

# SUPERVISORY BOARD REPORT

## **Ladies and gentlemen,**

The past fiscal year was described by the board of management as a year of transition and was used specifically to enhance the Company's business model and expand its digital offering. The board of management took a series of operational measures to put Ströer AG in a good position for the coming years despite a challenging market environment and the ongoing uncertainty on the financial markets. It succeeded in doing this mainly through key growth investments, such as in the continued roll-out and expansion of the Out-of-Home Channel, and the renewal and optimization of the Group's syndicated financing ahead of time, which included the full release of the previously furnished collateral and laid the foundation for stable long-term financing. Last but not least, Ströer AG's entry into the online segment during the last days of 2012 forms the basis for a new business segment and, in our view, is the right strategic move to create significant growth momentum.

The supervisory board again carefully monitored the work of the board of management on an ongoing basis in fiscal year 2012. It mainly reviewed the legality, expediency and propriety of management. It also supported the strategic development of the Group and significant individual measures. The main topics discussed in fiscal year 2012 were the challenging market environment, the Company's entry into the online advertising business and its refinancing. The supervisory board also addressed changes to the composition of the board of management in detail during the reporting period. In addition, it concerned itself in particular with the introduction of a new process and application landscape and with the internal control system. We also dealt in depth with the recommendations of the German Corporate Governance Code and with issues relating to the management and control of the Group (governance).

The board of management informed the supervisory board at supervisory board meetings as well as through written and oral reports on the business policies and all relevant aspects of business planning. It therefore complied in full with its duties to provide information. In addition to the financial, investment and personnel planning, the development of business, the economic situation of the Company and the Group (including the risk situation and risk management), the financial position and the Group's profitability were discussed. For all decisions important for the Group, the board of management consulted the supervisory board in good time. For transactions requiring approval, the supervisory board granted its approval after careful consideration and review of the documents it was presented by the board of management. If legal provisions, the articles of incorporation and bylaws or the rules of procedure required the supervisory board to adopt a resolution, it passed a corresponding resolution after careful review.

During fiscal year 2012, the supervisory board convened eight times and held three telephone conferences. No member of the supervisory board attended less than half of the meetings. Between the supervisory board meetings, the chairman of the supervisory board, the deputy chairman of the supervisory board and the chairman of the audit committee discussed key business events with the board of management – in particular with the chairman of the board of management and the CFO – and therefore maintained close and regular contact. The supervisory board received regular reports on this. The audit committee convened four times in the fiscal year. The external auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, attended the meeting of the supervisory board to discuss the financial statements and all meetings of the audit committee.

**This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.**

## **Focus of deliberations and review by the supervisory board plenum**

At the meeting to discuss the financial statements on 28 March 2012, the supervisory board approved and endorsed Ströer Media AG's separate financial statements for fiscal year 2011. It also approved the consolidated financial statements for fiscal year 2011. At this meeting, we resolved to extend the board of management with a fourth member and agreed to offer Mr. Christian Schmalzl an employment contract as a member of the board of management. We also discussed the preparation of the 2012 annual general meeting. We resolved to recommend to the shareholder meeting to elect Dr. Seitz to the supervisory board for a further term of office, to exonerate the board of management and supervisory board and to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, as the Company's auditor for fiscal year 2012. We concluded this meeting by approving the agenda for the annual general meeting. The supervisory board meeting also addressed the formation of an executive committee to be chaired by the chairman of the supervisory board and with Mr. Dieter Keller and Mr. Martin Diederichs as the other members.

The purpose of the telephone conference on 23 April 2012 was mainly to discuss the Company's planned refinancing in detail.

At the meeting on 14 May 2012, the supervisory board approved the Company's acquisition of 15% of the shares in blowUP Media GmbH and the agreement of put and call options for the remaining 10% of the shares. The supervisory board also gave its consent to an intragroup credit facility of EUR 10m granted to Ströer Kentvizyon Reklam Pazarlama A.S.

The supervisory board meeting on the date of the annual general meeting, 21 June 2012, firstly addressed the results of the shareholder meeting. We then discussed in detail the introduction of a new process and application landscape for the Company and approved it on condition that we will examine significant future project phases individually.

At the meeting on 18 July 2012, the supervisory board again concerned itself with the Company's refinancing and approved the conclusion of a new loan agreement.

The supervisory board's strategy meeting was held in Istanbul on 20 September 2012. It addressed in detail the Group's strategy, in particular the strategy of the Ströer Turkey group and future strategic options that could arise for Ströer from the increasing digitalization of the media landscape. The supervisory board also appointed Mr. Christian Schmalzl as an additional member of the board of management with effect from 15 November 2012. Furthermore, the meeting dealt with the remuneration system for the board of management and the allocation of responsibilities on the board of management. The supervisory board discussed measures to increase transparency and clarity, but did not address any increase in remuneration.

At its meeting on 12 October 2012, the supervisory board granted its approval to acquire a third of the shares in Inter Tanitim Hiz. San. ve Tic. A.S., allowing Ströer Kentvizyon Pazarlama A.S. to increase its interest in the company to 99.92%. The supervisory board also adopted technical adjustments to the remuneration system for the members of the board of management without increasing the remuneration. Finally, it approved individual phases for the introduction of a new process and application landscape.

At its meeting on 29 November 2012, the supervisory board examined in detail the planned expansion of the Ströer Group's strategy to include online display marketing and the acquisition of the online advertising companies adscale GmbH, Ströer Interactive GmbH, freeXmedia GmbH and Business Advertising GmbH. It discussed the strategy, the acquisition structure, the valuation of the companies

and the level of the purchase prices, as well as details of the planned capital increase and governance issues.

The meeting on 11 December 2012 again primarily addressed the expansion strategy and the acquisition of the four online advertising companies.

At its meeting on 13 December 2012, the supervisory board again dealt with the Group's entry into the online advertising business and continued to extensively examine issues relating to the valuation of the four online companies and the measurement of the purchase prices, as well as details of the planned capital increase and governance aspects. Furthermore, it resolved to terminate Dirk Wiedenmann's employment contract as a member of the board of management by mutual consent, approximately 11 years before his contract was due to expire.

At its meeting on 16 December 2012, the supervisory board approved the expansion strategy to include online advertising, the conclusion of the agreements to acquire around 91% of the shares in adscale GmbH, the agreement of call and put options for the remaining approximate 9% interest in adscale GmbH, the purchase of 100% of the shares in both Ströer Interactive GmbH and freeXmedia GmbH as well as around 51% of the shares in Business Advertising GmbH.

#### **Deliberations of the supervisory board's audit committee**

The audit committee convened on 29 February 2012 and reviewed the separate financial statements of Ströer Media AG for fiscal year 2011 and the consolidated financial statements for fiscal year 2011. At its meetings on 3 May 2012, 8 August 2012 and 8 November 2012, the audit committee addressed the respective interim financial statements. All meetings were led by the chairman of the audit committee and attended by the CFO and the Company's auditor.

#### **Separate and consolidated financial statements**

The separate and consolidated financial statements prepared by the board of management for fiscal year 2012 were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, together with the combined management report. An unqualified audit opinion was issued in each case.

The documentation on the financial statements and the audit reports were presented to all members of the supervisory board in good time. The documents were the subject of intensive discussions in the audit committee and in the meeting of the supervisory board to discuss the financial statements on 22 March 2013. The responsible auditor participated in the plenum discussions. He reported on the key findings of the audit and was available to answer questions.

We reviewed all documents presented by the board of management and the auditor in detail. Based on the final results of our review, we have no reservations and agree with the conclusion of the audit of the financial statements by Ernst & Young. We approve the separate financial statements and the consolidated financial statements prepared by the board of management. The financial statements have thus been approved. We approve the proposal of the board of management on the appropriation of profit.

#### **Changes to the composition of the supervisory board**

On 21 June 2012, following the recommendations of the supervisory board from 28 March 2012, the shareholder meeting appointed Dr. Stefan Seitz to the supervisory board until the end of the shareholder meeting that decides on the exoneration of the supervisory board for fiscal year 2013. At the constituent meeting of the supervisory board held after the shareholder meeting on 21 June 2012, Dr. Stefan Seitz accepted his appointment to the supervisory board.

In a letter dated 6 December 2012, Mr. Dietmar Peter Binkowska resigned from the supervisory board with effect from 6 January 2013. This was due to his new position as Vice-President of the European Association of Public Banks and his appointment as chairman of the supervisory board of the WestLB successor company Portigon AG. We would like to thank Dietmar Peter Binkowska for his outstanding work on the supervisory board of Ströer AG and for the Company over the past four years, in particular for his substantial expertise in financing issues.

### **Thanks**

The supervisory board would like to thank the board of management, the management of the group entities, the works council and all employees for their outstanding personal dedication, hard work and unwavering commitment.

On behalf of the supervisory board

Prof. Dr. h.c. Dieter Stolte

Chairman of the Supervisory Board

Cologne, 22 March 2013