remains for these companies.

Sales revenues in the Printing division fell short of the previous year's levels, contrary to what was forecast. Despite

a workload that was comparable to the previous year, there was a slight decline in sales revenues of about 2.7 percent.

Operating performance (aggregated unconsolidated sales revenues) increased by 14.6 percent to €3,234.3 million (2016: €2,821.7 million).

The consolidated balance sheet total increased by €307.8 million, to €1,873.6 million (2016: €1,565.8 million). On the assets side of the consolidated balance sheet, this rise is due largely to an increase in intangible fixed assets of €352.1 million, to €693.4 million (2016: €341.3 million). Most of this increase is due to the acquisition of the *Immediate Media* Group at the beginning of the year. The other fixed assets (tangible assets and financial assets) decreased by €46.5 million, to €425.7 million (2016: €472.2 million). This decline is largely attributable to the sale of fixed-asset securities. According to the fixed asset schedule, additions to fixed assets totaled €539.8 million (2016: €242.0 million). A large part of that is apportionable to the previously mentioned investments in the *Immediate Media* Group and in the investment portfolio of *BurdaPrincipal Investments*. Total investments affecting cash flow in 2017 were €336.3 million (2016: €204.1 million).

At €736.7 million, current assets are close to the level of the prior year (2016: €737.6 million). Of particular note here is the €77.2 million decline in liquid assets (consisting of other securities as well as cash on hand and bank balances), to €169.1 million (2016: €246.3 million). These assets were used in particular for the above-mentioned investments in fixed assets. By contrast, inventory increased by €16.5 million to €152.8 million, and receivables and other assets increased by €59.8 million to €414.8 million, respectively. When adjusted to reflect changes in the consolidation group, inventory rose by €6.5 million and receivables

and other assets rose by €35.0 million. In both cases, the remaining increase was primarily the result of high-growth businesses in the National Digital Brands division.

On the liability side of the balance sheet, an increase in bank loans and trade payables as well as other accruals is especially noteworthy. The €149.3 million increase in bank loans, to €411.6 million is due primarily to additional financing for the acquisition of the *Immediate Media* Group. The two other balance sheet items increased by €45.2 million to €274.9 million and by €65.9 million to €259.7 million, respectively. When adjusted to reflect changes in the consolidation group, other accruals rose by €42.7 million, with about half of this figure apportionable to potential earn-out obligations related to the acquisition of Group companies. The increase in trade payables is largely the result of increased e-commerce business activity.

Furthermore, there was also a €42.0 million increase in prepaid income, to €143.0 million (2016: €101.0 million), due to additions to the consolidation group as well as increased subscription sales for existing Group companies. As in the previous year, deferred tax liabilities (€32.3 million; 2016: €13.5 million) are primarily the result of hidden reserves disclosed as part of the initial consolidation of new Group companies.

Net debt (bank loans plus additional bank obligations recorded in Other Liability items, minus liquid assets and

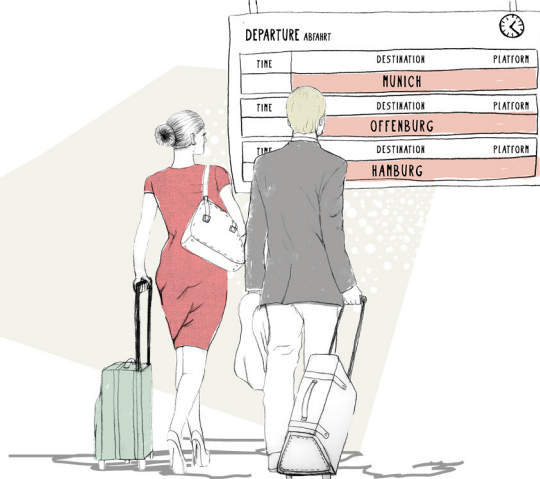
other securities) was €292.5 million on the balance sheet date (2016: €66.0 million). Over the course of the fiscal year, the Group was able to significantly reduce the debt that had initially increased at the beginning of the year due to acquisitions. The use of existing credit lines on the balance sheet date was below 60 percent. Bank loans reported in the previous year and as of December 31, 2017 as well as other financial obligations are subject to interest charges at standard market rates. In these items, around 10 percent had remaining terms of up to one year (2016: 20 percent). Around 27 percent of the reported bank loans are for obligations in British pounds (GBP), and around 8 percent are for obligations in Indian rupees (INR). During the fiscal year, 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 €138.8 million to €994.8 million (2016: €856.0 million).

Equity declined by €44.0 million to €354.5 million, which, in view of the increased balance sheet total, reduced the equity-to-assets ratio from 25.5 percent to 18.9 percent. The decrease is largely due to disbursements and a negative trend in the currency reserves.

About 89 percent of the fixed assets of the Burda Group are covered 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.



19 SITES

The Group's companies are represented at more than 19 sites in Germany, the most important of which are Munich with 2,355 employees, Offenburg with 1,594 employees and Hamburg with 1,126 employees.

Human Resources

Burda is still 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. At the beginning of the year, the Management Board member responsible for the National Digital Brands took over responsibility for the HR unit together with the CEO of the Management Board. In the future, HR will focus on change management, diagnostics for hiring skilled employees and managers, optimizing HR operations, and sourcing, scouting and recruiting.

Increasing the expertise in HR and change management within the company, targeted professional development and ongoing training will improve employee loyalty, prepare employees for future challenges and improve their motivation and performance. Targeted HR marketing and recruiting measures will help the company attract outside talents, whose expertise will assist Burda in its digital transformation. Burda is also training talented young people in-house, who are driving the transformation of the company in key positions.

Employee structure

At the end of 2017, the number of employees increased significantly over the previous year to 11,918 (2016: 10,440), due primarily to the acquisition of *Immediate Media* in Great Britain with a total of 1,284 employees. The Group's companies are represented at more than 19 sites in Germany, the most important of which are Munich with 2,355 employees, Offenburg with 1,594 employees and Hamburg with 1,126 employees. The largest sites outside of Germany are in Great Britain, Poland, India, Romania and Switzerland. The average age of Group employees is 40.2. Women comprise 50.7 percent of employees and 38 percent of managers.

Training

Burda trains rising talents in-house through various employee orientation training programs. In 2017, eight new recruits with master's degrees began the 18-month "Management Graduate Program" for junior staff. The "Bachelor Trainee Program" develops graduates into young professionals with a defined area of expertise. Five trainees began this program in 2017.

In the fall of 2017, 19 trainees (2016: 20) began their two-year training at the Burda School of Journalism. The program's multimedia training approach takes into account

the changing requirements for the journalism profession in the era of advancing digitalization. In addition to the Burda journalism students, two trainees from the Klambt Publishing House are completing a four-month-long basic training program in Offenburg before returning to their editorial units at Klambt.

In addition, Burda offers vocational training in 13 trades. In autumn 2017, 46 apprentices started their training at Burda. This means that counting all trainee classes together, there are now 59 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 14 students in dual training at Burda's German locations (2016: 13).

In 2017, 300 talented individuals came to Burda as interns to gain practical experience at a media and technology company.

Systematic employee development

The four different management and employee programs "GO! Start up yourself," "GUIDE! Guiding Teams," "LEAD! Leading teams" and "EMPOWER! Leading leaders" are

multi-modular programs that are tailored to specific target groups of employees. The goal is to train employees in the best possible way, depending on the task, their experience and potential. Burda wants to prepare its employees for the challenges of the digital transformation by helping them develop skills ranging from subject matter expertise and methods to social and personal skills as part of the development program. A total of 179 people took part in these internal Burda programs in 2017 (2016: 107).

Burda's in-house continuing education offerings in Germany in 2017 included 178 different seminars, lectures and training sessions. A total of 1,996 employees took advantage of them. A learning management system was implemented in 2017 that makes planning and implementing training measures easier and provides a better overview of the development goals of individual employees. In the future, the focus will shift more towards online solutions, for example in the form of e-learning sessions.

Employer appeal, HR marketing and recruiting of new employees

Burda expanded its HR marketing measures and sponsoring activities in 2017 to enhance its appeal as an employer – examples include sponsoring the German-American Conference in Boston and employer branding measures to boost employment at individual locations. Ongoing col-

laborations such as the Internet Business Cluster e.V. – a cooperation between universities and digital companies like Burda, HSE24 and SapientRazorfish – continued successfully in 2017.

In 2017, the company also expanded its presence at universities and conferences. New cooperative agreements with universities were signed, for example with CODE University for Programmers, and a variety of universities in the German-speaking region were identified as objectives, including the University of Mannheim, Technical University of Munich and the University of St. Gallen. At Stuttgart's Hochschule der Medien, Burda sponsors the Electronic Media degree program.

Scouting and recruiting efforts continue to focus on IT specialists and digital experts who are highly sought after in the job market. For that reason, in 2017, Burda was represented the first time at Daho.am, an IT conference. To establish a lasting contact with this target group, events like the Burda Bootcamp – the startup lab at Hubert Burda Media – are being used increasingly as a platform to position Burda in the community and recruit talent.

In order to win over the most talented individuals for the company, Burda also rolled out the "Employees recruit employees" program in 2017. Burda employees can recommend friends or acquaintances for a job posting and receive a bonus with a successful hire.

Management tools and staff development measures

To better support managers in their roles, Burda had its HR business partners and staff development experts certified as trainers for Margerison-McCann's Team Management System (TMS) in 2017. The TMS is a diagnostic tool and helps create a "team management profile" for every employee that provides insight into their personal work preferences.

In addition, new auditors were identified for management audits. In the case of new hires and replacements, the auditors help find the candidates that are the best fit for the open positions. Once the development of defined standards for specific roles and positions has started, managers will have a tool at hand to help them discuss requirements and objectives in development meetings with their employees.

To increase change expertise in the company, in 2017 Burda began to use external trainers for comprehensive qualification of its HR employees in the area of change management. The goal of expanding this expertise is to offer employees and managers the best support through trained experts for the challenges that change processes can bring..

Balancing career and family

Burda wants to ensure a good work-life balance and support its employees in balancing their career and family – both are key factors for boosting the company's appeal as an employer even further. In 2017, Burda was once again awarded the "Work and Family" certificate by the Federal Minister for Family Affairs – the company received a permanent certification for the Munich and Offenburg locations. The audit is based on many things including interviews with managers, employees and the Works Council about "Burda as a family-friendly employer."

The onsite Munich daycare center Burda Bande celebrated its 20th anniversary in 2017. Burda Bande had a total of 74 children in four groups at the end of 2017: 14 toddlers, 21 children in two kindergarten groups and 18 children in daycare. The Burda Bambini daycare center in Offenburg provided daycare to four toddlers and four kindergartners of Burda employees at the end of 2017. Both facilities also offer daycare during school vacation periods.

Occupational health management

With its occupational health management, Burda works to improve and preserve the health of its employees, promote

individual health awareness, and pursue the objective of supporting employee satisfaction and performance, strengthening employee loyalty and positioning itself as an appealing employer.

The TAKE CARE program was successfully audited at the beginning of 2017 as part of the Corporate Health Audit and Burda is now certified as a "Corporate Health Company." The award confirms that Burda is a role model in promoting the health of its employees. The audit reviews the structure, strategy and benefits of company health management efforts. In 2017, employees were offered a variety of precautionary and preventative health measures as part of TAKE CARE, including campaigns for early recognition of skin cancer and flu vaccinations. The offerings on exercise as well as information on caregiving were expanded in 2017, and the cooperative arrangement with the Fürstenberg Institute, a systemic consulting firm, was strongly promoted within the company. More than 500 employees took part in the health options offered last year.

In May 2017, Burda conducted the legally required psychological risk evaluation across the entire Group, which was organized and monitored as part of TAKE CARE. Areas for action were identified based on the survey and measures for improving employee protection were developed, which will be implemented in the coming months.

Outlook

Burda is still in the process of transforming from a media company into a media and technology company. In 2018, HR staff will continue the ongoing change management qualification with external trainers and identify areas of the company where counseling on change processes is needed.

Expertise in diagnostics is also being expanded to establish additional standards for internal succession and new hires as well as ensure recruiting quality. HR business partners, recruiters and internal diagnosticians will be trained in multi-day training sessions by external trainers in the use of diagnostic tools to be implemented in assessment centers, employee selection and development reviews.

The HR department will continue its focus on recruitment and retention of qualified employees in 2018. Talented individuals will be directly approached, and contact with them beyond the initial contact will be maintained and expanded by means of targeted employer branding measures at universities and expansion of the company's professional talent relationship management. IT specialists and digital experts are once again a target group in high demand in 2018. The company is expanding its network within the tech community to reach them even better. To achieve this goal, Burda is focusing more heavily on par-

4,700

TV SPOTS

As part of the annual advertising campaign for National Colon Cancer Month in March 2017, more than 4,700 TV spots and about 6,400 radio spots were placed pro bono, and print ads alone reached 68 percent of the population over age 14 (source: Felix Burda Foundation).



ticipating in relevant conferences, meet-ups and events to position itself as an appealing employer with that target group. Strengthening the digital expertise of the company's own employees with training is also planned.

The areas of action identified as part of the psychological risk evaluation will be analyzed individually by each company or division. Appropriate measures will be determined independently and implemented in the coming months.

Corporate Social Responsibility

Hubert Burda Media is especially involved in the areas of art, literature and education, research, science and health. In addition, the company also supports local projects such as Kuniri, an open sewing workshop for refugee men and women in Munich. Burda has been involved with the project since November 2016 and facilitated the launch of the Kuniri Academy, a sewing course certified by the IHK. Burda also uses its media expertise for good causes. For example, aid organizations and particular individuals are recognized 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 deaths from colon cancer in Germany 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 2017, more than 4,700 TV spots and about 6,400 radio spots were placed pro bono, and print ads alone reached 68 percent of the population over age 14 (source: Felix Burda Foundation).

The foundation annually honors outstanding projects and services related to colon cancer prevention with the *Felix Burda Award* – which was moderated by comedian Hella von Sinnen and generated a national reach of more than 2.4 billion contacts in 2017. The award show was broadcast on TV for the first time as a 90-minute best-of on *Welt der Wunder TV*.

The Felix Burda Stiftung is an innovation leader in Germany's nonprofit sector in the area of digital communication: In 2017, it was the first foundation to use a chatbot on Facebook to inform people about the APPzumARZT app. The foundation's communication was honored this year with the Health Share Award and the Newsroom of the Year Award (source: Felix Burda Foundation).

Tribute to Bambi Foundation

In keeping with the spirit of the awards, 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 social grievances. Its goal is to provide concrete, sustainable help to needy children and youths and help improve their situation over the long term. The Foundation has been awarded the German Central Institute for Social Issues (DZI) seal of approval.

Since 2001, the annual charity event, *Tribute to Bambi*, has collected donations for projects funded by the Tribute to Bambi Foundation – always with the support of well-known personalities and partners from business and media. Hubert Burda Media is operationally responsible and covers all costs for the charity event to benefit the Tribute to Bambi Foundation.

The Tribute to Bambi Foundation supported numerous projects to help children and young people in Germany again in 2017. (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, *BurdaDruck* 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 Hubert Burda Media Group in nearly all of its business areas, 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 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 stable financial condition, Burda is able to continually invest in its products, further develop its companies, and increasingly, as an investor, participate in leading technology companies with internationally scalable business models. To generate new business value, Burda is

constantly testing new products and business models, either developed in-house or through investments in international digital companies with a specific focus on the US, Western Europe and Asia. Burda is especially appealing as an investor because of its own media portfolio and strong market penetration in Germany, which can quickly create lasting recognition of products and services.

The company unit *Cliqz* is a prime example of the in-house development of new digital business models in the core browser and search technologies. This exploratory unit prides itself on creating innovative digital products based on the latest technology and finding new ways to monetize them. In keeping with the *Cliqz* product philosophy, the decision whether an advertising offering with added value should or should not be displayed is made locally in the browser on the user's computer, and nowhere else. No data at all leaves the device. This new approach provides opportunities to press forward with marketing in a new way that is perceived to be useful rather than annoying (like retargeting), while at the same time guaranteeing the protection of all personal data.

Likewise notable are the regular events like the "Start-up Nite," which addresses young entrepreneurs and programmers, and "Burda Hackdays," where 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 be created and tested on the market in this way. Data-driven journalism and the increased use of technology in the journalistic units are yielding publishing and economic opportunities for 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. New products and services such as video consultations via the acquired company *Patientus*, which specializes in them, will be integrated successively into the offering in 2018.

In the area of magazines, additional revenue opportunities are opening up due to the expansion of the 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 op-

portunities for Hubert Burda Media to develop new revenue sources in direct interaction with consumers and, in that way, to gradually reduce its dependence on the volatile advertising market.

In marketing magazines, the company can benefit from the expansion of digital advertising forms and the increasing focus on tailor-made advertising solutions for customers. *b.famous*, a company founded in mid-2017, specializes in customized, creative productions for brands in the Burda media portfolio and is enjoying a very positive response in the market.

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

Burda has good opportunities for economic and publishing growth in the international media business, in particular through its new subsidiaries of the *Immediate Media* Group. The company has a series of media brands that are extremely well-positioned with British consumers. The management team is running the print business successfully and in a sustainably profitable manner.

Particularly in Africa, 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 like teaching materials, is increasing. The business in Eastern Europe was set up so efficiently that it can continue to operate despite the ongoing trend toward ever more difficult conditions.

Advancing 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 each 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 internal 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 is 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 the preparation of the consolidated statements. Consistent accounting is assured through group-wide guidelines and procedures,

appropriate audits 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, and are evaluated and authorized by in-house authorization controls. Large-scale one-time investments are applied for and approved within the framework of consent regulations in the bylaws or articles of association. Risks that arise in connection with plant and equipment investments or financial investments can 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. Since individual devaluations could have significant effects on Group results, this risk is considered the highest overall risk. The company assesses this risk for the widely diversified portfolio to be low to moderate – not least because of the low probability of a single occurrence.

Raw material, procurement and supplier risks

In all Group divisions, goods and services for performance-related processes are purchased in various procurement markets in Germany and abroad. The Group's new "Procurement" guideline adopted in 2017 will ensure cost-effective, process-efficient and lawful procurement.

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.

Risks associated with the centralized procurement of these raw materials are as follows:

- Further reduction of capacity (in the form of plant closings, machinery shutdowns or conversions, changes in shift models),
- Increased prices for raw materials (e.g., for recycled paper, energy, cellulose, pigments, resin),
- Shortage of supply in the European markets due to negative currency translation effects.

In fiscal year 2017, the company expanded the centralized procurement to other product groups to further minimize the (low) risks associated with procurement of these goods and services.

Financial and liquidity risks

Changes in exchange rates and interest rates and other financial risks are continuously monitored, effectively managed, and reduced in part by hedging transactions. A treasury guideline defines the 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. Significant exchange

rate risks for Burda are currently seen in the case of the Russian ruble, British pound and Indian rupee because of the ongoing economic and political situation. These currencies are constantly analyzed and monitored to enable hedging possibilities on short notice. 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 steadily growing companywide networking. Increasingly targeted attacks executed against the IT infrastructure and data of private companies remain a constant threat.

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 access protection. Targeted emergency tests further reduce the risks of longer-lasting system outages.

New technologies are monitored continuously, and their opportunities and possibilities as well as risks with regard

to possible new business areas are analyzed and evaluated. Close attention is paid to possible regulatory requirements.

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. By the end of 2016, Hubert Burda Media had already launched a comprehensive and elaborate project to implement the GDPR in all of its divisions. Key components of the project include adapting existing processes to GDPR requirements and establishing a companywide data protection management system to manage the requirements of the GDPR within the company and recognize potential risks early on. Therefore, Hubert Burda Media is well-positioned to meet the known regulatory requirements.

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 server outages could have significant effects on individual businesses. However, it is worth mentioning with regard to this topic that the planned introduction of the ePrivacy Directive (see "Overall Economic and Industry Situation") could lead to new challenges with the use of cookies. According to a study by the VDZ, the managers from major publish-

ing houses (including Burda) and advertising marketers who were surveyed expect the ePD to negatively affect the competitiveness of Europe's digital economy.

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. For the rest, the compliance management system offers clear reporting paths for reporting, clarifying and penalizing 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.

Strategic personnel risks

The individual skills and subject-matter expertise of employees and managers are a key and critical component to 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 employees and managerial staff.

A comprehensive TAKE CARE program supports long-term 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. A position paper on flexible work schedules and locations that presents the diverse array of working opportunities was drafted in this context together with the Group Works Council.

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 change 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. The events of Burda Bootcamps, in particular, help strengthen awareness of Hubert Burda Media as an employer in these areas.

A companywide tech recruiting initiative is currently drafting additional 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.

Outlook

The German Central Bank predicts continued economic growth in Germany in 2018. Bundesbank economists expect calendar-adjusted growth of 2.5 percent in 2018. The continued willingness of Germans to spend creates good conditions for Burda's businesses, because most of them involve interaction with consumers.

Germany continues to be recognized as the strongest economy in Europe. However, problems such as the continuing smoldering banking crisis in Europe, which has a high risk potential for both the German and world economies, will not be solved even by the end of 2018.

The solid financing of all its businesses, their decentralized structures, the diversification of products and business models that has been encouraged since 2010, as the related balancing of risks, create the prerequisites for Burda to continue to maintain its ground even in the event of a possible crisis. The debt that initially rose at the beginning of the year was already significantly reduced over the course of the fiscal year – a development that will be continued in 2018. The financial independence resulting from the repayment preserves the entrepreneurial freedom to invest in new and existing businesses and thus to continue developing successfully as a corporate group.

In all of the B2C companies, Burda has strong or market-leading media platforms that continually adapt to consumers' needs and establish lasting relationships with consumers in that way. Based on this growing trust, the companies of the Burda Group constantly offer their consumers new products and services that are monetized through different business models (platform business).

The Burda Group's internet businesses are pursuing the strategic goal of expanding their market position under even stiff competitive conditions. For example, the companies *Cyberport* and *Jameda* were strengthened through targeted acquisitions in order to offer customers better and more comprehensive products and services. The steady growth of the businesses will be continued in 2018 and supplemented with additional acquisitions.

All digital publishing offerings showed rising user numbers. *Xing* will continue to increase user numbers and revenues in 2018 with its clear platform strategy in the "work life" segment.

The shift to mobile devices is a reality that all of Burda's digital brands faced early on and aligned their portfolios with. The advertising business of digital publisher *BurdaForward*, which is also increasingly automated and data-driven, is particularly affected by this shift. *BurdaForward* will continue to focus on innovative formats such as native advertising, and is expanding on transactional business to reduce

its dependence on the increasingly unappealing display business. The *Focus Online* brand's foray into the regional to hyper-local media and marketing business has greater potential for growth in user numbers, user involvement and advertising sales, so its steady expansion will continue in 2018.

Both e-commerce companies in the consumer electronics segment (*Cyberport* and *Computeruniverse*) managed in 2017 to differentiate themselves in their price-driven and highly competitive environment through the technology upgrade and the resulting better user experience – and increased their sales significantly. Similar positive growth is expected for the retail companies in 2018.

The HolidayCheck Group focuses on the wants and needs of travelers and wants to create the best possible travel experience for them. In the online travel reservation market, the company got its operations back on track with regard to product quality and technology, thus setting the course for growing commercial success in 2018.

In the National Media Brands division as well, Burda assumes mild growth despite serious structural challenges. This expectation is based on the appeal and credibility of the brands, which provides a foundation for development of new products and business models. The National Media Brands division is continuing to pursue its central strategic goals: innovative development of the core business,

tapping into new sustainable revenue sources and continuing to expand the digital media portfolio. In 2018, the National Media Brands division will also focus on modernizing publishing-related services, occasionally in collaboration with other publishers as well. Alliances reaching across publishing houses at the central market interfaces are expected to have a positive effect on the profitability of this division.

Burda will use new revenue models and the growth area of content marketing to offset the decline in traditional print and online advertising. The C3 agency is well positioned here and seeks to become a global player that can serve internationally active companies and brands from a single source. This will enable the business division to progressively reduce its previous dependence on the B2B advertising business. The success due to the transformation that has taken place over several years has proven that the publishing business at Burda can be run in a sustainable, profitable and growth-oriented manner. Therefore, Burda will actively utilize opportunities for expansion, continue to work on new revenue models and use the strength of its brands to support these efforts.

In international business as well, Burda found its way back to its old strength in 2017 and will be able to significantly grow its international revenues through the acquisition of *Immediate Media*. Significant positive growth is expected from the subsidiaries in Great Britain in particular for 2018.

The persistent difficult conditions in Russia, Ukraine and Turkey prevent forecasts for healthy growth for the businesses there, although Burda is fundamentally well-positioned with consumers in these markets with its true-to-life products.

The Printing division aims to maintain its position in a still-shrinking market. Slight growth potential will arise most likely from technological innovations such as the mass production of customized products (e.g., orders from advertising customers for customized cover pages for subscription issues of magazines).

At the Group level, Burda expects a slight increase in sales revenues for fiscal year 2018. The Printing division anticipates a slight decline in sales revenues.

In 2018, Burda will continue to invest in German and international media companies, acquire new participating interests, and adjust its portfolio through targeted disinvestments. Burda considers itself to be a fundamentally reliable long-term partner for these companies that would like to use its market and technology knowledge, coupled with its market penetration particularly in Germany, to accelerate their growth.

Burda continues to work consistently on the digital transformation. 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 investments.

Consolidated Balance Sheet as of 31 December 2017

Hubert Burda Media Holding Kommanditgesellschaft

Assets	2016 k €	2017 in €	Liabilities	2016 k €	2017 in €
(6) Fixed assets	813,532	1,119,109,373.80	(9) Equity	398,552	354,508,163.47
Intangible assets	341,347	693,362,601.00			
Concessions, industrial property rights and similar rights and assets, and licenses for such rights and assets	96,598	201,026,732.99	Accruals	417,777	502,697,230.96
Goodwill	237,761	478,257,458.07	Pension accruals	187,848	194,387,991.00
Prepayments	6,988	14,078,409.94	(10) Tax accruals	36,105	48,618,782.18
Tangible assets	192,107	180,378,062.22	(11) Other accruals	193,824	259,690,457.78
Land, rights equivalent to real property, and buildings including buildings on leasehold land	125,498	119,940,120.84			
Technical equipment and machinery	22,030	16,361,912.19	(12) Payables	634,968	841,207,956.26
Other equipment, factory and office equipment	39,234	42,227,575.16	Amounts owed to credit institutions	262,335	411,629,557.18
Prepayments and construction in progress	5,345	1,848,454.03	Customer advances	11,951	14,179,676.20
Financial assets	280,078	245,368,710.58	Trade payables	229,660	274,927,438.84
Participating interests	109,841	116,460,737.83	Payables to companies in which the company has a participating interest	11,296	11,776,848.05
Shares in associated companies	85,408	84,000,243.62	Other liabilities	119,726	128,694,435.99
Loans to companies in which the company has a participating interest	58	57,501.00			
Securities held as fixed assets	84,413	44,440,482.41	Prepaid income	101,001	142,965,018.31
Other loans	358	409,745.72			
Current assets	737,568	736,679,064.58	(13) Deferred tax liabilities	13,544	32,266,248.18
Inventories	136,278	152,781,086.36			
Raw materials and operating supplies	21,215	26,365,138.63			
Work in progress	15,853	12,139,595.44			
Finished goods and merchandise	97,184	113,790,811.80			
Prepayments	2,026	485,540.49			
(7) Receivables and other assets	355,013	414,794,410.06			
Trade receivables	251,689	309,368,624.02			
Receivables from companies in which the company has a participating interest	47,799	47,925,707.42			
Other assets	55,525	57,500,078.62			
Other securities	7,216	36,923,108.91			
Cash on hand, German Central Bank balances and other bank balances and checks	239,061	132,180,459.25			
(8) Prepaid expenses	14,742	17,856,178.80			
Total assets	1,565,842	1,873,644,617.18	Total liabilities	1,565,842	1,873,644,617.18

The numbers in parentheses refer to information in the notes

Notes to the Consolidated Financial Statements for Fiscal Year 2017

Number of consolidated companies:

	31 Dec 2016	31 Dec 2017
Domestic	140	141
Foreign	93	111
Total	233	252
Including		
fully consolidated	202	218
proportionately consolidated	14	14
associated companies	17	20

(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 2017 were prepared in accordance with the regulations of the German Transparency and Disclosure Act. The fiscal year correlates with the calendar year.

(2) Consolidation group

In the case of fully consolidated companies, 53 reported shares held by third parties (2016: 52). 26 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 results of operations, or because their shares are only held for purposes of resale, or because no significant influence can be exercised on them (2016: 27). 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		Percentage of shares	Date of initial inclusion
Fully consolidated companies					
b.famous content Studios GmbH, Munich	92.50 ⁽⁴⁾	13 Jun 2017	Immediate Media TV Ltd., London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017
Burda Procurement GmbH, Munich	100.00	13 Feb 2017	innogy.C3 GmbH, Essen	74.90 ⁽⁴⁾	28 Dec 2017
Cliqz International GmbH, Munich	100.00 ⁽⁵⁾	23 Jan 2017	InterNations GmbH, Munich	100.00 ⁽¹⁾	11 Jul 2017
Cliqz MyOffrz, Munich	100.00 ⁽⁵⁾	03 Aug 2017	Mumdrum Limited, London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017
Driveboo AG, Bottighofen/Switzerland (previously MietwagenCheck AG)	100.00 ⁽²⁾	14 Mar 2017	Prescreen GmbH, Berlin	100.00 ⁽¹⁾	06 Jul 2017
Genealogy Events Ltd., London/Great Britain	77.50 ⁽⁶⁾	11 Jan 2017	Prescreen International GmbH, Vienna/Austria	100.00 ⁽¹⁾	06 Jul 2017
Ghostery, Inc., New York/USA	100.00 ⁽⁵⁾	24 Feb 2017	Vancouver Midco 1 Ltd., London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017
Hitched Ltd., London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017	Vancouver Midco 2 Ltd., London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017
Hitched PTY Limited (South Africa), Pretoria/South Africa	100.00 ⁽⁶⁾	11 Jan 2017	Vancouver Topco Ltd., London/Great Britain	100.00	11 Jan 2017
Hubert Burda Media Holding Geschäftsführung SE, Offenburg	100.00	30 Jun 2017	Visordown Ltd., London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017
HQ-Patronen GmbH, Seevetal	100.00 ⁽³⁾	01 Sep 2017	XING Portugal Unipessoal Lda., Porto/Portugal	100.00 ⁽¹⁾	01 Sep 2017
Immediate Media Company Australia Pty Limited, Sydney/Australia	100.00 ⁽⁶⁾	11 Jan 2017			
Immediate Media Company Bristol Ltd., London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017	Associated companies (at equity consolidation)		
Immediate Media Company London Ltd., London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017	Customer Interface 2 Limited, London/Great Britain	50.00 ⁽⁶⁾	11 Jan 2017
Immediate Media Company Ltd., London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017	Dovetail Services (UK) Limited, London/Great Britain	50.00 ⁽⁶⁾	11 Jan 2017
Immediate Media Company Magicalia Holdings Limited, London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017	Dovetail Services (UK) Holdings Limited, London/Great Britain	50.00 ⁽⁶⁾	11 Jan 2017
Immediate Media Company Magicalia Limited, London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017	Frontline Limited, Peterborough/Great Britain	14.06 ⁽⁶⁾	11 Jan 2017
Immediate Media Company North America Inc., Delaware/USA	100.00 ⁽⁶⁾	11 Jan 2017	Radio Times Events Limited, London/Great Britain	51.00 ⁽⁶⁾	11 Jan 2017
Immediate Media Company Origin Holdings Limited, London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017			
Immediate Media Company Origin Limited, London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017			
Immediate Media Company Services Limited, London/Great Britain	100.00 ⁽⁶⁾	11 Jan 2017			
Immediate Media Pte Singapore Limited, Singapore	100.00 ⁽⁶⁾	11 Jan 2017			

(1) Indirect holding of XING SE
(2) Indirect holding of HolidayCheck Group AG
(3) Indirect holding of Cyberport GmbH

(4) Indirect holding of C3 Creative Code Content GmbH
(5) Indirect holding of Cliqz GmbH
(6) Indirect holding of Vancouver Topco Ltd.

(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 2017. In the case of three companies, interim statements as of 31 December 2017 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 2017. The supplemental regulations of the German Accounting Standards (DRS) were applied as a basic principle.

The capital of fully and proportionately consolidated subsidiaries was consolidated in accordance with the revaluation method specified in Sec. 301 (1) HGB. 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, and prepayments that must be included in the consolidated financial statements. Accruals are valued in accordance with Sec. 253 (1) clauses 2 and 3 and (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.

Increases or decreases in shareholdings of consolidated subsidiaries as well as capital measures without a change

of status are listed as an acquisition or divestment process.

Goodwill arising from the consolidation of investments acquired 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 beginning after 31 December 2009 and ending before 1 January 2017. In previous fiscal years up to 31 December 2016, in total €463,227k were offset against equity.

To provide better insight into the results of operations, in fiscal year 2017 the Group transitioned to reporting, in the profit and loss statement, the amount resulting from the fiscal year as a scheduled straight-line depreciation over the estimated useful life, in a manner analogous to the reporting of goodwill from acquisitions since 1 January 2010. In this way, fiscal year results (€15,200k) were shown as a depreciation in the profit and loss statement for the first time (2016: €17,484k offset against equity, with no effect on net income); the previous year's figures were not adjusted in the profit and loss statement. The changed valuation does not result in a different statement of assets or equity, either at the time of the change or in subsequent years. Future Group results accumulated over all subsequent years will turn out to be €50,376k lower as the result of depreciations being recorded in a manner that affects net income.

In case of disposal of the relevant goodwill, e.g., as part of a deconsolidation, this goodwill is recorded at book value when the disposal effect is calculated, and not at acquisition cost as in the past. This procedure reflects DRS (German Accounting Standards) regulations on deconsolidation as specified in DRS 23.178 et seq. If the accounting method of the previous years had been continued in this fiscal year, capital gains (reported under other operating income) would have been €9,459k lower. Also in the case of future disposals from the consolidation group, earnings will be higher in the year of the deconsolidation than with the method of previous years, by an amount equal to the that year's amount offset against equity up to, maximally, the amount offset against equity at the end of 2016.

Investments in associated companies are recorded at book value in the Group financial statements. The book value and any difference between the book value and the proportionate share of equity are calculated as of the date the company became an associated company. The difference between the book value and proportionate share of equity of these new acquisitions is calculated, carried forward, depreciated or reversed in accordance with Sec. 312 (2) HGB. Analogous to the above-described treatment of old goodwill (from acquisitions prior to 1 January 2010), depreciation amounts arising from goodwill in accordance with Sec. 312 HGB were also reported for the first time in the profit and loss statement for fiscal year 2017, as part of the capital consolidation in accordance with Sec. 301 et seq. and 310 HGB.

In fiscal year 2017, depreciations were recorded in the profit and loss statement for the first time, in the amount of €1,196k (2016: €1,196k offset against equity, with no effect on net income); the previous year's figures in the profit and loss statement were not adjusted. In previous fiscal years, a total of €9,174k was offset against equity. In future fiscal years, if goodwill is disposed at the same level, Group results will improve accordingly. On the other hand, Group results in future fiscal years will be lower by €8,370k due to the transition to depreciations that affect net income.

Depreciation of goodwill from associated companies is reported in the Group profit and loss statement under "Income/losses from associated companies." At the reporting date, the difference between the book value and the proportionate share of equity in the affiliated companies amounted to €60,424k; the goodwill included therein amounted to €35,127k.

As a general rule, goodwill arising from capital consolidation is attributed a useful life of 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 mod-

els, 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 reversed in accordance with Sec. 309 (2) HGB. As of the balance sheet date, there was no negative goodwill.

In case of a Group shareholding that deviates from the capital-based participation in the current results and liquidation proceeds of the included subsidiaries, the consolidation is based on the financial shareholding if this shareholding is based on clear contractual regulations.

Loans and other receivables, accruals, and liabilities between companies included in the consolidated statements, as well as corresponding prepayments 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 liabilities 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. As a general rule, items with a remaining term of up to one year were 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

As a general rule, the accounting and valuation principles that applied last year remained unchanged with the exception of changes recorded under Sub-section 3.

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 of 3 to 15 years. Unscheduled depreciation was undertaken to the extent necessary. Internally generated intangible assets were not capitalized.

For the most part, trademark rights and software built in-house by the acquired company were capitalized as part of the initial consolidation of subsidiaries. The royalty relief method was used for valuation of trademark rights (based on license rates: 2.00-14.00 percent) and the reproduction cost method based on market-standard hourly rates was used for valuation of software.

Offsetting or depreciation of goodwill was based on an anticipated useful life of up to 15 years, depending upon the business model of the company in question. Unscheduled depreciation was recorded at the market value of the shareholding in the subsidiary, less the sum of the net assets at Group book value and the depreciated book value of the subsidiary's goodwill.

Fixed assets were recorded at their cost of acquisition or production and written off as scheduled over the course of their anticipated useful life of 3 to 15 years. Unscheduled depreciation was undertaken to the extent necessary. In addition to direct costs, appropriate portions of necessary material and production overhead were included in production costs. As a rule, movable deprecia-

ble assets were written off over their useful life according to the straight-line method; alternatively, in the case of fixed assets acquired prior to 1 January 2010, movable depreciable assets were depreciated 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 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 valued 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 the cost of production 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.

Interest charged on borrowed capital was not included in production costs.

All separately identifiable risks were taken into consideration in the valuation of accounts receivable and other assets. An appropriate lump sum depreciation 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.

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 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. Disposals 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 fixed 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 basic assumptions valid as of 31 October 2017:

	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 27	up to 3.79	0
Part-time employment preceding retirement	1.8	2	1.33	0
Anniversaries	n/a	15	2.80	up to 3.0
Death-related benefits	1.8	15	2.80	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. On 31 October 2017, an interest rate of 3.68 percent was forecast for 31 December 2017 and was used as a basis for the valuation. The effects of changing interest rates were recorded in the operating results. 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 insignificant effects.

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 insignificant effects.

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 €19,782k.

The difference between the 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 €20,284k.

Pension plan reinsurance values, which would have otherwise been disclosed double under other assets, were offset against pension obligations in the amount of €3,941k, the amount of coverage 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 settlement 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 fixed assets schedule shows the development of individual items of the consolidated fixed assets. This is attached as an appendix to the consolidated financial statements. The goodwill reported is primarily the result of the initial consolidation of capital. Consequently, the changes in respect to the prior year must also be attributed to the initial consolidations of the fiscal year (see Subsection 2) and to scheduled and unscheduled depreciation. Unscheduled depreciation undertaken on tangible and intangible assets amounted to €2,920k in the fiscal year (2016: €8,382k). Unscheduled depreciation of goodwill totaled €1,793k (2016: €1,628k). Unscheduled depreciation of financial assets amounted to €16,552k (2016: €19,086k).

The participating interests item includes certain shares in fully consolidated subsidiaries, which have been designated for resale at €3,659k.

(7) Receivables and other assets

€265k of trade receivables (2016: €37k), €363k of receivables due from companies in which the company has a participating interest (2016: €357k), and €1,074k of other assets (2016: €10,947k) have a remaining term of more than one year. All other accounts receivable and other assets are due within a year.

Subject to separate disclosure, €42,560k (2016: €41,997k) in receivables due from companies in which the company has a participating interest would have to be disclosed as trade receivables, and €5,366k (2016: €5,802k) of such receivables would have to be disclosed as other assets.

Other assets also include input tax refund claims in the amount of €2,157k, which legally accrue only after the reporting date.

(8) Prepaid expenses

The prepaid expenses shown on the assets side of the consolidated balance sheet include a discount as defined in Sec. 250 (3) HGB in the amount of €25k (2016: €40k).

(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 (see Sub-section 3); 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 the subsequent year, and also include amounts for tax audit risks.

(11) Other accruals

Other accruals basically consist of amounts for outstanding supplier invoices, earn-out obligations, vacation entitlements, other personnel expenses, returns, discounts and rebates, and litigation risks.

(12) Payables

Remaining terms to maturity	under 1 year k €	1 to 5 years k €	over 5 years k €	Total k €
Amounts owed to credit institutions	46,655	353,338	11,637	411,630
2016	(63,957)	(104,447)	(93,931)	(262,335)
Customer advances	14,180	0	0	14,180
2016	(11,951)	(0)	(0)	(11,951)
Trade payables	274,927	0	0	274,927
2016	(227,365)	(2,295)	(0)	(229,660)
Payables to companies in which the company has a participating interest	11,777	0	0	11,777
2016	(11,296)	(0)	(0)	(11,296)
Other liabilities	77,131	1,392	50,171	128,694
Taxes	37,647	3	0	37,650
Social security obligations	3,494	0	0	3,494
Other liabilities	35,990	1,389	50,171	87,550
2016	(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)
2017	424,670	354,730	61,808	841,208
2016	(381,651)	(109,171)	(144,146)	(634,968)

€22,147k of amounts owed to credit institutions are secured by liens on property, and €2,597k by security interests in machines.

Subject to separate disclosure, €9,714k in payables due from companies in which the company has a participating interest would have to be disclosed as other payables, and €2,063k of such receivables would have to be disclosed as trade receivables. In the previous year, almost all payables would have to be disclosed as other payables if not disclosed separately.

(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 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 hidden reserves disclosed as part of the consolidation of capital.

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

	01 Jan 2017 k €	Change k €	31 Dec 2017 k €
Deferred tax assets	5,055	1,165	6,220
Deferred tax liabilities	18,599	19,887	38,486
Net deferred tax liabilities	13,544	18,722	32,266

The tax rates for the respective Group units were applied for the valuation; these rates ranged from about 10.30 percent to 33.99 percent.

(14) Sales revenues

Sales revenues are broken down as follows:

	2016 k €	2017 k €
1. Breakdown by division	2,255,710	2,671,813
National Digital Brands	1,180,099	1,402,827
National Media Brands	660,650	670,403
International Media Brands	272,260	454,862
Printing	133,893	130,250
Other	8,808	13,471
2. Breakdown by region	2,255,710	2,671,813
Domestic sales	1,659,492	1,809,815
Foreign sales	596,218	861,998

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

	k €
	656,713

(16) Income from participating interests

	k €
	9,527

(17) Significant changes in the consolidation group

Vancouver Topco Ltd. (the parent company of the *Immediate Media* Group) and its subsidiaries were included in the Group consolidated financial statements for the first time as of 11 January 2017. The group has its headquarters in Great Britain and publishes many well-known magazines there. It also operates a wide variety of online platforms

and portals. The initial inclusion impacts the ability to compare key individual Group balance sheet items as follows:

	31 Dec 2017 pro forma k €	31 Dec 2017 adjustment k €	31 Dec 2017 ACTUAL k €
Goodwill	255,118	223,139	478,257
Remaining intangible assets	122,724	92,382	215,106
Trade receivables	288,622	20,747	309,369
Other assets	1,030,811	-159,898	870,913
	1,697,275	176,370	1,873,645
Equity	361,905	-7,397	354,508
Amounts owed to credit institutions	302,310	109,320	411,630
Accruals	479,733	22,964	502,697
Prepaid income	118,032	24,933	142,965
Other liabilities	435,295	26,550	461,845
	1,697,275	176,370	1,873,645

pro forma: Presentation of the consolidated balance sheet without including the Immediate Media Group in the consolidation group

€223,936k in sales revenues from the *Immediate Media* Group are included in the Group sales revenues.

(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 €5,189k and a negative fair value of €90k. Since the nominal value of the underlying transactions is the same amount, the hedging scope is 100.0 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
4,636	6 months	29 Mar 2018
553	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 €2,272k (2016: €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	184,883
Due in 2018	51,575
Due from 2019 to 2022	109,140
Due after 2022	24,168
b) Unlimited in time (amount per year)	3,150

In addition, on the balance sheet date, there were liabilities in the amount of €2,745k from initiated investment projects in tangible fixed assets, as well as €14,628k in miscellaneous other financial obligations resulting from commitments for payments that were not yet due as of the balance sheet date. Other financial obligations totaling €0k (2016: €190,803k) are due within one year; the remaining liabilities are unlimited in time.

(21) Employees

	Average number for the year
Industrial employees	1,427
Salaried employees	10,371
	11,798
Including	
Male employees	5,751
Female employees	6,047
204 of these employees were at proportionately consolidated companies	
	Number at year's end
Number of employees	11,918
195 of these employees were at proportionately consolidated companies	

(22) Total audit fee

	k €
Total	1,425
Annual audit services	833
Other certification services	81
Tax advisory services	60
Other services	451

The other services are largely services provided prior to stock acquisitions.

(23) Other information

The Munich-based company HolidayCheck Group AG and the Hamburg-based company XING SE are exchange-listed subsidiaries that are included in the consolidated financial statement. In November 2017 and March 2017, respectively the Management and Supervisory Boards of these subsidiaries 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 stockholders on the Investor Relations pages of their respective websites, www.holidaycheckgroup.com and www.xing.com.

Offenburg, 15 March 2018

The Management Board of
Hubert Burda Media Holding Geschäftsführung SE

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

Development of Fixed Assets of the Group

	Acquisition/ production costs Status as of 1 Jan 2017 in €	Additions to consolidation group in €	Additions in €	Disposals from consolidation group in €	Disposals in €	Transfers in €	Currency translation effects in €	Acquisition/ production costs Status as of 31 Dec 2017 in €
Intangible assets	1,159,292,052.38	445,830,603.47	18,765,088.97	20,413,322.67	9,245,373.41	2,750.00	-9,190,999.42	1,585,040,799.32
Concessions, industrial property rights and similar rights and assets, and licenses for such rights and assets	346,504,854.89	128,247,855.84	10,235,255.77	29,589.33	7,225,767.48	2,509,438.38	-3,533,563.03	476,708,485.04
Goodwill	805,798,874.85	317,582,747.63	0.00	20,382,017.52	1,991,111.44	-1,095,833.80	-5,658,755.38	1,094,253,904.34
Prepayments	6,988,322.64	0.00	8,529,833.20	1,715.81	28,494.49	-1,410,854.58	1,318.99	14,078,409.94
Tangible assets	718,006,534.94	9,774,969.02	20,053,736.78	787,780.23	32,012,363.17	-2,750.00	-1,679,908.52	713,352,438.82
Land, rights equivalent to real property, and buildings including buildings on leasehold land	265,472,977.27	4,072,556.25	1,168,449.95	0.00	17,199,923.28	2,176,644.78	-393,549.67	255,297,155.30
Technical equipment and machinery	284,846,686.34	525,592.12	1,257,163.50	0.00	826,256.14	0.00	-685,231.00	285,117,954.82
Other equipment, factory and office equipment	162,341,903.68	5,150,820.65	16,006,834.39	633,913.06	13,985,186.30	2,807,974.57	-599,559.26	171,088,874.67
Prepayments and construction in progress	5,344,967.65	26,000.00	1,621,288.94	153,867.18	997.45	-4,987,369.34	-1,568.59	1,848,454.03
Financial assets	438,829,939.52	5,747,290.34	39,607,206.47	2,917,967.97	68,996,673.04	0.00	-2,777,546.34	409,492,248.97
Participating interests	235,557,090.98	602,915.70	27,908,766.93	15,050.00	4,813,315.07	0.00	-1,402.08	259,239,006.45
Shares in associated companies	102,668,628.60	5,144,374.64	11,590,713.68	2,902,867.97	8,496,447.75	0.00	-2,776,133.82	105,228,267.39
Loans to companies in which the company has a participating interest	15,807,904.66	0.00	3,013.64	0.00	15,691,100.29	0.00	0.00	119,818.01
Securities	84,419,355.46	0.00	0.00	0.00	39,972,979.02	0.00	0.96	44,446,377.40
Other loans	376,959.82	0.00	104,712.22	50.00	22,830.92	0.00	-11.41	458,779.72
Total	2,316,128,526.84	461,352,862.82	78,426,032.22	24,119,070.87	110,254,409.63	0.00	-13,648,454.28	2,707,885,487.12

Development of Fixed Assets of the Group

	Opening balance depreciation Status as of 1 Jan 2017 in €	Additions to consolidation group in €	Depreciation for the fiscal year in €	Disposals from consolidation group in €	Disposals in €	Transfers in €	Currency translation effects in €	Depreciation Status as of 31 Dec 2017 in €	Book value Status as of 31 Dec 2017 in €	Book value Status as of 31 Dec 2016 in €
Intangible assets	817,945,039.56	561,304.73	94,592,384.21	13,435,180.14	7,036,697.70	0.00	-948,652.34	891,678,198.33	693,362,601.00	341,347,012.82
Concessions, industrial property rights and similar rights and assets, and licenses for such rights and assets	249,907,130.11	561,304.73	33,033,468.04	6,974.53	7,036,279.73	6,670.00	-783,566.57	275,681,752.05	201,026,732.99	96,597,724.78
Goodwill	568,037,909.45	0.00	61,558,916.17	13,428,205.61	417.97	-6,670.00	-165,085.77	615,996,446.28	478,257,458.07	237,760,965.41
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,078,409.94	6,988,322.64
Tangible assets	525,899,699.39	3,907,501.26	30,852,745.14	380,493.01	26,305,164.97	0.00	-999,911.21	532,974,376.60	180,378,062.22	192,106,835.55
Land, rights equivalent to real property, and buildings including buildings on leasehold land	139,974,864.02	1,137,933.38	6,740,307.77	0.00	12,365,261.08	-21,634.09	-109,175.54	135,357,034.46	119,940,120.84	125,498,113.25
Technical equipment and machinery	262,816,617.72	191,105.27	6,989,426.23	0.00	820,011.94	0.00	-421,094.64	268,756,042.63	16,361,912.19	22,030,068.62
Other equipment, factory and office equipment	123,108,217.65	2,578,462.61	17,123,011.14	380,493.01	13,119,891.95	21,634.09	-469,641.03	128,861,299.51	42,227,575.16	39,233,686.03
Prepayments and construction in progress	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,848,454.03	5,344,967.65
Financial assets	158,752,322.33	602,913.70	23,938,931.73	2,917,916.97	15,735,613.31	0.00	-517,099.09	164,123,538.39	245,368,710.58	280,077,617.19
Participating interests	125,716,337.31	602,913.70	16,499,630.20	15,049.00	25,563.59	0.00	0.00	142,778,268.62	116,460,737.83	109,840,753.67
Shares in associated companies	17,260,736.94	0.00	7,387,253.89	2,902,867.97	0.00	0.00	-517,099.09	21,228,023.77	84,000,243.62	85,407,891.66
Loans to companies in which the company has a participating interest	15,750,402.66	0.00	3,013.64	0.00	15,691,099.29	0.00	0.00	62,317.01	57,501.00	57,502.00
Securities	5,894.99	0.00	0.00	0.00	0.00	0.00	0.00	5,894.99	44,440,482.41	84,413,460.47
Other loans	18,950.43	0.00	49,034.00	0.00	18,950.43	0.00	0.00	49,034.00	409,745.72	358,009.39
Total	1,502,597,061.28	5,071,719.69	149,384,061.08	16,733,590.12	49,077,475.98	0.00	-2,465,662.64	1,588,776,113.32	1,119,109,373.80	813,531,465.56

Shareholdings pursuant to Sec. 313 (2) HGB of Hubert Burda Media Holding Kommanditgesellschaft as of December 31, 2017

	Shares in %		Shares in %
a) Fully consolidated companies			
Hubert Burda Media Holding Kommanditgesellschaft, Offenburg		Burda Druck GmbH, Offenburg	100.00
Hubert Burda Media Holding Geschäftsführung SE, Offenburg	100.00	BURDA DRUCK FRANCE SAS, Vieux-Thann/France	100.00
Abonnenten Service Center GmbH, Offenburg	100.00	BURDA DRUCK INDIA Private Limited, New Delhi/India	100.00
AdTech Factory Verwaltungs-GmbH, Offenburg	100.00	Burda Druck Nürnberg GmbH & Co. KG, Nuremberg	100.00
AdTech Factory GmbH & Co. KG, Offenburg	100.00	Burda Druck Nürnberg Verwaltungs GmbH, Nuremberg	100.00
Aenne Burda Verwaltungsgesellschaft mit beschränkter Haftung, Offenburg	100.00	BurdaForward GmbH, Munich	100.00
amiando UK Ltd., Birmingham/Great Britain	100.00 ¹⁾	BurdaForward Advertising GmbH, Munich	100.00
Amica Verlag GmbH & Co. KG, Munich	100.00	Burda France SAS, Paris/France	100.00
b.famous content Studios GmbH, Munich	92.50 ⁵⁾	Burda Gesellschaft mit beschränkter Haftung, Offenburg	100.00
BDV Beteiligungen GmbH & Co. KG, Munich	90.91	Burda Glam AG in Liquidation, Basel/Switzerland	100.00
bestwetten.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 International Holding GmbH, Offenburg	100.00
Burda Broadcast Media Baden-Württemberg GmbH & Co. KG, Offenburg	100.00	Burda Magazine Holding GmbH, Munich	100.00
Burda Broadcast Media Geschäftsführungs-GmbH, Munich	100.00	Burda Medien Vertrieb GmbH, Offenburg	100.00
Burda Broadcast Media GmbH & Co. KG, Munich	100.00	Burda News GmbH, Hamburg	100.00
Burda Broadcast Verwaltungs GmbH, Offenburg	100.00	Burda Nordic A/S, Kolding/Denmark	100.00
Burda Ciscom GmbH, Offenburg	100.00	Burda Praha spol. s r.o., Prague/Czech Republic	100.00
Burda Community Network GmbH, Munich	100.00	Burda Principal Investments GmbH & Co. KG, Munich	100.00
Burda Community Network International GmbH, Munich	100.00	Burda Principal Investments Verwaltungs-GmbH, Munich	100.00
Burda Digital Commerce GmbH, Offenburg	100.00	Burda Procurement GmbH, Munich	100.00
Burda Digital GmbH, Munich	100.00	Burda Publishing Polska Sp. z o.o., Warsaw/Poland	100.00
Burda Digital Systems GmbH, Offenburg	100.00	Burda Romania S.R.L., Bucharest/Romania	100.00
Burda Digital Ventures GmbH, Offenburg	100.00	Burda Senator Verlag GmbH, Offenburg	100.00
Burda Direct GmbH, Offenburg	100.00	Burda Service AG, Basel/Switzerland	100.00
Burda Direct Interactive GmbH, Offenburg	100.00	Burda Services GmbH, Offenburg	100.00
Burda Direkt Services GmbH, Offenburg	100.00	Burda Service-Handel-Märkte GmbH, Offenburg	100.00
		Burda Singapore Pte. Ltd., Singapore	100.00

	Shares in %		Shares in %
Burda Studios Pictures GmbH, Munich	100.00	EDITIONS HUBERT BURDA MEDIA SAS – PARIS, Paris/France	100.00
Burda Studios Publishing GmbH, Munich	100.00	Editions Nuit et Jour SAS, Paris/France	100.00
BurdaStyle GmbH, Munich	100.00	Eqipia GmbH, Zurich/Switzerland	100.00 ¹⁾
BurdaStyle, Inc., New York/USA	100.00	Essential Publishing Limited, Colchester/Great Britain	100.00
Burda Taiwan Co. Ltd., Taipei/Taiwan	80.00	Exposure Media Marketing Private Ltd., New Delhi/India	100.00
Burda Wireless GmbH, Munich	100.00	fi services gmbh, Pleidelsheim	100.00 ⁴⁾
Burda-Ukraina, Kiev/Ukraine	100.00	Fit for Fun Verlag GmbH, Hamburg	100.00
C3 Creative Code and Content AG, Zurich/Switzerland	100.00 ⁵⁾	Focus Line Extensions GmbH, Munich	100.00
C3 Creative Code and Content GmbH, Berlin	85.00	Focus Magazin Verlag GmbH, Munich	100.00
C3 Creative Code and Content Ltd., London/Great Britain	100.00 ⁵⁾	Focus Money Redaktions-GmbH, Deutsches Institut für Qualität und Finanzen, Munich	100.00
C3 Creative Code and Content s.r.o. Prague/Czech Republic	100.00 ⁵⁾	FOCUS Online Group GmbH, Munich	100.00
Casa de Difuzare Presa – New Concept S.R.L., Bucharest/Romania	100.00	Focus TV-Produktions GmbH, Munich	100.00
Cliqz GmbH, Munich	75.63	ForwardContentServices GmbH, Munich	100.00
Cliqz International GmbH, Munich	100.00 ⁸⁾	Freedreams B.V., Nijmegen/Netherlands	100.00
Cliqz MyOffrz, Munich	100.00 ⁸⁾	freundin Verlag GmbH, Munich	100.00
CHIP Communications GmbH, Munich	100.00	FTM Freizeit- und Trendmarketing GmbH & Co. KG, Cleves	100.00
CHIP Digital GmbH, Munich	100.00	FTM Freizeit- und Trendmarketing Verwaltungsgesellschaft mbH, Cleves	100.00
CHIP Holding GmbH, Munich	100.00	Genealogy Events Ltd., London/Great Britain	77.50
ClíCo GmbH, Munich	84.04	Ghostery, Inc., New York/USA	100.00 ⁸⁾
computeruniverse GmbH, Friedberg	100.00	Grupo Galenicom Tecnologias de la Informacion, S.L., Barcelona/Spain	100.00 ¹⁾
CP-Retail GmbH, Berlin	100.00	Hitched Ltd., London/Great Britain	100.00
Cyberport GmbH, Dresden	100.00	Hitched PTY Limited (South Africa) Pretoria/South Africa	100.00
Cyberport S.à r.l., Luxembourg City/Luxembourg	100.00	HolidayCheck AG, Bottighofen/Switzerland	100.00 ²⁾
Cyberport Services GmbH, Dresden	100.00	HolidayCheck Group AG, Munich	61.92
daskochrezept.de GmbH, Offenburg	100.00	HolidayCheck Polska Sp. z o.o., Warsaw/Poland	100.00 ²⁾
DLD Media GmbH, Munich	100.00	HolidayCheck Solutions GmbH, Munich	100.00 ²⁾
DLD Ventures GmbH, Munich	100.00	HQ-Patronen GmbH, Seevetal	100.00
Driveboo AG, Bottighofen/Switzerland	100.00 ²⁾	Hubert Burda Media Hong Kong Limited, Hong Kong/China	100.00
Editions DIPA Burda SAS, Schiltigheim/France	100.00	Hubert Burda Media India Private Limited, New Delhi/India	100.00

	Shares in %		Shares in %
Hubert Burda Media Limited, Colchester/Great Britain	100.00	Media Market Insights GmbH, Offenburg	100.00
HUBERT BURDA MEDIA MALAYSIA SDN. BHD, Kuala Lumpur/Malaysia	100.00	Medienpartner International GmbH, Offenburg	100.00
Hubert Burda Media UK LP., Colchester/Great Britain	100.00	Meteovista B.V., Amsterdam/Netherlands	100.00 ²⁾
Hubert Burda Media, Inc., New York/USA	100.00	MFI Meine Familie und ich Verlag GmbH, Munich	100.00
Immediate Media Company Australia Pty Limited, Sydney/Australia	100.00	Mirabo AG, Basel/Switzerland	100.00
Immediate Media Company Bristol Ltd., London/Great Britain	100.00	mobileminds GmbH, Munich	100.00
Immediate Media Company Ltd., London/Great Britain	100.00	Mumdrum Limited, London/Great Britain	100.00
Immediate Media Company London Ltd., London/Great Britain	100.00	Neue Verlagsgesellschaft mbH, Offenburg	100.00
Immediate Media Company Magicalia Holdings Limited, London/Great Britain	100.00	OOO Burda Distribution Services, Moscow/Russia	100.00
Immediate Media Company Magicalia Limited, London/Great Britain	100.00	OOO DigiVent, Moscow/Russia	100.00
Immediate Media Company North America Inc., Delaware/USA	100.00	OOO Everest Distribution, Moscow/Russia	100.00
Immediate Media Company Origin Holdings Limited, London/Great Britain	100.00	OOO Burda Interaktiv, Moscow/Russia	100.00
Immediate Media Company Origin Limited, London/Great Britain	100.00	Ortenauer Papierverarbeitung GmbH, Offenburg	100.00
Immediate Media Company Services Limited, London/Great Britain	100.00	PaketPLUS Marketing GmbH, Berlin	100.00
Immediate Media Pte Singapore Limited, Singapore	100.00	Patientus GmbH, Lübeck	100.00
Immediate Media TV Ltd., London/Great Britain	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	100.00 ⁴⁾	Prescreen GmbH, Berlin	100.00 ¹⁾
innogy.C3 GmbH, Essen	74.90 ⁵⁾	Prescreen International GmbH, Vienna/Austria	100.00 ¹⁾
Internet Magazin Verlag GmbH, Munich	100.00	rethink GmbH, Berlin	51.00 ⁵⁾
InterNations GmbH, Munich	100.00 ¹⁾	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, Düsseldorf	100.00
Komunikace 2000 s.r.o., Prague/Czech Republic	100.00	SARL Zoover France i.L., Paris/France	100.00 ²⁾
kununu GmbH, Vienna/Austria	100.00 ¹⁾	Seven Publishing Group Ltd., London/Great Britain	100.00 ⁵⁾
LIFESTYLE HK LIMITED, Hong Kong/China	100.00	Showroom Holding GmbH, Munich	100.00
LIFESTYLE MARKETING PTE LTD, Singapore	100.00	Showroom Sp. z o.o., Warsaw/Poland	85.21
LIFESTYLE ONLINE SDN BHD, Kuala Lumpur/Malaysia	100.00	SHWRM.de GmbH, Berlin	100.00 ⁶⁾
M.I.G. Medien Innovation GmbH, Offenburg	100.00	Silkes Weinkeller GmbH, Mettmann	100.00
MAX Verlag GmbH & Co. KG, Hamburg	100.00	STARnetONE GmbH, Berlin	100.00

	Shares in %
Stockfood GmbH, Munich	100.00
Stockfood Ltd., London/Great Britain	100.00
Stockfood America, Inc., Kennebunk/USA	100.00
Super Illu Verlag GmbH & Co. KG, Berlin	100.00
Super Illu Verlag Verwaltungs-GmbH, Berlin	100.00
TEC The Enabling Company, Hamburg	100.00
Tailormade Media Lda., Lisbon/Portugal	100.00
Tomorrow Travel B.V., Amsterdam/Netherlands	100.00 ²⁾
TOV Burda Distribution Services Ukraina, Kiev/Ukraine	100.00
tracdelight GmbH, Munich	100.00
Trans Log – Presa S.R.L., Bucharest/Romania	100.00
Treehouse Sp. z o.o., Warsaw/Poland	100.00
TV Spielfilm Verlag GmbH, Hamburg	100.00
tv.gusto GmbH, Munich	83.50
Valentins GmbH, Mörfelden-Walldorf	100.00
Valiton GmbH, Munich	100.00
Vancouver Topco Ltd., London/Great Britain	100.00
Vancouver Midco 1 Ltd., London/Great Britain	100.00
Vancouver Midco 2 Ltd., London/Great Britain	100.00
Visordown Ltd., London/Great Britain	100.00
Verlag Aenne Burda GmbH & Co. KG, Offenburg	100.00
Verwaltungsgesellschaft MAX Verlag mbH, Hamburg	100.00
VSG Verlags Service Gesellschaft AG, Basel/Switzerland	100.00
VSG Advertising Italy S.r.l. i.L., Milan/Italy	100.00
VSG Advertising (Beijing) Co. Ltd., Beijing/China	100.00
WebAssets B.V., Amsterdam/Netherlands	100.00 ²⁾
wunder media production GmbH, Munich	100.00 ⁵⁾
XING SE, Hamburg	50.26
XING Events GmbH, Hamburg	100.00 ¹⁾

	Shares in %
XING E-Recruiting GmbH & Co. KG, Hamburg	100.00 ¹⁾
XING E-Recruiting Switzerland AG, Zurich/Switzerland	100.00 ¹⁾
XING E-Recruiting GmbH, Vienna/Austria	100.00 ¹⁾
XING International Holding GmbH, Hamburg	100.00 ¹⁾
XING Marketing Solutions GmbH, Hamburg	100.00 ¹⁾
XING News GmbH, Hamburg	100.00 ¹⁾
XING Networking Spain, S.L., Barcelona/Spain	100.00 ¹⁾
XING Portugal Unipessoal Lda., Porto/Portugal	100.00 ¹⁾
XING Switzerland GmbH, Zurich/Switzerland	100.00 ¹⁾
XING SARL, Luxembourg City/Luxembourg	100.00 ¹⁾
XING Young Professionals GmbH, Hamburg	100.00 ¹⁾
Zoover GmbH, Munich	100.00 ²⁾
Zoover International B.V., Amsterdam/Netherlands	100.00 ²⁾
Zoover Media B.V., Amsterdam/Netherlands	100.00 ²⁾
Zoover Travel B.V., Amsterdam/Netherlands	100.00 ²⁾
ZVB Zeitschriften-Vertriebs AG, Basel/Switzerland	100.00
b) Proportionately consolidated companies pursuant to Sec. 310 HGB	
B+B Media Services GmbH, Offenburg	50.00
BB RADIO Länderwelle Berlin/Brandenburg Beteiligungs GmbH, Potsdam	50.00
BB Radio Länderwelle Berlin/Brandenburg GmbH & Co. Kommanditgesellschaft, Potsdam – Group –	50.00
Burda Hearst Publishing GmbH, Munich	50.00
Burda + Heist Binding GmbH, Nuremberg	49.00
DOGAN BURDA DERGI YAYINCILIK VE PAZARLAMA A.S., Istanbul/Turkey	48.43
Musicstarter GmbH & Co. KG, Berlin	50.00
M.O.R.E. Lokalfunk Baden-Württemberg GmbH & Co. KG, Ulm	50.00
M.O.R.E. Lokalfunk Baden-Württemberg Verwaltungs-GmbH, Ulm	50.00
SEG Stegenwaller Entertainment Group GmbH & Co. KG, Essen	50.00
SEG Stegenwaller Entertainment Group Verwaltungs GmbH, Essen	50.00

	Shares in %
TOO Burda-Alatau Press, Almaty/Kazakhstan	50.00
Burda FW Media, LLC, New York/USA	50.00
kununu US LLC, Boston/USA	50.00 ¹⁾
c) Associated companies pursuant to Sec. 311 HGB	
COC COC PTE. LTD., Singapore	23.14 ³⁾
Customer Interface 2 Limited, London/Great Britain	50.00
Dovetail Services (UK) Limited, London/Great Britain	50.00
Dovetail Services (UK) Holdings Limited, London/Great Britain	50.00
Dergi Pazarlama Planlama ve Ticaret Anonim Sirketi, Istanbul/Turkey	44.00
Frontline Limited, Peterborough/Great Britain	14.06
Mediaprint & Kapa Pressegrasso spol. s r.o., Prague/Czech Republic	34.83
MZV Export-Import Zeitschriften-Vertrieb GmbH & Co. Kommanditgesellschaft, Unterschleissheim	40.00
MZV Export-Import Zeitschriften-Vertrieb Verwaltungs-GmbH, Unterschleissheim	40.00
MZV Moderner Zeitschriften-Vertrieb GmbH & Co. Kommanditgesellschaft, Unterschleissheim	40.00
MZV Moderner Zeitschriften-Vertrieb Verwaltungs-GmbH, Unterschleissheim	40.00
Notonthehighstreet Enterprises Ltd., Richmond/Great Britain	27.73
Radio Arabella Studiobetriebsgesellschaft mbH, Munich	20.56
Radio Times Events Limited, London/Great Britain	51.00
AllStar Deals, Inc., Rockville/USA	26.43
Studio Gong GmbH & Co. Studiobetriebs KG, Munich – Group –	41.67
Privatradio Landeswelle Mecklenburg-Vorpommern GmbH & Co. Studiobetriebs KG, Rostock	47.15
Vicampo.de GmbH, Mainz	34.64
Priceza Company Limited, Bangkok/Thailand	24.90
Gesellschaft für integrierte Kommunikationsforschung mbH & Co. KG, Munich	20.00
d) Companies pursuant to Sec. 296 HGB or Sec. 313 (2) no. 4 HGB	
Acton GmbH & Co Heureka KG, Munich	40.21
BB Radio Lokalwellen Brandenburg GmbH & Co.KG, Potsdam	100.00 ⁹⁾

	Shares in %
BURDA PRINCIPAL INVESTMENTS LIMITED, London/Great Britain	100.00
BURDA PRINCIPAL INVESTMENTS PTE. LIMITED, Singapore	100.00
Burda East Africa Ltd., Kigali/Rwanda	100.00
BL Engineering Solutions Private Limited, New Delhi/India	51.00
Burda Hong Kong Limited, Hong Kong/China	82.15
COPE Management GmbH, Hamburg	100.00 ⁵⁾
Denfin Publishing ÖU, Tallinn/Estonia	45.00
Europe Online Deutschland GmbH, Munich	100.00
Gesellschaft für integrierte Kommunikationsforschung Verwaltungs GmbH, Munich	20.00
IR Holding GmbH, Potsdam	100.00 ⁹⁾
IR MediaAd GmbH, Berlin	100.00 ⁹⁾
KB sports communications GmbH, Stuttgart	51.00 ⁵⁾
L.M.2.F. SAS, Soreze/France	25.01
Tom Press AG, Soreze/France	100.00 ⁷⁾
Online International Beteiligungs-GmbH, Munich	100.00
Radio TEDDY GmbH & Co.KG, Potsdam	90.00 ⁹⁾
Radio TEDDY Verwaltungs GmbH, Potsdam	90.00 ⁹⁾
Repiit A/S, Kolding/Denmark	33.33
TopPatterns AB, Lidingö/Sweden	50.00
computeruniverse S.à r.l., Luxembourg City/Luxembourg	100.00
sevenload GmbH i.L., Cologne	100.00
Mode Media Corporation, Brisbane/USA	38.00
OOO 7dach, Moscow/Russia	25.00
OOO BimBasket, Moscow/Russia	22.10
e) Substantial shareholdings < 20%	
Good Hood GmbH, Berlin	17.72
Vinted Limited, London/Great Britain	16.02
Antenne Bayern GmbH & Co. KG, Ismaning	16.00

	Shares in %
Bloom & Wild Limited, London/Great Britain	13.50
Acton GmbH & Co. Heureka II KG, Munich	11.81
Iool Ventures L.P., Grand Cayman/Cayman Islands	11.11
Bauble Bar, Inc., New York/USA	10.00
AlphaSights Ltd., London/Great Britain	9.62
RCW, Inc./M.Gemi, Boston/USA	8.80
Launch Kids, Inc./Rockets of Awesome, New York/USA	8.60
ZILINGO PTE. LTD., Singapore	7.90
Radio/Tele FFH GmbH & Co. Betriebs KG, Frankfurt	4.37
UberMedia Inc., Delaware/USA	4.24
Golden Gate Ventures Fund II LP, Grand Cayman/Cayman Islands	3.33
Jungle Ventures II, L.P. Grand Cayman/Cayman Islands	2.00
AO Verlagshaus Burda, Moscow/Russia	10.00

1) Indirect holding of XING SE

2) Indirect holding of HolidayCheck Group AG

3) Indirect holding of CliCo GmbH

4) Indirect holding of INO24 AG

5) Indirect holding of C3 Creative Code Content GmbH

6) Indirect holding of Showroom Sp. z o.o.

7) Indirect holding of L.M.2.F. SAS

8) Indirect holding of Cliqz GmbH

9) 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 Report

We have audited the consolidated financial statements prepared by Hubert Burda Media Holding Kommanditgesellschaft, Offenburg – comprising the balance sheet, the profit and loss statement and the notes to the consolidated financial statements and the group management report for the fiscal year from 1 January to 31 December 2017. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the German Commercial Code (§ 317 HGB and German generally

accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the 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 these requirements. The group management report is consistent with the consolidated financial statements, complies with German statutory requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 23 March 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hagner, Wirtschaftsprüfer
Kaltenegger, Wirtschaftsprüfer

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