STRÖER

# ANNUAL REPORT 2017

STRÖER SE & CO. KGAA

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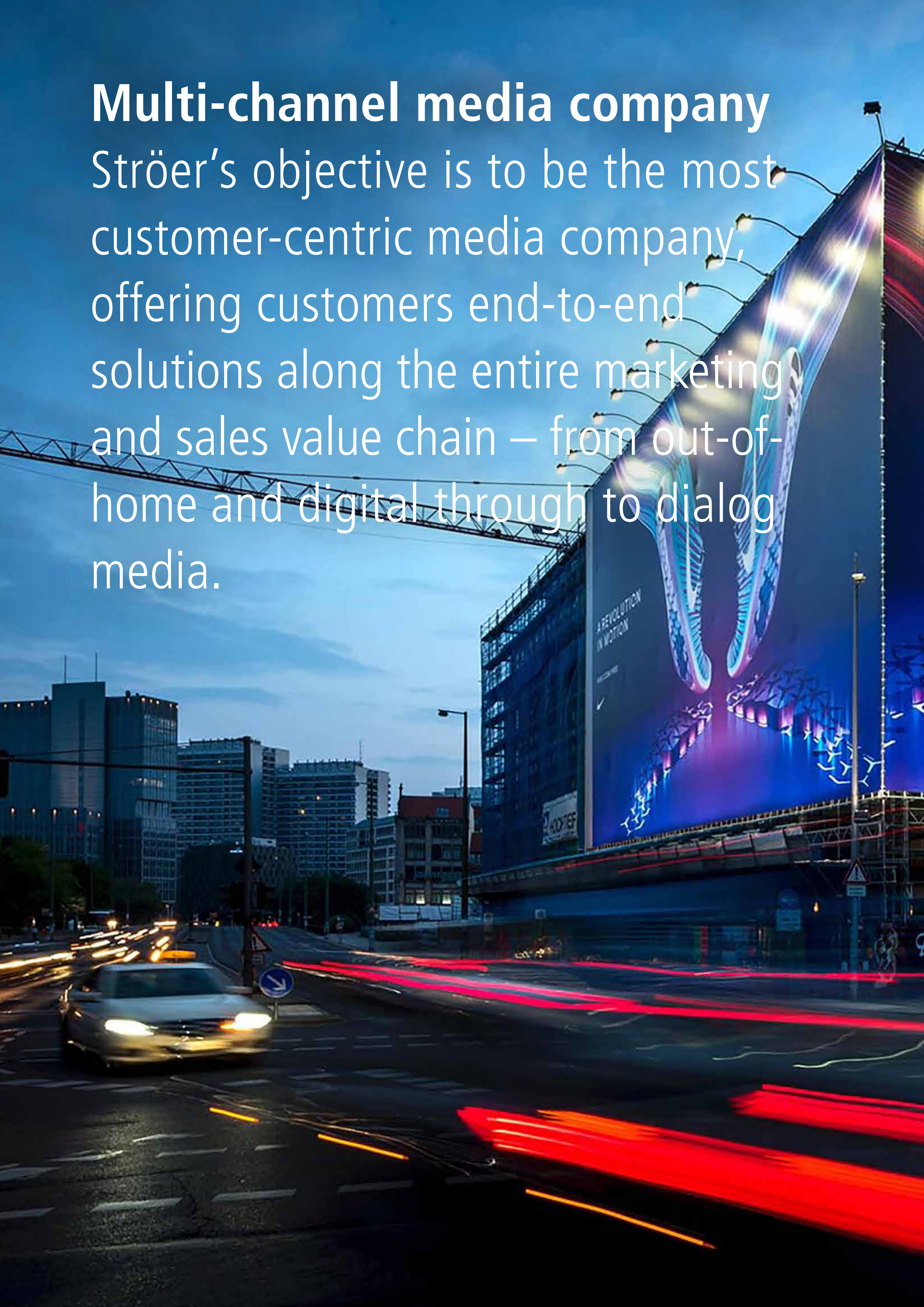
Ströer SE & Co. KGaA
(hereinafter Ströer KGaA)

**Multi-channel media company**

Ströer’s objective is to be the most customer-centric media company, offering customers end-to-end solutions along the entire marketing and sales value chain – from out-of-home and digital through to dialog media.



# FOCUS ON THE CUSTOMER

Thanks to its unique portfolio, Ströer can offer a diverse range of cross-media solutions, ranging from brand development and sales promotion communications through to comprehensive performance-driven sales solutions – Ströer is the number one in out-of-home advertising (location-based reach) with more than 230,000 advertising media, its online advertising business with German-language content commercializes more than 350 of the top 700 websites and it has very quickly become one of the top providers of dialog marketing in Germany.

## DIGITALIZATION

Ströer is consistently driving forward the digitalization of its own portfolio. It is investing in the digitalization of all its business areas, from the installation of more than 550 additional digital spaces in the out-of-home business, strategic partnerships such as the data partnership with the Otto group and the commercialization of the digital portfolio of the Bauer publishing house, through to investments in state-of-the-art dialog technology in its call centers and in the direct sales operations of Ströer Dialog.

## NEW FAST-GROWING DIALOG MARKETING SEGMENT

With game-changing acquisitions in the dialog marketing segment, Ströer has tapped into an additional channel and thus enhanced its own sales activities. While Ströer uses the online, display and email channels in the performance marketing business, the specialists in the performance-driven sales solutions area provide telesales, telemarketing and field sales services. The Company develops end-to-end solutions along the entire sales value chain for customers.

## DIGITAL PUBLISHING

Ströer is investing in Germany's portal with the largest reach, t-online.de. The editorial team led by Florian Harms and based in the digital-centric city of Berlin and close to the political pulse of Germany focuses on cementing the core brand T-Online across all channels and platforms and developing a leading voice in the German publishing world. Ströer now reaches more than 86% of German internet users each month with its marketed digital portfolio, this equates to around 53 million unique users. This development highlights how Ströer is realizing its vision of fully integrated, multimedia storytelling across all devices (desktop, mobile and tablets), channels (websites, apps and social media) and media (online and public video).

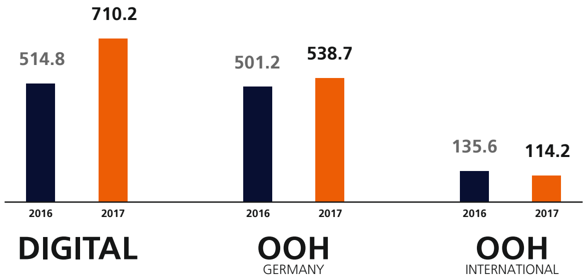
# THE GROUP'S FINANCIAL FIGURES AT A GLANCE[1]

## REVENUE

**EUR 1,331.0m**

(prior year: EUR 1,123.3m)

### SEGMENT REVENUE
In EUR m




OPERATIONAL EBITDA

**EUR 331.2m**

(prior year: EUR 282.8m)

OPERATIONAL EBITDA MARGIN

**24.6%**

(prior year: 24.9%)

ORGANIC REVENUE GROWTH

**8.7%**

(prior year: 7.2%)

ADJUSTED EARNINGS PER SHARE

**EUR 3.25**

(prior year: EUR 2.77)

FREE CASH FLOW BEFORE M&A TRANSACTIONS

**EUR 146.2m**

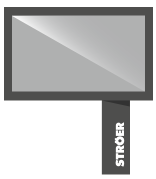
(prior year: EUR 138.5m)

ROCE

**17.6%**

(prior year: 16.9%)

**300,000**




ADVERTISING FACES

**4,500**


PUBLIC VIDEO SCREENS

**53.0 million**

UNIQUE USERS PER MONTH


| In EUR m | 2017 | 2016[2] | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Revenue** | **1,331.0** | **1,123.3** | **823.7** | **721.1** | **622.0** |
| **Operational EBITDA** | **331.2** | **282.8** | **208.3** | **148.1** | **118.0** |
| Adjustment effects | 15.9 | 26.8 | 15.2 | 9.9 | 5.2 |
| IFRS 11 adjustment | 5.1 | 4.4 | 4.5 | 3.9 | 4.0 |
| **EBITDA** | **310.2** | **251.6** | **188.6** | **134.3** | **108.8** |
| Amortization, depreciation and impairment losses | 183.5 | 166.2 | 111.8 | 81.8 | 74.8 |
| thereof attributable to purchase price allocations and impairment | 80.5 | 77.3 | 37.2 | 31.0 | 28.7 |
| **EBIT** | **126.7** | **85.3** | **76.8** | **52.5** | **34.0** |
| Financial result | 8.9 | 10.0 | 9.3 | 14.8 | 19.8 |
| **EBT** | **117.8** | **75.3** | **67.5** | **37.7** | **14.2** |
| Taxes | 19.0 | 8.5 | 8.6 | 14.4 | 9.7 |
| **Consolidated profit for the period** | **98.8** | **66.8** | **58.8** | **23.3** | **4.5** |
| **Adjusted consolidated profit for the period** | **183.6** | **153.8** | **106.9** | **56.3** | **36.3** |
| | | | | | |
| **Free cash flow (before M&A transactions)** | **146.2** | **138.5** | **116.4** | **79.6** | **39.3** |
| **Net debt** | **457.1** | **330.3** | **231.2** | **275.0** | **326.1** |
| **Leverage ratio** | **1.38** | **1.17** | **1.11** | **1.91** | **2.76** |

[1] See the section on value-based management for information on the calculations.
[2] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2016. We refer to our disclosures on the retroactive adjustment of purchase price allocations in note 6 of the notes to the consolidated financial statements.

# THE BOARD OF MANAGEMENT

## Dr. Bernd Metzner
CFO

Dr. Bernd Metzner was born in 1970 in Ruit auf den Fildern near Stuttgart, Germany, and studied business management at the University of Siegen.

After completing his PhD he joined the Flick Gocke Schaumburg law firm and then went on to assume various management positions in finance at the Bayer Group. He was responsible, among other things, for coordinating the spin-off and IPO of Lanxess and was CFO of Bayer Italy and head of finance of the pharmaceutical division of Bayer.

From mid-2011 to mid-2014 Bernd Metzner was CFO of the family-owned Döhler group.

Dr. Bernd Metzner assumed the position as Chief Financial Officer (CFO) of Ströer as of 16 June 2014 and represents the management board of Ströer Management SE alongside Co-CEO Udo Müller and Co-CEO Christian Schmalzl.

## Udo Müller
Co-CEO

Udo Müller, born in 1962 in Rüdesheim, entered the field of out-of-home advertising in 1987 marketing his handball team, the Reinickendorfer Füchse, in Berlin.

In 1990, he teamed up with Heiner W. Ströer to establish Ströer City Marketing GmbH, which was reorganized as an Aktiengesellschaft (German stock corporation) in 2002. With the takeover of Deutsche Städte Medien (2004) and Deutsche Eisenbahn Reklame (2005), he advanced the growth of the company, which he took public in 2010.

In 2011, he was awarded the title of Senator h.c. by the German Association for Small and Medium-sized Businesses in recognition of his exceptional entrepreneurial achievements.

In 2012, Udo Müller added online marketing to the company's portfolio. In 2017, he successfully expanded Ströer's product portfolio to include dialog media.

## Christian Schmalzl
Co-CEO

Christian Schmalzl, born in 1973 in Passau, studied politics, philosophy, literature and sociology at the Universities of Passau, Munich and Cardiff. After his studies, he joined MediaCom in Munich in 1999 and became the youngest managing director of the agency group in 2002.

In 2007, he assumed responsibility for the entire Germany business, before being appointed Worldwide Chief Operations & Investment Director (COO) of the international media group in 2009. Christian Schmalzl has joined Ströer's Board of Management as COO at the end of the year 2012. He was appointed Co-CEO of Ströer SE & Co. KGaA in March 2017.

# FOREWORD BY THE BOARD OF MANAGEMENT

**Dear ladies and gentlemen,
dear shareholders,**

Fiscal year 2017 was a successful year for our Company in numerous respects. As in prior years, we set new records with our key financial indicators. We grew revenue by 18% to EUR 1,331m. Organic growth also fully lived up to our expectations at around 8.7% and is testimony to the strength of our core business. We boosted operational EBITDA by 17% from EUR 283m to EUR 331m. At 25%, the operational EBITDA margin remained at the high level of prior years. Adjusted profit for the period also rose accordingly, growing some 19% from EUR 154m to EUR 184m. Despite our investments in profitable and sustainable growth, as well as considerable one-time restructuring expenses in connection with the t-online acquisition, our free cash flow (before M&A transactions) increased by around 6% from EUR 139m to EUR 146m. On the back of these positive developments, the Ströer share notched up a new record, quoting at EUR 65.21 in December last year, and achieved one of the highest share price rises in the MDAX, recording growth of 48% to EUR 61.60 over the course of the year.

These results reflect the consistent implementation of our customer-centric strategy. In an ever more complex environment, our customers and their requirements remain at the heart of our actions. Our offerings are aligned with the entire customer journey thereby delivering key added value for our customers. Our diversified portfolio of rights, our deep, local market know-how and our highly individualized, not globally scalable business model, in addition to our high pace of innovation, are of decisive importance for our continued success. They are the basis of our globally unique combination of structurally growing out-of-home advertising business and our attractive digital and dialog-based fields of business and create an efficient ecosystem.

In out-of-home advertising, which is shaped by a high degree of customer-specific individualization, we can offer a maximum of precision and presence in national as well as hyperlocalized settings thanks to our extreme organizational and executional efficiency.

We are gradually digitalizing our advertising media at central traffic interchanges in German cities, for example, and are also continually expanding our public video network.

An important event in 2017 was the acquisition of the Adveo group and the Ranger Marketing group. Thanks to the successful and value-enhancing acquisitions of these performance-driven dialog marketing specialists, we can add an additional, attractive dialog marketing channel to our performance marketing business and thus enhance our own sales activities. In addition, we acquired a majority stake in the UAM Media group in December, a large provider of local and digital out-of-home products at the point of sale (POS) in Germany. With the acquisition, we are extending our offering in the increasingly important market segment of digital out-of-home media and further expanding our product portfolio in our key market for local advertisers.

In order to allow our shareholders to directly participate in their Company's success, Ströer distributed a dividend of EUR 1.10 per qualifying share in 2017. To reflect the positive development in fiscal year 2017, we propose an increase in the dividend to EUR 1.30 per share.

For fiscal year 2018, we anticipate organic revenue growth in the mid to upper single-digit percentage range with consolidated revenue of around EUR 1.6b and operational EBITDA of EUR 535m, taking the effects from IFRS 11 and IFRS 16 into account.

We would like to thank our business partners and investors for the trust they have placed in us and wish you all a successful year in business and on the markets in 2018.

Udo Müller
Co-CEO

Christian Schmalzl
Co-CEO

Dr. Bernd Metzner
CFO

# SUPERVISORY BOARD REPORT

**Christoph Vilanek**
Chairman of the supervisory board

**Dear ladies and gentlemen,**

Fiscal year 2017 was shaped by the further digitalization of out-of-home advertising media and strategic acquisitions in the area of dialog marketing. With the acquisition of the Avedo group, the Ströer Group has further strengthened its relevance among customers, added an additional marketing channel to its overall portfolio and reaffirmed its focus on performance-driven and high growth sales models. By acquiring the Ranger Marketing group, Ströer has rounded off its sales portfolio with an important channel, namely professional direct sales. Furthermore, the tele sales operations of the Avedo group and the direct sales operations of the Ranger Marketing group were dovetailed, boosting the efficiency and effectiveness of the dialog marketing activities. This will allow the Ströer Group to offer its customers integrated solutions along the entire marketing and sales value chain. In addition, Ströer also successfully placed a note loan of EUR 350m with terms of up to seven years and fixed and variable interest rates with a broad German and international investor base, and thereby capitalized on the favorable capital market environment.

The supervisory board of Ströer SE & Co. KGaA carefully monitored and advised the general partner, Ströer Management SE, on a regular basis in the reporting period. The supervisory board of Ströer SE & Co. KGaA reviewed in particular the legality, expediency and propriety of management of Ströer Management SE's board of management.

In line with the requirements of the German Corporate Governance Code, the supervisory board regularly reviewed whether it has an appropriate number of independent members. This is particularly important given the existing shareholder structure and was found to be the case in the supervisory board's opinion. The majority of the members of the supervisory board are independent as defined by the German Corporate Governance Code and not subject to any potential conflicts of interest. Should conflicts of interest arise nevertheless, these are reported without delay; the supervisory board member concerned then does not take part in advising on or voting on resolutions on the relevant item on the agenda. In addition, all supervisory board members make their decisions in the interests of the Company and all of its shareholders and act independently and free from external constraints.

The board of management of Ströer Management SE informs the supervisory board of Ströer SE & Co. KGaA at supervisory board meetings as well as through written and oral reports on the business and all relevant aspects of business planning. It therefore fulfills its duty 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.

During fiscal year 2017, the supervisory board of Ströer SE & Co. KGaA convened four in-person meetings. In additional meetings, the chairman of the supervisory board, the deputy chairman of the supervisory board and the chairman of the audit committee of the supervisory board discussed key business events with the board of management – in particular with the chairman and the CFO. The supervisory board plenum received regular oral reports on these deliberations.

The supervisory board of Ströer SE & Co. KGaA has formed an audit committee which deals in particular with monitoring the financial reporting process, the effectiveness of the internal risk management systems, the internal audit function and the audit of the financial statements. The audit committee of Ströer SE & Co. KGaA also convened four times in the fiscal year.

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

At the meeting of the supervisory board on 23 March 2017, the supervisory board, in the presence of the auditors from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, discussed in detail and approved the unqualified audited annual financial statements of Ströer SE & Co. KGaA and the unqualified audited consolidated financial statements of Ströer SE & Co. KGaA for fiscal year 2016. Furthermore, the supervisory board adopted its recommendations for the annual shareholder meeting in 2017 to, among other things, distribute a dividend of EUR 1.10 per qualifying share, exonerate the board of management and supervisory board and to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, as the Company's auditor for fiscal year 2017. In addition, the supervisory board approved the report of the supervisory board to the shareholder meeting for fiscal year 2016. The supervisory board approved the conclusion of subscription right agreements between the Company and Udo Müller, Christian Schmalzl and Dr. Bernd Metzner, respectively, on options to purchase shares in the Company.

The supervisory board meeting was convened with the six newly elected employee representatives on 14 June 2017. The then residing chairman of the supervisory board welcomed all new supervisory board members and also commended the fact that the supervisory board of Ströer SE & Co. KGaA is now co-determined. The supervisory board unanimously elected Mr. Christoph Vilanek as chairman and Mr. Dirk Ströer as deputy chairman of the supervisory board. The supervisory board also confirmed the appointment of Ulrich Voigt, Christoph Vilanek and Dirk Ströer to the audit committee. Finally, the shareholder representatives discussed the analysis of the efficiency review of the supervisory board, which was performed as scheduled before the appointment of the employee representatives.

At the meeting of the supervisory board on 14 September 2017, the chairman of the audit committee explained the duty to disclose a non-financial statement in accordance with the CSR Directive Implementation Act ["CSR-Richtlinie-Umsetzungsgesetz"]. As this is a very new topic, the supervisory board resolved to initially engage a third party with the review of the non-financial statement and subsequently conduct its own examination. Furthermore, the supervisory board agreed that the non-financial statement should be published as a separate report.

The focus of deliberations at the meeting on 14 December 2017 was the discussion of the audit plan for fiscal year 2018 and the adoption of the rules of procedure for the internal audit of the Ströer Group. The supervisory board also approved the appointment of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, for the review of the non-financial statement on the basis of a limited assurance engagement in accordance with the international standard on assurance engagements ISAE 3000 and the conclusion of a framework agreement for non-audit services with Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne. In addition, the supervisory board adopted the joint declaration of the supervisory board and board of management on the implementation of the recommendations of the German Corporate Governance Code in the version from 2017.

Vicente Vento Bosch took part in all meetings of the supervisory board with the exception of the meeting on 23 March 2017. Anette Bronder took part in all meetings of the supervisory board with the exception of the meeting on 14 June 2017. Dr. Thomas Müller took part, after taking office, in all meetings of the supervisory board with the exception of the meeting on 14 September 2017. Julia Flemmerer, Rachel Marquart, after taking office, and Ulrich Voigt took part in all meetings of the supervisory board with the exception of the meeting on 14 December 2017. All other supervisory board members were present at all meetings of the supervisory board of Ströer SE & Co. KGaA during their respective terms of office.

## Deliberations of the supervisory board's audit committee

On 3 March 2017, the audit committee reviewed the draft versions of the annual and consolidated financial statements of Ströer SE & Co. KGaA for fiscal year 2016. The auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, attended this meeting. At its further meetings on 2 May 2017, 2 August 2017 and 2 November 2017, the audit committee examined the respective interim financial statements of the Company, the internal audit reports and the risk management report. The members of the audit committee and the Chief Financial Officer of the general partner, Dr. Bernd Metzner, attended all meetings of the audit committee with the exception of Christoph Vilanek, who did not attend the audit committee meeting on 2 August 2017.

The members of the audit committee of the supervisory board are still Ulrich Voigt as chairman, Christoph Vilanek as his deputy and Dirk Ströer.

## Audit of the annual and consolidated financial statements

The annual and consolidated financial statements prepared by the board of management for fiscal year 2017 of Ströer SE & Co. KGaA were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, together with the underlying books and records and the combined management report of the Company and the Group. An unqualified auditor's report was issued in each case.

The documentation on the financial statements and the long-form audit reports were made available to all members of Ströer SE & Co. KGaA's supervisory board in good time. The documents were the subject of intensive discussions in the audit committee of Ströer SE & Co. KGaA and in the meeting of the supervisory board of Ströer SE & Co. KGaA to discuss the financial statements on 26 March 2018. The responsible auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, participated in the plenum discussions. He reported on the key findings of the audit and was available to answer questions.

The supervisory board reviewed all documents presented by the board of management and the auditor in detail. Based on the final results of the review, the supervisory board had no reservations and agreed with the conclusion of the audit of the financial statements by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne. The annual and consolidated financial statements prepared by the board of management were approved by the supervisory board of Ströer SE & Co. KGaA.

## Changes to the composition of the boards

The supervisory board of Ströer SE & Co. KGaA comprised six shareholder representatives until 27 March 2017: Christoph Vilanek as chairman, Dirk Ströer as his deputy, Anette Bronder, Julia Flemmerer, Ulrich Voigt and Vicente Vento Bosch. In line with the provisions on co-determination, the employees of the Ströer Group elected for the first time on 28 March 2017 six employee representatives to the Company's supervisory board, which comprises twelve members in total. The following employee representatives were elected to the supervisory board of Ströer SE & Co. KGaA: Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Dr. Thomas Müller, Michael Noth and Christian Sardiña Gellesch. Since then, the supervisory board has comprised the twelve members: Christoph Vilanek as chairman of the supervisory board, Dirk Ströer as his deputy, Anette Bronder, Julia Flemmerer, Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Dr. Thomas Müller, Michael Noth, Christian Sardiña Gellesch, Ulrich Voigt and Vicente Vento Bosch.

There were no changes to the composition of the board of management of the general partner, Ströer Management SE.

## Thanks

The supervisory board of Ströer SE & Co. KGaA would like to thank the board of management of Ströer Management SE, 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

Christoph Vilanek
Chairman of the supervisory board
of Ströer SE & Co. KGaA

Cologne, March 2018

# COMBINED MANAGEMENT REPORT OF THE COMPANY AND THE GROUP

The references to page numbers made in this combined management report of Ströer SE & Co. KGaA, Cologne (Ströer KGaA), and of the Group refer to the numbering in the annual report.

**Combined Management Report**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# BACKGROUND AND STRATEGY OF THE STRÖER GROUP

## Management statement

The strategic goal of Ströer SE & Co. KGaA (the Ströer Group) is to be "customer centric" – reflected by its unwavering focus on the requirements and needs of our customers. In this context, we cover the entire spectrum, from large national advertisers through to small local advertisers.

The results for 2017 and the outlook demonstrate that Ströer is successfully applying

- the right **strategy**
- and focusing on the **right market segments** coupled with
- optimal and **reliable execution**.

The Ströer Group is fully committed to becoming the most customer-centric media company on the German advertising market, operating across a number of media channels. Having the most extensive local offering at its disposal, the Ströer Group can efficiently target the specific customer groups of its advertising customers during all phases of the purchase decision-making process.

The Ströer Group's objective is for all advertisers planning a marketing or sales campaign in Germany to always consider the solutions and possibilities offered by the Ströer Group.

In pursuing this ambitious objective, Ströer has already achieved a great deal over the past years and is committed to following this course in the future.

## Context

The German advertising market has been shaped by major changes over the past ten years.

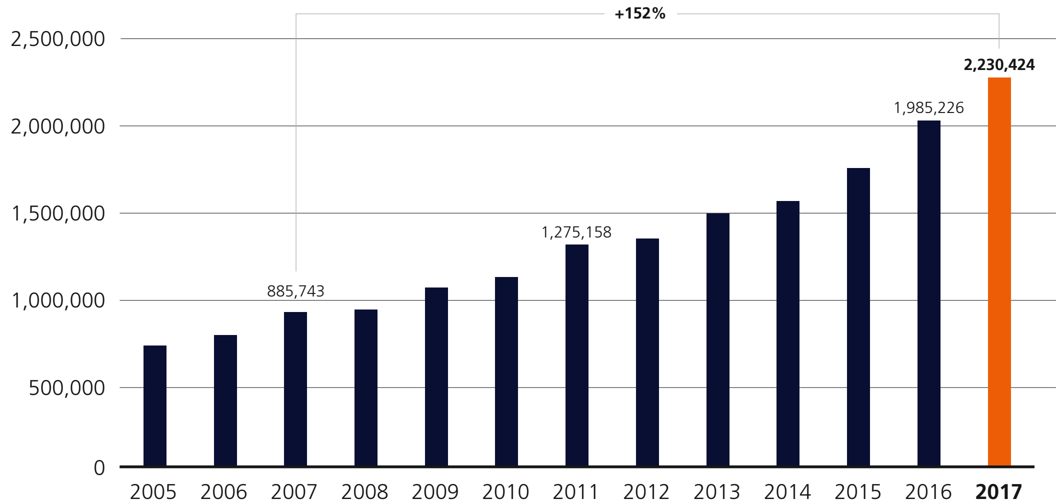
The market shares of our core segment out-of-home (OOH) have continually risen over the last four years in particular. This is due, on the one hand, to the growing mobility of the population at large and the ongoing urbanization as well as, on the other hand, to the growing acceptance and use of out-of-home media in the advertising market.

In addition to out of home, online media is the other driver of growth on the German advertising market. The Ströer Group divides this market into segments which are primarily dominated by google, facebook et al. that show unedited content that is organized differently, namely on a technology-driven basis for marketing purposes. Curated content and services have a different relevance for the user. Ströer focuses on this segment. With its combination of own websites and portals, such as T-Online, and the exclusive long-term marketing of premium content for a number of other partners, such as kicker.de, cosmopolitan.de, rp-online.de or auto-motor-und-sport.de, the Ströer Group also considers itself to be in a strategically good base position to capitalize on any further market consolidation.

Due to digitalization, there is a vast abundance of possibilities and consumers today have an enormous range of options in all areas of digital life. Platforms and price comparisons find the lowest priced offer. In the past,

**OOH remains on success course in 2017: advertising revenue exceeds EUR 2b for the first time**

**Development of OOH media class,* in EUR k**




Source: Nielsen Media Research, Brutto-Werbemarkt (gross advertising market), ambient media (AM): from 2015, incl. adjustments to 2017 as a whole, as of 19 February 2018
*OOH media class incl. posters (PL), ambient media (AM), at-retail media (ARM) incl. mail video as well as transport media (TM) incl. public video and Infoscreen

consumers often had to consider the availability of a product at their place of purchase. Even in the advertising market, particularly in the online area, supply often exceeded demand. Nowadays, media offerings are increasingly merging on the digital platform "internet" which provides for great availability and optimal price comparisons, and thus increasingly controls demand through its marketplaces. These marketplaces are usually controlled by Anglo-American technology companies such as google, amazon or facebook. Providers that wish to market their product on platforms other than these have to find new ways to do so. Ströer offers, in particular through the new Ströer Dialog segment, direct communication and sales paths between providers and consumers.

For Ströer, it is thus vitally important to focus on optimal and efficient solutions for the advertising customer.

## Business model

The Ströer Group is a leading provider in the commercialization of out-of-home and online advertising as well as all forms of dialog marketing in Germany, and offers its advertising customers individualized, scalable and integrated communications solutions along the entire media value chain.

It focuses on customers from the segment of large national advertisers and their agencies, for which the Ströer Group can provide the relevant reach and range of advertising possibilities, as well as the segment of small to medium-sized regional, local and even hyper-local advertisers. The Ströer Group can provide these with the product and also service infrastructure to allow them to configure the best local customized solution.

This segmentation is systematically focused on the ideal sequence in the structuring of the advertising relationship between the advertising customers and their target groups:

Awareness → qualification of the contact → transaction

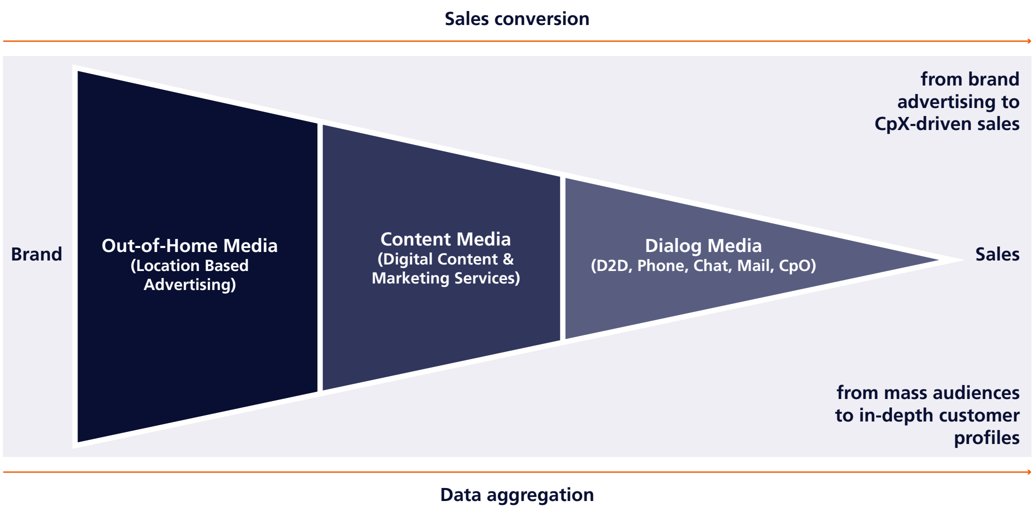
On the cost side, the Ströer Group thus leverages economies of scale arising in areas such as strategy and innovation, finance, procurement, design, legal affairs and human resources, as well as the many synergies arising from cooperation between the individual segments and entities.

## Segments and organizational structure

The Ströer Group's reporting segments comprise the Ströer Digital segment, the OOH Germany segment and the OOH International segment. These segments operate independently on the market in close cooperation with the group holding company Ströer SE & Co. KGaA. This cooperation relates in particular to the Group's central → strategic focus and enables a targeted transfer of expertise between the different segments.

← For further information on strategy and management, see page 14.

**Complementing integrated brand-performance sales funnel**



The Group's financing and liquidity are also managed centrally. The resulting refinancing of the segments and their provision with sufficient liquidity gives the operating units the flexibility they need to exploit market opportunities quickly.

## Digital business

### Ströer Digital segment

In the Ströer Digital segment, the Ströer Group offers digital advertising on the internet, on mobile devices and in public spaces as a public video network. The product groups comprise display and mobile, video and the recently established transactional product group. Ströer holds a strong position in the commercialization of advertising in Germany and covers the entire digital marketing and innovative brand presence value chain. As a multichannel media company, Ströer offers scalable products from branding and storytelling through to performance and social media.

### Display and mobile advertising

With a reach of more than 53 million unique users per month, Ströer Digital Media GmbH (Ströer Digital Media) was ranked the number 1 marketer by the industry group for online media research Arbeitsgemeinschaft Online Forschung (AGOF), making it one of the most important display and mobile marketers in the German advertising market.[1] In the area of display and mobile advertising, Ströer Digital Media has a large number of direct customers and own websites as well as an automated technology platform (for both the demand and supply side). Own websites include the acquired site of t-online.de. In terms of direct customers, Ströer has bundled its advertising capacity and has up to 1,000 websites at its disposal through exclusive marketing rights.

Ströer is able to intelligently link Rich Media[2] and Native Advertising[3] with traditional display advertising formats and new moving-picture products while also developing innovative advertising formats for automatic trading. In the area of social ads, the premium marketer provides its customers with a unique marketing portfolio of renowned media brands and apps as well as thematic verticals.

### Video

Ströer offers various formats in the area of video: Public video screens, online video (desktop and mobile/tablet) as well as a multi-channel network (MCN) with Tube One Networks GmbH.

Ströer has around 4,500 public video screens in shopping malls, railway stations and underground stations. Public video is a new media channel to complement traditional TV and can be combined directly with campaigns in the online segment. The programmatic management of public video that is now available through traditional online adserving technologies gives customers the opportunity to extend the reach of video campaigns to public spaces. In contrast to linear TV, public video screens, as "addressable public video" can accompany consumers on their customer journey and are therefore a unique product. In the online segment, the video format enables premium content to be offered on a large number of websites.

Online and public video particularly appeal to young and mobile target groups, who react positively to moving pictures and who are reached less and less by linear television.

### Transactional

In addition to traditional advertising income from the marketing of websites, the Ströer Group also uses other digital business models in its transactional product group. The product group itself is subdivided into performance-oriented products, subscription-based revenue models and digital commerce.

Performance-based revenue is derived in particular from search revenue models, cost per order campaigns and digital revenue with local customers. Subscription-based revenue stems from digital subscriptions that flexibly and individually cover the different services paid. Ströer was already able to successfully expand its subscription-based revenue models in the reporting period. Statista GmbH expanded its user base internationally and considerably extended the reach of its offerings with partners such as Financial Times and Handelsblatt. StayFriends GmbH significantly boosted its brand awareness by effectively interlinking with T-Online as well as through the use of existing out-of-home inventory. The newly acquired Avedo group currently focuses on telesales and dialog marketing and provides services mainly on a CpO basis (cost per order). The Avedo group has over 30 million customer contacts annually and expertise in twelve sectors, in particular in the telecommunications, energy, IT, tourism, multimedia and e-commerce sectors. With an

[1] Extrapolation of marketer rankings following the merger of the offerings of Ströer Digital, InteractiveMedia and OMS based on the AGOF ranking digital facts 09-2016.

[2] Rich Media refers to online content, which is enhanced both visually and acoustically, for example by video, audio and animation.

[3] Native Advertising is a method wherein various forms of advertising can be placed in an editorial environment.

annual growth rate in the double-digit percentage range, the Avedo group is one of the fastest growing providers in the industry. The acquisition of the Ranger Marketing group that operates in performance-based dialog sales creates an additional channel alongside the Avedo group's performance marketing business. The Ranger Marketing group is a direct sales specialist providing highly efficient, performance-guided sales services on behalf of its clients. The company sells products to private and corporate customers on behalf of its clients in the telecommunications, energy, retail, financial services and media sectors.

Through digital commerce, the value chain is being extended in order to monetize own inventories, right up to the sale of products. The use of own advertising faces contributes purposefully to effective brand building. Ströer uses the thematic verticals of tech & games, entertainment and news & services as well as the vertical health & beauty, on which it has a particular focus.

In particular in the health & beauty vertical, brand building campaigns can be effectively placed with the help of out-of-home advertising. For this reason, Ströer also supplemented its portfolio with some business models from this area in 2016. By acquiring the BHI Beauty and Health Investment Group (which develops and sells, among other things, various own cosmetic products (AsamBeauty)) and Bodychange (Social Media Interactive GmbH, active in weight optimization and nutritional advice), we successfully expanded our value chain with the aim of maximizing monetization of our entire advertising inventory.

## Out-of-home business

The out-of-home advertising business is based on an attractive portfolio of agreements with private and public-sector owners of land and buildings, which furnish the Ströer Group with advertising concessions for high-reach sites. Of particular importance are the agreements with municipalities, for which the Ströer Group, as a system provider, develops smart and tailored infrastructure solutions that also enhance cityscapes. The agreements with Deutsche Bahn, the ECE group and local public transport providers are also highly significant. The product portfolio covers all forms of outdoor advertising media, from traditional posters (large formats) and advertisements at bus and tram stop shelters (street furniture) and on public transport through to digital and interactive offerings. The digital out-of-home business, which focuses on public video, is subsumed under the digital segment due to the relevancy of its business and the technology used.

Our portfolio currently comprises nearly 300,000 marketable advertising faces in Europe. Agreements with private owners of land and buildings generally provide for the payment of a fixed lease, whereas the majority of the concession contracts with municipalities entail revenue-based lease payments.

### Out-of-Home Germany segment

The OOH Germany segment is managed operationally by Ströer Media Deutschland GmbH (Ströer Media Deutschland). Management is based at the headquarters in Cologne. Together with its many subsidiaries, Ströer Media Deutschland is active in all of the Group's product groups (street furniture, large formats, transport, other) with the exception of digital business. While day-to-day business is conducted from the individual regional locations and our headquarters in Cologne, key operating decisions and all accounting and financial control functions are managed centrally by Ströer SE & Co. KGaA in Cologne. With some 230,000 marketable advertising faces in more than 600 cities, Ströer generates by far the highest net revenue in the largest out-of-home advertising market in Europe.

### Out-of-Home International segment

The OOH International segment includes the Turkish and Polish out-of-home activities and the western European giant poster business of blowUP media GmbH (blowUP media).

Ströer Kentvizyon Reklam Pazarlama A.S., in which the Ströer Group holds a 90% stake, manages our operations in Turkey. Ströer has a presence in six of the ten largest Turkish cities and operates in all product groups. With some 43,000 marketable advertising faces in approximately 15 cities and provinces, we also generate the highest revenue in our sector in Turkey and have a much larger share of the Turkish market than any other competitor.

The Polish OOH business is managed by Ströer Polska Sp. z.o.o. In terms of like-for-like revenue, Ströer shares the number 1 position on the Polish market with a similar-sized competitor. Our national company has a presence in approximately 120 cities and municipalities with some 12,000 marketable advertising faces and operates in all of the Group's OOH product groups.

blowUP media is a strong western European provider of giant posters with formats of up to more than 1,000m² positioned on building façades. The company currently markets more than 300 sites, some of which are digital, which are booked either individually or in blocks, both nationally and internationally, by well-known advertisers. The normally shorter concession terms pose different challenges for portfolio management to those that arise in traditional out-of-home advertising. In Europe, blowUP media has operations in Germany, the UK, the Netherlands, Spain and Belgium.

## Strategy and management

Ströer SE & Co. KGaA focuses on the following strategic topics:

Ströer's key objective is for all advertisers planning a marketing or sales campaign in Germany to always and primarily consider the possibilities and solutions offered by Ströer's portfolio which can be tailored to their needs.

Ströer focuses on business segments which can be developed actively and organically in line with its customer-centric strategy and offer opportunities for sustainable growth.

They are characterized by

- the very high market entry barriers (also for global tech companies)
- an inventory that has a highly diversified portfolio of rights
- segments for management and product design that require a high level of local market know-how, and
- are not globally scalable, as there are major differences in terms of market structure, language or culture as well as regulatory conditions across different countries.

Such business segments thus need to be optimally structured by a strong and integrated local provider such as Ströer. The strategic core segments "out of home," "digital business relating to German content and services" and "dialog marketing" are structurally growing and perfectly fit this profile. They also require high quality in local execution. And precisely this is firmly embedded in Ströer's DNA. Historically the out-of-home business was always shaped by limited standardization, also due to the federally diversified structure of the German urban landscape. This means that each rights contract has to be individually developed and maintained.

The success of Ströer's core segments mainly lies in:

- "Propriety detailed knowledge in breadth and depth" meaning the knowledge of the very different local conditions, e.g., each advertising location or every individual website.
- "Individual quality in management and execution" meaning the will to ensure maximum precision, also in the local and hyper-local environment, and not work with unspecific standard solutions.
- "Propriety solutions tailored to the customer" with the objective of ensuring maximum customer satisfaction also in the smallest segments, as opposed to forcing customers to use globally scaled platforms.
- "Direct access to all customers on all levels" meaning the continual expansion of all sales resources to ensure customer contact at the highest possible breadth and width in the market, in particular also in the segment of small to medium-sized businesses which any other single provider cannot comprehensively serve.

Thus the portfolio can be tailored, both in the real world (out-of-home advertising faces) as well as in the digital world (content) or in direct customer contact (dialog marketing), in line with the requirements of a diverse range of partners, in order to demonstrate, offer and execute an optimal customer-specific solution.

Within the scope of optimizing the investments made by Ströer in its own portfolio, the utilization and value added by the portfolio can be continuously optimized. Non-monetarized advertising spaces or existing marketing infrastructures increase the value of strategically acquired transactional investments.

In organizational terms, this means an extensive spectrum ranging

- from the needs of large national advertisers and their agency partners that are increasingly looking for automated, programmatic and data-driven solutions with high flexibility
- through to the needs in the segment of the small to medium-sized regional customers which Ströer, thanks to the fast growing local sales organization, can directly visit and advise on all aspects of its single-source offering, and whose solutions can be scaled from an organizational rather than technical perspective.

## Data-driven product development

The digital strategy is based on the Group's continuously evolving technology position, which enables local and regional performance as well as direct marketing. Technologies for precisely targeting campaigns and professionally managing anonymized data are crucial for success. This enables the smooth integration of branding and performance marketing as part of multi-screen strategies. The installation of iBeacons in our out-of-home advertising media allows us, for example, to combine out-of-home advertising and digital business even better.

## Value-based management

We manage our Group using internally defined financial and non-financial key performance ratios in the interests of sustainable development. Key financial indicators continue to follow the internal reporting structure. These are figures which reflect the business model as well as the steering of the company but are not covered by IFRSs. They comprise organic revenue growth, operational EBITDA, adjusted consolidated profit, ROCE (return on capital employed), as well as net debt and the leverage ratio derived from it. In each case, joint ventures are consolidated proportionately. Free cash flow (before M&A transactions) is also one of our indicators.

Revenue development is one of the key indicators for measuring the growth of the Group as a whole. It is also an important metric for managing the Ströer Group's segments. As part of the budgeting and medium-term planning process, the individual segments are set revenue targets that are broken down to the relevant level; adherence to these targets is continuously monitored during the year. Both → organic revenue growth and nominal revenue growth are analyzed in this context. The business performance of acquirees – both positive and negative – is included in the calculation of organic revenue growth from the time of initial consolidation.

← For further information on organic revenue growth, see page 17.

Operational EBITDA gives an insight into the sustainable development of earnings of our Group. Furthermore, operational EBITDA ← is a key input for determining the leverage ratio to be reported to our lending banks on a quarterly basis. In addition, the sustainable operational EBITDA is used on the capital market as part of the multiplier process for simplifying the determination of business value.

→ For further information on the calculation of operational EBITDA and adjusted consolidated profit, see page 18.

Adjusted consolidated profit is an important figure for determining our dividend payment. We plan on paying 25% to 50% of our adjusted consolidated profit out in dividends.

→ For further information on the calculation of free cash flow (before M&A transactions), see page 28.

Free cash flow ← (before M&A transactions) is a key indicator for the board of management and is calculated from the cash flows from operating activities less net cash paid for investments being the sum of cash received from and paid for intangible assets and property, plant and equipment. Free cash flow (before M&A transactions) therefore represents the cash earnings power of our Company and is an important determining factor for our investment, financing and dividend policy.

→ For further information on net debt, see page 29.

Our aim is also to sustainably increase our return on capital employed (ROCE). To achieve this, we have systematically enhanced our management and financial controlling.

→ For the section on employees, see page 41.

ROCE is calculated as adjusted EBIT divided by capital employed (joint ventures are consolidated proportionately). Adjusted EBIT is defined as follows: Consolidated earnings before interest and taxes adjusted for exceptional items, amortization from purchase price allocations and impairment losses. Capital employed comprises total intangible assets, property, plant and equipment and current assets less non-interest-bearing liabilities (trade payables and other non-interest-bearing liabilities). It is the arithmetic mean of capital employed at the start of the year and the respective year-end. ROCE provides us with a tool that enables value-based management of the Group and its segments. Positive value added and thus an increase in the Company's value are achieved when ROCE exceeds the cost of capital of the respective cash generating units (CGUs).

The net debt ← and leverage ratio are also key performance indicators for the Group. Our debt financing costs within the scope of the credit facility and the note loan are linked, among other things, to net debt. The leverage ratio is also an important factor for the capital market for assessing the quality of our financial position. The leverage ratio is measured as the ratio of net debt to operational EBITDA. Net debt is calculated as the sum of liabilities from the facility agreement, from note loans and other financial liabilities less cash (joint ventures are consolidated proportionately).

As non-financial indicators, we take into account key figures on the employment situation ←, such as headcount at group level on a certain day.

## Organic revenue growth reconciliation

The following table presents the reconciliation to organic revenue growth. For 2017, it shows that with an increase in revenue (without foreign exchange effects) of EUR 108.2m and adjusted revenue of EUR 1,251.3m for the prior year, the organic growth rate comes to 8.7%.

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Revenue PY (reported)** | **1,123,257** | **823,706** |
| IFRS 11 (equity method reconciliation) | 11,891 | 14,012 |
| **Revenue PY (management approach)** | **1,135,148** | **837,718** |
| Disposals and discontinued units | –15,045 | –3,132 |
| Acquisitions | 131,155 | 235,669 |
| **Revenue PY (management approach (adjusted))** | **1,251,258** | **1,070,255** |
| Foreign currency effects | –14,440 | –12,637 |
| Organic growth | 108,236 | 77,530 |
| **Revenue – current year (management approach)** | **1,345,053** | **1,135,148** |
| IFRS 11 (equity method reconciliation) | –14,021 | –11,891 |
| **Revenue – current year (reported)** | **1,331,033** | **1,123,257** |

## Reconciliation of the consolidated income statement to the non-IFRS figures in the management approach

| In EUR m | Income statement in accordance with IFRSs 2017 | Reclassification of amortization, depreciation and impairment losses | Reclassification from equity method to proportionate consolidation | Reclassification of adjustment items | Income statement for management accounting purposes |
|---|---|---|---|---|---|
| | | | | | |
| **Revenue** | **1,331.0** | | **14.0** | | **1,345.1** |
| Cost of sales | –893.1 | 156.5 | –1.6 | 5.1 | –733.1 |
| Selling expenses | –189.3 | | | | |
| Administrative expenses | –147.6 | | | | |
| Total selling and administrative expenses | –336.9 | 16.5 | –1.6 | 27.4 | –294.7 |
| Other operating income | 50.0 | | | | |
| Other operating expenses | –30.1 | | | | |
| Total other operating income and other operating expenses | 19.9 | 10.5 | 0.2 | –16.6 | 13.9 |
| Share in profit or loss of equity method investees | 5.9 | | –5.9 | | 0.0 |
| **Operational EBITDA** | | | | | **331.2** |
| | | | | | |
| Amortization, depreciation and impairment losses | | –183.5 | –2.0 | | –185.5 |
| **Adjusted EBIT** | | | | | **145.7** |
| | | | | | |
| Exceptional items[1] | | | | –15.9 | –15.9 |
| Financial result | –8.9 | | –0.1 | | –9.0 |
| Income taxes | –19.0 | | –3.0 | | –22.0 |
| **Consolidated profit or loss for the period** | **98.8** | **0.0** | **0.0** | **0.0** | **98.8** |

[1] For further details on exceptional items we refer to note 32, "Segment information."

| Amortization and impairment losses from purchase price allocations | Exchange rate effects from intragroup loans | Tax normalization | Elimination of exceptional items and impairment losses | Adjusted income statement 2017 | Adjusted income statement 2016 |
|---|---|---|---|---|---|
| | | | | | |
| | | | | **1,345.1** | **1,135.1** |
| | | | | –733.1 | –613.3 |
| | | | | | |
| | | | | | |
| | | | | –294.7 | –251.1 |
| | | | | | |
| | | | | | |
| | | | | 13.9 | 12.0 |
| | | | | 0.0 | 0.0 |
| | | | | **331.2** | **282.8** |
| | | | | | |
| 63.1 | | | 17.4 | –105.0 | –90.9 |
| **63.1** | | | **17.4** | **226.2** | **191.9** |
| | | | | | |
| | | | 15.9 | 0.0 | 0.0 |
| | –0.4 | | 1.4 | –8.0 | –9.2 |
| | | –12.4 | | –34.5 | –28.9 |
| **63.1** | **–0.4** | **–12.4** | **34.7** | **183.6** | **153.8** |

## Management and control

The board of management of the general partner Ströer Management SE, Düsseldorf, as of 31 December 2017 comprises three members: Udo Müller (Co-CEO), Christian Schmalzl (Co-CEO) and Dr. Bernd Metzner (CFO). The following overview shows the responsibilities of each member of the board of management in the Group:

| Name | Member since | Appointed until | Responsibility |
|---|---|---|---|
| Udo Müller | July 2002 | December 2020 | Co-CEO<br>Strategy |
| Dr. Bernd Metzner | June 2014 | December 2020 | Chief Financial Officer<br>Group finance and tax<br>Group HR<br>Group IT<br>Group legal<br>Group M&A/corporate finance<br>Group internal audit<br>Group investor relations<br>Group procurement<br>Group risk management<br>Group accounting<br>Group controlling |
| Christian Schmalzl | November 2012 | December 2020 | Co-CEO<br>Management and supervision of national and digital companies<br>Group business development<br>Group corporate communications |

The members of the board of management collectively bear responsibility for management.

An executive committee is in place to further professionalize governance and to embed key topics within the Ströer Group. Regular face-to-face meetings are held to decide on fundamental issues and to ensure that the entire Group has a uniform strategic focus.

The supervisory board of Ströer SE & Co. KGaA comprised six shareholder representatives until 27 March 2017: Christoph Vilanek as chairman, Dirk Ströer as his deputy, Anette Bronder, Julia Flemmerer, Ulrich Voigt and Vicente Vento Bosch. In line with the provisions on co-determination, the employees of the Ströer Group elected for the first time on 28 March 2017 six employee representatives to the Company's supervisory board, which comprises 12 members in total. The following employee representatives were elected to the supervisory board of Ströer SE & Co. KGaA: Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Dr. Thomas Müller, Michael Noth and Christian Sardiña Gellesch. Since then, the supervisory board has comprised the 12 members: Christoph Vilanek as chairman of the supervisory board, Dirk Ströer as his deputy, Anette Bronder, Julia Flemmerer, Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Dr. Thomas Müller, Michael Noth, Christian Sardiña Gellesch, Ulrich Voigt and Vicente Vento Bosch.

For more information on the cooperation between the board of management and the supervisory board and on other standards of corporate management and control, see the corporate governance declaration pursuant to Sec. 289f HGB ["Handelsgesetzbuch": German Commercial Code], which also includes the declaration of compliance with the German Corporate Governance Code (GCGC) pursuant to Sec.161 AktG ["Aktiengesetz": German Stock Corporation Act]. In addition, the board of management of Ströer Management SE and the supervisory board of Ströer SE & Co. KGaA issue a joint corporate governance report each year in accordance with 3.10 GCGC. All documents are published on Ströer's website (http://ir.stroeer.com).

For fiscal year 2017, Ströer SE & Co. KGaA has prepared a group non-financial report pursuant to Sec. 315b HGB for the first time. It will be available on our website from 27 April 2018 (http://ir.stroeer.com/download/companies/stroeer/Annual%20Reports/stroeer_NFGreport_2017_en.pdf).

## Markets and factors

The Ströer Group's business model means that it operates on the markets for out-of-home advertising and online and mobile marketing as well as in the dialog marketing segment. The Group's economic situation is naturally affected by the advertising markets that it serves, which in turn are highly sensitive to macroeconomic developments and changes in the behavior of consumers and advertisers. Out-of-home advertising is affected in particular by the conditions relating to the advertising concessions granted by municipalities; online advertising and direct marketing are affected by the regulatory framework.

Customers in the out-of-home advertising industry increasingly place bookings with shorter lead times. Seasonal fluctuations in the order intake are in line with the trend on the rest of the media market. There is generally a concentration of out-of-home activities in the second and fourth quarters. In terms of costs, the development of lease payments, personnel expenses and other overheads are key factors. In the online segment, advance booking times by customers are even considerably shorter – often as short as a few minutes before broadcast – than out-of-home advertising due to the high degree of automation. In the online industry, the highest revenue activity by far falls in the fourth quarter. A key factor for online advertising is the further penetration of the market using automated programmatic platforms, where Ströer makes its digital inventory, including for out-of-home advertising, available online. Apart from the commissions paid to website operators, the main cost drivers are personnel and IT operating expenses. Direct marketing is less seasonal, however the second half of the year tends to be stronger. Due to the long-term nature of relationships and the high level of customer loyalty as well as the comparably long lead times, the service business in dialog marketing is characterized by relatively low volatility. The factors shaping revenue development lie in employee productivity and an increase in headcount. In the service business, productivity always depends on the working days effectively available each month. Seasonal fluctuations are therefore limited to December due to the generally lower productive working time given the public holiday and vacation days. In the area of field sales, the acquisition of new fields of use gives rise to anticyclical revenue effects.

The regulatory environment also impacts on the economic situation of the Ströer Group. The content of advertising is subject to different legal restrictions and conditions in the countries in which we operate. Out-of-home advertising of tobacco and alcohol is prohibited in Turkey and Poland (with the exception of beer), whereas in Germany, these products may still be advertised in out-of-home campaigns subject to certain conditions. If regulatory amendments are made, we will be able to mitigate the impact on our business volume thanks to the usual lead times applicable to changes in legislation through appropriate marketing and sales activities.

The regulatory environment in the online advertising segment is mainly determined by data privacy aspects at European and national level, which give national legislatures leeway in drafting guidelines. In view of the new EU General Data Protection Regulation, considerable changes are expected in this regard in the year ahead, some of which were already felt in 2017 due to the uncertainty prevailing around the handling of data.

The use of ad blockers has become less prominent. They allow users to prevent advertising being displayed on websites. At the same time, technology designed to circumvent these ad blockers is being developed on a similar scale.

Overall, the Ströer Group is very well positioned with its integrated portfolio to profit from the medium to long-term market trends of increasing mobility and urbanization. The expectation is that the market will focus more and more directly on media users and their usage behavior, which will increasingly involve media consumption via mobile devices in the private, professional and public environments. This blurs the boundaries between the individual content channels, pushing centrally managed online marketing to the fore.

There remains substantial potential for regional online advertising campaigns.

# ECONOMIC REPORT

## Business environment

### General economic developments in 2017

Based on a revenue contribution of more than 85%, Germany is our core market with international business playing only a secondary role. The strong growth in the German market and the downward revenue trend in Turkey in particular saw international business become even less relevant in the fiscal year. For this reason, the economic environment of the OOH International segment is described below solely on the basis of the development of Turkey, as the biggest division within the OOH International segment.

Our key markets of Germany and Turkey once again turned in a mixed performance in the fiscal year. Economic growth picked up again in Turkey, thanks among other things to high public-sector investment, however the Turkish lira depreciated significantly against the euro over the course of the year. By contrast, the German economy benefited, as in prior years, from the dynamic domestic growth and expanded considerably as a result.

Germany

In 2017, the German economy continued on its positive trajectory of the last few years. Despite a slight dampener in December, the mood amongst German companies remained extremely good even at the close of the year according to the German Institute for Economic Research (DIW). According to DIW estimates, the economic situation will likely remain favorable as both domestic demand and foreign trade are bolstering growth.[1]

According to the German Federal Statistical Office ["Statistisches Bundesamt"], inflation-adjusted GDP saw renewed significant growth in the fiscal year, coming in at 2.2%[2] with the German economy having expanded for the eighth year in a row. From a long-term perspective, GDP is almost a percentage point above the average seen during the last ten years (1.3%).[3] As in the prior year, economic impetus was primarily attributable to the positive economic climate within Germany. While private consumer spending rose by 2.0% adjusted for inflation, public-sector spending only saw below-average growth of 1.4%. In addition, the 3.6% growth in gross investment contributed to the overall growth in GDP.[4]

The number of people in employment reached 44.3 million[5] in 2017, another new record since German reunification. Households' real disposable income increased by 3.9%.[6] Almost the same increase (3.8%)[7] was reported for private household consumption expenditure on the basis of current prices.[8] As a result, the household savings ratio was therefore on a par with the prior year at 9.7%[9] in 2017. The rate of inflation (Harmonised Index of Consumer Prices) was down year on year at around 1.0% in 2017.[10]

Turkey

Having experienced a slowdown in 2016, the Turkish economy grew again by a considerable 6.1%[11] in 2017. This was thanks in particular to public-sector investments and exports. Tax measures also stimulated private consumer spending.[12] The rate of inflation (Harmonised Index of Consumer Prices) stood at an extremely high 11.2% compared with 8.5% in 2016.[13]

### Development of the out-of-home and online advertising industry in 2017

The western European advertising market has been recovering consistently since 2014. For 2017, Zenith expects a 1.5%[14] increase in the (price-adjusted) net advertising spend. Once again, online advertising in particular reported rigorous growth of 8.7%[15], whereas print media are still struggling with growing losses (down 6.9%). The advertising spend in television fell by 1.1%[16] in 2017. In the western European market out-of-home advertising rose by 1.1%.[17]

Germany

According to data collected by Nielsen on gross advertising spending, the advertising market grew by 2.1%[18] year on year in 2017. In our view, however, the gross advertising data provided by Nielsen only indicate trends and can only be used to a limited extent to draw conclusions about net figures due to differing definitions and market

[1] DIW Berlin – Economic Barometer, December 2017
[2] German Federal Statistical Office – GDP 2017, January 2018
[3] German Federal Statistical Office – GDP 2017, January 2018
[4] German Federal Statistical Office – GDP 2017, January 2018
[5] German Federal Statistical Office – GDP 2017, January 2018
[6] German Federal Statistical Office – GDP 2017, January 2018
[7] German Federal Statistical Office – GDP 2017, January 2018
[8] German Federal Statistical Office – GDP 2017, January 2018
[9] BVR [National Association of German Cooperative Banks] study on World Savings Day, September 2017
[10] Global Rates – Inflation
[11] OECD Economic Outlook, Volume 2017 prelim. version
[12] OECD Economic Outlook, Volume 2017 prelim. version
[13] Global Rates – Inflation
[14] Zenith Advertising Expenditure Forecasts, December 2017
[15] Zenith Advertising Expenditure Forecasts, December 2017
[16] Zenith Advertising Expenditure Forecasts, December 2017
[17] Zenith Advertising Expenditure Forecasts, December 2017
[18] Nielsen Brutto-Werbemarkt (Gross Advertising Market), December 2017
[19] Nielsen Brutto-Werbemarkt (Gross Advertising Market), December 2017
[20] Zenith Advertising Expenditure Forecasts, December 2017
[21] Zenith Advertising Expenditure Forecasts, December 2017

territories.[19] The forecast by Zenith is somewhat lower, with the agency's current estimate for 2017 indicating slightly weaker growth of 0.9% in the net advertising spend compared with the prior year.[20]

According to Zenith, our two core segments of out-of-home and digital were the drivers of growth in the net advertising spend at 1.6% and 7.1%[21], respectively. As the biggest loser once again, the print segment recorded a loss of 3.9%[22] in the fiscal year. Television also contracted by 0.8%.[23] Reliable estimates of any shifts in market share cannot be made until the final net market figures are published. However, we expect the online segment in particular as well as out-of-home advertising to have won further market share.

Turkey
Zenith puts growth in net advertising spending in the Turkish market at 8.5%[24], with the out-of-home segment growing by 4.0% according to the agency's forecast.[25] The growth is based on a recovery of the wider Turkish economy following years of uncertainty given the domestic political unrest.

#### Development of exchange rates in 2017[26]

In 2017, the exchange rates primarily relevant to our business were the euro to Turkish lira and pound sterling rates. The Turkish lira started the year at 3.71 TRY/EUR in January 2017. The exchange rate trend emulated that of the prior year with the currency losing further ground. Having bottomed out in November, the Turkish lira recovered slightly but was still considerably weaker at year-end than at the beginning of the year at 4.55 TRY/EUR. On an annual average, the Turkish lira thus lost around 23% overall compared with the prior-year average. Besides the high rate of inflation and deficits, this was also due to the threat of economic sanctions by the German Federal Government, among others.

Pound sterling managed to appreciate against the euro in 2017. Having been quoted at 0.86 GBP/EUR at the start of the year, the pound rose following a few fluctuations to 0.89 GBP/EUR. With an annual average of 0.88 GBP/EUR, the exchange rate was up 7.0% year on year. The fundamentals of UK economic development shored up the pound sterling as the feared recession following the referendum on Brexit in 2016 has so far not materialized.

## Financial performance of the Group

#### Overall assessment of the board of management on the economic situation

2017 was an extremely successful year for the Ströer Group. The key cornerstones of this success were the digital media business and the German out-of-home business. Both segments delivered a solid performance and significantly grew their operating activities, which is reflected in particular in the performance indicators key to us, namely revenue and operational EBITDA. The other performance indicators also benefited substantially from this trend.

In relation to assets, liabilities and the financial position (previously net assets and financial position), the Ströer Group's financial situation was extremely stable and sound overall. In this context, our wide-reaching M&A activities and the other extensive growth investments had hardly any effect on the leverage ratio owing to the strong earnings power of the entire Group. The free cash flow (before M&A transactions) benefited clearly from the noticeable improvement in operating activities, exceeding the record figure achieved in the prior year in fiscal year 2017 despite substantial one-off effects. The Group's assets, liabilities and financial position also remained extremely comfortable with a continued solid equity ratio.

Overall, we believe the Ströer Group is very well positioned both in operational and financial terms to flexibly make use of future opportunities arising from the structural changes occurring in the media market.

[22] Zenith Advertising Expenditure Forecasts, December 2017
[23] Zenith Advertising Expenditure Forecasts, December 2017
[24] Zenith Advertising Expenditure Forecasts, December 2017
[25] Zenith Advertising Expenditure Forecasts, December 2017
[26] European Central Bank (ECB)

### Comparison of forecast and actual business development

The forecasts we made for fiscal year 2017 in the prior-year report were based on a cautiously optimistic assessment of the economic conditions. However, annual forecasts in our industry are naturally subject to major uncertainties due to customer bookings frequently being made at short notice, volatile market sentiment and economic fluctuations. Our forecast for the development of economic conditions was largely on track as expected. We met all and even exceeded some of the targets we set ourselves for fiscal year 2017.

| | Projected earnings for 2017 in the 2016 annual report | Actual earnings in fiscal year 2017 |
|---|---|---|
| Organic growth | Growth in the mid to upper single-digit percentage range | 8.7% |
| Operational EBITDA | Increase in excess of EUR 320m | EUR 331.2m |
| Operational EBITDA margin | Almost unchanged (2016: 24.9%) | 24.6% |
| ROCE | Almost unchanged (2016: 16.9%) | 17.6% |
| Consolidated profit | Noticeable increase (2016: EUR 66.8m) | EUR 98.8m |
| Adjusted consolidated profit | Increase in excess of EUR 175m | EUR 183.6m |
| Free cash flow (before M&A transactions) | Increase to EUR 145m | EUR 146.2m |
| Leverage ratio | Further noticeable decrease (excluding M&A effects) (2016: 1.17) | 1.38 (with extensive M&A transactions) |

### Financial performance of the Group

**Consolidated income statement**

| In EUR m | 2017 | 2016 |
|---|---|---|
| Revenue | 1,331.0 | 1,123.3 |
| EBITDA | 310.2 | 251.6 |
| Operational EBITDA | 331.2 | 282.8 |
| EBIT | 126.7 | 85.3 |
| Financial result | –8.9 | –10.0 |
| Profit or loss before taxes | 117.8 | 75.3 |
| Income taxes | –19.0 | –8.5 |
| Consolidated profit | 98.8 | 66.8 |

In the fiscal year, the Ströer Group's financial performance (previously results of operations) was – as in the prior years – lifted by a notable increase in operating activities, which also led to strong growth in **revenue.** While revenue in 2016 stood at EUR 1,123.3m, it climbed a further EUR 207.8m in fiscal year 2017 to EUR 1,331.0m. This growth was fueled on the one hand by the further business acquisitions which related to both business with digital media as well as the entry into the area of dialog marketing, along with operations that complement the OOH business. Organic revenue growth in the digital and German OOH business also had a noticeably positive effect on the other hand. Only the development of the OOH International segment was less pleasing in the fiscal year, largely due to the overall macroeconomic situation in Turkey. Overall, this downward effect, however, was more than offset in particular by the strong growth seen in the German digital and OOH business as described above. Across all segments, revenue growth thus stood at 18.5% and organic revenue growth at 8.7%.

The following table shows the development of external revenue by segment:

| In EUR m | 2017 | 2016 |
|---|---|---|
| Ströer Digital | 704.1 | 509.6 |
| OOH Germany | 527.0 | 490.4 |
| OOH International | 114.0 | 135.2 |
| Reconciliation using the equity method (IFRS 11) | –14.0 | –11.9 |
| **Total** | **1,331.0** | **1,123.3** |

In relation to the geographical breakdown of consolidated revenue, there was a further shift toward domestic activities in 2017. While domestic revenue (excluding equity-method investees) increased by EUR 194.2m to EUR 1,142.8m, foreign revenue only rose by EUR 13.5m to EUR 188.3m. Expressed as a percentage, foreign revenue accounts for 14.1% (prior year: 15.6%).

Revenue from out-of-home and digital advertising is subject to generally similar seasonal fluctuations as in the rest of the media industry. This also affects the development of the Ströer Group during the year. While the second and fourth quarters are generally marked by higher revenue and earnings contributions, the first and third quarters are usually weaker. This pattern is reflected in the table below, which shows the quarterly distribution of revenue and operational EBITDA.

**Revenue development by quarter**

In EUR m

| | |
|---|---|
| Q1 | 281.2 |
| Q2 | 316.2 |
| Q3 | 312.1 |
| Q4 | 421.5 |
| **Q1–Q4** | **1,331.0** |

**Operational EBITDA development by quarter**

In EUR m

| | |
|---|---|
| Q1 | 55.6 |
| Q2 | 80.3 |
| Q3 | 73.1 |
| Q4 | 122.2 |
| **Q1–Q4** | **331.2** |

The revenue growth described above was also accompanied by a rise in **cost of sales**. While EUR 761.4m was recorded in the prior year, cost of sales was up almost EUR 131.8m in 2017 to EUR 893.1m. This increase was mainly due to the entities that were included in the consolidated financial statements for the first time. However, the higher revenue-based publisher fees in the Digital segment and higher lease expenses in the German OOH business also pushed up costs notably. Overall, **gross profit** came to EUR 437.9m, up EUR 76.0m on the prior year. The gross profit margin stood at 32.9% (prior year: 32.2%).

The ongoing expansion of the Ströer Group was also reflected in **selling and administrative expenses**, which increased by EUR 55.2m year on year to EUR 336.9m. This increase can be largely attributed to the additional expenses incurred from the newly acquired companies. The ongoing expansion of the local sales organization for digital and OOH products in Germany also led to notable cost increases. Overall, selling and administrative expenses as a percentage of revenue came to 25.3% (prior year: 25.1%). **Other operating income** was also up considerably year on year (EUR 50.0m; prior year: EUR 34.9m). This increase largely reflects the income from the sale of the Vitalsana business (EUR 12.0m). By contrast, **other operating expenses** were down EUR 4.3m year on year to EUR 30.1m (prior year: EUR 34.4m). In this connection and as in the prior year, we charged a write-down on the goodwill of our Turkish OOH business (EUR 10.5m; prior year: EUR 10.1m). The **share in profit or loss of equity method investees** continued to show an upward trend at EUR 5.9m (prior year: EUR 4.7m). Overall, against the background of the improved operating business, the Group achieved new records for EBIT and operational EBITDA: while **EBIT** climbed EUR 41.3m to EUR 126.7m, **operational EBITDA** soared up EUR 48.4m to EUR 331.2m. Return on capital employed (ROCE) stood at 17.6% (prior year: 16.9%).

The Ströer Group also improved on its **financial result**. While the more favorable interest terms renegotiated in the facility agreement in December 2016 had a positive effect, the prior-year figures were also still impacted by one-off effects from the early termination of a term loan. Overall, the financial result improved from EUR –10.0m to EUR –8.9m despite an increase in liabilities.

The substantial improvement in the financial performance (previously results of operations) of the entire Group also led to a noticeable rise in the tax base, which drove the **tax expense** up noticeably year on year to EUR –19.0m in 2017 (prior year: EUR –8.5m).

Buoyed by the excellent performance of the entire Group, **consolidated profit for the period** mushroomed from EUR 66.8m to a new record high of EUR 98.8m in the reporting period. The **adjusted consolidated profit for the period** also increased substantially and was up EUR 29.9m on the prior year at EUR 183.6m. The Ströer Group has thus once again impressively reaffirmed its profitable growth course and can thus look back on a very successful fiscal year 2017.

## Assets, liabilities and financial position

### Overall assessment of assets, liabilities and the financial position

The Ströer Group's assets, liabilities and financial position (previously net assets and financial position) are very well balanced and sound. The financial flexibility of the entire Group has been improved considerably by the increase in the credit lines available within the scope of the credit facility to EUR 585.5m (prior year: EUR 371.4m). Including a cash balance, the Group had unutilized financing facilities of EUR 670.5m (prior year: EUR 435.5m) at its disposal as of the reporting date. The leverage ratio – defined as the ratio between net debt and operational EBITDA – also remained at an extremely encouraging level of 1.38 despite extensive M&A investments (prior year: 1.17). Besides this external financing, which is secured for the long term, the Group's internal financing strength also remains positive: while the free cash flow (before M&A transactions) of EUR 146.2m exceeded the already very good figure for the prior year of EUR 138.5m despite extensive one-off payments, cash flows from operating activities increased at an even higher rate to EUR 252.4m compared with EUR 236.3m in the prior year. Together with the still very robust equity ratio of 35.6% (prior year: 38.0%), this presents an unchanged strong and very sound overall picture of the assets, liabilities and financial position as of 31 December 2017.

### Main features of the financing strategy

Ströer is systematically pursuing a conservative and long-term financing strategy. Securing financial flexibility is a top priority of the Ströer Group. We ensure this through a selection of financing instruments that adequately reflects criteria such as market capacity, investor diversification, flexibility in utilization, covenants and the maturity profile.

The main objectives of the Ströer Group's financial management include:

- Safeguarding liquidity and its efficient management throughout the Group
- Maintaining and continuously optimizing the Group's financing capabilities
- Reducing financial risks, including by using financial instruments
- Optimizing the cost of capital for debt and equity

The financing of the Ströer Group is structured in such a way that it provides for a sufficient degree of flexibility to react appropriately to changes in the market or competition. We also see the ongoing optimization of our financing costs and loan covenants as well as the diversification of our investors as further important financing objectives.

As part of our financing, we ensure that our financial liabilities have an appropriate maturity profile and that the portfolio of banks and financial intermediaries with which we work is appropriate and stable. We operate on the basis of binding standards that ensure transparency and fairness for lenders. In working with our lending banks, it is of particular importance to us that we establish long-term and sustainable relationships.

Our external financing leeway and financial flexibility are mainly based on two instruments: the first instrument comprises several note loans which Ströer SE & Co. KGaA placed on the capital market in June 2016 and October 2017 and are valued at EUR 145.0m and EUR 350.0m, respectively, as of 31 December 2017. These loans have several tranches with terms of mainly five and seven years, with a volume of EUR 207.0m subject to a fixed interest rate. The investor base was substantially diversified by placing these loans. In addition, the note loans have helped us to accordingly reduce the utilization of the existing credit facility and have considerably expanded our financial flexibility.

The second instrument relates to a credit facility of EUR 600.0m which was renegotiated with a banking syndicate in December 2016 and which may be extended by a further EUR 100.0m. Besides a further improvement in the conditions on the basis of the renegotiated facility, the documentation was also adjusted to reflect the investment grade status of the Ströer Group. The term of the new financing was originally agreed for five years up to December 2021, with the option to extend the term by an additional year in each case at the end of the first and second year. In November 2017, the first extension until December 2022 was agreed with the participating banks. The total volume of EUR 600.0m is structured as a flexible revolving facility, which grants the Ströer Group substantial financial flexibility.

For both financing components the loans were granted without collateral. The financial covenants reflect customary market conditions in both cases and relate to the key performance indicator of leverage ratio, which was met as of year-end with plenty of leeway. The costs incurred in connection with setting up the two financing instruments are amortized over the respective term of the agreements. This provides the Ströer Group with very flexible, stable, long-term financing at low borrowing costs. The Group had financing facilities of EUR 670.5m (prior year: EUR 435.5m) available to it as of 31 December 2017 from unutilized credit lines under the credit facility agreement including a cash balance (EUR 85.0m).

As of the reporting date, no single bank accounted for more than 10% of all loan amounts drawn down in the Ströer Group, hence there is a balanced diversification in the provision of credit. As part of the financing strategy, the board of management also regularly examines the possibility of hedging residual interest rate risks by also using fixed-interest derivatives.

In cash management, we focus on managing our liquidity and optimizing the cash flows within the Group. The financing requirements of subsidiaries, if they cannot be covered by the entity's internal financing, are primarily met by intercompany loans as part of automated cash pooling. In exceptional circumstances, credit facilities are also agreed with locally based banks in order to meet legal, tax or operational requirements. In accordance with these guiding principles, the subsidiaries were once again mainly financed via the group holding company in 2017. At group level, any liquidity surpluses in the individual entities are pooled, where legally possible. Through the group holding company, we ensure at all times that the financing requirements of the individual group entities are adequately covered.

The Ströer Group's leverage ratio only rose slightly from 1.17 to 1.38 on the back of the marked positive earnings trend despite extensive M&A outflows and in spite of extended investment activities in other growth projects. In 2017, Ströer SE & Co. KGaA and its group entities complied with all loan covenants and obligations from financing agreements.

Continuously increasing capital requirements on banks are having a significant impact on their lending. As a result, our objective in the medium term is to diversify our financing structure, which is currently based heavily on banks, in favor of more capital market-oriented debt. For this purpose, we periodically examine various alternative financing options as part of our financing management (such as issuing corporate bonds) and also take into account the further optimization of the maturity profile of our financial liabilities.

The Ströer Group only makes limited and opportune use of off-balance sheet financing instruments. We primarily use operating leases to finance our company vehicles as well as – in particular for newly acquired operations – for office space and other assets. Due to the low volumes involved, however, operating leases do not have a significant effect on the economic situation of the Group.

## Financial position

| In EUR m | 2017 | 2016 |
|---|---|---|
| **Cash flows from operating activities** | **252.4** | **236.3** |
| Cash received from the disposal of intangible assets and property, plant and equipment | 11.8 | 3.4 |
| Cash paid for investments in intangible assets and property, plant and equipment | –117.9 | –101.3 |
| Cash paid for investments in equity method investees and financial assets | –1.9 | –1.3 |
| Cash received from the sale of consolidated entities | 15.1 | 0 |
| Cash paid for the acquisition of consolidated entities | –145.4 | –138.9 |
| **Cash flows from investing activities** | **–238.5** | **–238.0** |
| **Free cash flow** | **13.9** | **–1.7** |
| **Cash flows from financing activities** | **6.9** | **9.3** |
| Change in cash | 20.8 | 7.7 |
| **Cash at the end of the period** | **85.0** | **64.2** |
| **Free cash flow before M&A transactions** | **146.2** | **138.5** |

Liquidity and investment analysis

**Cash flows from investing activities** increased from EUR 236.3m in the prior year to EUR 252.4m. This growth mainly reflects the exceptionally positive development of EBITDA and thus of the Group's operating business. However, cash flows were partly offset by the EUR 11.9m increase in tax payments, which mainly related to fiscal years up to 2015. Payments of EUR 11.4m incurred in connection with the utilization of restructuring provisions also had a dampening effect.

By contrast, **cash flows from investing activities** remained largely unchanged like on like with an outflow of EUR 238.5m. However, the lion's share of this outflow relates to our M&A activities (EUR 130.4m; prior year: EUR 138.9m). In this context, our investing activities in the reporting period were focused on dialog marketing (Avedo, Ranger), while focus was chiefly placed on subscription and e-commerce in the prior year (Statista, ASAM). We also stepped up our investments in intangible assets and property, plant and equipment in line with the ongoing expansion. Overall, the **free cash flow before M&A transactions** came to EUR 146.2m (prior year: EUR 138.5m) while the **free cash flow** stood at EUR 13.9m (prior year: EUR –1.7m).

Against the background of higher operating cash inflows accompanied by unchanged cash flows from investing activities, **cash flows from financing activities** were also at a relatively low level (EUR 6.9m; prior year: EUR 9.3m). In terms of the composition of cash flows, EUR 65.5m related to the payment of dividends, EUR 60.8m of which was distributed to the shareholders of Ströer SE & Co. KGaA. In addition, the EUR 27.9m invested in additional shares in entities in which the Ströer Group already held a majority interest also impacted cash flows. Cash received from borrowings of EUR 376.6m was allocated for the repayment of financial liabilities payable and to further finance the expansion strategy.

Overall, the Ströer Group had **cash** of EUR 85.0m (prior year: EUR 64.2m) at the end of the fiscal year, which reflects an increase of EUR 20.8m.

Financial structure analysis

At year-end 2017, 75.4% (prior year: 72.5%) of the Ströer Group's **financing** was covered by equity and non-current debt. Well over 100.0% of the current liabilities of EUR 462.0m (prior year: EUR 475.0m) is financed at matching maturities by current assets of EUR 330.8m (prior year: EUR 284.8m) as well as available, long-term credit lines under the credit facility agreement of EUR 585.5m (prior year: EUR 371.4m).

In terms of current and non-current **financial liabilities**, the Ströer Group reported a total amount of EUR 644.8m as of 31 December 2017 compared with EUR 517.8m in the prior year. This increase is largely attributable to higher liabilities from banks.

**Net debt**, operational EBITDA and the leverage ratio are calculated in accordance with the Ströer Group's internal reporting structure. Accordingly, the four entities accounted for using the equity method in which Ströer holds 50.0% of shares are included in these figures on a pro rata basis as in the prior years. As such, these three ratios were unaffected by the transition to IFRS 11 as in the prior years.

| In EUR m | | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| (1) | Liabilities from the facility agreement | 0.0 | 215.1 |
| (2) | Liabilities from note loans[1] | 493.9 | 144.5 |
| (3) | Liabilities from the obligation to purchase own equity instruments | 96.5 | 115.3 |
| (4) | Liabilities from dividends to non-controlling interests | 5.3 | 0.0 |
| (5) | Other financial liabilities | 49.1 | 43.1 |
| (1)+(2)+(3) +(4)+(5) | Total financial liabilities | 644.8 | 518.0 |
| (1)+(2)+(4)+(5) | Total financial liabilities excluding liabilities from the obligation to purchase own equity instruments | 548.3 | 402.7 |
| (6) | Cash | 85.0 | 64.2 |
| (7) | IFRS 11 adjustment | 6.2 | 8.3 |
| **(1)+(2)+(4) +(5)–(6)–(7)** | **Net debt** | **457.1** | **330.3** |
| **Leverage ratio** | | **1.4** | **1.2** |
| **Equity ratio (in %)** | | **35.6** | **38.0** |

[1] Within the scope of placing the note loan, a payment of EUR 25.0m was scheduled for October 2016 subject to certain conditions being met. As these conditions were not met, the payment was not made as agreed.

The leverage ratio, defined as the ratio of net debt to operational EBITDA, stood at 1.38 at the end of the reporting period, a slight increase on the very good prior-year level of 1.17. This development was largely shaped by the business acquisitions made in the second half of 2017, with their purchase price financing reflected in full in net debt, while their positive EBITDA contribution was only recognized pro rata temporis up to the reporting date. Overall, the leverage ratio remained at an extremely encouraging level at the end of the 2017 reporting period.

**Trade payables** decreased slightly in fiscal year 2017, down from EUR 223.1m to EUR 215.1m and were thus in the normal range of fluctuation. By contrast, **liabilities from current income taxes** were up from EUR 37.3m to EUR 49.8m. This increase can be attributed to higher tax bases due to the significantly improved profitability. By contrast, **other liabilities** only increased marginally year on year, with the decrease in liabilities from VAT being offset by other smaller effects.

The Group's **equity** was also lifted by the substantial increase in consolidated profit for the period of EUR 98.8m (prior year: EUR 66.8m). In this context, consolidated profit was partly offset by the dividend payment to the shareholders of Ströer SE & Co. KGaA of EUR 60.8m (prior year: EUR 38.7m) and currency effects from our foreign operations. Overall, equity stood at EUR 668.2m at the end of the fiscal year (prior year: EUR 657.9m). The equity ratio fell slightly from 38.0% to 35.6% as a result of the increase in total equity and liabilities.

Capital structure costs

In the Ströer Group, cost of capital relates to risk-adjusted return on investment requirements and, for the purpose of measurement in the consolidated financial statements, is determined in accordance with the capital asset pricing model and the WACC (weighted average cost of capital) approach. Cost of equity is derived from capital market information as the return expected by shareholders. We base borrowing costs on returns on long-term corporate bonds. In order to account for the different return/risk profiles of our main activities, we calculate individual cost of capital rates after income taxes for our business units.

## Assets and liabilities

**Consolidated statement of financial position**

| In EUR m | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| | | |
| **Assets** | | |
| Non-current assets | 1,543.8 | 1,445.0 |
| Current assets | 330.8 | 284.8 |
| | | |
| **Total assets** | **1,874.6** | **1,729.8** |
| | | |
| **Equity and liabilities** | | |
| Equity | 668.2 | 657.9 |
| Non-current liabilities | 744.4 | 597.0 |
| Current liabilities | 462.0 | 475.0 |
| | | |
| **Total equity and liabilities** | **1,874.6** | **1,729.8** |

Analysis of the structure of assets and liabilities
The further business acquisitions in fiscal year 2017 drove the Ströer Group's **total assets** up from EUR 1,729.8m to EUR 1,874.6m.

With regard to **non-current assets**, the additions primarily related to intangible assets which were up by almost EUR 69.3m year on year to EUR 1,217.6m. This increase was primarily attributable to M&A transactions in the area of dialog marketing. At the same time, property, plant and equipment of EUR 258.9m was some EUR 28.1m higher than in the prior year, with the additions primarily relating to investments in the advertising media portfolio.

**Current assets** also recorded a notable increase to EUR 330.8m as of the reporting date (prior year: EUR 284.8m). This increase largely reflects trade receivables (up EUR 43.3m) stemming mainly from the newly acquired operations. By contrast, other assets decreased (down EUR 19.8m) largely as a result of a decrease in receivables from input VAT.

The Ströer Group's **off-balance sheet assets** include a substantial portfolio of internally generated advertising concessions with municipalities and private landlords. This is due to the fact that only advertising concessions that were acquired as part of business combinations are recognized as intangible assets. Thanks to our strong market position, we also have a broad-based portfolio of sustainable customer relationships on the sales side. The majority of these customer relationships can also be classified as off-balance sheet assets. Other financial obligations amounted to EUR 1,456.2m as of 31 December 2017 (prior year: EUR 1,028.0m) and relate to obligations from not yet completed investments and leases based on operating lease agreements. Due to the selected contract structures, the latter may not be recognized in non-current assets.

## Financial performance of the segments

### Ströer Digital

| In EUR m | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | | | | |
| **Segment revenue, thereof** | **710.2** | **514.8** | **195.4** | **37.9%** |
| Display[1] | 275.9 | 261.7 | 14.2 | 5.4% |
| Video | 121.2 | 105.6 | 15.6 | 14.8% |
| Transactional[1] | 313.1 | 147.5 | 165.6 | >100% |
| **Operational EBITDA** | **186.7** | **145.4** | **41.3** | **28.4%** |
| **Operational EBITDA margin** | **26.3%** | **28.2%** | **–2.0** | **percentage points** |

[1] In fiscal year 2017, some smaller business units were reclassified between the display and transactional product groups. For comparability, the amounts for 2016 were restated accordingly.

The Ströer Digital segment saw its revenue grow further across all product groups in fiscal year 2017. Our investments in other digital business models contributed significantly to this success. In addition to the acquisitions made in the prior year in the area of subscription and e-commerce models, these investments also include the acquisitions executed in the reporting period in the area of dialog marketing. The related revenue contributions from these investments were allocated in full to the new product group transactional. As Ströer is continually adding to and expanding its business, the segment figures can only be compared with those of the prior year to a limited extent. The integration and targeted restructuring of the newly acquired companies was driven forward in the reporting period and we are frequently able to leverage synergies and economies of scale on both the revenue and cost side.

### Out-of-Home Germany

| In EUR m | 2017 | 2016 | Change | |
|---|---|---|---|---|
| **Segment revenue, thereof** | **538.7** | **501.2** | **37.5** | **7.5%** |
| Large formats | 238.4 | 231.2 | 7.2 | 3.1% |
| Street furniture | 153.4 | 141.5 | 11.9 | 8.4% |
| Transport | 62.1 | 61.1 | 1.0 | 1.6% |
| Other | 84.8 | 67.4 | 17.4 | 25.8% |
| **Operational EBITDA** | **151.3** | **137.1** | **14.2** | **10.4%** |
| **Operational EBITDA margin** | **28.1%** | **27.4%** | **0.7** | **percentage points** |

Segment reporting in the Ströer Group follows the management approach under IFRS 8, according to which external segment reporting should follow the internal reporting structure. The internal reporting structure of the Ströer Group is based on the concept of proportionate consolidation of joint ventures. As a result, despite the new provisions under IFRS 11, 50% of the four joint ventures' contributions are included in the figures detailed in this section for the Out-of-Home Germany segment, as in the past. The other segments are not affected by this approach as there are no joint ventures in their portfolios.

Fiscal year 2017 was an extremely successful year for the OOH Germany segment. This success was driven by business with both our national as well as regional customers – with the latter business benefiting greatly from the ongoing expansion of the local sales organization.

With regard to **revenue**, all product groups were boosted – albeit to different extents – by the positive momentum in our German out-of-home business. The **large formats** product group, which targets both national and regional customer groups, saw its revenue grow mainly on the back of the ongoing robust demand for traditional out-of-home products and as a result of our stepped-up sales activities. After experiencing initial difficulties in the first quarter, the product group went on to generate revenue of EUR 238.4m (prior year: EUR 231.2m) for the year as a whole. The **street furniture** product group, whose customers tend to operate on a national and international level, saw its revenue grow even more strongly, up from EUR 141.5m to EUR 153.4m. This primarily reflects the overall increase in demand for this format from media agencies. The **transport** product group, which reported revenue totaling EUR 62.1m (prior year: EUR 61.1m), was bolstered by increased business activities with local and regional customers. The **other** product group also benefited from the increase in local sales activities, as our local and regional customers are traditionally more interested in full-service solutions (including the production of advertising materials) than customers with a more national focus. In addition, the business with our new product roadside screens also contributed to the continued growth in revenue with local customers. Revenue (EUR 7.4m) from the operations acquired in the fourth quarter for the German OOH segment was also recognized in this product group. These operations round off our product portfolio and cannot be allocated to the traditional out-of-home categories. Overall, revenue for this product group totaled EUR 84.8m in the reporting period (prior year: EUR 67.4m).

In line with the upward trend in revenue, the segment also reported a further increase in **cost of sales**, which related in particular to the revenue-based lease expenses as well as higher production costs and other direct costs from business acquisitions. All in all, the segment reported an extremely pleasing increase in **operational EBITDA**, which at EUR 151.3m was noticeably higher than the EUR 137.1m in the prior year. The **operational EBITDA margin** stood at 28.1%, also slightly above the 27.4% reported in the prior year.

### Out-of-Home International

| In EUR m | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | | | | |
| **Segment revenue, thereof** | **114.2** | **135.6** | **–21.4** | **–15.8%** |
| Large formats | 90.9 | 110.2 | –19.3 | –17.5% |
| Street furniture | 15.5 | 19.0 | –3.5 | –18.5% |
| Other | 7.8 | 6.4 | 1.4 | 21.7% |
| **Operational EBITDA** | **16.5** | **21.2** | **–4.7** | **–22.1%** |
| **Operational EBITDA margin** | **14.5%** | **15.7%** | **–1.2** | **percentage points** |

The OOH International segment includes our Turkish and Polish out-of-home activities and the western European giant poster business of the blowUP group.

The OOH International segment generated **revenue** totaling EUR 114.2m (prior year: EUR 135.6m) in the fiscal year. This decrease can be primarily attributed to the termination of the unprofitable marketing contract for the City of Istanbul in June 2017. This step saw us implement some of the measures we initiated to safeguard earnings in response to the difficult macroeconomic conditions in Turkey. However, the remaining Turkish out-of-home activities continued to be impacted by the tense market environment. At the same time, the continued weakness of the Turkish lira had negative effects on the segment's revenue disclosed in euros. There was also a slight dip in revenue from our business activities in Poland in the reporting period, where the out-of-home market remains challenging. By contrast, the blowUP group successfully expanded its business activities in the same period and grew its revenue.

The overall decline in business activities in the OOH International segment and the abovementioned weakness of the Turkish lira also led to a fall in cost of sales. Overall, the segment generated **operational EBITDA** of EUR 16.5m (prior year: EUR 21.2m) as well as an **operational EBITDA margin** of 14.5% (prior year: 15.7%) in fiscal year 2017.

# INFORMATION ON STRÖER SE & CO. KGAA

The management report of Ströer SE & Co. KGaA and the group management report for fiscal year 2017 have been combined pursuant to Sec. 315 (3) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 298 (2) HGB. The separate annual financial statements and the combined management report of the Company and the Group are published at the same time in the elektronischer Bundesanzeiger [Electronic German Federal Gazette].

## Description of the Company

Ströer SE & Co. KGaA operates as the holding company. It exclusively performs group management duties and renders administrative and other services for the Group. These include in particular finance and group accounting, corporate and capital market communication, IT services, group controlling and risk management, research and product development as well as the legal and compliance and corporate development functions.

The following figures and comments relate to the separate annual financial statements of Ströer SE & Co. KGaA which were prepared in accordance with the provisions of the HGB and the AktG ["Aktiengesetz": German Stock Corporation Act].

## Financial performance

In fiscal year 2017, Ströer SE & Co. KGaA generated profit for the period of EUR 36.3m, which was slightly lower than the very good level of the prior year (prior year: EUR 36.5m). Income from intragroup profit and loss transfers was particularly positive, having once again grown (up EUR 51.0m to EUR 173.0m) as a result of the excellent performances put in by most of the Ströer Group's units (prior year: EUR 122.0m). This was contrasted by an impairment loss of EUR 69.1m on the carrying amount of the equity investment in the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. Given the improvement in the financial performance (previously results of operations) of the entire tax group, income taxes rose again, amounting to EUR 26.0m in total (prior year: EUR 9.1m).

| In EUR k | 2017 | 2016 |
|---|---|---|
| Revenue | 22,968 | 19,725 |
| Other operating income | 4,144 | 2,611 |
| Cost of material | –1,875 | –775 |
| Personnel expenses | –28,722 | –24,381 |
| Amortization, depreciation and impairment of intangible assets and property, plant and equipment | –5,620 | –6,382 |
| Other operating expenses | –27,987 | –23,034 |
| Income from equity investments | 0 | 695 |
| Income from profit and loss transfer agreements and expenses from loss absorption | 173,023 | 122,038 |
| Income from other securities and loans classified as non-current financial assets | 3,054 | 3,592 |
| Impairment of financial assets | –69,062 | –42,724 |
| Other interest and similar income and interest and similar expenses | –7,560 | –5,659 |
| Income taxes | –26,003 | –9,081 |
| **Post-tax profit** | **36,360** | **36,623** |
| Other taxes | –42 | –134 |
| **Profit for the period** | **36,317** | **36,490** |
| Profit carryforward from the prior year | 5,679 | 20,000 |
| Withdrawals from other retained earnings | 40,000 | 10,000 |
| **Accumulated profit** | **81,996** | **66,490** |

The Ströer Group's continued expansion also had a positive effect on the holding company's **revenue** in fiscal year 2017 (EUR 23.0m; prior year: EUR 19.7m). This was attributable in particular to higher revenue from intragroup services and to rental income. Similarly, **other operating income** also benefited from the Group's continual expansion, with an increase to EUR 4.1m attributable to higher intragroup cost allocations (prior year: EUR 2.6m). Conversely, the Company recorded further growth in its **personnel expenses** in the reporting period, which increased to EUR 28.7m (prior year: EUR 24.4m), as well as in **other operating expenses,** which climbed to EUR 28.0m overall (prior year: EUR 23.0m). **Amortization, depreciation and impairment of intangible assets and property, plant and equipment** by contrast was almost unchanged year on year at EUR 5.6m (prior year: EUR 6.4m).

Intragroup **profit and loss transfers** (income from profit and loss transfer agreements and expenses from loss absorption) developed especially well in light of the further improvement in the Ströer Group's operating activities. While EUR 122.0m overall was transferred to the holding company in the prior year, Ströer SE & Co. KGaA reported profit and loss transfers of EUR 173.0m as of the end of the fiscal year.

While **income from other securities and loans classified as non-current financial assets** and the **interest result** (other interest and similar income as well as interest and similar expenses) did not change significantly year on year, Ströer SE & Co. KGaA had to record significantly higher **impairment losses on financial assets** (EUR 69.1m; prior year: EUR 42.7m). As in the prior year, the impairment losses in 2017 related almost exclusively to the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey (EUR 67.5m). The main reasons were in particular the persistently lackluster economic situation in Turkey, which dashed any hope of a prompt recovery of both the Turkish lira and the Turkish advertising market.

The further improvement in operating activities for the holding company's tax group had a corresponding impact on **income taxes,** causing them to rise substantially to EUR 26.0m (prior year: EUR 9.1m). For detailed information on deferred taxes, see section C. 7 in the notes to the financial statements of Ströer SE & Co. KGaA.

## Assets, liabilities and financial position

Ströer SE & Co. KGaA's total assets rose by EUR 143.2m to EUR 1,509.9m in fiscal year 2017. This increase was primarily due to the EUR 166.5m increase in receivables and other assets, which stemmed in particular from the considerable growth in the holding company's cash pool receivables. The main reason for this was the further expansion of the Ströer Group, which is refinanced centrally by Ströer SE & Co. KGaA's cash pool. Intragroup loans also increased for the same reason, although within financial assets their increase was notably more than offset by impairment losses on the carrying amount of the equity investment in a subsidiary. Due to the continuing growth course, Ströer SE & Co. KGaA, in its central refinancing function, recorded a corresponding rise on the liabilities side of the balance sheet in liabilities to banks (up EUR 135.8m).

| In EUR k | 2017 | 2016 |
|---|---|---|
| | | |
| **Assets** | | |
| **Non-current assets** | | |
| Intangible assets and property, plant and equipment | 25,158 | 18,605 |
| Financial assets | 828,078 | 860,531 |
| | **853,236** | **879,137** |
| **Current assets** | | |
| Receivables and other assets | 645,843 | 478,818 |
| Cash on hand and bank balances | 4,915 | 1,813 |
| | **650,758** | **480,632** |
| | | |
| **Prepaid expenses** | **5,872** | **6,909** |
| **Total assets** | **1,509,865** | **1,366,678** |
| | | |
| **Equity and liabilities** | | |
| **Equity** | **825,821** | **848,449** |
| **Provisions** | | |
| Provisions for pensions and similar obligations | 7 | 14 |
| Tax provisions | 37,086 | 20,304 |
| Other provisions | 12,519 | 11,663 |
| | **49,612** | **31,981** |
| **Liabilities** | | |
| Liabilities to banks | 496,184 | 360,374 |
| Trade payables and other liabilities | 12,616 | 8,911 |
| Liabilities to affiliates | 125,632 | 116,963 |
| | **634,432** | **486,248** |
| | | |
| **Total equity and liabilities** | **1,509,865** | **1,366,678** |

## Analysis of the structure of assets and liabilities

**Intangible assets and property, plant and equipment** increased by EUR 6.6m to EUR 25.2m in fiscal year 2017. This increase was primarily due to investments in the Company's internally generated intangible assets and software as well as furniture and fixtures, which were only matched in part by corresponding write-downs.

Under **financial assets,** shares in affiliates decreased by EUR 67.6m in 2017. This reduction was almost exclusively attributable to an impairment loss of EUR 67.5m on the carrying amount of the equity investment in the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. The impairment loss was necessitated by the lackluster economic situation in Turkey. Loans to affiliates had the opposite effect, rising EUR 35.1m year on year as of the reporting date. The related increase in the cash required by individual subsidiaries stemmed mainly from their corporate acquisitions in the area of dialog marketing.

In terms of **receivables and other assets,** which swelled by EUR 167.0m to EUR 645.8m in comparison with the prior year, a major portion of the rise also stemmed from the greater cash requirements of some of the subsidiaries for financing growth investments. Ströer SE & Co. KGaA made the required liquidity available, among other things, via its group-wide cash pool. Furthermore, another portion of the rise was due to higher receivables from profit and loss transfer agreements.

As of 31 December 2017, **bank balances** were EUR 3.1m higher than in the prior year at EUR 4.9m (prior year: EUR 1.8m).

In the past few years, Ströer SE & Co. KGaA has renegotiated the terms of the facility agreement several times in its favor. The costs incurred in this regard are being deferred and released to expenses pro rata temporis over the term of the financing. Against this backdrop, **prepaid expenses** decreased from EUR 6.9m to EUR 5.9m in the reporting period.

## Financial structure analysis

As of the end of fiscal year 2017, Ströer SE & Co. KGaA's **equity** amounted to EUR 825.8m (prior year: EUR 848.4m). The decrease of EUR 22.6m was primarily attributable to the distribution of a dividend of EUR 60.8m to the shareholders of Ströer SE & Co. KGaA. Both the profit for the period of EUR 36.3m (prior year: EUR 36.5m) and the exercising of existing stock options (EUR 1.9m; prior year: EUR 0.0m) had the opposite effect on equity. The equity ratio fell from 62.1% to 54.7% primarily as a result of the increase in total equity and liabilities, but remained nonetheless at a very comfortable level.

The Company's **provisions** by contrast grew considerably year on year. While EUR 32.0m had been recognized in 2016, Ströer SE & Co. KGaA reported an increase of EUR 17.6m to EUR 49.6m as of the end of fiscal year 2017. This development was due almost entirely to the clear rise in tax provisions which increased notably in particular in connection with the significant improvement in operating activities within the tax group as a whole. All other changes in provisions, however, were only of marginal importance.

The Ströer Group was almost exclusively refinanced via the holding company. Accordingly, its **liabilities to banks** rose by EUR 135.8m from EUR 360.4m to EUR 496.2m as a result of the ongoing growth strategy. Of these liabilities at 31 December 2017, a total of EUR 145.0m related to the note loan placed in 2016 and EUR 350.0m to the note loan placed in 2017. For further information on the increase in liabilities to banks, see the liquidity analysis in the following section.

**Trade payables** fell by a slight EUR 1.6m year on year to EUR 6.4m.

At EUR 125.6m, **liabilities to affiliates** meanwhile were up EUR 8.7m compared with the prior year (prior year: EUR 117.0m). This was due in part to the fact that the subsidiaries transferred cash funds to Ströer SE & Co. KGaA's cash pool in order to optimize the Group's financing. The changes were also due to the losses absorbed under profit and loss transfer agreements.

In fiscal year 2017, **other liabilities** mainly rose as a result of other taxes, which have not been paid over to the relevant tax office until after year-end.

## Liquidity analysis

| In EUR m | 2017 | 2016 |
|---|---|---|
| | | |
| Cash flows from operating activities | 91.3 | 51.9 |
| Cash flows from investing activities | –50.1 | –57.2 |
| **Free cash flow** | **41.3** | **–5.4** |
| Cash flows from financing activities | –38.2 | 6.1 |
| **Change in cash** | **3.1** | **0.8** |
| Cash at the end of the period | 4.9 | 1.8 |

In the reporting year, Ströer SE & Co. KGaA saw enormous growth in its **cash flows from operating activities** once again. It benefited in particular from the profit transfers received in 2017 for 2016, which at EUR 122.0m overall were noticeably higher than in the prior year (prior year: EUR 92.7m). Taking into account the remaining cash payments and receipts from its operating activities as the holding company, cash flows from operating activities came to EUR 91.3m in total for Ströer SE & Co. KGaA (prior year: EUR 51.9m).

By contrast, **cash flows from investing activities** were mainly shaped by the Ströer Group's ongoing expansion course and in particular the considerable loan payments made to subsidiaries to finance growth. At the same time, Ströer SE & Co. KGaA for its part invested a further EUR 12.2m in intangible assets and property, plant and equipment. Overall, cash flows from investing activities amounted to an outflow of EUR 50.1m in 2017 (prior year: EUR 57.2m).

In contrast to intragroup loans, payments stemming from the group-wide cash pool are disclosed under **cash flows from financing activities**. The group companies received an additional EUR 118.3m from the holding company via this cash pool to finance their growth. Furthermore, a further payment of EUR 60.8m by Ströer SE & Co. KGaA related to the distribution of a dividend to the Company's shareholders.

Contrasting effects relate to significant payments of EUR 139.0m from bank borrowings. Overall, cash outflows from financing activities amounted to EUR 38.2m (prior year: inflows of EUR 6.1m).

**Cash on hand and bank balances** stood at EUR 4.9m as of the reporting date (prior year: EUR 1.8m).

Ströer SE & Co. KGaA's **net financial assets** break down as follows:

| In EUR m | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| (1) Receivables from affiliates | 637.2 | 470.7 |
| (2) Loans to affiliates | 109.1 | 74.1 |
| (3) Cash on hand and bank balances | 4.9 | 1.8 |
| **(1)+(2)+(3) Total financial assets** | **751.2** | **546.5** |
| (4) Liabilities to banks | 496.2 | 360.4 |
| (5) Liabilities to affiliates | 125.6 | 117.0 |
| **(4)+(5) Total financial liabilities** | **621.8** | **477.3** |
| **(1)+(2)+(3)-(4)-(5) Net financial assets** | **129.4** | **69.2** |
| **Equity ratio (in %)** | **54.7** | **62.1** |

Ströer SE & Co. KGaA's net financial assets amounted to EUR 129.4m as of 31 December 2017 (prior year: EUR 69.2m). This increase was attributable to the very pleasing upwards trend in the Ströer Group's operating business and the related increase in profit transfers by subsidiaries.

As the holding company, the development of Ströer SE & Co. KGaA is closely linked to the performance of the entire Ströer Group. Due to its positive net financial assets, comfortable equity ratio and the consistently very positive results of its subsidiaries, we are confident that the Company, like the entire Group, is extremely well positioned to meet future challenges.

## Anticipated development of the Company

Due to its role as group parent, the anticipated development of Ströer SE & Co. KGaA depends on the development of the Group as a whole. Based on the Group's expected financial performance (previously results of operations) for 2018 presented under "Forecast," we expect the subsidiaries to generate even higher earnings contributions overall and Ströer SE & Co. KGaA to achieve even higher results in the future.

# INFORMATION ON THE SHARE

The German stock market performed positively again in 2017 growing for the sixth consecutive year. Despite its already high level in 2016, the DAX rose 12.5% (prior year: 6.9%) in 2017 and the MDAX, where the Ströer SE & Co. KGaA stock is listed, improved by 18.1% (prior year: 6.8%). At the start of the year, the DAX opened at 11,426 points, the MDAX at 22,171 points. With the German benchmark indices at their lowest point in January (MDAX: 22,194 points) and February (DAX: 11,510 points), they both picked up considerably by year-end. The DAX, comprising Germany's 30 largest listed companies, reached 12,918 points and was only slightly lower than at its peak of 13,479 points. The MDAX did even better rising to 26,201 points.

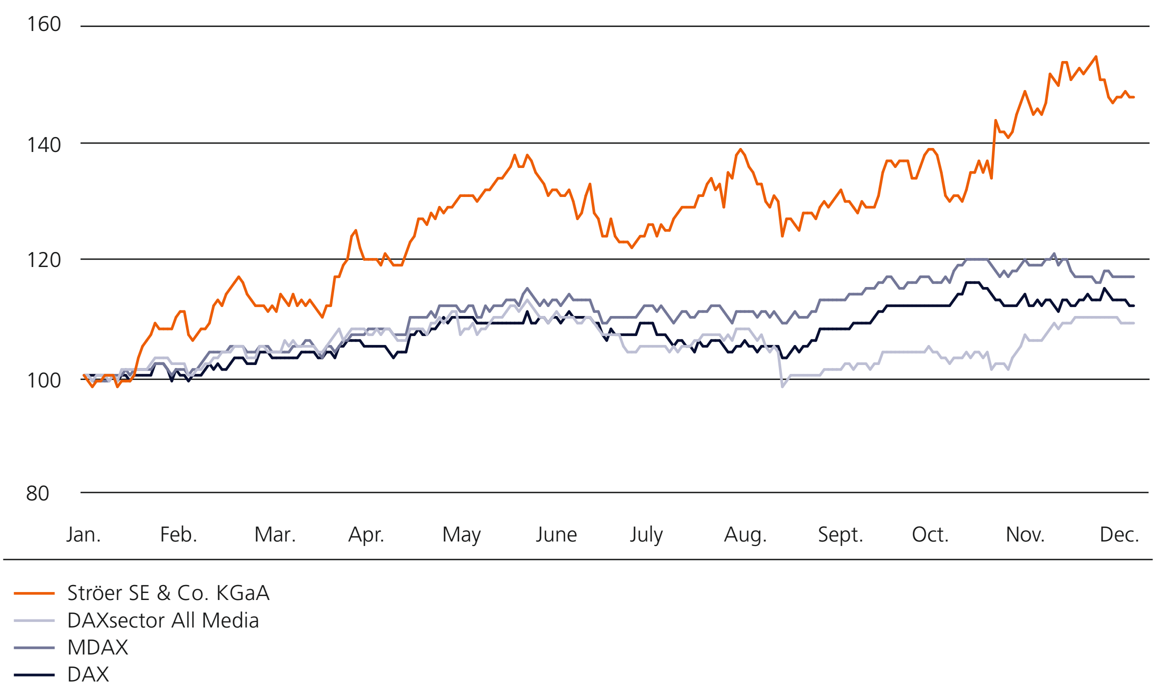
The DAXsector All Media Index was not quite able to match these positive performances, rising by just 10.3% on an annual basis from 290 points to 320 points at year end.

For the Ströer SE & Co. KGaA stock, however, 2017 was a very successful year as it comfortably outperformed all benchmark indices. Trading at EUR 65.21, the share achieved a new all-time record in December of the fiscal year just passed. Across the year as a whole, the share rose by some 48% to EUR 61.60, scoring one of the best performances in the MDAX.

## Ströer's dialog with the capital market

Active communication with the capital market is the cornerstone of Ströer SE & Co. KGaA's investor relations. The aim of investor relations is to present the Company and explain its strategy and positioning through continuous and personal contact with private and institutional investors, analysts and other interested capital market players. We provide timely information about current developments through roadshows, meetings at our group headquarters and regular telephone contact.

**The Ströer share in comparison in 2017 (in percent)**




Source: Bloomberg

The board of management of Ströer Management SE personally attended many meetings and answered the questions of capital market participants. To best manage our investor relations work, we analyze our shareholder structure on an ongoing basis and plan our roadshow activities accordingly. Thus the main venues for our presentations in the reporting year were once again Frankfurt am Main, London and New York. Besides other financial centers in North America, we visited all major European capital markets at regular intervals. Furthermore, the board of management of Ströer Management SE presented Ströer's development in detail at a Capital Market Day in Berlin in the fiscal year. In addition, we were in close contact with our lenders in connection with the successful listing of our note loan of EUR 350m in order to address individual questions from various capital market perspectives.

Another key communication channel is our website www.stroeer.com →, where we promptly publish capital market-related information and documents.

## Shareholder meeting

Ströer SE & Co. KGaA's shareholder meeting was held at the Koelnmesse Congress Center on 14 June 2017 and was attended by approximately 170 shareholders and guests. Overall, 45.4 million shares of no par value were represented. All resolutions put forward by the supervisory board and board of management were approved. This also included the distribution of a dividend of EUR 1.10 per qualifying share.

## Stock exchange listing, market capitalization and trading volume

Ströer SE & Co. KGaA stock is listed in the Prime Standard of the Frankfurt Stock Exchange and is listed in the MDAX. Based on the closing share price on 29 December 2017, market capitalization came to around EUR 3.42b. The average daily volume of Ströer stock traded on German stock exchanges was a good 137,000 shares in 2017.

## Analysts' coverage

The performance of Ströer SE & Co. KGaA is currently tracked by 17 national and international banks. Based on the assessments at the time of preparing this report, 13 of the analysts are giving a "buy" recommendation and four say "hold."

The latest broker assessments are available at http://ir.stroeer.com and are presented in the following table:

| Investment bank | Recommendation |
|---|---|
| Bankhaus Lampe | Buy |
| Barclays | Buy |
| Citi | Buy |
| Commerzbank | Buy |
| Deutsche Bank | Buy |
| Hauck & Aufhäuser | Buy |
| J.P. Morgan | Buy |
| Jefferies | Buy |
| LBBW | Buy |
| Liberum | Buy |
| Morgan Stanley | Buy |
| NordLB | Buy |
| Warburg Research | Buy |
| HSBC | Hold |
| KeplerCheuvreux | Hold |
| MainFirst | Hold |
| Oddo Seydler | Hold |

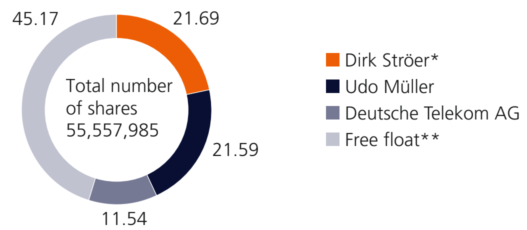
← For further information, see our website www.stroeer.com/investor-relations

## Shareholder structure

Co-CEO Udo Müller holds 21.59%, supervisory board member Dirk Ströer holds 21.69% and Christian Schmalzl (Co-CEO) holds around 0.05% of Ströer SE & Co. KGaA shares. The free float comes to around 45%. According to the notifications made to the Company as of the date of preparation of this report on 9 March 2018, the following parties reported to us that they hold more than 3% of the voting rights in Ströer SE & Co. KGaA: Deutsche Telekom AG (11.54%), Allianz Global Investors Europe (6.12%), Credit Suisse (4.61%).

**Shareholder structure of Ströer SE & Co. KGaA**

**As of 31 Dec 2017, in %**




* Includes the voting rights held by Delphi Beteiligung mbH (shareholding: 100% Dirk Ströer) in accordance with the WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) which are attributable.

** Free float, thereof:

| | |
|---|---|
| Allianz Global Investors Europe[1] | 6.12% |
| Credit Suisse, Switzerland[2] | 3.51% |
| Christian Schmalzl | 0.05% |

[1] According to voting right notifications in accordance with Sec. 41 (4f) WpHG
[2] According to voting right notifications in accordance with Sec. 25a (1) WpHG

## Dividend policy

In the reporting year, Ströer SE & Co. KGaA paid a dividend of EUR 1.10 per qualifying share. Ströer SE & Co. KGaA intends to continue to allow shareholders to participate in any successful profit development.

**Key data of Ströer SE & Co. KGaA stock**

| | |
|---|---|
| Capital stock | EUR 55,557,985 |
| Number of shares | 55,557,985 |
| Class | Bearer shares of no par value (share in capital stock of EUR 1.00 per share) |
| First listing | 15 July 2010 |
| ISIN | DE0007493991 |
| SIN | 749399 |
| Stock ticker | SAX |
| Reuters | SAXG.DE |
| Bloomberg | SAX/DE |
| Market segment | Prime Standard |
| Index | MDAX |
| Designated sponsor | Otto Seydler Bank AG |
| Opening price 2017 (2 January) | EUR 41.73 |
| Closing price 2017 (29 December)* | EUR 61.60 |
| Highest price 2017 (14 December)* | EUR 65.21 |
| Lowest price 2017 (12 January)* | EUR 41.23 |

*Closing price in XETRA in EUR

# EMPLOYEES

Committed, reliable and competent employees are key to the Ströer Group's success and ability to innovate and increase the value of the business. In the Ströer Group, our employees can realize their potential as individuals and make the Company even more successful with their passion, outstanding dedication, responsibility and respect.

We foster a balanced and diverse workforce. In keeping with the philosophy of "we hire for attitude," we frequently find that enthusiasm and the desire to achieve count more than formal qualifications. Women and men can build on and pursue their professional goals in a culture of mutual respect.

In 2017, we helped create our modern employer brand JUMP! Our presence at career fairs and our career webpages were completely revamped and contact with applicants was considerably simplified and improved with the launch of a new applicant tracking tool.

Ströer wants to be an attractive employer with whom employees can identify and for whom they enjoy working. We therefore underscore our attractiveness as an employer by pursuing a sustainable HR policy and offering flexible working time models, for example, as well as by offering additional benefits such as our company kindergarten and the company canteen at Ströer's headquarters.

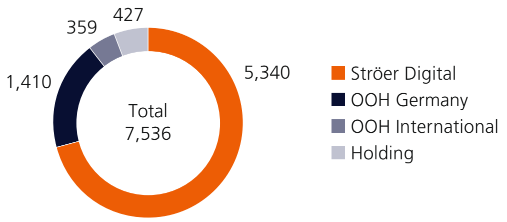
## Employment situation

### Headcount

As of year-end, the Ströer Group had 7,536 (prior year: 4,577) full and part-time employees. The increase of 2,959 employees is spread across almost all segments, but relates in particular to the digital business, where the acquisition of the Adveo group and the Ranger group in 2017 brought strong growth in headcount with them. We expect our headcount to rise in the out-of-home business due to the further expansion of our regional sales structure.

**Employees by segment**

**As of 31 Dec 2017**




### Length of service

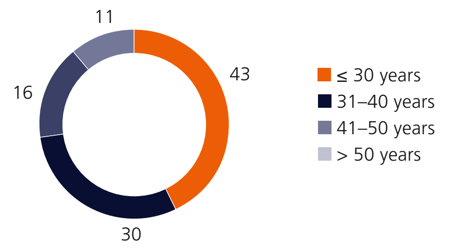
As of the reporting date, employees had been working for an average of 3.6 years (prior year: 5.6 years) for the Ströer Group. The decline is due to the increase in headcount in the digital segment which almost entirely comprises companies that were only established in the last few years.

### Age structure

We have a balanced age structure. We aim to retain young employees through targeted training programs and to sustain their enthusiasm for our Company in the long term. They work with mentors who can support them in their careers and draw on their own extensive professional experience.

**Age structure in the Group**

**2017 in %**



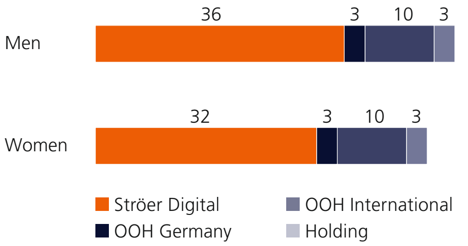

### Gender structure

→ For further information on the gender quota and on targets for the board of management and the top two levels of management, see the corporate governance declaration at www.stroeer.com/investor-relations

The proportion of female employees remained ← unchanged during the course of the year. As of year-end, 52% of the Ströer Group's employees were male and 48% were female (prior year: 52% male and 48% female). The gender balance is due not least to our attractive working time models that help our staff reconcile work and family life, for example, and which make us a modern company.

**Gender structure by segment**

**2017 in %**




## Training

### Vocational training and education

We believe training young people is part of our social responsibility and offer a variety of ways for young staff to develop. Ströer provided a total of 130 young talents throughout Germany with vocational training, a third more than in the prior year. We frequently also give applicants a chance whose careers to date deviate from the norm if they would be a good fit for Ströer.

In addition to traditional vocational training, Ströer offers places on cooperative study programs (BA degrees). In order to be able to offer even more attractive study programs, two more universities were added to our partner program: iba University of Cooperative Education (iba) in Cologne and Baden-Württemberg Cooperative State University (DHBW).

Ströer naturally offers successful BA students and trainees good chances of being kept on and we again hired many young talents in a wide range of business areas in the past year.

### Further development and qualification

Ströer offers its employees the prospect of being able to achieve their professional goals within the Ströer Group. The Jump 'n Grow program was launched in 2017 to identify and proactively foster young talent. It ranges from training and involvement in joint projects to support by mentors from top-level management.

To support executive staff moving forward, the "Jump up" program was also initiated in 2017. The program comprises various modules in which HR staff draft the content tailored to employee needs and roll out the offering across all offices.

# REMUNERATION REPORT

The remuneration report explains the structure and amount of remuneration of the members of the board of management of the general partner of Ströer SE & Co. KGaA (Ströer Management SE) and the supervisory board of Ströer SE & Co. KGaA (the Company). With the exception of the deviations explained in the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 14 December 2017, the report takes statutory regulations into account along with the recommendations of the German Corporate Governance Code and is a component of the consolidated financial statements.

## Remuneration of the board of management

The remuneration of the members of the board of management is determined by the Company in consultation with the supervisory board of Ströer Management SE and reviewed on a regular basis. In accordance with the provisions of the VorstAG ["Gesetz zur Angemessenheit der Vorstandsvergütung": German Act on the Adequacy of Management Board Remuneration], the supervisory board of the general partner deliberated on the decisions to be made regarding the board of management's remuneration and made appropriate resolutions.

In fiscal year 2017, the board of management's remuneration once again comprised two significant components:

1. A fixed basic salary
2. Variable compensation, broken down into:
   - an annual short-term incentive (STI) and
   - a long-term incentive (LTI)

The basic salary is a fixed monetary component and is paid out in equal monthly installments. In addition, the Company grants fringe benefits (remuneration in kind) for which members of the board of management are liable for tax, as well as compensation of incurred costs.

The variable component for the remuneration of the board of management (STI and LTI) is linked to the performance of the board of management, the Company's performance and its increase in value. Variable compensation is linked to the achievement of key performance indicators or business targets.

The variable remuneration for fiscal year 2017 is based on the following key performance indicators and business targets:

Short-term incentives (STI)
- Cash flows from operating activities

Long-term incentives (LTI)
- Return on capital employed (ROCE)
- Organic revenue growth
- Share price

The long-term incentives span a period of three to four years and carry a greater weighting than the short-term incentives.

### ROCE on the basis of adjusted EBIT/capital employed

This remuneration depends on the return on capital over a period of three years. The benchmark for this is the achievement of a return equivalent to the Company's cost of capital. The agreed amount upon reaching the target in full is EUR 301k. The remuneration is limited to a maximum of two or three times this amount, which would require a return that is considerably above the cost of capital during the three-year period. Conversely, if the benchmark is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0.

### Organic revenue growth

The Company's average organic revenue growth over a three-year period is compared with the average growth of the advertising market as a whole, measured by the development of gross domestic product in the markets served by the Company. The agreed amount upon reaching the target in full is EUR 337k. If the Company's average revenue growth in the three-year period exceeds this comparative value, the remuneration can increase to a maximum of two or three times the amount. Conversely, if the benchmark is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0.

### Share price

This LTI component is linked to the development of the Company's share price over a four-year period against the reference price set at the beginning of this period. The agreed amount for the fiscal year 2017 upon reaching the target in full is EUR 248k, which as of the reporting date corresponds to 6,440 phantom stock options each with a fair value of EUR 58.85. If the share price rises during the four-year period, the remuneration component increases by the same percentage as the share price, but is limited to a maximum of two or three times the amount. Conversely, if the reference price is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0. The members of the board of management can also decide to have the remuneration paid out in shares in the Company.

If the Company's situation should deteriorate to such an extent that continuing to grant remuneration to the board of management would be unfair, the Company is authorized to reduce the remuneration to an appropriate amount.

### Share-based payment

The Company's supervisory board granted stock options under a stock option plan in fiscal years 2013, 2014, 2015 and 2017 to members of the board of management. The stock options constitute additional long-term remuneration components and are intended to create performance incentives that promote the sustainable and long-term success of the Company. Option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to satisfy the stock options.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and the Group's operational EBITDA. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

### Total remuneration

Total remuneration for fiscal year 2017 (2016) is presented in the table below:

**Benefits granted for 2017 (2016)**

| in EUR | 2017 | | | | 2016 |
|---|---|---|---|---|---|
| | Total | Udo Müller | Christian Schmalzl | Dr. Bernd Metzner | Total |
| | | | | | |
| Fixed remuneration | 2,520,000 | 1,300,000 | 700,000 | 520,000 | 2,240,000 |
| Fringe benefits | 369,000 | 346,000 | 12,000 | 11,000 | 411,000 |
| **Total** | **2,889,000** | **1,646,000** | **712,000** | **531,000** | **2,651,000** |
| Severance payments | 0 | 0 | 0 | 0 | 0 |
| **One-year variable compensation (target reached in full)** | **833,960** | **490,000** | **218,960** | **125,000** | **833,960** |
| | | | | | |
| Multi-year variable remuneration (amount based on a probability scenario) | | | | | |
| LTI "ROCE" (3 years) | 775,908 | 520,200 | 163,908 | 91,800 | 775,908 |
| LTI "revenue growth" (3 years) | 867,190 | 581,400 | 183,190 | 102,600 | 867,190 |
| LTI "share price" (4 years) | 496,182 | 285,600 | 134,982 | 75,600 | 248,091 |
| LTI "other" | 252,000 | 252,000 | 0 | 0 | 252,000 |
| Share-based subscription rights (5 years) | | | | | |
| **Total** | **2,391,280** | **1,639,200** | **482,080** | **270,000** | **2,143,189** |
| Benefit cost | 0 | 0 | 0 | 0 | 0 |
| **Total remuneration** | **6,114,240** | **3,775,200** | **1,413,040** | **926,000** | **5,628,149** |

**Benefits granted for 2017 (2016)**

| in EUR | 2017 Minimal achievable value | | | | 2017 Maximal achievable value |
|---|---|---|---|---|---|
| | Total | Udo Müller | Christian Schmalzl | Dr. Bernd Metzner | Total |
| | | | | | |
| Fixed remuneration | 2,520,000 | 1,300,000 | 700,000 | 520,000 | 2,520,000 |
| Fringe benefits | 369,000 | 346,000 | 12,000 | 11,000 | 369,000 |
| **Total** | **2,889,000** | **1,646,000** | **712,000** | **531,000** | **2,889,000** |
| Severance payments | 0 | 0 | 0 | 0 | 0 |
| **One-year variable compensation (target reached in full)** | **0** | **0** | **0** | **0** | **833,960** |
| | | | | | |
| Multi-year variable remuneration (amount based on a probability scenario) | | | | | |
| LTI "ROCE" (3 years) | 0 | 0 | 0 | 0 | 775,908 |
| LTI "revenue growth" (3 years) | 0 | 0 | 0 | 0 | 867,190 |
| LTI "share price" (4 years) | 0 | 0 | 0 | 0 | 638,982 |
| LTI "other" | 0 | 0 | 0 | 0 | 252,000 |
| Share-based subscription rights (5 years) | 0 | 0 | 0 | 0 | |
| **Total** | **0** | **0** | **0** | **0** | **2,534,080** |
| Benefit cost | 0 | 0 | 0 | 0 | 0 |
| **Total remuneration** | **2,889,000** | **1,646,000** | **712,000** | **531,000** | **6,257,040** |

Re LTI "other"
The remuneration of EUR 252k (prior year: EUR 252k) is dependent on remaining with the Company for four years. The amount is fully repayable in the event of early termination.

Re "share-based subscription rights"
2016: –
2017: 239,190 stock options each with a weighted fair value of EUR 11.20

## Post-employment benefits for members of the board of management

### Benefits granted to the board of management in the event of regular termination

Retirement benefit plan
There are no retirement benefit plans or other pension commitments.

Severance payment
If the employment contracts of the members of the board of management are not extended, they are entitled to fixed remuneration pro rata temporis for a further four months as a severance payment.

### Non-compete clause

Non-compete clauses have been agreed with the members of the board of management. The Company undertakes to pay compensation corresponding to half of the last contract-based remuneration for each full year of the non-compete clause.

### Remuneration of the supervisory board

Pursuant to Art. 15 of the articles of incorporation, the remuneration of Ströer SE & Co. KGaA's supervisory board is approved by the shareholder meeting and the general partner. The members of the supervisory board of Ströer SE & Co. KGaA currently receive an attendance fee of EUR 200.00 per meeting plus out-of-pocket expenses.

Pursuant to Art. 14 of its articles of incorporation, the remuneration of the members of the supervisory board of the general partner, Ströer Management SE, is approved by the shareholder meeting of Ströer Management SE. The members of the supervisory board receive fixed basic remuneration, attendance fees and out-of-pocket expenses. Remuneration of the supervisory board of Ströer Management SE was charged on to Ströer SE & Co. KGaA in line with Art. 9 of the articles of incorporation of Ströer SE & Co. KGaA.

Total remuneration (excluding any VAT) of the supervisory board of Ströer SE & Co. KGaA for fiscal year 2017 including the allocations charged on to Ströer SE & Co. KGaA by Ströer Management SE is presented in the table below (in EUR):

| In EUR | Fixed remuneration | Attendance fee per meeting | Total |
|---|---|---|---|
| Christoph Vilanek | 70,100.00 | 800.00 | 70,900.00 |
| Ulrich Voigt | 47,000.00 | 600.00 | 47,600.00 |
| Dirk Ströer | 47,500.00 | 800.00 | 48,300.00 |
| Vincente Vento Bosch | 30,500.00 | 600.00 | 31,100.00 |
| Martin Diederichs | 31,500.00 | 0.00 | 31,500.00 |
| Michael Hagspihl | 30,500.00 | 0.00 | 30,500.00 |
| Julia Flemmerer | 0.00 | 600.00 | 600.00 |
| Anette Bronder | 0.00 | 400.00 | 400.00 |
| Tobias Meuser | 0.00 | 600.00 | 600.00 |
| Dr. Thomas Müller | 0.00 | 400.00 | 400.00 |
| Christian Sardiña Gellesch | 0.00 | 600.00 | 600.00 |
| Michael Noth | 0.00 | 600.00 | 600.00 |
| Sabine Hüttinger | 0.00 | 600.00 | 600.00 |
| Rachel Marquardt | 0.00 | 400.00 | 400.00 |
| **Total** | **257,100.00** | **7,000.00** | **264,100.00** |

# OPPORTUNITIES AND RISKS

## Overall assessment of the opportunity and risk situation by the board of management

The Ströer Group's risk management system forms the basis for the board of management's comprehensive risk assessment. Our risk strategy is not based on the strict avoidance of risks but on ensuring that the business decisions we make are based on careful consideration of the opportunities and risks. At the same time, we aim to identify risks that could jeopardize the Company's ability to continue as a going concern in good time to ensure that we can immediately take action to avoid or limit any such risks. We expect all employees to deal with risks in a responsible manner.

We believe that, as of the publication date of this report, the risks currently identified and described below are manageable. There are no recognizable individual risks that could jeopardize the Company's ability to continue as a going concern. We also firmly believe that Ströer is in a good strategic and financial position to be able to take advantage of opportunities that arise. Despite the mixed economic environment in our active markets, the board of management of Ströer Management SE expects market conditions to stabilize overall in the current fiscal year 2018. If a less favorable scenario were to occur, the Ströer Group would be able to react quickly, as demonstrated in the past, and implement the internal measures needed to adjust its investment and cost budgets.

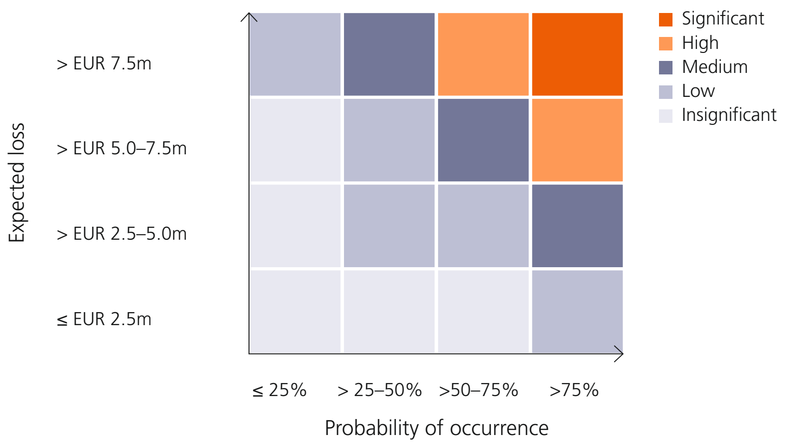
## Opportunity and risk management system

Our board of management is responsible for opportunity and risk management, which is an integral part of corporate governance. Depending on the goals and strategies of the individual segments, responsibility for opportunity management lies with the segment's operational management in close collaboration with the headquarter offices and the board of management. The ongoing management of opportunities is an integral component of the planning and control process.

Ströer also has a group-wide risk management system that complies with the legal requirements under Sec. 91 (2) AktG ["Aktiengesetz": German Stock Corporation Act]. The consolidated group for risk management purposes is the group of consolidated entities.

The opportunities and risk report covers the identification, assessment, management and monitoring of core risks. These risks include all matters which pose a significant threat to our business development and have a material effect on our earnings and liquidity situation. They can be assigned to individual risk classes according to their expected loss value (significant, high, medium, low, insignificant), which in turn are linked to various requirements for risk management. The expected loss value is determined as part of a standardized group-wide control process based on the metrics "expected loss to earnings (EBITDA) and/or cash flows" and "probability of occurrence." The following figure shows the scale of both metrics (expected loss and probability of occurrence) and the related risk matrix.

**Risk matrix**



The risk relating to the expected loss value (ELV) is classified as significant, high, medium, low or insignificant based on the expected loss amount together with the probability of occurrence.

A risk officer is appointed for each business unit and is responsible for managing the risk situation in his/her unit (decentralized risk management) and reports to the group risk management department. Each business unit has risk owners for the different risk areas who report to the respective risk officer in their business unit.

In order to ensure close collaboration on operational and financial matters, the group risk management department is part of the controlling unit at the Company's headquarters. It has the methodological and system expertise, ensures the functionality and efficiency of the early warning system for the detection of risk and informs the board of management of Ströer Management SE and the supervisory board of Ströer SE & Co. KGaA regularly about current risks to which the Group is exposed. The internal risk report is issued regularly and addresses the various causes of the core risks, their probability of occurrence and effects (gross and net assessment). The report also provides information on the changes in risk profiles over time. All risk officers are obligated to report ad-hoc on any unexpected risks that are identified outside the scheduled dates for the control process and exceed specific materiality thresholds.

The effectiveness of the risk management system is reviewed at regular intervals and improved when necessary. As part of the audit of the financial statements, the external auditors also regularly evaluate whether the risk management system is suitable for promptly identifying risks that could jeopardize the Company's ability to continue as a going concern. They report the results to the board of management and supervisory board.

## Internal control system

The accounting-related internal control and risk management system is an important part of the Ströer Group's risk management. We understand the internal control and risk management system to be a holistic unit and refer to the definitions of the Institute of Public Auditors in Germany, Dusseldorf ["Institut der Wirtschaftsprüfer in Deutschland e.V.": IDW] with regard to the accounting-related internal control system (ICS) and the risk management system. According to the definition, an internal control system comprises the policies, procedures and measures installed by management which are aimed at implementing management's decisions in order to ensure the effectiveness and efficiency of operations, correct and reliable internal and external financial reporting, and compliance with legal provisions relevant to the Ströer Group. Furthermore, the internal control system aims to help the reporting convey a true and fair view of the assets, liabilities, financial position and financial performance (previously net assets, financial position and results of operations) of the Ströer Group.

We have the following structures and processes in place with regard to the group financial reporting process:

- The board of management is responsible for the internal control and risk management system with regard to the group financial reporting process.
- All entities included in the consolidated financial statements are integrated in this system by way of a defined management and reporting organization.
- The policies, structures and procedures and the processes of the Group's accounting-related internal control and risk management system are defined, communicated and implemented for the entire Group.

We consider those elements of the internal control and risk management system which could have a considerable impact on the Group's financial reporting process and the overall picture conveyed by the consolidated financial statements and combined management report to be significant. Those elements include:

- Identification of the significant risk fields and control areas.
- Monitoring of the financial reporting process at the level of the Group and the consolidated entities.
- Preventative control measures in the finance and accounting functions of the Group and the entities included in the consolidated financial statements.
- Measures to ensure that group financial reporting issues and data are processed using appropriate IT systems.
- Defined channels for communicating changes in processes and controls promptly and in full.

In addition, we also focus on monitoring the effectiveness of the internal control system, which goes beyond the Group's financial reporting, allowing us to comply with the requirements of the BilMoG ["Bilanzrechts-modernisierungsgesetz": German Accounting Law Modernization Act].

## Internal audit system

The internal audit function is an instrument used by the board of management of Ströer Management SE and the supervisory board of Ströer SE & Co. KGaA and supports these bodies as a component of corporate governance in their management and supervisory function. In this context, the internal audit function conducts reviews in selected equity investments and corporate areas. Some areas of audit focus include:

- Audit of the financial position and assets and liabilities (previously net assets), the reliability of the accounting and the information derived therefrom as well as compliance with internal accounting guidelines (financial auditing).
- Audit of the quality, security, propriety, efficiency and functionality of the structures, processes and systems, including the internal control system (operational auditing).
- Compliance with laws, regulations, guidelines, procedures and contracts (compliance).

On the basis of a detailed risk-based audit plan, the effectiveness of the system of internal control was supported in the fiscal year by several internal audit projects. The findings of these audits were regularly presented to the board of management of Ströer Management SE and the audit committee of the supervisory board of Ströer Management SE. A comprehensive year-end report on the work of the internal audit function and the contents of the audits and their findings were presented to the supervisory board. Any improvement measures resulting from internal audits were and continue to be monitored systematically.

## Risk situation

Taking all identified opportunities and risks into account, the following section describes the areas that, from today's perspective, could have a significant positive or negative effect on the assets, liabilities, financial position and financial performances (previously net assets, financial position and results of operations) in the forecast period. The following risks are classified according to their expected loss value based on the above evaluation of the expected loss value in terms of expected EBITDA and/or expected cash flows and probability of occurrence, once countermeasures have been taken (e.g., "ELV: medium").

### Market risks (ELV: low)

Macroeconomic developments could prove to be worse than assumed in the forecast due to political uncertainty or recent financial market turbulence, among other factors. As the advertising market is dependent on the economic environment, this represents a risk for all segments of the Ströer Group that, if it were to occur, could mean that the Group does not achieve its revenue and earnings targets.

In our regional core market of Germany, we anticipate a stable economic development and have not identified any specific risks. By contrast, we continue to see economic risks for the Turkish advertising market but expect to see the market pick up slightly overall after the extremely difficult years of 2016 and 2017. Ongoing domestic political uncertainties and geopolitical issues concerning Kurdish areas and Turkey's southern borders to Syria and Iraq may also have a negative impact again in 2018.

In the area of procurement, significant deviations from targets could result in particular from the loss of concessions for out-of-home advertising or large publisher contracts in the digital segment. Adverse effects could also arise from delays in the approval process, an increase in the cost of obtaining the required building approval and the rejection of attractive locations by the approval authorities. In the online media segment, there is the risk that websites in our portfolio attract less user interest than expected due to rival offerings, among other things. Fewer than anticipated unique visitors, unique users or ad impressions could adversely affect revenue from reach-based advertising. We consider these risks to be perfectly normal business risks, however, which are very limited thanks to our highly diverse portfolio in the out-of-home and digital segments.

Special risks relating to procurement, particularly in out-of-home media can also arise from potential increases in the prices of primary products and energy or from price volatility. Other conceivable risks include the loss of key suppliers and problems with the quality of delivered products. To limit these risks, we use cross-product standardization of components and a multi-source procurement strategy.

With regard to commercialization, deviations from targets in the individual segments could arise through potential losses in income from orders placed by major advertisers or agencies, the loss of customers in intra and intermedia competition or reduced margins as a result of higher discounting in the media industry. In this connection, we regularly review our sales activities and take appropriate measures to counter the pressure for discounts.

Following the establishment (a) of the content-based business models centered around Germany's online portal with the largest reach, t-online.de, (b) transactional business models and (c) the move into the dialog marketing business in the fiscal year, the Ströer Group drove forward its diversification strategy in the Digital segment. The aim is, among other things, to diversify its previously advertising-heavy revenue to include other transactional and direct sales-oriented revenue. This will enable the Group to mitigate general market risks in the commercialization of advertising.

The ongoing trend in user surfing behavior away from stationary computers toward mobile devices is presenting challenges in particular for online display advertising as well as for content-based revenue models. We are addressing this risk by, among other things, expanding our mobile advertising activities.

The increased use of ad blockers is also posing an ongoing risk to online advertising. We are countering the risk for our online marketing activities using various measures. On the one hand, we are investing in technology designed to circumvent these ad blockers. Secondly, our website portfolio is on average less affected by ad blocking technology due in part to the user structures. Thirdly, we are increasingly offering native ad products which are not affected by ad blockers.

**Political and legal risks (ELV: low)**

The ongoing discussion on data protection in politics and society at large presents a risk for our business activities where data processing is a key element. Uncertainty here stems in particular from the effects of the EU General Data Protection Regulation (ePrivacy regulation) adopted in 2016 which addresses matters concerning the processing of personal data. The specific rules on certain aspects of data protection, e.g., for cookie identifiers or similar technologies, remain unclear or have not yet been conclusively defined. We do not expect this to have any effects on business in 2018. Even though such legal changes only affect individual business models in our portfolio and we mainly use large volumes of data anonymously, we are closely examining this matter within the scope of a group-wide project. Among other things, we are working on technological measures aimed at mitigating the risk of potential earnings losses.

In addition, there is a risk from an increase in the scope of advertising bans as has been repeatedly called for in political discussions over the past few years, particularly for tobacco advertising. We are addressing this risk with different communications measures. We do not expect such a ban to enter into force in the next few years. By significantly reducing our dependency on individual advertising customers and industries, we have already drastically reduced the significance of this risk.

**Process risks (ELV: low)**

Our business processes and communication are highly dependent on information technology. IT security is therefore a critical factor and must be ensured with regard to data integrity, confidentiality of information, authenticity and availability. A disruption or system failure could result in a loss of data and have an adverse effect on IT-based business processes. These processes are subject to ongoing improvement measures aimed at reducing these risks.

In our operating process, we focus in particular on potential quality risks to ensure the high quality and best management of our advertising media. The same applies to potential disruptions to the proper handling of quote and proposal preparation, order processing and complaints and receivables management.

**Employee risks (ELV: insignificant)**

A risk for Ströer is the unwanted turnover of key management personnel if they are not adequately replaced or not replaced in good time by in-house or new staff. We counter personnel risks with a number of established measures such as a performance-based remuneration system, training courses or deputization arrangements. We also strengthened our profile as an innovative and attractive media company by radically expanding our digital segment.

Ströer's exposure to employee risks will increase in the future due to our entry into the dialog marketing business, where employee acquisition and retention play a special role given the large workforce required in this area.

### Financial risks (ELV: low)

Ströer's current debt poses a general → financing risk. The significance of this risk is dependent on meeting the covenants set out in the loan agreements with the banking syndicate as well as duties to provide information and obtain authorization. However, this risk is very low due to the refinancing carried out at the end of the reporting period with extended and improved conditions as well as the strong development of the key performance indicators (KPIs) in the operating business.

Ströer is also subject to currency risks, in particular a risk arising from the translation of the financial statements of foreign operations prepared in foreign currency. However, the relative significance of the financial statements prepared in foreign currency in the consolidated financial statements decreased in the reporting period. Transaction-based currency risks do not pose a significant risk to the Ströer Group.

The Ströer Group is mainly exposed to general interest rate risks in connection with non-current floating-rate financial liabilities and existing cash and cash equivalents.

If the subsidiaries and other investees generate losses, an investment risk could arise that could have a negative effect on the Ströer Group's financial performance (previously results of operations) and liquidity. Impairment of goodwill cannot be ruled out if the business performance of individual companies falls short of expectations.

Due to the complexity of tax law, it is possible that the tax authorities and courts will take a different view of relevant tax issues, or that they will challenge previous procedures. We mitigate this risk by maintaining a close dialog with internal and external tax specialists.

### Other risks (ELV: insignificant)

The Ströer Group is also exposed to communication risks that could ultimately lead to reputational risks. However, we have two important functions – group communication and investor relations – that make the relevant information available to recipients in good time and enable us to take appropriate action.

← For more details on financial obligations, see note 34 in the consolidated financial statements.

Business acquisitions such as the acquisition of numerous companies in the Digital segment over the past few years naturally entail risks stemming from, for example, customer migration, unwanted employee turnover, an increased working capital requirement or from tax and compliance issues. We mitigate such risks through appropriate analyses and control measures. The Ströer Group also has extensive experience in the integration of newly acquired companies.

Our business activities must comply with existing laws. Our legal department permanently monitors compliance with antitrust and capital market regulations, regulations on upstanding business practices and data protection rules. Furthermore, we mitigate legal risks by involving external business experts and law firms where appropriate. Ongoing legal disputes could result in litigation risks that could ultimately differ from the risk assessments undertaken and the associated provisions.

## Opportunities

General economic opportunities arise for us if increases in the net advertising volume in our core markets of Germany, Turkey and Poland prove to be higher than in our baseline forecasts. This could be the case if the general economic trend is better than expected and if the shift in advertising budgets towards out-of-home and/or online advertising or to dialog marketing is more pronounced than anticipated. An improvement in the macroeconomic situation could also have a positive effect on the revenue from our transactional business activities.

The structural change in the advertising industry that is reflected in particular by changing media consumption and by the continuing digitalization of media offerings could further accelerate the migration of advertising business from print media to digital media in fiscal year 2018. In this context, demand for multi-screen solutions (public video, road side screens, desktop, tablets, mobile) only offered in this form by the Ströer Group could exceed forecasts. Given the continuing megatrends of digitalization, urbanization and the increasing mobility of the population and against the background of changing consumer behavior, our range of out-of-home, online media products and dialog marketing puts us in a very good position to offer optimal solutions to our customers. This will give rise to opportunities to gain more market share in intermedia competition than previously forecast. The drive to further digitalize our out of home media will also support these opportunities.

The quality of the digital and analog advertising media portfolio is key to the success in capitalizing on opportunities arising in the commercialization of advertising. Our close partnership with cities and train station operators in the area of out-of-home advertising and with publishers in the online segment could enable us to leverage additional potential at both national and international level.

Strategic opportunities also arise from further acquisitions which we use to strategically expand our position in our core markets and core business areas and use to effectively align our product offering to the needs of our customers.

The continuing optimization of the Group's online inventory and the further improvement of its technology position could result in positive economies of scale and synergy effects that are not included in baseline forecasts. With our fully integrated business model, we are confident that we can position ourselves even better in competition with the large publisher-based marketers and TV offerings and that we can gain market share. An improved positioning and reach in the media market also enables us to better market our transactional business models more reliably than previously.

The unwavering high level of integration efforts currently being implemented at the numerous companies acquired over the past years may lead to unexpected synergies at the revenue/cost level. The increased exchange of technological and sales know-how between the newly acquired operations and between the newly added units and the backbone business provides us with additional opportunities to further improve our position.

We expect to see good growth opportunities from the further increase in our regional sales presence in the reporting period. Synergies between digital and analog products may be greater than originally expected.

The newly acquired operations will open up entirely new opportunities for sales and marketing synergies in the dialog marketing segment. These could be used to effectively place our media products and transaction business with our customer groups.

# FORECAST[1]

## Overall assessment by the board of management on the Group's expected performance in 2018

Structural changes will continue to shape the media market in 2018. In particular, the increased use and personalization of mobile devices along with the expansion of the networks is having a significant influence on people's media consumption pattern. Content is available everywhere, at all times and on all devices, with the use of linear media continuing to become less relevant. Out-of-home media is omnipresent, it cannot be zapped away and does not contain any fake news or bad content. Most of the websites commercialized by Ströer are based on editorial content and geared toward the needs of their target groups and thus relevant. The Ströer Group's dialog media products directly address audiences. As such, the Ströer Group's solutions are well positioned for the growing changes in media consumption.

We are able to use our own ad servers to centrally manage moving-picture content on online desktops, mobile devices and public video screens and our solutions are available on all standard demand side platforms (DSP). This solid footing will enable us to sustainably strengthen our position as the largest non-TV marketer for our advertising customers. In addition to stepping up the regional marketing of our out-of-home and digital inventory, we continue to see great opportunities for growth in particular in the set-up and expansion of our dialog marketing activities.

In order to harness the potential of all our activities, we also intend to expand the regional sales organization in Germany in 2018 and remain committed to safeguarding and selectively expanding our marketable inventory in all areas of growth.

Based on our strong market position, the board of management expects the Ströer Group as a whole to record, as in the prior year, organic revenue growth in the mid to upper single-digit percentage range in 2018. Consolidated revenue is expected to rise to around EUR 1.6b, including the acquisitions of the DV-COM group and the D+S 360 group in February 2018. The board of management forecasts operational EBITDA of around EUR 375m, which reflects an EBITDA margin comparable with the prior year, and adjusted consolidated profit of around EUR 215m. Taking the effects from the application of IFRS 11 and IFRS 16 into account, operational EBITDA is expected to expand to around EUR 535m and adjusted consolidated profit to around EUR 200m. The board of management anticipates a further increase in consolidated profit. Excluding M&A effects, the Ströer Group will also strive to maintain its leverage ratio (net debt to operational EBITDA) at a low level of 2.0 to 2.5 (before application of IFRS 11 and IFRS 16). Factoring in investment requirements for the coming year, the board of management anticipates a free cash flow of EUR 175m before M&A transactions and taking IFRS 16 into account a free cash flow before M&A transactions of around EUR 310m. Return on capital employed (ROCE) is expected to remain roughly at the prior-year level (fiscal year 2017: 17.6%) (before application of IFRS 11 and IFRS 16). The board of management once again anticipates an effective tax rate of around 15% to 20%.

## Forward-looking statements

Our forward-looking statements for future business development reflect only the significant factors that were known at the time the financial statements were prepared and that could influence our activities in 2018. The Ströer Group's revenue and earnings development can be influenced by the economic developments in our markets and developments in the relevant advertising markets. Revenue development is also influenced by the country-specific market share of digital and out-of-home media as a percentage of the overall advertising market. It is thus not possible to directly forecast revenue on the basis of these macroeconomic or industry-specific parameters, as the correlations between these parameters and revenue can vary considerably from year to year. In addition, conditions can change during the course of the year, which can result in significant deviations between the actual and forecast development of revenue and earnings.

The booking behavior of our advertising customers across our media portfolio has been shaped by shorter booking lead times for years. This is true of digital marketing in particular where campaigns can be booked at even shorter notice for technical reasons than in traditional out-of-home channels. As transactions are increasingly being processed in real time via RTB platforms, the booking lead times are shaped by higher volatility than in the past. The short booking lead times for most of our media products restrict our ability to reliably forecast revenue and thus earnings.

Due to currency fluctuations, in particular in relation to our business activities in Turkey but also other external market parameters such as the development of yield curves, only a very limited forecast of the consolidated

[1] Comparisons with the forecast values for the next year are generally based on the actual 2017 values

result is possible. Uncertainties relating to these parameters can also impact non-cash items in the financial result. The last derivatives used to hedge these uncertainties expired in January 2015. There are currently no plans to utilize new hedging instruments. In this forecast, we expect the parameters in the financial result to remain largely unchanged compared with the end of the reporting period.

## Future macroeconomic conditions

The German economy expanded at an even faster rate in 2017 compared to prior years. The German federal government adjusted its autumn projection for GDP growth upward by 0.5% to 2.0%.[1] Based on preliminary estimates, GDP grew overall by 2.2%, outstripping the 1.3% average recorded over the last ten years.[2] The German government forecasts a positive outlook and growth of 1.9% for 2018[3] on the back of the stable trend in domestic demand witnessed for some years as well as the upswing in the eurozone. In addition, the global economy and global trade picked up in 2017 which boosted German exports in particular. A potential marginal rise in the price of oil and a slight increase in interest rates would thus only have a limited effect on the real economy. Germany, as an export nation, is also expected to benefit particularly from the economic recovery of the emerging markets.

## Future industry performance

### Development of the German advertising markets

Based on figures taken from Nielsen's advertising statistics, the German advertising market expanded by 2.1% in 2017.[4] The agency Zenith is also forecasting similar growth of around 2.3% for 2018.[5] Owing to the stable economic outlook, advertising companies are relatively optimistic about 2018. In a survey conducted by the German Advertisers Association, 53% of advertisers said that they expect advertising revenue to rise, 45% expect revenue to remain stable and only 3% predict a decline.[6]

Established studies forecast a slightly stronger rise in advertising revenue in the out-of-home segment compared with the advertising market as a whole. According to PricewaterhouseCoopers GmbH (PwC), advertising revenue from out-of-home advertising is set to grow again at a rate of 3.0% in 2018.[7] Zenith forecasts growth of 2.6%.[8] This growth will be driven in particular by the ongoing digitalization of out-of-home advertising media. PwC sees OOH on a clear growth course for the forecast period 2017 to 2021. In this context, experts are forecasting annual growth at an average of 21.1%.[9] In addition, the increased flexibility and regionalization of advertising formats as well as society's increasing level of mobility will bolster the positive development of out-of-home advertising. New technological innovations, such as iBeacons, are opening up new potential uses for out-of-home media by combining these with other forms of advertising and new formats that enable interaction between advertisers and consumers via their smartphones. Based on the positive market outlook on the whole, the Ströer Group expects revenue growth in the single-digit percentage range in the out-of-home segment.[10]

The overall positive development in the online advertising market in 2017 is also expected to continue in 2018. Improved advertising efficiency through more precise targeting and performance-driven offerings provides sustainable opportunities for growth. Zenith and PwC predict growth in online advertising revenue of 8.0% and 5.6%, respectively, for 2018.[11] PwC expects growth in the stationary online advertising market to gradually slow down in light of the increasing maturity of the market. Average growth of 3.8% is expected until 2021.[12]

Mobile online advertising offers greater growth potential. PwC adjusted its forecast from the prior-year study up to annual average growth of 19.9% by 2021.[13] This growth will be driven by the increasing penetration of internet-enabled end devices (smartphones and tablets) and the associated shift in media usage. We agree with these market assessments.

[1] Autumn projection of the German Federal Government, October 2017
[2] German Federal Statistical Office, January 2018
[3] Economic forecasts of the German Federal Government, Autumn projection 2017
[4] Nielsen Brutto-Werbemarkt (Gross Advertising Market) December 2017
[5] Zenith Advertising Expenditure Forecast, December 2017
[6] Organisation Werbungtreibende im Markenverband (German Advertisers Association), November 2017
[7] PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2017–2021
[8] Zenith Advertising Expenditure Forecast, December 2017
[9] PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2017–2021
[10] PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2017–2021
[11] Zenith Advertising Expenditure Forecast, December 2017
[12] PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2017–2021
[13] PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2017–2021

### Anticipated revenue and earnings development

**Ströer Group**

We expect the Ströer Group to once again record consolidated organic revenue growth in the mid to upper single-digit percentage range in 2018. As well as strong growth impulses in the Ströer Digital segment, this will continue to be driven by robust growth in the OOH Germany segment. The program initiated in the prior year of combining our public video infrastructure with various online assets in both the desktop and mobile sector continues to prove fruitful. Customer feedback on our multi-screen offerings in the moving-picture sector has been continually positive.

We also strengthened our portfolio in the reporting period with numerous acquisitions. With the acquisition of 75% of the UAM Media group, we strategically enhanced our product portfolio both in terms of local media offerings as well as for digital out-of-home advertising products. In addition, we expanded our offering in the dialog marketing segment with the acquisition of the Avedo group and the Ranger Marketing group. Overall, we forecast revenue growth for the Ströer Group – driven by organic growth and targeted acquisitions – in the low double-digit percentage range for fiscal year 2018.

Revenue in Poland, Turkey, some areas of the blowUP group as well some areas of the digital business is generated in foreign currency and therefore subject to exchange rate effects. Because it is almost impossible to predict the development of exchange rates, in particular for the Turkish lira, this can have a positive or negative effect on revenue and earnings in the group currency. This forecast is based on the assumption that the parameters will remain virtually unchanged on an annual average compared with the end of the reporting period.

We expect a slight volume and acquisition-related increase in direct costs in 2018. We also expect an increase in overheads for the Group as a whole, which will be higher than the increase in organic revenue. The planned cost increases – together with strict cost management – relate primarily to the large number of newly consolidated entities. In addition, inflation-related salary and other cost adjustments, the strengthening of regional sales structures in Germany and the significant increase in business volume in the Group will result in higher selling and administrative expenses.

**Ströer Digital segment**

The Ströer Digital segment is benefiting greatly from the ongoing strong growth in the online advertising market, particularly in Germany. According to figures published by AGOF, Ströer Digital was the number one online marketer in Germany with 53 million unique users per month.[1] This top ranking is expected to further raise Ströer Digital's profile among customers and publishers, and thus further boost our relevance as an advertising and marketing partner in 2018.

We are anticipating further marketing success in 2018 by combining OOH and digital offerings, with personal (desktop, tablets, smartphones) and public screens (out-of-home displays) being increasingly integrated in our unique multi-screen products.

This success will be further bolstered by the expansion of our services offering in the dialog marketing segment.

Technical innovations and technical advancement in the area of performance-driven digital products are playing an ever greater role in business expansion. Thus, besides the success of our performance publishing, we expect search engine optimization (SEO) to also stimulate revenue in the digital business.

Based on the above initiatives and revenue synergies between acquired operations, we anticipate organic revenue growth in the upper single-digit percentage range in 2018. We expect this revenue growth to be driven by higher advertising expenditure in the high-demand mobile and video segments as well as through our transactional business models and the new dialog marketing segment.

On the basis of the current investment portfolio, coupled with the further exploitation of synergies, we expect the operational EBITDA margin to be stable year on year in 2018 (before application of IFRS 16), in particular in light of investments in sustainable growth.

[1] GfK Media & Communication Research – Unique User: T-Online Desktop & Mobile and Public Video, 6/2017

### OOH Germany segment

We remain optimistic in relation to the economic developments in Germany and expect the advertising sector to be lifted by this positive mood. However, there is no way to reliably predict the availability and distribution of actual advertising budgets or the development of discounts as of the date of publication. Among other things, this is largely because of radical changes in the media landscape and the increasing diversity of advertising offerings, especially in digital media channels. The growing importance of social networks for the advertising industry is also responsible for changes in the allocation of advertising budgets. In this market environment, we expect our portfolio of attractive out-of-home and digital media that is unrivaled in Germany to enable us to successfully and sustainably maintain our market position.

We expect organic revenue growth in the mid single-digit percentage range in the OOH Germany segment.

On the cost side, we expect revenue-related higher leasing fees, higher electricity costs due to the further digitalization of our advertising spaces and inflation-driven changes in direct costs. Due to the further expansion of the regional sales organization, overheads are likely to increase at a faster rate than inflation.

In light of this, we expect the operational EBITDA margin to remain stable year on year in Germany in 2018 (before application of IFRS 11 and IFRS 16).

### OOH International segment

The OOH International segment comprises our operating activities in Turkey and Poland as well as blowUP media. We expect the domestic and geopolitical tensions to ease in Turkey, although they continued to have a significantly adverse effect on the economic environment in the reporting period. Conditions on the Polish out-of-home market remain challenging in spite of the stable macroeconomic situation. We expect the business performance of our European giant poster business blowUP to remain positive. Overall, we expect organic revenue in the OOH International segment to show a slightly positive upward trend and be higher than in 2017.

Assuming exchange rates remain constant, the operational EBITDA margin is expected to also improve slightly against the prior year (before application of IFRS 16) on the back of the projected increase in organic revenue and ongoing targeted cost management.

## Planned investments

Our investments in the forecast period will focus mainly on the further digitalization of the out-of-home segment and the installation and replacement of out-of-home advertising media, due mainly to the extension or acquisition of public advertising concessions. With regard to our Digital segment, we are channeling investments into the upgrading and expansion of our public video inventory, our IT infrastructure (including the development and expansion of our internally developed ad server) and the creation of internally developed intangible assets such as, in particular, software and data management platforms.

With regard to the OOH International segment, investments in portfolio improvements are planned for 2018, including digital out-of-home advertising products in Poland or large format digital boards for the blowUP group. As in prior years, investments will also be made in relation to the performance of municipal contracts. At group level we remain committed to further developing our IT landscape.

In the Ströer Group, we anticipate the volume of total investments – excluding M&A activities – to amount to around EUR 110m in fiscal year 2018. As a considerable proportion of these investments is not backed by binding investment commitments, we can significantly scale back investments if this is necessitated by market developments or the Company's situation.

With regard to investments for M&A, the necessary process prevents us from making any forecast. With a view to sustainably increasing the value of the Company, we are constantly looking for suitable acquisition opportunities. We have identified marketing potential in particular in the dialog marketing segment. In existing business areas, we regularly review various strategic options, which may include M&A strategies.

## Expected financial position

As a result of the further year-on-year increase in the Ströer Group's financial performance (previously results of operations), we also anticipate a further improvement in the Group's financial position. Specifically, the improved financial performance (previously results of operations) should lead to higher cash flows from operating activities. In view of this and based on our planned investments in 2018, we forecast free cash flow before M&A transactions of around EUR 175m, or EUR 310m applying IFRS 16.

Our return on capital employed (ROCE) should remain at the prior-year level (before application of IFRS 11 and IFRS 16).

The Ströer Group's current credit financing is secured until the end of 2022. During the course of the new refinancing, we were able to further improve our borrowing terms. The covenants are designed to provide sufficient headroom even during economic and seasonal fluctuations, also and in particular given the note loan of EUR 350m which was successfully placed in fiscal year 2017. The leverage ratio of 1.4 at the end of the reporting period means that we are well below our target range of between 2.0 and 2.5. We are also expecting this to remain at a low level, excluding M&A effects (before application of IFRS 11 and IFRS 16).

We maintain our view that the existing loan gives us sufficient scope to carry out planned investments and seize any additional business opportunities that may arise during the forecast period. We assess the terms of our financing arrangements on an ongoing basis with regard to the current developments on the debt capital markets. If necessary, we will pursue any economically favorable opportunities to adjust these terms.

# SUBSEQUENT EVENTS

See the disclosures made in the notes to the consolidated financial statements for information on subsequent events.

# INFORMATION IN ACCORDANCE WITH SEC. 315 HGB INCLUDING THE REPORT BY THE GENERAL PARTNER OF STRÖER SE & CO. KGAA

The following information required under takeover law is presented in accordance with Sec. 315 (4) HGB.

### Composition of subscribed capital

Subscribed capital of EUR 55,282,499 existing at the time of the Company's conversion into a German partnership limited by shares (KGaA) as of 1 March 2016 was contributed by way of a change in legal form of the legal entity, formerly Ströer SE with its registered office in Cologne (HRB no. 82548).

In fiscal year 2017, the Company's subscribed capital increased by 275,486 to 55,557,985 shares as a result of stock options being exercised. As of 31 December 2017 therefore, subscribed capital is split into 55,557,985 bearer shares of no par value. They have a nominal value of EUR 1 each and are fully paid in.

### Restrictions concerning voting rights or the transfer of shares

The board of management is not aware of any restrictions between shareholders concerning voting rights or the transfer of shares.

### Investments in capital exceeding 10% of voting rights

Ströer Management SE, Düsseldorf, is the general partner of Ströer SE & Co. KGaA. It has not made a special contribution and does not participate in profit or loss or the assets of the Company.

Udo Müller holds 21.59% and Dirk Ströer 21.69% of total stock. Both shareholders are resident in Germany. Furthermore, Deutsche Telekom AG, Bonn, also holds a total of 11.54% of the shares in Ströer SE & Co. KGaA. The board of management has not received any notification as required by the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] of other investments which exceed 10% of the voting rights.

### Special rights granting control authority

There are no shares with special rights granting control authority.

### Legal provisions and other provisions in the articles of incorporation and bylaws concerning the beginning and end of the authorization of the general partner to manage and represent the Company as well as changes in the articles of incorporation and bylaws

Art. 8 of the articles of incorporation of Ströer SE & Co. KGaA sets forth details concerning a potential exit by the general partner and the continuation of Ströer SE & Co. KGaA. In accordance with Sec. 119 (1) No. 5 AktG, the shareholder meeting decides on amendments to the articles of incorporation and bylaws. More information on the procedure for amendments can be found in Sec. 181 AktG in conjunction with Art. 9 of the articles of incorporation of Ströer SE & Co. KGaA.

### Authorization of the general partner to issue or reacquire shares

Subject to the approval of the supervisory board, the general partner is authorized to increase the Company's capital stock once or several times until 17 June 2019 by a maximum of EUR 12,525,780.00 in total (in words: twelve million five hundred and twenty-five thousand seven hundred and eighty euros) by issuing up to 12,525,780 (in words: twelve million five hundred and twenty-five thousand seven hundred and eighty) new bearer shares of no par value for contributions in cash or in kind (approved capital 2014); the increase, however, may not exceed the amount and the number of shares comprising the remaining approved capital pursuant to Art. 5 (1) of the articles of incorporation of Ströer SE on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect.

The capital stock is subject to a conditional increase by a maximum of EUR 2,274,700.00 by issuing a maximum of 2,274,700 bearer shares of no par value (conditional capital 2013). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6A (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 8 August 2013, rights to bearers of stock options under the Stock Option Plan 2013. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 8 August 2013 and pursuant to the conversion resolution of the shareholder meeting on 25 September, exercise these stock options and that the Company does not settle the stock options in cash.

The capital stock is subject to a conditional increase by a maximum of EUR 2,123,445.00 by issuing a maximum of 2,123,445 bearer shares of no par value (conditional capital 2015). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6B (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 25 September 2015, rights to bearers of stock options under the Stock Option Plan 2015. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 25 September 2015 exercise these stock options and that the Company does not settle the stock options in cash.

The Company's capital stock will be subject to a conditional increase by a maximum of EUR 11,056,400.00 by issuing a maximum of 11,056,400 new bearer shares of no par value (conditional capital 2017). The purpose of the conditional capital increase is to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are being issued by the Company or an investee as a result of the authorization granted by the shareholder meeting of 14 June 2017 based on item 9 of the agenda. New bearer shares of no par value are issued at a particular conversion or option price determined by the abovementioned authorization resolution. Conditional capital is only to be increased to the extent that conversion or option rights are exercised or owners/creditors who are obliged to do so fulfill their obligation to exercise their conversion rights and provided that a cash settlement is not granted or use is not made of own equity instruments or of new shares issued from approved capital.

## Significant agreements entered into by the Company in the event of a change in control as a result of a takeover bid and the ensuing effects

### Facility agreement/note loans

A facility agreement is in place between Ströer SE & Co. KGaA and a syndicate of various banks and credit institutions. The syndicate granted the Company a credit line of EUR 600m. This facility agreement concluded in fiscal year 2016 replaced the previous agreement dating from 2014. Furthermore, Ströer SE & Co. KGaA placed note loans on the capital market with a volume of EUR 145m in 2016 and a volume of EUR 350m in 2017.

The provisions in both the facility agreement and the note loans relating to a change in control reflect normal market arrangements. They do not result in automatic termination but grant the contracting partners the option to terminate in the event of a change in control.

### Put option

In 2010, a non-controlling shareholder of the Turkish company Ströer Kentvizyon Reklam Pazarlama A.S. was granted the right to offer Ströer SE & Co. KGaA his interest in the company for sale in the event of a change in control under a put option.

# CONSOLIDATED FINANCIAL STATEMENTS

**Consolidated Financial Statements**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# CONSOLIDATED INCOME STATEMENT

| In EUR k | Note | 2017 | 2016[1] |
|---|---|---|---|
| Revenue | (9) | 1,331,033 | 1,123,257 |
| Cost of sales | (10) | –893,149 | –761,360 |
| **Gross profit** | | **437,884** | **361,898** |
| | | | |
| Selling expenses | (11) | –189,307 | –156,937 |
| Administrative expenses | (12) | –147,614 | –124,816 |
| Other operating income | (13) | 49,978 | 34,911 |
| Other operating expenses | (14) | –30,116 | –34,424 |
| Share in profit or loss of equity method investees | (5) | 5,856 | 4,711 |
| Finance income | (15) | 3,014 | 2,527 |
| Finance costs | (15) | –11,924 | –12,538 |
| **Profit before taxes** | | **117,771** | **75,332** |
| | | | |
| Income taxes | (16) | –19,011 | –8,520 |
| **Post-tax profit** | | **98,760** | **66,812** |
| | | | |
| **Consolidated profit for the period** | | **98,760** | **66,812** |
| | | | |
| **Thereof attributable to:** | | | |
| Owners of the parent | | 94,978 | 65,935 |
| Non-controlling interests | | 3,782 | 877 |
| | | **98,760** | **66,812** |
| | | | |
| **Earnings per share (EUR, basic)** | | **1.72** | **1.19** |
| | | | |
| **Earnings per share (EUR, diluted)** | | **1.68** | **1.15** |

[1] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2016. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| In EUR k | Note | 2017 | 2016[1] |
|---|---|---|---|
| | | | |
| **Consolidated profit for the period** | | **98,760** | **66,812** |
| **Other comprehensive income** | | | |
| **Amounts that will not be reclassified to profit or loss in future periods** | | | |
| Actuarial gains and losses | (26) | 385 | –1,850 |
| Income taxes | (16) | –119 | 565 |
| | | **266** | **–1,285** |
| **Amounts that could be reclassified to profit or loss in future periods** | | | |
| Exchange differences on translating foreign operations | (8) | –14,139 | –17,020 |
| Income taxes | (16) | 634 | 325 |
| | | **–13,505** | **–16,695** |
| | | | |
| **Other comprehensive income, net of income taxes** | | **–13,238** | **–17,980** |
| | | | |
| **Total comprehensive income, net of income taxes** | | **85,522** | **48,832** |
| | | | |
| **Thereof attributable to:** | | | |
| Owners of the parent | | 82,806 | 49,038 |
| Non-controlling interests | | 2,717 | –206 |
| | | **85,522** | **48,832** |

[1] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2016. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Assets (in EUR k) | Note | 2017 | 2016[1] |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | (19) | 1,217,550 | 1,148,283 |
| Property, plant and equipment | (20) | 258,862 | 230,771 |
| Investment in equity method investees | (5) | 24,564 | 26,465 |
| Financial assets | | 805 | 578 |
| Trade receivables | (21) | 34 | 38 |
| Other financial assets | (22) | 6,647 | 5,150 |
| Other non-financial assets | (22) | 22,671 | 17,019 |
| Deferred tax assets | (16) | 12,686 | 16,704 |
| **Total non-current assets** | | **1,543,818** | **1,445,008** |
| **Current assets** | | | |
| Inventories | (23) | 15,522 | 16,948 |
| Trade receivables | (21) | 179,169 | 135,841 |
| Other financial assets | (22) | 8,582 | 9,875 |
| Other non-financial assets | (22) | 32,192 | 51,945 |
| Income tax assets | | 10,371 | 6,045 |
| Cash | (24) | 84,984 | 64,154 |
| **Total current assets** | | **330,819** | **284,808** |
| **Total assets** | | **1,874,637** | **1,729,816** |

[1] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2016. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.

| Equity and liabilities (in EUR k) | Note | 2017 | 2016[1] |
|---|---|---|---|
| | | | |
| **Equity** | (25) | | |
| Subscribed capital | | 55,558 | 55,282 |
| Capital reserves | | 728,384 | 723,720 |
| Retained earnings | | –43,119 | –71,819 |
| Accumulated other comprehensive income | | –86,889 | –74,494 |
| | | **653,935** | **632,689** |
| | | | |
| Non-controlling interests | | 14,293 | 25,212 |
| **Total equity** | | **668,227** | **657,901** |
| | | | |
| **Non-current liabilities** | | | |
| Provisions for pensions and other obligations | (26) | 39,727 | 39,249 |
| Other provisions | (27) | 27,428 | 25,443 |
| Financial liabilities | (28) | 600,254 | 454,946 |
| Deferred tax liabilities | (16) | 77,005 | 77,312 |
| **Total non-current liabilities** | | **744,415** | **596,951** |
| | | | |
| **Current liabilities** | | | |
| Other provisions | (27) | 52,335 | 53,592 |
| Financial liabilities | (28) | 44,550 | 62,849 |
| Trade payables | (29) | 215,051 | 223,062 |
| Other liabilities | (30) | 100,305 | 98,131 |
| Income tax liabilities | | 49,754 | 37,331 |
| **Total current liabilities** | | **461,995** | **474,965** |
| | | | |
| **Total equity and liabilities** | | **1,874,637** | **1,729,816** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| In EUR k | Note | 2017 | 2016[1] |
|---|---|---|---|
| | | | |
| **Cash flows from operating activities** | | | |
| Profit for the period | | 98,760 | 66,812 |
| Expenses (+)/income (–) from the financial and tax result | | 27,921 | 18,530 |
| Amortization, depreciation and impairment losses (+) on non-current assets | | 183,502 | 166,242 |
| Share in profit or loss of equity method investees | | –5,856 | –4,711 |
| Cash received from profit distributions of equity method investees | | 5,958 | 3,543 |
| Interest paid (–) | | –6,038 | –7,293 |
| Interest received (+) | | 51 | 54 |
| Income taxes paid (–)/received (+) | | –23,120 | –11,231 |
| Increase (+)/decrease (–) in provisions | | –8,917 | 11,278 |
| Other non-cash expenses (+)/income (–) | | –18,747 | –18,303 |
| Gain (–)/loss (+) on the disposal of non-current assets | | –3,586 | –759 |
| Increase (–)/decrease (+) in inventories, trade receivables and other assets | | –988 | 8,109 |
| Increase (+)/decrease (–) in trade payables and other liabilities | | 3,441 | 4,066 |
| **Cash flows from operating activities** | | **252,380** | **236,338** |
| | | | |
| **Cash flows from investing activities** | | | |
| Cash received (+) from the disposal of intangible assets and property, plant and equipment | | 11,756 | 3,436 |
| Cash paid (–) for investments in intangible assets and property, plant and equipment | | –117,927 | –101,258 |
| Cash paid (–) for investments in equity method investees | | –1,884 | –1,323 |
| Cash received (+) from the sale of consolidated entities | (6) | 15,053 | 0 |
| Cash paid (–) for the acquisition of consolidated entities[2)] | (6) | –145,477 | –138,874 |
| **Cash flows from investing activities** | | **–238,478** | **–238,019** |

| In EUR k | Note | 2017 | 2016[1] |
|---|---|---|---|
| | | | |
| **Cash flows from financing activities** | | | |
| Cash received (+) from equity contributions | | 1,865 | 0 |
| Dividend distribution (–) | | –65,489 | –41,450 |
| Cash paid (–) for the acquisition of shares not involving a change in control | | –27,889 | –11,651 |
| Cash received (+) from borrowings | | 376,602 | 297,701 |
| Cash paid (–) to obtain and modify borrowings | | –955 | –2,623 |
| Cash repayments (–) of borrowings | | –277,205 | –232,646 |
| **Cash flows from financing activities** | | **6,928** | **9,332** |
| | | | |
| **Cash at the end of the period** | | | |
| Change in cash | | 20,830 | 7,651 |
| Cash at the beginning of the period | | 64,154 | 56,503 |
| **Cash at the end of the period** | | **84,984** | **64,154** |
| | | | |
| **Composition of cash** | | | |
| Cash | | 84,984 | 64,154 |
| **Cash at the end of the period** | | **84,984** | **64,154** |

[1] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2016. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.
[2] The payments for fiscal year 2016 include EUR 3,121k which represent a purchase price adjustment for a prior-year acquisition and had no profit or loss effect.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| In EUR k | Subscribed capital |
|---|---|
| **1 Jan 2016** | **55,282** |
| Consolidated profit | 0 |
| Other comprehensive income | 0 |
| Total comprehensive income | 0 |
| Change in basis of consolidation | 0 |
| Share-based payment | 0 |
| Effects from changes in ownership interests in subsidiaries without loss of control | 0 |
| Obligation to purchase own equity instruments | 0 |
| Dividends | 0 |
| **31 Dec 2016/1 Jan 2017[1]** | **55,282** |
| Consolidated profit | 0 |
| Other comprehensive income | 0 |
| Total comprehensive income | 0 |
| Change in basis of consolidation | 0 |
| Share-based payment | 276 |
| Effects from changes in ownership interests in subsidiaries without loss of control | 0 |
| Obligation to purchase own equity instruments | 0 |
| Dividends | 0 |
| **31 Dec 2017** | **55,558** |

[1] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2016. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.

| Capital reserves | Retained earnings | Accumulated other comprehensive income<br>Exchange differences on translating foreign operations | Total | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|
| | | | | | |
| **721,240** | **–53,682** | **–58,775** | **664,065** | **15,827** | **679,892** |
| 0 | 65,935 | 0 | 65,935 | 877 | 66,812 |
| 0 | –1,177 | –15,719 | –16,896 | –1,083 | –17,980 |
| 0 | 64,758 | –15,719 | 49,038 | –206 | 48,833 |
| 0 | 0 | 0 | 0 | 26,954 | 26,954 |
| 2,480 | 0 | 0 | 2,480 | 0 | 2,480 |
| 0 | –7,537 | 0 | –7,537 | 7,523 | –14 |
| 0 | –36,659 | 0 | –36,659 | –22,135 | –58,794 |
| 0 | –38,698 | 0 | –38,698 | –2,752 | –41,450 |
| | | | | | |
| **723,720** | **–71,819** | **–74,494** | **632,689** | **25,212** | **657,901** |
| 0 | 94,978 | 0 | 94,978 | 3,782 | 98,760 |
| 0 | 222 | –12,394 | –12,172 | –1,066 | –13,238 |
| 0 | 95,200 | –12,394 | 82,806 | 2,717 | 85,522 |
| 0 | 0 | 0 | 0 | –1,714 | –1,714 |
| 4,664 | 0 | 0 | 4,940 | 0 | 4,940 |
| 0 | –21,949 | 0 | –21,949 | –2,720 | –24,669 |
| 0 | 16,260 | 0 | 16,260 | 2,546 | 18,806 |
| 0 | –60,811 | 0 | –60,811 | –11,747 | –72,558 |
| | | | | | |
| **728,384** | **–43,119** | **–86,889** | **653,935** | **14,293** | **668,227** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Basis of the consolidated financial statements

### 1 General

Ströer SE & Co. KGaA, Cologne, is a listed corporation. The Company has its registered office at Ströer-Allee 1, 50999 Cologne. It is entered in the Cologne commercial register under HRB no. 86922.

The purpose of Ströer SE & Co. KGaA and the entities included in the consolidated financial statements (the Ströer Group or the Group) is the provision of services in the areas of media, advertising, commercialization and communication, in particular, but not limited to, the commercialization of out-of-home media and online advertising. The Group markets all forms of out-of-home media, from traditional large formats and transport media through to digital media.

The consolidated financial statements of SE & Co. KGaA for fiscal year 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as of the reporting date as adopted by the EU as well as the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code].

These consolidated financial statements cover the period from 1 January 2017 to 31 December 2017. The board of management of Ströer Management SE, Düsseldorf, the general partner of Ströer SE & Co. KGaA, approved the consolidated financial statements on 9 March 2018 for issue to the supervisory board of Ströer SE & Co. KGaA. The supervisory board has the task of reviewing the consolidated financial statements and declaring whether it approves them.

The income statement has been prepared in accordance with the function of expense method (also called the cost of sales method).

The consolidated financial statements are presented in euros. Unless stated otherwise, all figures are disclosed in thousands of euros (EUR k). Due to rounding differences, figures in tables may differ slightly from the actual figures.

The references made in these notes to the consolidated financial statements to page numbers refer to the numbering in the annual report.

### 2 Assumptions, accounting estimates and the use of judgment

Preparation of the consolidated financial statements in compliance with IFRSs requires management to make assumptions and estimates which have an impact on the figures disclosed in the consolidated financial statements and the notes thereto. The estimates are based on historical data and other information on the transactions concerned. Actual results may differ from such estimates. Assumptions based on estimates are reviewed regularly.

Assumptions, accounting estimates and the use of judgment essentially relate to the following (for more details on the carrying amounts and other explanations, see the relevant individual disclosures in these notes):

**Impairment of goodwill**
The annual impairment test for goodwill entails estimating future cash flows and selecting an appropriate capitalization rate. See note 19 for further details.

**Fair value in business combinations**
The fair value of assets and liabilities acquired in a business combination is measured on the basis of an estimate of future cash flows and an appropriate capitalization rate or an estimate of the acquisition-date fair value. In addition, the fair value of previously held equity interests in business combinations achieved in stages is determined using a discounted cash flow method (DCF). See note 6 for further details.

**Pension and restoration obligations**
In addition to estimating an appropriate capitalization rate, accounting for pension and restoration obligations requires assumptions to be made on additional actuarial parameters and the probability and timing of utilization. See notes 26 and 27 for further details. The expected restoration costs are determined on the basis of service specifications and restoration probabilities over the estimated contractual term of the advertising concessions. The restoration probabilities vary according to the type of the underlying advertising concessions (private vs. municipal concessions). For information on the estimated contractual terms, see note 3, "Significant accounting policies." Due to the fact that provisions are calculated for a large number of different advertising concessions, it would not be meaningful to provide information on sensitivity to significant factors here.

### Deferred tax assets arising from unused tax losses

The Group recognizes deferred tax assets arising from unused tax losses based on tax planning opportunities that would increase income taxes in future periods and allow for the tax losses to be utilized in the next five years. See note 16 for further details.

## 3 Significant accounting policies

### Revenue and expense recognition

Revenue is mainly generated from the commercialization of advertising faces in the large formats, street furniture and transport product groups as well as the commercialization of online advertising (display and video), subscription and e-commerce (transactional) and from dialog marketing (transactional).

Revenue is recognized when the commercialization is rendered. In relation to out-of-home media, this corresponds to the date on which the advertising is displayed. With regard to the commercialization of online advertising, revenue is recognized when the advertising reaches the advertising customer. It is disclosed net of trade discounts, including agency commissions, outdoor media specialist payments and rebates.

Revenue from services is recognized when the service is rendered, i.e., on the date on which ownership of the internally generated or purchased advertising media is transferred.

Royalties are recognized pro rata temporis on the basis of the periods agreed in the licensing agreement.

Subscription revenue is recognized pro rata temporis on the basis of the periods agreed in the subscription agreement.

Revenue from e-commerce business is recognized when the risks and rewards of ownership of the sold products are transferred to the buyer and Ströer retains neither managerial involvement nor effective control. Revenue from dialog marketing is recognized, depending on the advertising customers’ type of contract, when the contract is successfully concluded or already after contact is made with a potential customer.

In the case of revenue from multi-component transactions, the revenue attributable to the separately identifiable components is broken down to its relative fair value and recognized in accordance with the above policies.

Advertising media owned by third parties are marketed in addition to the Company’s own media. Revenue from the commercialization of advertising media for non-group entities is recognized net of the revenue-based lease payments attributable to these transactions provided the Group does not bear an economic risk. Hence, only the agreed sales commissions are disclosed on a net basis under revenue (agent). In its digital advertising face business, Ströer usually bears the economic commercialization risk. As a result, such revenue is recognized without deduction of publisher fees (principal).

Revenue from barter transactions is measured at the market value of the consideration received and adjusted as appropriate by an additional cash payment. If the market value cannot be reliably measured, barter transactions are measured at the market value of the advertising service rendered and adjusted as appropriate by an additional cash payment.

Income from services rendered and included in other operating income is recognized at the time of performance.

Operating expenses are recognized in profit or loss when the service is used or when the costs are incurred.

Interest is recognized on an accrual basis in the financial result applying the effective interest method.

Dividends are recognized at the time when the right to receive is established.

### Goodwill and other intangible assets

Pursuant to IFRS 3, goodwill is measured as the excess of the cost of the business combination over the interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities as of the date of acquisition. Amortization is not charged.

All intangible assets acquired for a consideration, largely advertising concessions and software, have a finite useful life and are recognized at cost. The depreciable amount of intangible assets is allocated on a straight-line basis over their useful lives. Amortization in the fiscal year is allocated to cost of sales, administrative expenses and selling expenses on the basis of the function of expense method. Amortization of advertising rights is allocated to cost of sales.

Amortization (including write-downs on hidden reserves recognized within the scope of purchase price allocations (PPA)) is based on the following useful lives:

| Useful life | In years |
|---|---|
| Advertising concessions awarded by municipalities | 1–17 |
| Other advertising concessions | 1–30 |
| Other intangible assets | 1–10 |
| Goodwill | indefinite |

The appropriateness of the useful lives and of the method of amortization is reviewed annually.

The cost for the development of new or considerably improved products and processes is capitalized if the development costs can be measured reliably, the product or process is technically or economically feasible and future economic benefits are probable. In addition, the Ströer Group must intend and have adequate resources available to complete the development and to use or sell the asset.

The Group can incur development costs from the development of advertising media and software.

Capitalized costs mainly include personnel expenses and directly allocable overheads. All capitalized development costs have a finite useful life and are recognized at cost. Amortization is charged using the same useful life for comparable intangible assets acquired. Development costs which do not meet the recognition criteria for capitalization are expensed in the period in which they are incurred.

**Property, plant and equipment**

Property, plant and equipment are recognized at depreciated cost less any impairment losses.

Cost comprises the purchase price, acquisition-related costs and subsequent expenditure net of purchase price reductions. Since no qualifying assets have been identified within the meaning of IAS 23, cost does not include any borrowing costs.

Separately identifiable components of an item of property, plant and equipment are recognized individually and depreciated.

Depreciation is charged on a straight-line basis over the useful life. The depreciation expense is allocated on the basis of the function of expense method. If the reasons for impairment cease to apply, the impairment loss is reversed. The residual carrying amount, the assumptions on the useful lives and the appropriateness of the depreciation method are reviewed annually.

Depreciation (including write-downs on hidden reserves recognized within the scope of purchase price allocations (PPA)) is based on the following useful lives:

| Useful life | In years |
|---|---|
| Buildings | 50 |
| Plant and machinery | 5–13 |
| Advertising media | 4–35 |
| Other furniture and fixtures | 3–15 |

The costs estimated for the probable dismantling and removal of advertising media at the end of an advertising concession contract are recognized at cost using the components approach. The amount is measured on the basis of the provision recognized for restoration obligations in accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets.” Under IFRIC 1, changes in the provisions are added to or deducted from the cost of the asset in question in the current period.

If government grants are made for the purchase of property, plant and equipment in accordance with the InvZulG [“Investitionszulagengesetz”: German Investment Grant Act], these grants are deducted in arriving at the carrying amount of the asset in question.

**Impairment testing**

The Ströer Group tests intangible assets and property, plant and equipment for impairment if there is an indication that the asset may be impaired. Goodwill is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

If the recoverable amount of an asset is less than the carrying amount, the asset is written down to its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the reasons for impairment recognized in prior periods cease to apply, the impairment losses, with the exception of goodwill, are reversed, but by no more than the amount of amortized cost.

**Leases**

Leases are classified as either operating or finance leases. Contractual provisions that transfer substantially all the risks and rewards incidental to ownership to the lessee are recognized as finance leases. Where the Ströer Group is the lessor, a receivable from the finance lease is recognized at the amount equal to the net investment in the lease.

In the case of finance leases where the Ströer Group is the lessee, the leased asset is recognized and matched by a lease liability. The leased asset is recognized at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. Leased assets are depreciated on a straight-line basis over the shorter of their useful lives or the lease term if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term. The corresponding lease liabilities are recognized in the statement of financial position in accordance with their terms. The interest portion of the lease liabilities is recognized in the financial result through profit or loss over the lease term.

Lease income from operating leases is recognized in income over the lease term.

**Financial assets and liabilities**

Under IAS 39, "Financial Instruments: Recognition and Measurement," financial assets are classified and measured as either "Financial assets at fair value through profit or loss," as "Loans and receivables" or as "Available-for-sale financial assets." With the exception of derivative financial instruments, all financial liabilities are classified as "Financial liabilities measured at amortized cost." A financial asset/financial liability is recognized when the reporting entity becomes party to the contractual provisions of the instrument (settlement date). Financial assets not at fair value through profit or loss are measured at the transaction costs that are incremental costs directly attributable to the acquisition.

The other investments reported under financial assets are designated as "Available-for-sale financial assets." Other investments exclusively relate to shares in German limited companies and comparable non-German legal forms. They are carried at cost as their fair value cannot be reliably measured.

Trade receivables and the financial receivables disclosed under financial receivables and other assets are designated as "Loans and receivables," and are initially measured at fair value, which represents the cost on the date of acquisition. In subsequent periods, these items are measured at amortized cost. Non-interest and low-interest-bearing non-current receivables are carried at the present value of estimated future cash flows where the effect of the time value of money is material. The effective interest method is used for the calculation. Assets are classified as non-current if they are not due to be settled within twelve months after the reporting date.

Derivative financial instruments that are not part of a hedging relationship are designated as "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss." They are measured at fair value and a gain or loss arising from a change in the fair value is recognized in profit or loss.

Financial liabilities and trade payables are included under "Financial liabilities measured at amortized cost." They are measured at fair value upon initial recognition and at amortized cost subsequently using the effective interest method. The fair value is calculated by discounting the estimated future cash flows at current market interest rates. Current liabilities are stated at the redemption amount or settlement amount. Transaction costs are deducted from cost if they are directly attributable. Non-interest and low-interest-bearing non-current financial liabilities are carried at the present value of estimated future cash flows discounted at the market rate of interest where the effect of the time value of money is material. Liabilities are classified as non-current if they are not due to be settled within twelve months after the reporting date.

Changes in the fair value of derivatives hedged by a cash flow hedge are recognized directly in equity in accordance with IAS 39, "Financial Instruments: Recognition and Measurement," provided the hedge is effective. The amounts recognized in equity are recognized in the income statement in the period in which the hedged transaction affects profit or loss, e.g., when hedged finance income or expenses are recognized. If the forecast transaction is no longer expected to occur, the amounts previously recorded under equity are reclassified to profit or loss. The fair value of derivatives is calculated by discounting the estimated future cash flows at current market interest rates.

If there are indications of impairment for financial assets carried at cost, a write-down to the lower expected realizable value is made. When determining whether there are indications of impairment, information on the creditworthiness of the counterparty is analyzed. Uncollectible receivables are written off. If the reasons for an impairment loss cease to apply, the impairment loss is reversed as appropriate.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses on equity instruments classified as available for sale are not recognized in profit or loss.

A financial asset is derecognized when the contractual rights to receive cash flows expire, i.e., when the asset was realized or expired or when the asset is no longer controlled by the reporting entity. A financial liability is derecognized when the obligation underlying the liability is discharged, canceled or expires.

**Inventories**

Inventories are carried at acquisition cost. Cost is calculated on the basis of the weighted average method. Inventories are measured at the lower of cost or net realizable value as of the reporting date.

**Deferred taxes**

Deferred taxes are calculated in accordance with IAS 12, "Income Taxes." They are recognized on temporary differences between the carrying amounts of assets and liabilities in the IFRS statement of financial position and their tax base as well as on consolidation entries and on potentially realizable unused tax losses. Deferred taxes on items recognized directly in equity according to the relevant standards are also recognized directly in equity. The accumulated amounts of deferred taxes recognized directly in equity as of the reporting date are presented in the consolidated statement of comprehensive income.

Deferred tax assets are recognized on deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax assets can be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred taxes are determined on the basis of the tax rates which apply in the individual countries at the time of realization. These are based on tax rates that are in force or have been adopted as of the reporting date. Effects from tax rate changes are recognized in profit or loss, unless they relate to items recognized directly in equity. Deferred tax assets and liabilities are netted when there is a legally enforceable right to offset current tax assets against the current tax liabilities, and when the deferred taxes relate to the same tax type and tax authority.

**Non-current assets and liabilities held for sale**
Non-current assets (or a disposal group) are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered through a sale transaction rather than through continuing use.

**Provisions**
Provisions are recognized for obligations to third parties arising from past events, the settlement of which is expected to result in an outflow of cash and whose amount can be reliably estimated.

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Provisions for defined benefit and similar obligations are measured using an actuarial technique, the projected unit credit method. This method takes into account the pensions known and expectancies earned as of the reporting date as well as the increases in salaries and pensions expected in the future. Pension obligations are calculated on the basis of actuarial reports. All actuarial gains and losses are disclosed directly in equity.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. They comprise any resulting change from a curtailment or settlement in the present value of the defined benefit obligations and any related actuarial gains and losses and past service cost that had not previously been recognized.

In the case of defined contribution plans (e.g., direct insurance policies), the contributions payable are immediately expensed. Provisions for pension obligations are not recognized for defined contribution obligations as the Ströer Group does not have any other obligations in these cases apart from premium payment obligations.

Other provisions are measured on the basis of the best possible estimate of the expected net cash flows, or in the case of long-term provisions, at the present value of the expected net cash flows provided the time value of money is material.

If legal or contractual obligations provide for the removal of advertising media and the restoration of the site at the end of the advertising concession contract, a provision is recognized for this obligation if it is probable that the obligation will have to be settled. The provision is measured on the basis of the estimated future costs of restoration at the end of the term, discounted to the date the provision was initially set up on. The provision is then recognized in this amount directly in the statement of financial position and is matched by the same amount under property, plant and equipment. Changes in the value of the provisions are immediately reflected in the corresponding value under property, plant and equipment.

Provisions for onerous losses are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The provision for archiving costs is recognized to cover the legal obligation to retain business documents.

### Other non-financial assets and liabilities

Deferrals, prepayments and non-financial assets and liabilities are recognized at amortized cost.

### Contingent liabilities

Contingent liabilities are potential obligations which are based on past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events which are beyond the Ströer Group's control. Furthermore, present obligations are deemed contingent liabilities if an outflow of resources is not sufficiently probable for the recognition of a provision and/or the amount of the obligation cannot be reliably estimated. Contingent liabilities reflect the scope of liability existing as of the reporting date. They are disclosed off the face of the statement of financial position in the notes to the financial statements.

### Share-based payment

Goods or services received or acquired in a share-based payment transaction are recognized when the goods are obtained or as the services are received. The expense is determined on the basis of the fair value at the time the relevant commitment is granted. A corresponding increase in equity is recognized if the goods or services were received in an equity-settled share-based payment transaction. For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are recognized at the fair value of the liability. Until the liability is settled, the fair value of the liability must be remeasured at the end of each reporting period, with changes in fair value recognized in profit or loss for the period.

For share-based payment transactions in which the terms of the arrangement provide Ströer SE & Co. KGaA with the choice of whether to settle in cash or by issuing shares (see the current stock option plan), the Company assumes that it will settle by issuing shares provided it has not specified anything else and it has not set a precedent. The fair value is therefore measured at the grant date and is allocated to profit or loss over the vesting period until the claims for share-based payment vest in full and are settled by issuing shares.

### Put options

Put options written on shares held by non-controlling interests are presented as a notional acquisition on the reporting date in cases where Ströer is not the beneficial owner (present owner). The adjustment item for these interests recognized in equity was derecognized and a liability in the amount of a notional purchase price liability was recognized instead. The cumulative difference between the derecognized adjustment item and the notional purchase price liability was offset directly against retained earnings. The value of the notional purchase price liability and details on its calculation are presented in note 33.

### Overview of selected measurement methods

| Line item in the statement of financial position | Measurement method |
|---|---|
| **Assets** | |
| Goodwill | Lower of cost and recoverable amount |
| Other intangible assets | At (amortized) cost |
| Property, plant and equipment | At (amortized) cost |
| Other financial assets | |
| Loans and receivables | At (amortized) cost |
| Held to maturity | At (amortized) cost |
| Available for sale | At fair value through other comprehensive income |
| At fair value through profit or loss | At fair value through profit or loss |
| Trade receivables | At (amortized) cost |
| Inventories | Lower of cost and net realizable value |
| Cash | Nominal value |
| **Equity and liabilities** | |
| Provisions | |
| Provisions for pensions and similar obligations | Projected unit credit method |
| Other provisions | Settlement amount |
| Financial liabilities | At (amortized) cost |
| of which liabilities from business acquisitions | Fair value |
| Trade payables | At (amortized) cost |
| Other liabilities | Settlement amount |

## 4 Changes in accounting policies

All new and amended standards and interpretations published by the IASB and the IFRIC that are effective for fiscal years beginning on 1 January 2017 and are required to be applied in the EU were applied in preparing the consolidated financial statements.

### Changes in accounting policies and accounting estimates

There were no changes in accounting policies or accounting estimates in fiscal year 2017.

### Standards and pronouncements adopted that have no effect on the Group's financial reporting

The following standards and pronouncements by the IASB became effective or were applied for the first time in fiscal year 2017. The specific nature of the amendments meant that they had no or no significant effect on the Group's financial reporting:

- **IAS 7** – Statement of Cash Flows "Disclosure Initiative" (effective for fiscal years beginning on or after 1 January 2017)
- **IAS 12** – Income Taxes "Unrealised Losses" (effective for fiscal years beginning on or after 1 January 2017)

### Standards and pronouncements that are not yet effective

The following standards are not yet effective and have not been applied by the Group to date.

In July 2014, the IASB issued the fourth and final version of the new **IFRS 9**, "Financial Instruments" on accounting for financial instruments. The new standard provides revised guidance on the classification and measurement of financial assets, including provisions on impairment. The new expected loss model is a significant change and results in the more timely recognition of losses, requiring the recognition of both incurred losses as well as losses expected in future periods. The standard complements the hedge accounting rules published in 2013 and replaces

IAS 39 "Financial Instruments" and all previous versions of IFRS 9. The new provisions become effective for fiscal years beginning on or after 1 January 2018, earlier application is permitted. The new standard must, with the exception of the disclosure of hedges, be applied retrospectively, however, there are various exemptions. It was endorsed by the EU Commission on 22 November 2016. Overall, no significant adjustments relating to the classification and measurement of individual items in Ströer's consolidated financial statements are anticipated.

The IASB issued the new **IFRS 15**, "Revenue from Contracts with Customers" in May 2014. IFRS 15 comprehensively redefines the recognition of revenue arising from contracts with customers across different industries. In a five-step model, detailed requirements are set forth on the identification of separate performance obligations, the amount of expected consideration including variable consideration and on the allocation of the transaction price to the identified performance obligations in the contract. Furthermore, there is also a cohesive set of requirements for deciding whether a performance obligation may be satisfied at a point in time or over time. The new standard supersedes the following accounting provisions: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. These amendments become effective for fiscal years beginning on or after 1 January 2018, earlier application is permitted. They were endorsed by the EU Commission on 22 September 2016.

The Group will apply the new standard using a modified retrospective approach as of 1 January 2018, i.e., the comparative period will not be restated and any conversion effects will be accumulated and recognized in retained earnings at the beginning of the comparative period.

The following revenue streams were identified in a final analysis of contracts:

- Out-of-home
- Digital: online advertising/marketing (display and mobile marketing)
- Digital: content
- Revenue from product sales
- Revenue from access rights and subscriptions

The effects of IFRS 15 could result in a shift in the timing of revenue recognition.

A shift in the timing of revenue recognition can arise from the identification of an additional performance obligation, a change in an estimate as to whether revenue is recognized at a point in time or over time or with regard to the timing of the transfer of control.

In this context, the issues identified in the analysis are:

- Free goods
- Rights of return for product sales

Furthermore, under IFRS 15 the amount of revenue over the entire period can deviate from the amount previously recognized. Based on our analysis, this is possible in the following circumstances:

- Potential change in assessment of principal agent relationships
- Payments to customers or agencies which must under certain circumstances be recognized as a reduction in a transaction price

In addition, the following were examined in our IFRS 15 analysis:

- Under IFRS 15, incremental costs to obtain a contract must be recognized and amortized over the estimated contractual term
- IFRS 15 gives rise to changes in disclosure in the statement of financial position and to changes in items (contractual assets and liabilities)
- IFRS 15 also increases the qualitative and quantitative disclosures in the notes to the financial statements

In fiscal year 2017, we comprehensively analyzed the quantitative effects on the consolidated financial statements. We concluded that accounting for revenue under IFRS 15 will not differ from previous accounting over the period as a whole, nor will IFRS 15 result in any material shifts in the timing of revenue recognition. The effect from the first-time application on retained earnings as of 1 January 2018 is immaterial.

In January 2016, the IASB issued **IFRS 16**, "Leases." The new standard replaces the previous leases standard (IAS 17) and provides revised guidance on the definition of a lease, the scope as well as lessee or lessor accounting. These amendments become effective for fiscal years beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 is also applied. The amendments were endorsed by the EU Commission on 9 November 2017.

The Ströer Group will already apply the new leasing standard from 1 January 2018. IFRS 16 will be adopted using the modified retrospective approach, i.e., the comparative period will not be restated and any conversion effects will be accumulated and recognized in retained earnings.

In April 2017, Ströer initiated a group-wide project to implement the new standard.

In an extensive analysis of leases, the total amount of the leases being measured pursuant to IFRS 16 was identified, grouped by types of leases and split by their term.

The following types of leases were identified:

- Rental agreements (land for constructing advertising media)
- Lease agreements (municipal and private land for installing advertising media)
- Rental agreements (office and parking spaces)
- Rental agreements (warehouse spaces)
- Rental agreements (passenger cars)
- Rental agreements (hardware and software)
- Rental agreements (buildings)

Taking risk aspects into account, Ströer determined in a detailed analysis of all significant leases (in particular municipal lease agreements) whether they meet the definition of a lease pursuant to IFRS 16.

Using a newly implemented software for the recognition of leases pursuant to IFRS 16, the identified leases were measured and recognized. This has the following effects on the presentation of the assets, liabilities, financial position and financial performance (previously net assets, financial position and results of operations) of the Group in fiscal year 2017:

- The initial application of the standard leads to an increase in lease liabilities by around EUR 1.0b to EUR 1.1b and to an increase in non-current assets by EUR 1.0b to EUR 1.1b as a result of the right-of-use assets to be recognized from leases for movable assets and real estate as well as for rental obligations for advertising locations, which also leads to a corresponding increase in total assets. The rise in lease liabilities will lead to a commensurate rise in financial liabilities.
- Instead of lease expenses recognized in cost of sales, interest expenses of EUR 25m to EUR 30m and write-downs of EUR 150m to EUR 165m will be recorded in the income statement which will lead to a significant improvement in EBITDA by EUR 160m to EUR 170m. The new standard will have a negative effect of between EUR 10m and EUR 20m on consolidated profit or loss in the first years of application.
- In the statement of cash flows, the reduction of the lease liability will be recognized in the cash flows from financing activities, whereas interest payments will be recorded in the cash flows from operating activities. Cash flows from operating activities will increase by EUR 130m to EUR 145m.

In addition, the IASB and the IFRIC issued or amended the following standards. The first-time adoption of these standards is not expected to have a significant effect on the Group's assets, liabilities, financial position and financial performance:

- **Improvements to IFRSs** (collection of amendments for 2014 to 2016) (effective for fiscal years beginning on or after 1 January 2018)
- **Improvements to IFRSs** (collection of amendments for 2015 to 2017) (effective for fiscal years beginning on or after 1 January 2019 (not yet endorsed by the EU Commission))
- **Amendments to IAS 19** – Plan Amendment, Curtailment or Settlement (effective for fiscal years beginning on or after 1 January 2019 (not yet endorsed by the EU Commission))
- **Amendments to IAS 28** – Long-term Interests in Associates and Joint Ventures (effective for fiscal years beginning on or after 1 January 2019 (not yet endorsed by the EU Commission))
- **Amendments to IAS 40** – Investment Property (effective for fiscal years beginning on or after 1 January 2018 (not yet endorsed by the EU Commission))
- **IFRIC 22** – Foreign Currency Transactions (effective for fiscal years beginning on or after 1 January 2018 (not yet endorsed by the EU Commission))
- **IFRIC 23** – Accounting for Uncertainties in Income Taxes (effective for fiscal years beginning on or after 1 January 2019 (not yet endorsed by the EU Commission))
- **Amendments to IFRS 2** – Share-based Payment (effective for fiscal years beginning on or after 1 January 2018 (not yet endorsed by the EU Commission))
- **Amendments to IFRS 9** – Instruments with Negative Compensation (effective for fiscal years beginning on or after 1 January 2019 (not yet endorsed by the EU Commission))

## 5 Basis of consolidation

The consolidated financial statements include the financial statements of all significant entities which Ströer SE & Co. KGaA directly or indirectly controls. In addition to Ströer SE & Co. KGaA, a further 99 German and 32 foreign subsidiaries were consolidated as of 31 December 2017 on the basis of full consolidation and four German joint ventures and six associates were included in these consolidated financial statements using the equity method.

The Ströer Group owns more than 50% of the shares in every fully consolidated entity, thus controlling each entity in accordance with IFRS 10 by holding the majority of voting rights in the relevant corporate bodies. Apart from the fully consolidated entities, the Ströer Group only holds over 50% of the shares in European Web Video Academy GmbH, Düsseldorf. Due to a voting rights agreement at European Web Video Academy GmbH, however, Ströer does not control this entity in accordance with IFRS 10.

The equity interests are disclosed in accordance with Sec. 16 (4) AktG ["Aktiengesetz": German Stock Corporation Act].

## Fully consolidated entities

| Name | Registered office | Country | Equity interest in % 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|---|
| 4EVER YOUNG GmbH | Unterföhring | Germany | 75 | 75 |
| Adscale Laboratories Ltd. | Christchurch | New Zealand | 100 | 100 |
| AD-Vice sp. z.o.o. | Warsaw | Poland | – | 100 |
| Ahuhu GmbH | Unterföhring | Germany | 70 | 70 |
| Ambient-TV Sales & Services GmbH | Hamburg | Germany | 70 | – |
| andré media Nord GmbH | Munich | Germany | 100 | – |
| ApDG Handels- und Dienstleistungs GmbH | Ulm | Germany | – | 100 |
| Asam GmbH | Beilngries | Germany | – | 51 |
| Asam Betriebs-GmbH (formerly Asam GmbH & Co. Betriebs-KG, Beilngries) | Beilngries | Germany | 100 | 100 |
| ASAMBEAUTY GmbH | Unterföhring | Germany | 100 | 100 |
| Avedo Essen GmbH (formerly vocando GmbH, Essen) | Essen | Germany | 100 | – |
| Avedo Gelsenkirchen GmbH (formerly vocando Gelsenkirchen GmbH, Gelsenkirchen) | Gelsenkirchen | Germany | 100 | – |
| Avedo Köln GmbH | Cologne | Germany | 100 | – |
| Avedo Leipzig GmbH | Leipzig | Germany | 100 | – |
| Avedo Leipzig West GmbH (formerly Avedo Leipzig II GmbH, Leipzig) | Leipzig | Germany | 100 | – |
| Avedo München GmbH | Munich | Germany | 100 | – |
| Avedo Rostock GmbH | Rostock | Germany | 100 | – |
| B.A.B. Maxiposter Werbetürme GmbH | Hamburg | Germany | 100 | 100 |
| BHI Beauty & Health Investment Group Management GmbH | Unterföhring | Germany | 51 | 51 |
| blowUP Media Belgium BVBA | Antwerp | Belgium | 80 | 80 |
| blowUP Media Benelux B.V. | Amsterdam | Netherlands | 100 | 100 |
| blowUP Media España S.A. | Madrid | Spain | 100 | 100 |
| blowUP Media GmbH* | Cologne | Germany | 100 | 100 |
| blowUP Media U.K. Ltd. | London | UK | 100 | 100 |
| Boojum Kft. | Budapest | Hungary | 60 | 60 |
| Business Advertising GmbH | Düsseldorf | Germany | 66 | 66 |
| Business Power GmbH | Düsseldorf | Germany | 100 | – |
| Conexus AS | Drammen | Norway | 55 | 55 |
| Conexus Norge AS | Drammen | Norway | 100 | 100 |
| Content Fleet GmbH | Hamburg | Germany | 93 | 93 |
| DERG Vertriebs GmbH | Cologne | Germany | 100 | 100 |
| DSA Schuldisplay GmbH | Hamburg | Germany | 51 | – |
| DSM Deutsche Städte Medien GmbH | Frankfurt | Germany | 100 | 100 |
| DSM Krefeld Aussenwerbung GmbH | Krefeld | Germany | 51 | 51 |
| DSM Rechtegesellschaft mbH | Cologne | Germany | 100 | 100 |
| DSM Werbeträger GmbH & Co. KG | Cologne | Germany | 100 | 100 |
| DSM Zeit und Werbung GmbH | Cologne | Germany | 100 | 100 |
| ECE flatmedia GmbH | Hamburg | Germany | 75 | 75 |
| Erdbeerlounge GmbH | Cologne | Germany | 100 | 100 |
| Fahrgastfernsehen Hamburg GmbH | Hamburg | Germany | 100 | 100 |

| Name | Registered office | Country | Equity interest in % 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|---|
| Foodist GmbH | Hamburg | Germany | 100 | 100 |
| Grapevine Marketing GmbH | Munich | Germany | 50 | – |
| Hamburger Verkehrsmittel-Werbung GmbH | Hamburg | Germany | 75 | 75 |
| iBillBoard Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S. | Istanbul | Turkey | 96 | 96 |
| iBillBoard Poland Sp. z.o.o. | Warsaw | Poland | 100 | 100 |
| Indoor Media Deutschland GmbH | Hamburg | Germany | 100 | – |
| INFOSCREEN GmbH | Cologne | Germany | 100 | 100 |
| InnoBeauty GmbH | Unterföhring | Germany | 100 | 100 |
| InteractiveMedia CCSP GmbH | Cologne | Germany | 94 | 94 |
| Internet BillBoard a.s. | Ostrava | Czech Republic | 95 | 90 |
| INTREN Informatikai Tanácsadó és Szolgáltató Kft. | Budapest | Hungary | 51 | 51 |
| kajomi GmbH | Munich | Germany | 51 | 51 |
| Klassenfreunde.ch GmbH | Alpnach | Switzerland | 100 | 100 |
| Klassträffen Sweden AB | Stockholm | Sweden | 100 | 100 |
| Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen | Hamburg | Germany | 51 | 51 |
| Linkz Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S. | Istanbul | Turkey | 100 | 100 |
| M. Asam GmbH | Unterföhring | Germany | 100 | 100 |
| MBR Targeting GmbH | Berlin | Germany | 100 | 100 |
| MediaSelect Media-Agentur GmbH | Baden-Baden | Germany | 75 | – |
| Mercury Beteiligungs GmbH | Leipzig | Germany | 75 | – |
| MT Mobile Ticketing GmbH | Berlin | Germany | – | 100 |
| MT Mobile Ticketing j.d.o.o. | Zagreb | Croatia | 100 | 100 |
| mYouTime AS | Drammen | Norway | 64 | 64 |
| Nachsendeauftrag DE Online GmbH | Cologne | Germany | 60 | 60 |
| Neo Advertising GmbH | Hamburg | Germany | 80 | – |
| Omnea GmbH | Berlin | Germany | 80 | 80 |
| OMS Vermarktungs GmbH & Co. KG | Düsseldorf | Germany | – | 100 |
| OMS Vermarktungs-Beteiligungsgesellschaft mbH | Düsseldorf | Germany | – | 100 |
| OnlineFussballManager GmbH | Cologne | Germany | 100 | 50 |
| Outsite Media GmbH | Mönchen-gladbach | Germany | 51 | – |
| Permodo GmbH | Munich | Germany | 76 | 51 |
| Plakativ Media GmbH | Munich | Germany | 100 | – |
| PosterSelect Media-Agentur für Aussenwerbung GmbH | Baden-Baden | Germany | 75 | – |
| Ranger Holding France S.A.S.U. | Bagneux | France | 100 | – |
| Ranger Holding GmbH | Düsseldorf | Germany | 100 | – |
| Ranger Marketing France S.A.S.U. | Bagneux | France | 100 | – |
| Ranger Marketing & Vertriebs GmbH | Düsseldorf | Germany | 100 | – |
| RegioHelden GmbH | Stuttgart | Germany | 90 | 90 |
| Retail Media GmbH | Cologne | Germany | 100 | – |
| RZV Digital Medya ve Reklam Hizmetleri A.S. | Istanbul | Turkey | 100 | 100 |
| Sales Holding GmbH | Düsseldorf | Germany | 100 | – |
| Seeding Alliance GmbH | Cologne | Germany | 51 | – |
| SEM Internet Reklam Hizmetleri ve Danismanlik A.S. | Istanbul | Turkey | 100 | 100 |
| Service Planet GmbH | Düsseldorf | Germany | 100 | – |
| SF Beteiligungs GmbH | Cologne | Germany | 75 | 75 |
| SIGN YOU mediascreen GmbH | Oberhausen | Germany | 100 | – |
| Smartplace GmbH | Düsseldorf | Germany | 100 | – |
| SMD Rechtegesellschaft mbH | Cologne | Germany | 100 | 100 |
| SMD Werbeträger GmbH & Co. KG | Cologne | Germany | 100 | 100 |

| Name | Registered office | Country | Equity interest in % 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|---|
| Social Media Interactive GmbH | Munich | Germany | 59 | 59 |
| SRG Rechtegesellschaft mbH | Cologne | Germany | 100 | 100 |
| SRG Werbeträger GmbH & Co. KG | Cologne | Germany | 100 | 100 |
| Statista GmbH | Hamburg | Germany | 81 | 81 |
| Statista Inc. | New York | USA | 100 | 100 |
| Statista Ltd. | London | UK | 100 | 100 |
| StayFriends GmbH | Erlangen | Germany | 100 | 100 |
| Ströer Content Group GmbH* | Cologne | Germany | 100 | 100 |
| Ströer DERG Media GmbH | Kassel | Germany | 100 | 100 |
| Ströer Deutsche Städte Medien GmbH | Cologne | Germany | 100 | 100 |
| Ströer Dialog Group GmbH (formerly Avedo GmbH , Leipzig) | Leipzig | Germany | 100 | – |
| Ströer Digital Commerce GmbH* | Cologne | Germany | 100 | 100 |
| Ströer Digital Group GmbH | Cologne | Germany | 100 | 100 |
| Ströer Digital International GmbH* | Cologne | Germany | 100 | 100 |
| Ströer Digital Media GmbH | Hamburg | Germany | 100 | 100 |
| Ströer Digital Operations Sp. z.o.o. | Warsaw | Poland | 100 | 100 |
| Ströer Digital Publishing GmbH* | Cologne | Germany | 100 | 100 |
| Ströer Digital Services Sp. z.o.o. | Warsaw | Poland | 100 | 100 |
| Ströer KAW GmbH | Cologne | Germany | 100 | 100 |
| Ströer Kentvizyon Reklam Pazarlama A.S.* | Istanbul | Turkey | 90 | 90 |
| Ströer Kulturmedien GmbH | Cologne | Germany | 100 | 100 |
| STRÖER media brands AG | Berlin | Germany | 100 | 100 |
| Ströer Media Deutschland GmbH* | Cologne | Germany | 100 | 100 |
| Ströer Media Sp. z.o.K. | Warsaw | Poland | 100 | 100 |
| Ströer Media Sp. z.o.o. | Warsaw | Poland | 100 | 100 |
| Ströer Mobile Performance GmbH | Cologne | Germany | 100 | 100 |
| Ströer Netherlands B.V. | Amsterdam | Netherlands | 100 | 100 |
| Ströer Netherlands C.V. | Amsterdam | Netherlands | 100 | 100 |
| Ströer News Publishing GmbH (formerly Kinolo GmbH, Munich) | Cologne | Germany | 100 | – |
| Ströer Next Publishing GmbH | Cologne | Germany | 100 | – |
| Ströer Polska Sp. z.o.o.* | Warsaw | Poland | 100 | 100 |
| Ströer Products GmbH | Berlin | Germany | 75 | 75 |
| Ströer Sales & Services GmbH | Cologne | Germany | 100 | 100 |
| Ströer Sales Group GmbH* | Cologne | Germany | 100 | 100 |
| Ströer Social Publishing GmbH (formerly FaceAdNet GmbH, Berlin) | Berlin | Germany | 62 | 52 |
| Ströer SSP GmbH | Munich | Germany | 100 | 100 |
| Ströer Venture GmbH* | Cologne | Germany | 100 | 100 |
| Ströer Werbeträgerverwaltungs GmbH | Cologne | Germany | 100 | 100 |
| stylefruits GmbH | Munich | Germany | 100 | 100 |
| T&E Net Services GmbH | Berlin | Germany | 60 | 60 |
| Trombi Acquisition SARL | Paris | France | 100 | 100 |
| TUBE ONE Networks GmbH | Cologne | Germany | 75 | 75 |
| tubevertise GmbH | Cologne | Germany | 100 | – |
| twiago GmbH | Cologne | Germany | 51 | 51 |
| UAM Digital GmbH | Hamburg | Germany | 100 | – |
| UAM Experience GmbH | Hamburg | Germany | 100 | – |
| UAM Media Group GmbH | Hamburg | Germany | 75 | – |
| VITALSANA B.V. | Heerlen | Netherlands | – | 100 |
| Yieldlove GmbH | Hamburg | Germany | 51 | – |

* Ströer SE & Co. KGaA holds a direct interest in these entities.

ApDG Handels- und Dienstleistungs GmbH, Ulm, including its wholly owned subsidiary Vitalsana B.V., Heerlen, Netherlands, was sold in the reporting period. Further details on the sale are provided in note 6. In addition, Asam GmbH, Beilngries, was liquidated in the reporting period.

The following entities were acquired by other group entities in intragroup mergers in 2017:

- AD-Vice Sp. z.o.o., Warsaw, Poland
- MT Mobile Ticketing GmbH, Berlin
- OMS Vermarktungs-Beteiligungsgesellschaft mbH, Düsseldorf
- OMS Vermarktungs GmbH & Co. KG, Düsseldorf

**Subsidiaries with a material non-controlling interest**

The table below provides financial information on subsidiaries with a material non-controlling interest and, with respect to parents of a subgroup, on the group of entities comprising the subgroup:

| | | | Non-controlling interest in % | |
|---|---|---|---|---|
| **Company/parent of the subgroup** | **Registered office** | **Country** | **31 Dec 2017** | **31 Dec 2016** |
| BHI Beauty & Health Investment Group Management GmbH (AsamBeauty) | Unterföhring | Germany | 49 | 49 |
| InteractiveMedia CCSP GmbH | Darmstadt | Germany | 6 | 6 |
| Mercury Beteiligungs GmbH (Avedo) | Leipzig | Germany | 25 | – |

For reasons of materiality, the Ströer Kentvizyon Group, Istanbul, Turkey, which was included in the prior year is no longer presented in fiscal year 2017.

The following tables present financial information on subsidiaries and groups of entities with a material non-controlling interest from the Group's perspective (**after consolidation** but excluding put options):

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Material non-controlling interests** | | |
| Avedo group | –5,995 | – |
| BHI group (AsamBeauty) | 14,150 | 15,137 |
| InteractiveMedia group | 16,517 | 13,114 |

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Profits (+)/losses (–) attributable to material non-controlling interests** | | |
| Avedo group | –628 | – |
| BHI group (AsamBeauty) | 3,992 | –997 |
| InteractiveMedia group | 1,893 | 997 |

The summarized financial information of these subsidiaries and groups is provided below. All figures are presented **before elimination of intercompany balances, intercompany income and expense, intercompany profits and losses and before acquisition accounting,** as well as before taking into account any put options for shares held by non-controlling interests.

**Summarized income statements for fiscal years:**

**2017**

| In EUR k | Avedo group [1] | BHI group (Asam-Beauty) | Interactive-Media group |
|---|---|---|---|
| Revenue | 57,605 | 78,906 | 273,261 |
| Cost of sales | –43,682 | –48,815 | –241,458 |
| Selling and administrative expenses | –11,571 | –24,543 | –46,755 |
| Other operating result | 1,275 | 2,500 | 391 |
| Financial result | –697 | 2,460 | –8 |
| **Profit or loss before taxes** | **2,930** | **10,509** | **–14,569** |
| Income taxes | 818 | –516 | 20 |
| **Post-tax profit or loss** | **3,748** | **9,994** | **–14,550** |
| | | | |
| **Total comprehensive income** | **3,748** | **9,994** | **–14,550** |
| Thereof attributable to non-controlling interests | 937 | 4,897 | –844 |
| Dividends paid to non-controlling interests | 0 | 40 | 560 |

[1] Avedo group since 31 July 2017

**2016**

| In EUR k | Avedo group | BHI group (Asam-Beauty) [2] | Interactive-Media group |
|---|---|---|---|
| Revenue | – | 23,518 | 247,430 |
| Cost of sales | – | –17,517 | –214,174 |
| Selling and administrative expenses | – | –6,004 | –41,617 |
| Other operating result | – | 61 | 4,554 |
| Financial result | – | 45 | 601 |
| **Profit or loss before taxes** | **–** | **103** | **–3,205** |
| Income taxes | – | –2,094 | 252 |
| **Post-tax profit or loss** | **–** | **–1,991** | **–2,953** |
| | | | |
| **Total comprehensive income** | **–** | **–1,991** | **–2,953** |
| Thereof attributable to non-controlling interests | – | –976 | –171 |
| Dividends paid to non-controlling interests | – | 0 | 365 |

[2] BHI group (AsamBeauty) since 1 August 2016

Profit or loss before taxes includes, among other things, write-downs on hidden reserves identified in the purchase price allocation (PPA). In addition to these write-downs of EUR 7,647k (prior year: EUR 6,388k), the result of the InteractiveMedia group for 2017 was also impacted by merger losses of EUR 9,291k (prior year: EUR 1,295k). The merger losses were eliminated at group level

**Summarized statements of financial position as of:**

**31 Dec 2017**

| In EUR k | Avedo group | BHI group (Asam-Beauty) | Interactive-Media group |
|---|---|---|---|
| Current assets | 104,813 | 49,448 | 281,637 |
| Non-current assets | 313,386 | 59,315 | 281,548 |
| Current liabilities | 106,641 | 43,493 | 264,192 |
| Non-current liabilities | 202,680 | 4,340 | 18,668 |
| **Equity** | **108,878** | **60,929** | **280,325** |
| Thereof attributable to: | | | |
| Owners of the parent | 81,659 | 31,074 | 264,067 |
| Non-controlling interests | 27,220 | 29,855 | 16,259 |

**31 Dec 2016**

| In EUR k | Avedo group | BHI group (Asam-Beauty) | Interactive-Media group |
|---|---|---|---|
| Current assets | – | 30,791 | 120,406 |
| Non-current assets | – | 27,424 | 276,114 |
| Current liabilities | – | 22,230 | 122,602 |
| Non-current liabilities | – | 5,046 | 18,456 |
| **Equity** | **–** | **30,939** | **255,462** |
| Thereof attributable to: | – | | |
| Owners of the parent | – | 15,779 | 240,646 |
| Non-controlling interests | – | 15,160 | 14,817 |

### Summarized statements of cash flows:

**31 Dec 2017**

| In EUR k | Avedo group[1] | BHI group (Asam-Beauty) | Interactive-Media group |
|---|---|---|---|
| Operating activities | 4,518 | 8,687 | 29,079 |
| Investing activities | –1,049 | –2,078 | –21,396 |
| Financing activities | 5 | –1,190 | –180 |
| **Total net cash flow** | **3,474** | **5,420** | **7,503** |

[1] Avedo group since 31 July 2017

**31 Dec 2016**

| In EUR k | Avedo group | BHI group (Asam-Beauty)[2] | Interactive-Media group |
|---|---|---|---|
| Operating activities | – | 2,070 | 24,072 |
| Investing activities | – | –327 | –17,805 |
| Financing activities | – | –666 | -2 |
| **Total net cash flow** | **–** | **1,077** | **6,265** |

[2] BHI group (AsamBeauty) since 1 August 2016

### Joint ventures

The following joint ventures are engaged in the commercialization of out-of-home media. The Group's investments in these joint ventures are accounted for in these consolidated financial statements using the equity method.

| | | | Equity interest in % | |
|---|---|---|---|---|
| **Name** | **Registered office** | **Country** | **31 Dec 2017** | **31 Dec 2016** |
| DSMDecaux GmbH | Munich | Germany | 50 | 50 |
| mediateam Werbeagentur GmbH/ Ströer Media Deutschland GbR | Cologne | Germany | 50 | 50 |
| Trierer Gesellschaft für Stadtmöblierung mbH | Trier | Germany | 50 | 50 |
| X-City Marketing Hannover GmbH | Hanover | Germany | 50 | 50 |

The following tables provide financial information on DSMDecaux GmbH, X-City Marketing Hannover GmbH and the other joint ventures taken from these entities' separate financial statements, which were prepared in accordance with IFRSs, and a reconciliation of this information to the carrying amounts of the investments in these joint ventures:

**31 Dec 2017**

| In EUR k | DSMDecaux GmbH | X-City Marketing Hannover GmbH | Other joint ventures | Total |
|---|---|---|---|---|
| Current assets | 14,244 | 4,737 | 1,423 | 20,404 |
| Non-current assets | 7,332 | 6,015 | 611 | 13,958 |
| Current liabilities | 3,530 | 1,699 | 240 | 5,469 |
| Non-current liabilities | 3,521 | 473 | 128 | 4,122 |
| **Equity** | **14,525** | **8,580** | **1,666** | **24,770** |
| Group's share in equity (in %) | 50% | 50% | 50% | 50% |
| **Group's share in equity** | **7,262** | **4,290** | **833** | **12,385** |
| Residual carrying amount of the allocated hidden reserves, net of deferred taxes | 4,703 | 0 | 0 | 4,703 |
| Goodwill | 4,458 | 1,479 | 288 | 6,225 |
| **Carrying amount of the investments in equity method investees** | **16,423** | **5,769** | **1,121** | **23,313** |

**31 Dec 2016**

| In EUR k | DSMDecaux GmbH | X-City Marketing Hannover GmbH | Other joint ventures | Total |
|---|---|---|---|---|
| Current assets | 11,686 | 10,157 | 1,192 | 23,035 |
| Non-current assets | 7,734 | 3,841 | 677 | 12,252 |
| Current liabilities | 3,007 | 1,549 | 256 | 4,812 |
| Non-current liabilities | 3,589 | 218 | 138 | 3,945 |
| **Equity** | **12,824** | **12,231** | **1,475** | **26,530** |
| Group's share in equity (in %) | 50% | 50% | 50% | 50% |
| **Group's share in equity** | **6,412** | **6,115** | **737** | **13,264** |
| Residual carrying amount of the allocated hidden reserves, net of deferred taxes | 5,504 | 33 | 34 | 5,571 |
| Goodwill | 4,458 | 1,479 | 288 | 6,225 |
| **Carrying amount of the investments in equity method investees** | **16,374** | **7,627** | **1,059** | **25,060** |

The shares in equity method investees disclosed in the consolidated statement of financial position include the shares in associates in addition to these shares in joint ventures.

**2017**

| In EUR k | DSMDecaux GmbH | X-City Marketing Hannover GmbH | Other joint ventures | Total |
|---|---|---|---|---|
| | | | | |
| Revenue | 23,463 | 13,312 | 1,066 | 37,842 |
| Cost of sales | –5,480 | –7,483 | –528 | –13,490 |
| Selling and administrative expenses | –1,784 | –3,023 | –185 | –4,992 |
| Other operating result | 135 | 780 | 18 | 932 |
| Financial result | –34 | –2 | –1 | –36 |
| **Profit or loss before taxes** | **16,301** | **3,584** | **371** | **20,256** |
| Income taxes | –5,416 | –1,235 | –88 | –6,739 |
| **Post-tax profit or loss** | **10,885** | **2,349** | **283** | **13,517** |
| **Group's share in profit** | **5,442** | **1,175** | **141** | **6,758** |
| Amortization/depreciation of hidden reserves | –1,185 | –34 | 0 | –1,219 |
| Deferred taxes affecting profit | 385 | 11 | 0 | 396 |
| **Share in profit or loss of equity method investees** | **4,642** | **1,152** | **141** | **5,935** |

**2016**

| In EUR k | DSMDecaux GmbH | X-City Marketing Hannover GmbH | Other joint ventures | Total |
|---|---|---|---|---|
| | | | | |
| Revenue | 20,483 | 8,086 | 1,033 | 29,602 |
| Cost of sales | –5,269 | –3,268 | –592 | –9,129 |
| Selling and administrative expenses | –1,715 | –2,318 | –202 | –4,235 |
| Other operating result | 150 | 420 | 11 | 581 |
| Financial result | –12 | 1 | –1 | –12 |
| **Profit or loss before taxes** | **13,637** | **2,921** | **249** | **16,807** |
| Income taxes | –4,475 | –981 | –55 | –5,511 |
| **Post-tax profit or loss** | **9,162** | **1,940** | **194** | **11,296** |
| **Group's share in profit** | **4,581** | **970** | **97** | **5,648** |
| Amortization/depreciation of hidden reserves | –1,185 | –34 | 0 | –1,219 |
| Deferred taxes affecting profit | 385 | 11 | 0 | 396 |
| **Share in profit or loss of equity method investees** | **3,781** | **947** | **97** | **4,825** |

The shares in profit or loss in equity method investees disclosed in the consolidated income statement include the shares in associates in addition to these shares in joint ventures.

The Group received a gross dividend of EUR 4,592k from DSMDecaux GmbH in the fiscal year (prior year: EUR 4,427k). Cost of sales and selling and administrative expenses include amortization and depreciation of EUR 941k (prior year: EUR 878k). In the fiscal year and in 2016, there were no contingent liabilities or capital commitments.

The Group received a gross dividend of EUR 3,000k from X-City Marketing Hannover GmbH in the fiscal year (prior year: EUR 0k). Cost of sales and selling and administrative expenses include amortization and depreciation of EUR 527k (prior year: EUR 384k). In the fiscal year and in 2016, there were no contingent liabilities or capital commitments.

The Group received a gross dividend of EUR 46k from the other joint ventures in the fiscal year (prior year: EUR 33k). There were no contingent liabilities or capital commitments.

## Associates

The following associates are accounted for in the consolidated financial statements using the equity method and are insignificant for the Ströer Group:

| | | | Equity interest in % | |
|---|---|---|---|---|
| **Name** | **Registered office** | **Country** | **31 Dec 2017** | **31 Dec 2016** |
| European Web Video Academy GmbH | Düsseldorf | Germany | 50 | 50 |
| eValue 2nd Fund GmbH* | Berlin | Germany | 33 | 33 |
| evidero GmbH | Cologne | Germany | – | 65 |
| Media-Direktservice GmbH | Cologne | Germany | 25 | 25 |
| IHM Innovatives Marketing an Hochschulen GmbH | Frankfurt am Main | Germany | 49 | – |
| Instytut Badán Outdooru IBO Sp. z.o.o. | Warsaw | Poland | 33 | 40 |
| OSD Holding Pte. Ltd | Singapore | Singapore | 36 | 36 |

* Ströer SE & Co. KGaA holds a direct interest in this entity.

## 6 Significant business combinations and sales

### 6.1 Business combinations

#### Transactions involving a change in control

Avedo group
With effect as of 31 July 2017, the Ströer Group acquired a total of 75.0% of the shares in Mercury Beteiligungs GmbH, Leipzig. The Avedo group is one of Germany's leading dialog marketing specialists. It predominantly uses the chat and telephone channels to market third-party products. The final purchase price for the acquired shares, including the redemption of shareholder loans excluding redeemed bank liabilities, comes to around EUR 70.4m and was settled in cash. There are also call and put options on the remaining 25.0% of the shares in the company that can be exercised in the coming years, provided that certain contractually defined conditions are met.

The following table shows the consolidated fair values of the assets acquired and liabilities assumed of Mercury Beteiligungs GmbH and its eight subsidiaries at the acquisition date:

| In EUR k | Carrying amount at acquisition date | Adjustment from the purchase price allocation | Carrying amount in Ströer's consolidated statement of financial position |
|---|---|---|---|
| Intangible assets | 83 | 32,685 | 32,768 |
| Property, plant and equipment | 1,827 | | 1,827 |
| Inventories | 20 | | 20 |
| Trade receivables | 9,327 | | 9,327 |
| Other financial assets | 406 | | 406 |
| Other non-financial assets | 133 | | 133 |
| Income tax assets | 431 | | 431 |
| Cash | 4,740 | | 4,740 |
| Other provisions | 2,601 | | 2,601 |
| Financial liabilities | 17,244 | | 17,244 |
| Deferred tax liabilities | 0 | 10,463 | 10,463 |
| Trade payables | 616 | | 616 |
| Other liabilities | 747 | | 747 |
| Income tax liabilities | 1,051 | | 1,051 |
| Net assets acquired | –5,292 | 22,222 | 16,930 |

The carrying amounts of the acquired receivables and other assets are equivalent to their respective fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

Due to the scope and complexity of the business processes, the purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted. The intangible assets identified to date mainly comprise customer bases of Avedo with a fair value of EUR 30.0m and a useful life of eight years as well as the brand name "Avedo" with a fair value of EUR 2.7m and a useful life of ten years.

The goodwill is based on the positive prospects of expanding the current customer base through the use of additional OOH media and generating additional cash flows through heightened market penetration. The goodwill of the entity is allocated to the Digital segment and breaks down as follows:

| In EUR k | |
|---|---|
| Purchase price including the redemption of shareholder loans | 70,351 |
| Non-controlling interests | –4,845 |
| Net assets acquired | 16,930 |
| Goodwill | 48,575 |

Ranger group
With effect as of the acquisition date of 31 August 2017, Ströer acquired all of the shares in Sales Holding GmbH, Düsseldorf. The Ranger group is a direct sales specialist and sells products to private and corporate customers on behalf of its clients in the telecommunications, energy, retail, financial services and media sectors. The final purchase price for the acquired shares, including the redemption of shareholder loans, comes to around EUR 45.0m and was settled in cash.

The following table shows the consolidated fair values of the assets acquired and liabilities assumed of Sales Holding GmbH and its seven subsidiaries at the acquisition date:

| In EUR k | Carrying amount at acquisition date | Adjustment from the purchase price allocation | Carrying amount in Ströer's consolidated statement of financial position |
|---|---|---|---|
| Intangible assets | 557 | 20,356 | 20,913 |
| Property, plant and equipment | 880 | | 880 |
| Trade receivables | 8,350 | | 8,350 |
| Other financial assets | 3,289 | | 3,289 |
| Other non-financial assets | 5,323 | | 5,323 |
| Cash | 4,666 | | 4,666 |
| Other provisions | 6,100 | | 6,100 |
| Financial liabilities | 2,209 | | 2,209 |
| Deferred tax liabilities | 0 | 6,516 | 6,516 |
| Trade payables | 3,066 | | 3,066 |
| Other liabilities | 6,516 | | 6,516 |
| Income tax liabilities | 78 | | 78 |
| Net assets acquired | 5,096 | 13,840 | 18,936 |

The carrying amounts of the acquired receivables and other assets are equivalent to their respective fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

Due to the scope and complexity of the business processes, the purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted. The intangible assets identified to date mainly comprise the customer base with a fair value of EUR 19.9m and a useful life of five years.

The goodwill is based on the positive prospects of expanding the current customer base through the use of additional OOH media and generating additional cash flows through heightened market penetration.

The goodwill of the entity is allocated to the Digital segment and breaks down as follows:

| In EUR k | |
|---|---|
| Purchase price including the redemption of shareholder loans | 44,958 |
| Net assets acquired | 18,936 |
| Goodwill | 26,022 |

UAM group

With effect as of 12 December 2017, Ströer acquired 74.8% of the shares in UAM Media Group GmbH, Hamburg. The UAM group is an ambient media specialist and markets a nationwide network of more than 10,000 digital advertising faces, with moving images reaching out in particular to a young target audience, e.g., in movie theaters, universities and fitness centers and at the point of sale. The provisional purchase price for the acquired shares, including the redemption of shareholder loans, comes to around EUR 12.4m. There are also call and put options on the remaining 25.2% of the shares in the company that can be exercised in the coming years, provided that certain contractually defined conditions are met.

The following table shows the consolidated fair values of the assets acquired and liabilities assumed of UAM Media Group GmbH and its eight subsidiaries at the acquisition date:

| In EUR k | |
|---|---|
| Intangible assets | 776 |
| Property, plant and equipment | 1,566 |
| Inventories | 109 |
| Trade receivables | 4,132 |
| Other non-financial assets | 2,244 |
| Deferred tax assets | 16 |
| Cash | 2,503 |
| Other provisions | 3,348 |
| Financial liabilities | 3,409 |
| Deferred tax liabilities | 1,928 |
| Trade payables | 1,514 |
| Other liabilities | 4,385 |
| Income tax liabilities | 97 |
| Net assets acquired | –3,336 |

The carrying amounts of the acquired receivables and other assets are equivalent to their respective fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

Due to the scope and complexity of the business processes, the purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted.

The goodwill is based on the positive prospects of expanding the current portfolio of advertising rights through the use of additional OOH media and generating additional cash flows through heightened market penetration.

The goodwill of the entity is allocated to the OOH Germany segment and breaks down as follows:

| In EUR k | |
|---|---|
| Purchase price including the redemption of shareholder loans | 12,443 |
| Non-controlling interests | 738 |
| Net assets acquired | –3,336 |
| Goodwill | 16,516 |

Other business combinations
In addition to the acquisitions detailed above, the Ströer Group also acquired shares in the entities Neo Advertising GmbH (79.9%), MediaSelect Media-Agentur GmbH (75.1%), Plakativ Media GmbH (100.0%), PosterSelect Media-Agentur für Aussenwerbung GmbH (75.1%), Seeding Alliance GmbH (51.0%), SIGN YOU mediascreen GmbH (100.0%), tubevertise GmbH (100.0%) and Yieldlove GmbH (51.0%).

There are call and put options on the remaining shares in Neo Advertising GmbH, MediaSelect Media-Agentur GmbH, PosterSelect Media-Agentur für Aussenwerbung GmbH and Seeding Alliance GmbH that can be exercised in the coming years provided that certain contractual conditions are met. For the shares in Plakativ Media GmbH, Seeding Alliance GmbH, tubevertise GmbH and Yieldlove GmbH, the purchase prices could increase by up to EUR 3.8m (Plakativ Media GmbH), EUR 1.1m (Seeding Alliance GmbH) and EUR 4.8m (tubevertise GmbH) in the next one to two years as a result of contractual adjustment clauses (earn-out arrangements based on EBIT). No maximum amount has been agreed in relation to Yieldlove GmbH. See our comments in note 33 with regard to sensitivities.

The purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets and liabilities for Neo Advertising GmbH, MediaSelect Media-Agentur GmbH, Plakativ Media GmbH, PosterSelect Media-Agentur für Aussenwerbung GmbH and Yieldlove GmbH and final for the other acquisitions. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted regarding the provisional purchase price allocations. The goodwill of SIGN YOU mediascreen GmbH, MediaSelect Media-Agentur GmbH and PosterSelect Media-Agentur für Aussenwerbung GmbH is allocated to the OOH Germany segment, whereas the goodwill of Plakativ Media GmbH is allocated to the OOH International segment; the goodwill of all other acquisitions is allocated to the Digital segment. The goodwill of the eight acquired entities is calculated as follows:

| In EUR k | |
|---|---|
| Purchase prices including the redemption of shareholder loans | 16,999 |
| Contractually agreed contingent purchase price payments in subsequent periods | 6,768 |
| Non-controlling interests | 2,394 |
| Net assets acquired | 7,243 |
| Goodwill | 18,918 |

The goodwill is based on the positive prospects of generating additional cash flows by leveraging further synergies in line with the growth strategy of the Ströer Group for the Digital, OOH Germany and OOH International segments.

Summary information
The contractually agreed purchase prices for acquisitions involving a change in control totaled EUR 168,487k (prior year: EUR 204,399k) including payments in subsequent periods (excluding the adjustment of earn-out payments) and redemption of financial liabilities. In the fiscal year, the acquisitions gave rise to transaction costs of EUR 3,619k which were reported under administrative expenses.

The effects on the cash flows from investing activities are presented below:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Total amount of purchase prices including the redemption of shareholder loans | –144,751 | –169,309 |
| Total amount of the redemption of bank loans | –16,968 | 0 |
| Total cash acquired | 17,024 | 28,452 |
| Cash outflows and inflows for acquisitions in prior years | –782 | 1,983 |
| Net cash outflow from business combinations | –145,477 | –138,874 |

The aggregate increases in the asset and liability items are shown below. Please note that some of the purchase price allocations for 2017 are still provisional:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Acquired goodwill | 23 | 0 |
| Internally generated intangible assets | 3,632 | 34,780 |
| Other intangible assets | 56,516 | 60,196 |
| Property, plant and equipment | 4,988 | 9,884 |
| Financial assets | 153 | 313 |
| Deferred tax assets | 16 | 7,331 |
| Inventories | 153 | 11,713 |
| Trade receivables | 26,067 | 19,132 |
| Other financial assets | 4,277 | 3,845 |
| Other non-financial assets | 11,445 | 23,531 |
| Current income tax assets | 944 | 667 |
| Cash | 17,024 | 28,452 |
| Other provisions | 12,178 | 16,660 |
| Deferred tax liabilities | 20,630 | 27,408 |
| Financial liabilities | 23,206 | 13,166 |
| Trade payables | 9,988 | 11,481 |
| Other liabilities | 17,201 | 33,253 |
| Current income tax liabilities | 2,261 | 2,010 |
| Net assets acquired | 39,774 | 95,865 |

The assets acquired and the liabilities assumed of all the newly acquired entities and their goodwill were allocated in accordance with their respective integration in the Ströer Group to the cash-generating units Dialog Marketing (Avedo group, Ranger group), Digital Media Sales (Neo Advertising GmbH, Seeding Alliance GmbH, Yieldlove GmbH), Digital Content/Transaction (tubevertise GmbH), blowUP (Plakativ Media GmbH) and Ströer Germany (MediaSelect Media-Agentur GmbH, PosterSelect Media-Agentur für Aussenwerbung GmbH, SIGN YOU mediascreen GmbH, UAM group).

Since control was obtained in each case, the entities acquired in fiscal year 2017 have contributed the following revenue and profit after taxes which are included in the consolidated income statement:

| In EUR k | Revenue | Profit after taxes |
|---|---|---|
| Avedo group | 23,329 | 3,651* |
| Ranger group | 27,659 | 5,685* |
| UAM group | 4,410 | 841 |
| Other business combinations | 19,379 | 3,472 |
| **Total** | **74,779** | **13,649** |

* Profit or loss for the period before profit and loss transfer

The effect on the Group's revenue and profit or loss after taxes in the consolidated financial statements had all the entities acquired in 2017 been fully consolidated as of 1 January 2017 is presented below. The amounts shown already reflect the effects of the purchase price allocations for some entities acquired in fiscal year 2017 (Avedo group, Ranger group, Seeding Alliance GmbH, SIGN YOU mediascreen GmbH, tubevertise GmbH).

| In EUR k | Revenue | Profit after taxes |
|---|---|---|
| 1 Jan to 31 Dec 2017 | 1,480,639 | 101,973 |

### Transactions not involving a change in control

Permodo GmbH

In connection with a put option by non-controlling interests, the Ströer Group acquired a further 25.0% interest in Permodo GmbH exercised as of 16 May 2017. The purchase price charged upon exercise of this put option is around EUR 23.0m and was settled in cash.

Other transactions not involving a change in control
Other transactions not involving a change in control were of marginal importance individually.

Summary information
These acquisitions were presented as transactions between shareholders in accordance with IFRS 10. The corresponding accounting-related effects are presented in the following table. The transactions were summarized for materiality reasons:

| In EUR k | |
|---|---|
| Total purchase prices | 24,670 |
| Non-controlling interests | 2,720 |
| Change in consolidated equity held by owners of Ströer SE & Co. KGaA | –21,949 |

The transactions mainly affected the consolidated retained earnings of the owners of Ströer SE & Co. KGaA.

## Retrospective restatement of purchase price allocations

BHI group (AsamBeauty)
The purchase price allocation has now been finalized in relation to the measurement of the assets and liabilities of the BHI group acquired in 2016. The adjustment of the purchase price allocation had the following effects on the income statement for fiscal year 2016 and the statement of financial position as of 1 August 2016 (acquisition date):

| In EUR k | 1 Aug 2016 adjusted | 1 Aug 2016 initial |
|---|---|---|
| Intangible assets | 22,673 | 17,929 |
| Inventories | 2,423 | 0 |
| Deferred tax liabilities | 5,293 | 3,173 |
| Net assets acquired | 19,803 | 14,756 |

| In EUR k | 2016 adjusted | 2016 initial |
|---|---|---|
| Amortization, depreciation and impairment | 1,500 | 1,057 |
| Cost of sales | 2,423 | 0 |
| Income taxes | 1,028 | 235 |

The intangible assets mainly comprise brand names and customer bases with a fair value of EUR 22.7m and useful lives of between three and 15 years.

The goodwill is allocated to the Digital segment and breaks down as follows:

| In EUR k | 1 Aug 2016 adjusted | 1 Aug 2016 initial |
|---|---|---|
| Purchase price | 34,902 | 34,902 |
| Contractually agreed purchase price payments in subsequent periods | 5,040 | 5,040 |
| Non-controlling interests | 16,137 | 14,806 |
| Net assets acquired (acquisition date) | 14,389 | 14,389 |
| Net assets acquired (purchase price allocation) | 19,803 | 14,756 |
| Goodwill | 21,886 | 25,603 |

The goodwill is based on the positive prospects of generating additional cash flows by further expanding the existing brand names and customer bases by continuing to develop the cosmetic products and using additional OOH media. The goodwill is allocated to the Digital Content/Transaction cash-generating unit.

Additional purchase price allocations
The purchase price allocations have now been finalized in relation to the measurement of the assets and liabilities of the following entities acquired in 2016:

- ApDG Handels- und Dienstleistungsgesellschaft mbH (Vitalsana)
- Boojum Kft.
- Foodist GmbH
- kajomi GmbH
- MT Mobile Ticketing GmbH
- StayFriends GmbH
- stylefruits GmbH
- twiago GmbH

On finalizing the purchase price allocations, mainly internally generated intangible assets of EUR 19,481k and the related deferred taxes were identified. The internally generated intangible assets mainly comprise customer bases, internally developed software and brand names. The useful life is between four and five years.

Goodwill is calculated as follows:

**Initial**

| In EUR k | stylefruits 18 May 2016 | StayFriends 24 May 2016 | Other companies |
|---|---|---|---|
| Purchase price including contractually agreed contingent purchase price payments in subsequent periods | 22,808 | 16,028 | 16,484 |
| Non-controlling interests | 0 | 0 | –436 |
| Net assets acquired | 4,660 | 3,225 | 1,344 |
| Goodwill | 18,148 | 12,803 | 14,704 |

**Adjusted**

| In EUR k | stylefruits 18 May 2016 | StayFriends 24 May 2016 | Other companies |
|---|---|---|---|
| Purchase price including contractually agreed contingent purchase price payments in subsequent periods | 22,808 | 16,028 | 16,159 |
| Non-controlling interests | 0 | 0 | 1,543 |
| Net assets acquired | 8,050 | 8,697 | 5,626 |
| Goodwill | 14,758 | 7,331 | 12,076 |

The goodwill of all acquired entities for which the purchase price allocation has been finalized was mainly allocated to the Digital segment and the Digital Media Sales and Digital Content/Transaction cash-generating units. The acquired entities are nearly all in an early development stage which can be profitably expanded by Ströer.

### Business combinations after the reporting date

See the disclosures in note 42 for information on subsequent events.

## 6.2 Business sales

### Transactions involving a change in control

ApDG Handels- und Dienstleistungsgesellschaft mbH

As of the date of sale of 27 December 2017, the Ströer Group sold all of the shares in ApDG Handels- und Dienstleistungsgesellschaft mbH, Ulm, to Zur Rose Group AG, Switzerland. The sale also includes the wholly owned subsidiary of ApDG Handels- und Dienstleistungsgesellschaft mbH, Vitalsana B.V., Heerlen, Netherlands, which operates the online pharmacy of the same name. The provisional purchase price comes to around EUR 14.0m. Overall, the transaction gave rise to income from deconsolidation of EUR 12.0m that was reported in other operating income (see note 13).

### Business sales after the reporting date

No material sales were made after the reporting date.

## 7 Consolidation principles

The assets and liabilities of the consolidated entities are measured on the basis of uniform accounting policies. The reporting date of all entities consolidated is 31 December.

Subsidiaries are fully consolidated from the date of acquisition, i.e., the date on which the Group obtains control. Control within the meaning of IFRS 10, “Consolidated Financial Statements” is achieved when Ströer is exposed, or has rights, to variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. Consolidation ends as soon as the parent ceases to have control.

The cost of foreign entities acquired is translated into euros at the exchange rate applicable on the date of acquisition.

The acquisition method is applied for the initial accounting. The cost of a business combination is allocated by recognizing the assets acquired and liabilities assumed as well as certain contingent liabilities at fair value (purchase price allocation). Any excess of the cost of the combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill. Goodwill attributable to non-controlling interests is also recognized as an asset on a case-by-case basis in accordance with IFRS 3. Any remaining negative goodwill is recognized immediately in profit or loss.

The hidden reserves and charges recognized are subsequently measured applying the accounting policy for the corresponding assets and liabilities. Goodwill recognized is tested for impairment annually (see note 19).

Write-ups or write-downs in the fiscal year on shares in consolidated entities recognized in the individual financial statements are eliminated in the consolidated financial statements. Intragroup profit and losses, revenue, expenses and income as well as receivables and liabilities between consolidated entities are eliminated.

Effects of consolidation on income taxes are accounted for by deferred taxes.

Non-controlling interests in equity and profit or loss are recognized in a separate item under equity.

If additional interests are acquired or sold in fully consolidated entities, this difference is directly set off against equity.

A joint venture is defined as a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Under IFRS 11, the question of whether legal or beneficial rights to net assets are held is assessed on the basis of the contractual relationships (e.g., articles of incorporation and bylaws, shareholder agreements, exchange of goods and services) between the vehicle and its partners. Joint ventures and associates are consolidated using the equity method. In the income statement, the Group's share in the profit or loss of associates and joint ventures is stated in earnings before financial result and taxes. Changes in the other comprehensive income of these investees are reflected in the Group's other comprehensive income.

Significant investments in which the Ströer Group holds between 20% and 50% of the shares and over which it can therefore exercise significant influence are accounted for in accordance with the equity method. This involves recognizing the interests in an associate in the statement of financial position at the cost of the acquisition plus the changes in the Group's share in the net assets of the associate arising since its acquisition. The Group's share in the profit or loss of an associate is presented in the income statement. This is the profit after taxes attributable to the owners of the associate.

For the purpose of measurement, other investments are classified pursuant to IAS 39 as "Available-for-sale financial assets" and are recognized at cost or fair value, provided this can be reliably measured.

## 8 Currency translation

The financial statements of the consolidated foreign entities whose functional currency is not the euro are translated pursuant to IAS 21, "The Effects of Changes in Foreign Exchange Rates" into the Group's presentation currency (euro). The functional currency of the foreign entities is the respective local currency.

Assets and liabilities are translated at the closing rate. Equity is reported at the historical rate. Expenses and income are translated into euros at the weighted average rate of the respective period. Exchange differences recognized directly in equity are only recognized in profit or loss if the corresponding entity is sold or deconsolidated.

Transactions conducted by the consolidated entities in foreign currency are translated into the functional currency at the exchange rate valid on the date of the transaction. Gains and losses arising on the settlement of such transactions or on translating monetary items in foreign currency at the closing rate are recognized in profit or loss.

Exchange rate effects from intragroup loans are recorded in other comprehensive income if the loans meet the criteria of a net investment as defined by IAS 21.

The following exchange rates were used for the most important foreign currencies in the Ströer Group:

| | | Closing date | | Weighted average rate | |
|---|---|---|---|---|---|
| | Currency | 31 Dec 2017 | 31 Dec 2016 | 2017 | 2016 |
| Switzerland | CHF | 1.1702 | 1.0739 | 1.1102 | 1.0851 |
| Czech Republic | CZK | 25.5350 | 27.0210 | 26.3169 | 27.0349 |
| UK | GBP | 0.8872 | 0.8562 | 0.8758 | 0.8166 |
| Hungary | HUF | 310.3300 | 309.8300 | 309.1987 | 311.5265 |
| Norway | NOK | 9.8403 | 9.0863 | 9.3217 | 9.2892 |
| Poland | PLN | 4.1770 | 4.4103 | 4.2558 | 4.3631 |
| Sweden | SEK | 9.8438 | 9.5525 | 9.6351 | 9.5876 |
| Turkey | TRY | 4.5464 | 3.7072 | 4.1091 | 3.3375 |
| USA | USD | 1.1993 | 1.0541 | 1.1270 | 1.1062 |

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## 9 Revenue

Revenue breaks down as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Revenue from the commercialization of advertising media | 1,017,911 | 962,881 |
| Income from the transactional product group | 313,122 | 160,376 |
| **Total** | **1,331,033** | **1,123,257** |

The revenue is largely generated from services in the wider sense. By contrast, EUR 126,974k (prior year: EUR 36,129k) of the income from the new transactional product group relates to the sale of products. See the disclosures under segment information for a breakdown of revenue by segment.

Revenue includes income of EUR 4,819k (prior year: EUR 3,811k) from barter transactions. As of the reporting date, outstanding receivables and liabilities from barter transactions amounted to EUR 1,465k (prior year: EUR 3,032k) and EUR 1,321k (prior year: EUR 2,317k), respectively.

## 10 Cost of sales

Cost of sales includes all costs which were incurred in connection with the sale of products and provision of services and breaks down as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Rental, lease and royalty payments | 256,189 | 247,332 |
| Amortization, depreciation and impairment | 156,515 | 143,652 |
| Personnel expenses | 71,089 | 36,406 |
| Other cost of sales | 409,357 | 333,970 |
| **Total** | **893,149** | **761,360** |

## 11 Selling expenses

Selling expenses include all direct selling expenses and sales overheads incurred. They can be broken down into:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Personnel expenses | 115,534 | 105,640 |
| Amortization, depreciation and impairment | 5,163 | 2,677 |
| Other selling expenses | 68,610 | 48,620 |
| **Total** | **189,307** | **156,937** |

The non-capitalizable components of product development costs are disclosed in the income statement under selling expenses and amounted to EUR 1,039k (prior year: EUR 1,202k) in the reporting period.

## 12 Administrative expenses

Administrative expenses include the personnel and non-personnel expenses as well as amortization, depreciation and impairment losses relating to all administrative areas which are not connected with technology, sales or product development. Administrative expenses break down as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Personnel expenses | 79,111 | 67,618 |
| Amortization, depreciation and impairment | 11,339 | 9,811 |
| Other administrative expenses | 57,163 | 47,387 |
| **Total** | **147,614** | **124,816** |

## 13 Other operating income

The breakdown of other operating income is shown in the following table:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Income from the reversal of earn-out liabilities | 7,513 | 12,990 |
| Income from the reversal of provisions and derecognition of liabilities | 11,130 | 9,736 |
| Income from the reversal of bad debt allowances | 2,386 | 1,621 |
| Income from the disposal of property, plant and equipment and intangible assets | 4,869 | 792 |
| Income from services | 1,549 | 1,065 |
| Income from exchange differences | 1,140 | 768 |
| Income from the deconsolidation of subsidiaries | 12,046 | 165 |
| Miscellaneous other operating income | 9,345 | 7,773 |
| **Total** | **49,978** | **34,911** |

Income from the reversal of earn-out liabilities relates in particular to the acquisition of the BHI group (EUR 5,040k), while in the prior year it mainly related to the acquisition of Stylefruits GmbH (prior year: EUR 8,908k).

Income from the deconsolidation of subsidiaries in the reporting period relates to the sale of ApDG Handels- und Dienstleistungsgesellschaft mbH, Ulm.

Income from the reversal of earn-out liabilities and from the deconsolidation of subsidiaries was eliminated from the calculation of operational EBITDA.

## 14 Other operating expenses

Other operating expenses break down as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Expenses from restructuring | 276 | 12,720 |
| Goodwill impairment | 10,484 | 10,102 |
| Expenses related to the recognition of bad debt allowances and derecognition of receivables and other assets | 9,329 | 4,780 |
| Out-of-period expenses | 2,823 | 3,585 |
| Expenses from exchange differences | 2,018 | 1,217 |
| Loss from the disposal of property, plant and equipment and intangible assets | 1,283 | 33 |
| Miscellaneous other operating expenses | 3,904 | 1,987 |
| **Total** | **30,116** | **34,424** |

Expenses from restructuring in the prior year relate to cost of sales (EUR 8,840k) and administrative expenses (EUR 3,880k). These expenses were adjusted when calculating operational EBITDA in the prior year.

Goodwill impairment relates in both fiscal years to the Ströer Turkey cash-generating unit which operates in the Turkish out-of-home business. It was eliminated in the reconciliation to adjusted profit or loss. For further explanations on the impairment test of acquired goodwill, see note 19, Intangible assets.

Miscellaneous other operating expenses includes expenses from the increase in earn-out liabilities of EUR 2,171k (prior year: EUR 230k). These expenses were adjusted when calculating operational EBITDA.

## 15 Financial result

The following table shows the composition of the financial result:

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Finance income** | **3,014** | **2,527** |
| Income from exchange differences on financial instruments | 1,430 | 1,008 |
| Interest income from loans and receivables | 1,331 | 814 |
| Other finance income | 253 | 705 |
| **Finance costs** | **–11,924** | **–12,538** |
| Interest expenses from loans and liabilities | –7,567 | –10,092 |
| Expenses from exchange differences on financial instruments | –1,022 | –881 |
| Other finance costs | –3,335 | –1,565 |
| **Financial result** | **–8,910** | **–10,011** |

Income/expenses from exchange differences on financial instruments contain non-cash exchange gains/losses from the translation of loans granted to group entities outside of the eurozone, which do not meet the criteria of a net investment within the meaning of IAS 21. Only the loans to our Turkish group entities are classified as a net investment within the meaning of IAS 21. As a result, any exchange rate effects from these loans are recorded in other comprehensive income.

## 16 Income taxes

Taxes on income paid or due in the individual countries as well as deferred taxes are stated as income taxes. Income taxes break down as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Expenses from current income taxes | 35,263 | 29,020 |
| thereof for prior years | 4,388 | 1,433 |
| Expenses (+)/income (–) from deferred taxes | –16,252 | –20,500 |
| thereof for prior years | –1,242 | 525 |
| thereof from temporary differences | –23,598 | –27,056 |
| **Expense (+)/income (–)** | **19,011** | **8,520** |

The changes in the transactions recognized directly in equity and the deferred taxes arising thereon are presented in the following table:

**2017**

| In EUR k | Before taxes | Taxes | After taxes |
|---|---|---|---|
| Exchange differences on translating foreign operations | –14,139 | 634 | –13,505 |
| Actuarial gains and losses | 385 | –119 | 266 |
| | **–13,754** | **515** | **–13,238** |

**2016**

| In EUR k | Before taxes | Taxes | After taxes |
|---|---|---|---|
| Exchange differences on translating foreign operations | –17,020 | 325 | –16,695 |
| Actuarial gains and losses | –1,850 | 565 | –1,285 |
| | **–18,870** | **890** | **–17,980** |

Deferred taxes are calculated on the basis of the applicable tax rates for each country. These range from 9% to 33.99% (prior year: from 9% to 41.5%).

Deferred taxes recognized for consolidation procedures are calculated based on the tax rate of 32.005% (prior year: 32.45%). This comprises corporate income tax of 15%, solidarity surcharge of 5.5% on corporate income tax and average trade tax of 16.18%. If consolidation procedures relate to a foreign subsidiary, the respective country-specific tax rate is applied.

Deferred taxes are allocated to the following items in the statement of financial position:

| In EUR k | 31 Dec 2017 Assets | 31 Dec 2017 Equity and liabilities | 31 Dec 2016 Assets | 31 Dec 2016 Equity and liabilities |
|---|---|---|---|---|
| Intangible assets | 13,086 | 104,769 | 15,613 | 103,592 |
| Property, plant and equipment | 81 | 17,845 | 61 | 19,272 |
| Financial assets | 6 | 370 | 29 | 465 |
| Receivables, other financial and non-financial assets | 2,082 | 6,160 | 1,610 | 3,710 |
| Inventories | 232 | 0 | 1,368 | 0 |
| Pension provisions | 5,241 | 67 | 5,263 | 52 |
| Other provisions | 6,727 | 2,222 | 5,649 | 1,757 |
| Liabilities | 12,977 | 8,792 | 13,606 | 8,480 |
| **Deferred taxes on temporary differences** | **40,432** | **140,225** | **43,199** | **137,328** |
| Tax loss and interest carryforwards | 35,474 | 0 | 33,522 | 0 |
| **Total deferred taxes** | **75,906** | **140,225** | **76,721** | **137,328** |
| Set-offs | –63,220 | –63,220 | –60,017 | –60,017 |
| **Carrying amount of deferred taxes** | **12,686** | **77,005** | **16,704** | **77,312** |

No deferred tax assets were recognized for loss carryforwards of EUR 95,625k (prior year: EUR 60,070k). EUR 84,445k thereof relates to German group entities and EUR 11,180k to foreign group entities. The majority of unused tax losses attributable to consolidated foreign entities for which no deferred tax assets were recognized will expire as follows:

| Year | Amount in EUR k |
|---|---|
| 2018 | 6,312 |
| 2019 | 0 |
| 2020 | 839 |
| 2021 | 667 |
| 2022 | 511 |
| 2023 | 0 |

Deferred tax assets arising from unused tax losses were recognized in the amount of EUR 26,810k although the entities to which these unused tax losses are attributable generated losses in the fiscal year or prior years and there are insufficient taxable temporary differences. On the basis of the tax planning of the entities concerned, however, we assume that we will be able to use these unused tax losses in future periods due to an increase in taxable income.

In accordance with IAS 12, deferred taxes must be recognized on the difference between the share in equity held in subsidiaries recognized in the consolidated statement of financial position and the carrying amount of the equity interest for these subsidiaries recognized in the parent’s tax accounts (“outside basis differences”) if this difference is expected to be realized. Deferred taxes were recognized in the consolidated financial statements for equity investments if distributions are expected in the near future. Overall, deferred tax liabilities on outside basis differences of EUR 362k (prior year: EUR 389k) were recognized.

For outside basis differences of EUR 54,011k (prior year: EUR 38,698k), no deferred taxes were recognized as Ströer SE & Co. KGaA can control the timing of the reversal of the temporary differences for these equity investments and does not expect them to reverse in the future.

The dividends paid in 2017 for fiscal year 2016 had no income tax consequences. Any dividend payments made in 2018 for fiscal year 2017 will, in all likelihood, not have any income tax consequences either.

The reconciliation of the expected tax expense and the actual tax expense is presented below:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Earnings before income taxes pursuant to IFRSs | 117,771 | 75,331 |
| Group income tax rate | 32.01% | 32.45% |
| Expected income tax expense for the fiscal year | 37,693 | 24,445 |
| Effect of tax rate changes | 1,064 | -50 |
| Trade tax additions/deductions | –28,438 | –29,418 |
| Effects of taxes from prior years recognized in the fiscal year | 3,146 | 2,884 |
| Effects of deviating tax rates | –437 | –390 |
| Effects of tax-exempt income | –4,284 | –161 |
| Effects of equity method accounting | –1,874 | –1,525 |
| Effects of non-deductible business expenses | 5,137 | 2,277 |
| Effects of non-recognition or subsequent recognition of deferred tax assets | 0 | 0 |
| Recognition and correction of loss and interest carryforwards for tax purposes | 6,282 | 8,886 |
| Other deviations | 722 | 1,572 |
| **Total tax expense (+)/ tax income (–)** | **19,011** | **8,520** |

In 2015, the Ströer Group implemented various process improvements and structural changes in its legal entities. One of the effects of these measures was a considerable reduction in the Group’s tax rate.

## 17 Notes to earnings per share

| In EUR k | 2017 | 2016 |
|---|---|---|
| Basic earnings attributable to the shareholders of Ströer SE & Co. KGaA | 94,978 | 65,935 |

| In thousand | 2017 | 2016 |
|---|---|---|
| Weighted average number of ordinary shares issued as of 31 December | 55,319 | 55,282 |
| Effects from subscription rights issued | 1,291 | 1,847 |
| Effects from the obligation to purchase own equity instruments | 0 | 21 |
| Weighted average number of ordinary shares issued as of 31 December (diluted) | 56,610 | 57,150 |

In 2016, the number of shares stood at 55,282,499 throughout the year. In 2017, the number of shares increased by 275,486 to 55,557,985 due to the stock option plan. As a result, earnings per share for 2017 were calculated based on a time-weighted number of shares of 55,318,714.

Earnings per share are subject to a potential dilution due to the stock option plans launched in fiscal years 2013 and 2015 and due to the share price LTI component. We refer to note 25 “Equity.”

In addition, earnings per share could potentially be diluted by the contingent put options that were granted to a non-controlling interest in fiscal year 2010 in respect of its shares in a Ströer group entity. Settlement may take the form of the issue of shares in Ströer SE & Co. KGaA. While these potential shares had a dilutive effect in fiscal year 2016, there was no such effect in fiscal year 2017 since the exercise price of the options was less favorable than the market price of the underlying share.

## 18 Other notes

### Personnel expenses

Personnel expenses of EUR 265,733k (prior year: EUR 209,664k) are included in the cost of sales, administrative expenses and selling expenses.

The average number of employees in the fiscal year breaks down as follows:

| Number | 2017 | 2016 |
|---|---|---|
| Salaried employees | 5,405 | 3,777 |
| Wage earners | 100 | 53 |
| **Total** | **5,505** | **3,830** |

The number is based on the average number of employees at the end of the four quarters, taking into account their employment relationships. Part-time employees are included in full. Members of management, trainees, interns, pensioners and employees on parental leave are not included.

As of 31 December 2017, the Group had a total headcount (full and part-time employees) of 7,536 (prior year: 4,577). The difference of 2,031 to the average number above is largely due to the cut-off date of 31 December as the number of employees of the newly acquired companies is not calculated on a time-weighted basis in this assessment. In addition, the difference also results from the inclusion of employees on parental leave, trainees and temporary workers. These employees are not included in the above disclosure in accordance with Sec. 314 (1) No. 4 HGB in conjunction with Sec. 285 No. 7 HGB.

### Amortization, depreciation and impairment

The amortization, depreciation and impairment losses included in the cost of sales, administrative expenses and selling expenses are shown in notes 10 to 12. The increase in amortization, depreciation and impairment losses by EUR 16,878k to EUR 173,018k is primarily attributable to additional amortization in connection with our business expansion and capitalized development costs. By contrast goodwill impairment of EUR 10,484k (prior year: EUR 10,102k) on the Ströer Turkey cash-generating unit was recognized under other operating expenses.

### Leases

Cost of sales, administrative expenses and selling expenses include the following expenses from operating leases:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Rent | 13,822 | 10,116 |
| Vehicle leasing | 3,303 | 3,375 |
| Leasing of buildings | 1,812 | 1,631 |
| Hardware and software leasing | 630 | 1,175 |
| Rental/lease of facilities | 926 | 409 |
| **Total** | **20,493** | **16,706** |

### Currency effects

In the reporting period, net losses of EUR 470k (prior year: EUR 322k) arising from exchange differences were recognized in the income statement; thereof, income of EUR 408k (prior year: EUR 127k) was recognized in the financial result.

# NOTES TO THE STATEMENT OF FINANCIAL POSITION

## 19 Intangible assets

The development of intangible assets in the reporting period and in the prior year is presented in the following table:

| In EUR k | Rights and royalties | Goodwill | Prepayments | Development costs | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Opening balance 1 Jan 2016** | **517,966** | **647,824** | **18,446** | **79,462** | **1,263,698** |
| Change in the consolidated group | 59,720 | 134,687 | 79 | 35,164 | 229,650 |
| Additions | 55,286 | 0 | 9,048 | 19,128 | 83,463 |
| Reclassifications | 1,724 | 0 | –4,717 | 2,014 | –979 |
| Disposals | –1,580 | 0 | –613 | –376 | –2,569 |
| Exchange differences | –11,319 | –4,379 | 0 | –259 | –15,957 |
| **Closing balance 31 Dec 2016/ opening balance 1 Jan 2017** | **621,797** | **778,132** | **22,243** | **135,132** | **1,557,303** |
| Change in the consolidated group | 55,732 | 105,797 | 68 | 3,632 | 165,230 |
| Additions | 17,135 | 0 | 13,845 | 21,212 | 52,192 |
| Reclassifications | 1,941 | 0 | –4,843 | 2,651 | –251 |
| Disposals | –3,544 | 0 | –12,602 | –1,478 | –17,624 |
| Exchange differences | –9,628 | –2,406 | 0 | –826 | –12,860 |
| **Closing balance 31 Dec 2017** | **683,435** | **881,523** | **18,712** | **160,321** | **1,743,991** |
| **Amortization and impairment losses/ reversals** | | | | | |
| **Opening balance 1 Jan 2016** | **254,989** | **5,829** | **10,092** | **17,390** | **288,300** |
| Change in the consolidated group | –63 | 0 | 0 | 0 | –63 |
| Amortization and impairment losses | 89,913 | 10,102 | 2,237 | 27,671 | 129,925 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Disposals | –1,577 | 0 | 0 | –305 | –1,882 |
| Exchange differences | –6,884 | –20 | 0 | –353 | –7,259 |
| **Closing balance 31 Dec 2016/ opening balance 1 Jan 2017** | **336,377** | **15,911** | **12,329** | **44,402** | **409,020** |
| Change in the consolidated group | –149 | 0 | 0 | 0 | –149 |
| Amortization and impairment losses | 94,366 | 10,484 | 1,610 | 35,778 | 142,238 |
| Reclassifications | 46 | 0 | –1 | –45 | 0 |
| Disposals | –3,266 | 0 | –12,602 | –1,091 | –16,959 |
| Exchange differences | –7,208 | 36 | 0 | –539 | –7,710 |
| **Closing balance 31 Dec 2017** | **420,167** | **26,431** | **1,337** | **78,506** | **526,441** |
| **Carrying amount 31 Dec 2016** | **285,419** | **762,221** | **9,914** | **90,729** | **1,148,283** |
| **Carrying amount 31 Dec 2017** | **263,268** | **855,092** | **17,374** | **81,815** | **1,217,550** |

In the fiscal year, no material investment grants pursuant to the InvZulG were recognized as a reduction in cost.

Furthermore, an impairment loss of EUR 883k (prior year: EUR 0k) was charged due to publisher contracts that were not extended. These charges are included in cost of sales.

The disposals on prepayments of EUR 12,602k (prior year: EUR 613k) primarily relate to expenses capitalized as part of the restructuring of the Ströer Group's IT landscape which had already been written off in full in the prior year.

The amortization and impairment losses on prepayments of EUR 1,610k (prior year: EUR 2,237k) primarily relate to an IT platform no longer in use, while in the prior year this related to expenses capitalized as part of the restructuring of the Ströer Group's IT landscape.

All goodwill acquired in business combinations was tested for impairment in the fiscal year. Impairment testing of goodwill led to impairment of EUR 10,484k (prior year: EUR 10,102k) in the Ströer Turkey cash-generating unit. The impairment was charged in light of the continued tense political situation in Turkey which put considerable pressure on both the Turkish lira and the Turkish advertising market.

The table below gives an overview of the allocation of goodwill to cash-generating units (CGUs) as well as the assumptions made in performing the impairment test:

| In EUR k | Ströer Germany | Ströer Turkey | Digital Media Sales | Ströer Poland | Digital Content/ Transactions | Dialog Marketing | blowUP group |
|---|---|---|---|---|---|---|---|
| **Carrying amount as of 31 Dec 2016** | **80,745** | **15,157** | **220,067** | **5,704** | **432,609** | **0** | **7,938** |
| Change in the consolidated group | 20,506 | 0 | 7,829 | 0 | –2,250 | 74,597 | 5,116 |
| Impairment | 0 | –10,484 | 0 | 0 | 0 | 0 | 0 |
| Exchange rate effects | 0 | –2,798 | 112 | 319 | –75 | 0 | 0 |
| **Carrying amount as of 31 Dec 2017** | **101,251** | **1,875** | **228,007** | **6,023** | **430,285** | **74,597** | **13,054** |
| Detailed forecast period (in years) | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Revenue growth after the forecast period | 1% (PY: 1%) | 6.4% (PY: 6.1%) | 1.2% (PY: 1.2%) | 1.3% (PY: 1.2%) | 1% (PY: 1.2%) | 1% (PY: –%) | 1% (PY: 1%) |
| Interest rate (after taxes) | 5.7% (PY: 5.0%) | 13.7% (PY: 13.4%) | 7.6% (PY: 6.9%) | 7.3% (PY: 7.5%) | 6.8% (PY: 6.5%) | 7.0% (PY: –%) | 5.9% (PY: 5.6%) |

The recoverable amount of the CGUs has been determined using cash flow forecasts generated as of 30 September of each year based on financial forecasts approved by management.

The development of the EBITDA growth rates at Ströer Germany and Ströer Poland is primarily due to the shift in the product mix towards higher-quality advertising media and rigorous cost management. The key driver of EBITDA growth in the Digital Media Sales and Digital Content/Transactions cash-generating units is the high market growth expected from exploiting new product formats and technologies.

In this regard, the budgeted EBITDA is determined on the basis of detailed forecasts about the expected future market assumptions, income and expenses. The projected growth of EBITDA in the detailed forecast period is closely related to expected advertising investments in the advertising industry, the ongoing development of the competitive situation, the prospects of innovative advertising formats, local inflation rates, the respective prospects for the out-of-home advertising industry and the expansion investments planned by Ströer in individual segments. These expectations are primarily based on publicly available market data. With regard to the individual cash-generating units, these expectations lead to average EBITDA growth rates that are – depending on the market environment – in the mid single-digit (Ströer Germany, Ströer Poland, blowUP group, Dialog Marketing) or in the low double-digit percentage range (Ströer Turkey, Digital Media Sales, Digital Content/Transactions). In a second step, using the planned investments and working capital changes, EBITDA is transformed into a cash flow forecast. The detailed forecasts are then aggregated into financial plans and approved by management. These financial plans reflect the anticipated development in the forecast period.

For the purpose of performing an impairment test on goodwill, the fair value less costs to sell was classified as the recoverable amount (Level 3 of the fair value hierarchy). The discount rate used for the cash flow forecast was determined on the basis of market data and key performance indicators of the peer group and depends on the economic environment in which the cash flows were generated. As a result, separate interest rates for foreign CGUs were calculated on the basis of local circumstances.

The growth rate used in the terminal value (TV) is determined on the basis of long-term economic expectations and the expectations regarding the inflation trend in each market. To calculate these growth rates, information from central banks, economic research institutes and official statements by the relevant governments is gathered and evaluated.

For each non-impaired cash-generating unit, we conduct a scenario analysis to assess the effect of significant parameters on the need for impairment at the cash-generating units. This is based on the difference between the recoverable amount and the carrying amount.

As the difference between the recoverable amount and the carrying amount is high enough for all of the cash-generating units with the exception of the Ströer Turkey cash-generating unit, no scenario analysis was required in the reporting period.

## 20 Property, plant and equipment

The development of property, plant and equipment is shown in the following statement of changes in non-current assets.

| In EUR k | Land, land rights and buildings | Plant and machinery | Other plant and equipment | Property, plant and equipment (finance lease) | Prepayments made and assets under construction | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Opening balance 1 Jan 2016** | **9,197** | **30** | **444,991** | **60** | **34,153** | **488,431** |
| Change in the consolidated group | 4,776 | 1,026 | 3,795 | 0 | 196 | 9,793 |
| Additions | 42 | 284 | 45,185 | 0 | 15,066 | 60,577 |
| Reclassifications | –3 | 0 | 7,793 | 0 | –7,742 | 48 |
| Disposals | –6 | –34 | –13,585 | 0 | –894 | –14,519 |
| Exchange differences | –144 | 18 | –8,411 | –13 | –425 | –8,975 |
| **Closing balance 31 Dec 2016/ opening balance 1 Jan 2017** | **13,862** | **1,324** | **479,768** | **47** | **40,353** | **535,353** |
| Change in the consolidated group | 23 | 1 | 4,679 | 168 | 34 | 4,905 |
| Additions | 143 | 1,049 | 52,115 | 0 | 20,145 | 73,451 |
| Reclassifications | 34 | 0 | 7,944 | 0 | –7,727 | 251 |
| Disposals | –3,848 | –321 | –24,423 | 0 | –1,335 | –29,927 |
| Exchange differences | –150 | 20 | –7,796 | –18 | 27 | –7,916 |
| **Closing balance 31 Dec 2017** | **10,064** | **2,073** | **512,286** | **197** | **51,498** | **576,118** |
| **Depreciation and impairment losses/ reversals** | | | | | | |
| **Opening balance 1 Jan 2016** | **2,870** | **30** | **281,615** | **57** | **2,650** | **287,221** |
| Change in the consolidated group | –5 | 0 | –98 | 0 | 0 | –103 |
| Depreciation and impairment losses | 556 | 289 | 35,441 | 4 | 27 | 36,317 |
| Reclassifications | 0 | 0 | –296 | 0 | 296 | 0 |
| Disposals | –2 | –25 | –13,342 | 0 | 149 | –13,221 |
| Exchange differences | –123 | 18 | –5,412 | –14 | –102 | –5,633 |
| **Closing balance 31 Dec 2016/ opening balance 1 Jan 2017** | **3,296** | **312** | **297,908** | **47** | **3,019** | **304,582** |
| Change in the consolidated group | 0 | 0 | –44 | 0 | 0 | –44 |
| Depreciation and impairment losses | 1,358 | 433 | 38,788 | 33 | 651 | 41,264 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | –2,036 | –318 | –20,727 | 0 | –178 | –23,259 |
| Exchange differences | –144 | 20 | –5,234 | –15 | 87 | –5,286 |
| **Closing balance 31 Dec 2017** | **2,475** | **446** | **310,691** | **65** | **3,579** | **317,257** |
| **Carrying amount 31 Dec 2016** | **10,566** | **1,012** | **181,860** | **0** | **37,334** | **230,771** |
| **Carrying amount 31 Dec 2017** | **7,589** | **1,627** | **201,595** | **132** | **47,919** | **258,862** |

Other plant mainly includes advertising media (carrying amount for the fiscal year: EUR 177,733k; prior year: EUR 169,108k).

In the fiscal year, investment grants pursuant to the InvZulG totaling EUR 435k (prior year: EUR 95k) were accounted for as a reduction in cost.

EUR 1,102k (prior year: EUR 1,001k) was recognized as income from compensation for damage to or destruction of property, plant and equipment.

## 21 Trade receivables

Specific bad debt allowances on trade receivables developed as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Bad debt allowances at the beginning of the fiscal year** | **7,852** | **7,951** |
| Additions (recognized in profit or loss) | 4,466 | 3,186 |
| Reversals (recognized in profit or loss) | –2,189 | –1,382 |
| Utilization | –448 | –903 |
| Exchange differences | –899 | –983 |
| Change in the consolidated group | 91 | 4 |
| Other changes | 28 | –21 |
| **Bad debt allowances at the end of the fiscal year** | **8,901** | **7,852** |

General bad debt allowances on trade receivables developed as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Bad debt allowances at the beginning of the fiscal year** | **1,016** | **583** |
| Additions (recognized in profit or loss) | 330 | 414 |
| Reversals (recognized in profit or loss) | –189 | –250 |
| Utilization | –20 | –102 |
| Exchange differences | 213 | 52 |
| Change in the consolidated group | –64 | 309 |
| Other changes | 39 | 10 |
| **Bad debt allowances at the end of the fiscal year** | **1,324** | **1,016** |

Within the scope of specific bad debt allowances, write-downs were charged on trade receivables with a gross invoice value of EUR 17,913k as of the reporting date (prior year: EUR 9,651k). Net of specific bad debt allowances of EUR 8,901k (prior year: EUR 7,852k), the carrying amount of these receivables came to EUR 9,012k (prior year: EUR 1,799k) as of the reporting date.

The following table shows the carrying amounts of overdue trade receivables which have not been written down yet.

| | Overdue by | | | | |
|---|---|---|---|---|---|
| In EUR k | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | more than 180 days |
| **31 Dec 2017** | **23,321** | **6,132** | **2,607** | **3,363** | **2,813** |
| 31 Dec 2016 | 20,522 | 4,428 | 3,230 | 2,818 | 3,520 |

For trade receivables for which no bad debt allowance has been charged and which are not in default, there were no indications as of the reporting date that the debtors will not meet their payment obligations.

## 22 Other financial and non-financial assets

A breakdown of other non-current financial and non-financial assets is shown below:

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Financial assets** | | |
| Other loans | 4,170 | 2,831 |
| Other non-current financial assets | 2,477 | 2,319 |
| **Total** | **6,647** | **5,150** |
| **Non-financial assets** | | |
| Prepaid expenses | 15,229 | 8,891 |
| Miscellaneous other non-current assets | 7,442 | 8,128 |
| **Total** | **22,671** | **17,019** |

Miscellaneous other non-current (non-financial) assets mainly include capitalized transaction costs which are amortized over the term of the credit facility.

Other current financial and non-financial assets break down as follows:

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Financial assets** | | |
| Receivables from existing and former shareholders of group entities | 90 | 86 |
| Creditors with debit balances | 435 | 780 |
| Security deposits | 1,348 | 883 |
| Residual purchase price receivables from the disposal of group entities | 0 | 325 |
| Other loans | 3 | 11 |
| Other financial assets | 6,706 | 7,790 |
| **Total** | **8,582** | **9,875** |
| **Non-financial assets** | | |
| Prepaid expenses | 15,670 | 14,841 |
| Tax assets | 13,962 | 31,867 |
| Other prepayments | 1,069 | 2,941 |
| Receivables from investment grants | 153 | 153 |
| Miscellaneous other assets | 1,339 | 2,143 |
| **Total** | **32,192** | **51,945** |

Impairment of other financial assets relates to the category "Loans and receivables" and developed as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Impairment at the beginning of the reporting period** | **507** | **501** |
| Additions (recognized in profit or loss) | 1,468 | 23 |
| Reversals (recognized in profit or loss) | –8 | –3 |
| Utilization | –19 | –6 |
| Exchange differences | 0 | –8 |
| Other changes | 766 | 0 |
| **Impairment at the end of the reporting period** | **2,714** | **507** |

Specific bad debt allowances with a nominal value of EUR 3,163k were charged on financial assets as of the reporting date (prior year: EUR 518k). Net of specific bad debt allowances of EUR 2,714k (prior year: EUR 507k), the carrying amount of these receivables came to EUR 449k (prior year: EUR 11k) as of the reporting date.

The following table shows the carrying amount of overdue financial assets which have not been written down yet.

| | Overdue by | | | | |
|---|---|---|---|---|---|
| In EUR k | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | more than 180 days |
| **31 Dec 2017** | **1,887** | **4** | **1** | **3** | **57** |
| 31 Dec 2016 | 498 | 44 | 2 | 13 | 249 |

For current financial assets which have not been written down and which are not in default, there were no indications as of the reporting date that the debtors will not meet their payment obligations.

## 23 Inventories

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Raw materials, consumables and supplies | 6,436 | 5,897 |
| Finished goods and merchandise | 8,180 | 10,295 |
| Prepayments made on inventories | 907 | 756 |
| **Total** | **15,522** | **16,948** |

Inventories disclosed as expenses in the income statement amounted to EUR 14,134k in the reporting period (prior year: EUR 4,737k). The total of cost of inventories recognized in profit or loss included write-downs to the net realizable value of EUR 802k (prior year: EUR 256k).

## 24 Cash

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Bank balances | 84,905 | 64,097 |
| Cash | 78 | 57 |
| **Total** | **84,984** | **64,154** |

The bank balances include overnight money and time deposits of EUR 5,286k (prior year: EUR 2,570k). As in the prior year, the interest rates achieved approximated 0.00%.

As of the reporting date, bank balances of EUR 432k (prior year: EUR 419k) were subject to short-term restraints on disposal.

## 25 Equity

The development of the individual components of equity in the reporting period and the prior year is presented in the consolidated statement of changes in equity.

### Subscribed capital

Subscribed capital of EUR 55,282,499 existing at the time of the Company's conversion into a German partnership limited by shares (KGaA) as of 1 March 2016 was contributed by way of a change in legal form of the legal entity, formerly Ströer SE with its registered office in Cologne (HRB no. 82548).

In fiscal year 2017, the Company's subscribed capital increased by 275,486 to 55,557,985 shares as a result of stock options being exercised. As of 31 December 2017 therefore, subscribed capital is split into 55,557,985 bearer shares of no par value. They have a nominal value of EUR 1 each and are fully paid in.

The following notes are mainly taken from the articles of incorporation and bylaws of Ströer SE & Co. KGaA.

Approved capital 2014

Approved capital 2014 of EUR 18,938,495 was created by resolution of the shareholder meeting on 18 June 2014. After a portion of EUR 6,412,715 of the approved capital 2014 was exercised on 2 November 2015 by way of a capital increase in return for a non-cash contribution, approved capital 2014 now amounts to EUR 12,525,780.

Subject to the approval of the supervisory board, the general partner is authorized to increase the Company's capital stock once or several times until 17 June 2019 by a maximum of EUR 12,525,780.00 in total (in words: twelve million five hundred and twenty-five thousand seven hundred and eighty euros) by issuing up to 12,525,780 (in words: twelve million five hundred and twenty-five thousand seven hundred and eighty) new bearer shares of no par value for contributions in cash or in kind (approved capital 2014); the increase, however, may not exceed the amount and the number of shares comprising the remaining approved capital pursuant to Art. 5 (1) of the articles of incorporation of Ströer SE on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect.

The shareholders must be granted a subscription right. The legal subscription right may also be granted such that the new shares are acquired by a bank or an entity active in accordance with Sec. 53 (1) Sentence 1 or Sec. 53b (1) Sentence 1, (7) KWG ["Kreditwesengesetz": German Banking Act] subject to the requirement that they are offered indirectly to shareholders for subscription in accordance with Sec. 186 (5) AktG. However, the general partner is authorized, with the approval of the supervisory board, to exclude the shareholders' legal subscription right for one or several capital increases within the scope of approved capital

(i) in order to exclude fractional amounts from the shareholders' subscription rights;
(ii) if the capital increase is made in return for non-cash contributions, especially for – but not limited to – the purpose of acquiring entities, parts of entities or investments in entities;
(iii) if the capital increase is made in return for cash contributions and the issue price of the new shares is not significantly below the market price of shares of the same class and voting rights already listed on the stock market on the date the final issue price is determined in accordance with Sec. 203 (1) and (2) and Sec. 186 (3) Sentence 4 AktG and the portion of capital stock allocable to the new shares issued in accordance with this section (iii) subject to the exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG does not exceed 10% of the total capital stock at the time that such authorization becomes effective or is exercised. The following portions of capital stock must be credited to this maximum amount: the portion which is attributable to new or own equity instruments issued or sold since 18 June 2014 and subject to the simplified exclusion of subscription rights pursuant to or by analogy to Sec. 186 (3) Sentence 4 AktG, as well as the portion of capital stock which is attributable to shares with attaching option and/or convertible bond rights/obligations from debt securities or participation certificates issued since 18 June 2014 applying Sec. 186 (3) Sentence 4 AktG as appropriate; and/or
(iv) to the extent necessary to issue subscription rights for new shares to owners of warrants or to creditors of convertible bonds or participation certificates with conversion or option rights that are issued by the Company or those entities it controls or majority owns in the scope to which they would be entitled after exercising the option or conversion rights or after fulfillment of the conversion obligation.

The general partner decides on the content of the respective share rights, the issue price, the consideration to be paid for the new shares and the other conditions of share issue with the approval of the supervisory board.

After full or partial increase in the capital stock from approved capital or after expiry of the authorization period, the supervisory board is authorized to make any amendments to the articles of incorporation and bylaws, provided that such amendments are only to the wording.

Conditional capital 2013

The capital stock is subject to a conditional increase by a maximum of EUR 2,274,700.00 by issuing a maximum of 2,274,700 bearer shares of no par value (conditional capital 2013). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6A (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 8 August 2013, rights to bearers of stock options under the Stock Option Plan 2013. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 8 August 2013 and pursuant to the conversion resolution of the shareholder meeting on 25 September, exercise these stock options and that the Company does not settle the stock options in cash. The new shares participate in profit from the beginning of the fiscal year for which no resolution on the appropriation of the accumulated profit has been adopted by the shareholder meeting at the time of their issue. The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase unless stock options and shares are to be granted to members of the general partner's board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board is authorized to amend the articles of incorporation and bylaws to reflect the scope of the capital increase from the conditional capital 2013.

Conditional capital 2015

The capital stock is subject to a conditional increase by a maximum of EUR 2,123,445.00 by issuing a maximum of 2,123,445 bearer shares of no par value (conditional capital 2015). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6B (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 25 September 2015, rights to bearers of stock options under the Stock Option Plan 2015. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 25 September 2015 exercise these stock options and that the Company does not settle the stock options in cash. The new shares participate in profit from the beginning of the fiscal year for which no resolution on the appropriation of the accumulated profit has been adopted by the shareholder meeting at the time of their issue.

The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase unless stock options and shares are to be granted to members of the general partner's board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board is authorized to amend the articles of incorporation and bylaws to reflect the scope of the capital increase from the conditional capital 2015.

Conditional capital 2016

By resolution of the shareholder meeting of 14 June 2017, conditional capital 2016 of EUR 11,056,400.00 was cancelled with effect from the date when the conditional capital 2017 was entered in the commercial register for the Company. The cancellation was entered in the commercial register on 10 August 2017.

Conditional capital 2017
The Company's capital stock will be subject to a conditional increase by a maximum of EUR 11,056,400.00 by issuing a maximum of 11,056,400 new bearer shares of no par value (conditional capital 2017). The purpose of the conditional capital increase is to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are being issued by the Company or an investee as a result of the authorization granted by the shareholder meeting of 14 June 2017 based on item 9 of the agenda. New bearer shares of no par value are issued at a particular conversion or option price determined by the abovementioned authorization resolution. Conditional capital is only to be increased to the extent that conversion or option rights are exercised or owners/creditors who are obliged to do so fulfill their obligation to exercise their conversion rights and provided that a cash settlement is not granted or use is not made of own equity instruments or of new shares issued from approved capital. The new bearer shares of no par value participate in profit from the beginning of the fiscal year in which they result through the exercise of options or conversion rights or the fulfillment of conversion obligations. The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase.

**Capital reserves**
In fiscal year 2017, the Group's capital reserves were increased by EUR 4,664k from EUR 723,720k to EUR 728,384k. This increase is attributable to the new stock option plans launched in 2013 and 2015.

**Retained earnings**
Retained earnings contain profits that were generated in the past by entities included in the consolidated financial statements and that have not been distributed. By resolution of the shareholder meeting on 14 June 2017, EUR 5,679k from the accumulated profit for 2016 was carried forward to new account. The shareholder meeting also resolved to distribute a dividend of EUR 1.10 per qualifying share, which corresponds to a distribution of EUR 60,811k in total.

**Accumulated other comprehensive income**
Accumulated other comprehensive income includes exchange differences from the translation of foreign currency financial statements of foreign operations as well as the effects from the valuation of hedged derivative financial instruments after deduction of the deferred taxes arising thereon. The amount also includes exchange differences of EUR 4,399k (expense) (prior year: EUR 3,354k (expense)) resulting from the translation of the loans granted by Ströer SE & Co. KGaA to its foreign group entities. These loans are designated as net investments and therefore did not affect consolidated profit (including deferred taxes).

Deferred taxes on net valuation effects of hedged derivative financial instruments offset directly against equity amount to EUR 0k (prior year: EUR 0k) in total. This is due to the current absence of hedges.

**Non-controlling interests**
Non-controlling interests comprise minority interests in the equity of the consolidated entities.

**Obligation to purchase own equity instruments**
By granting put options to the non-controlling shareholders of subsidiaries, the Company has undertaken to purchase the non-controlling interest if certain contractual conditions are met. We have presented these options as a notional acquisition on the reporting date as specified in the explanations on accounting policies. Liabilities of EUR 96,506k (prior year: EUR 115,312k) have been allocated for these obligations.

**Appropriation of profit**
Profit is appropriated in accordance with German commercial and stock corporation law, which is used to calculate the accumulated profit of Ströer SE & Co. KGaA.

In fiscal year 2017, the annual financial statements of Ströer SE & Co. KGaA reported profit for the period of EUR 36,317k (prior year: EUR 36,490k) and accumulated profit of EUR 81,996k (prior year: EUR 66,490k).

**Capital management**
The objective of capital management at the Ströer Group is to ensure the continuation and growth of the Company, and maintain and build on its attractiveness to investors and market participants. In order to ensure the above, the board of management continually monitors the level and structure of borrowed capital. The borrowed capital included in the general capital management system comprises financial liabilities and other liabilities such as those disclosed in the consolidated statement of financial position. With regard to group financing through bank loans, the Ströer Group observes the external covenant of the maximum leverage ratio permitted. Key elements of the internal control system are the planning and ongoing monitoring of the adjusted operating result (operational EBITDA) as the latter is included in the determination of the applied credit margin by way of the leverage ratio. This dynamic leverage ratio is defined as the ratio of net debt to the operating result before interest, depreciation and amortization (operational EBITDA). The relevant performance indicators are submitted to the board of management for consideration as part of regular reporting. The Company comfortably remained within the permitted net debt ratio as of the closing date as well as in the prior year. See also operational EBITDA in note 32, "Segment information."

Furthermore, the board of management monitors the Group's equity ratio. The equity used as a basis for determining the equity ratio corresponds to the equity disclosed in the statement of financial position including non-controlling interests.

Equity is also monitored by the individual entities within the scope of monitoring compliance with the minimum capital requirements to avert insolvency proceedings due to overindebtedness. The equity monitored in this context corresponds to the equity disclosed according to German law.

There were no other changes to the capital management strategy against the prior year.

## 26 Pension provisions and similar obligations

The major pension plans in place are defined benefit plans in Germany, where the pension obligation either depends on the remuneration of the employee in question upon reaching retirement age, or is based on a fixed commitment. As the actuarial gains and losses are recognized immediately in equity, the present value of the benefit obligation less plan assets corresponds to the pension provision disclosed in the statement of financial position.

Provisions for pensions and similar obligations break down as follows:

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Present value of the benefit obligation as of 1 Jan | 39,249 | 36,740 |
| Current service cost | 1,763 | 1,329 |
| Past service cost | 0 | 0 |
| Net interest expense | 692 | 664 |
| Actuarial gains (–)/losses (+) | 385 | 1,850 |
| Benefits paid | –2,219 | –1,780 |
| Change in the consolidated group | 0 | 0 |
| Exchange differences | –96 | –30 |
| Other changes | –47 | 476 |
| **Present value of the benefit obligation as of 31 Dec/carrying amount** | **39,727** | **39,249** |

In the fiscal year, actuarial losses of EUR 385k were recognized directly in equity (prior year: EUR 1,850k).This development is chiefly attributable to a slight year-on-year decrease in the discount rate.

There were no curtailments in the fiscal year.

Sensitivities were calculated with half of a percentage point above and below the interest rate used. Raising the interest rate by 0.5 percentage points would decrease the present value of the benefit obligation by EUR 2,428k (prior year: EUR 2,455k) while lowering the interest rate by 0.5 percentage points would increase the benefit obligation by EUR 2,692k (prior year: EUR 2,714k) as of the reporting date.

In addition to a change in the interest rate, the pension trend was identified as a significant factor influencing the present value of the benefit obligation. Raising the pension trend by 0.5 percentage points would increase the present value of the benefit obligation by EUR 1,211k (prior year: EUR 1,293k) while lowering the pension trend by 0.5 percentage points would decrease the benefit obligation by EUR 1,121k (prior year: EUR 1,195k) as of the reporting date.

The present value of the pension benefits was calculated using the following assumptions:

| Group (in %) | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Interest rate | 1.90 | 1.80 |
| Pension trend | 1.00 | 1.00 |
| Salary trend | 2.00 | 2.00 |
| Employee turnover | 1.00 | 1.00 |

The components of the cost of retirement benefits recognized in profit or loss are presented below:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Interest expense | 692 | 664 |
| Current service cost and other changes | 1,716 | 1,805 |
| **Net defined benefit costs** | **2,408** | **2,469** |
| Expenses for statutory pension contributions (defined contribution) | 17,141 | 13,912 |
| **Total benefit expenses** | **19,549** | **16,381** |

Interest expense from pension obligations is included in the interest result, current service cost is included in personnel expenses. Actuarial gains and losses are recognized immediately in equity.

Cumulative actuarial gains (+) and losses (–) recognized directly in equity amounted to EUR –4,557k after taxes at the reporting date (prior year: EUR –4,779k).

The present values of the benefit obligations and actuarial gains and losses break down as follows:

| In EUR k | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2013 |
|---|---|---|---|---|---|
| **Present value of the shortfall** | **39,727** | **39,249** | **36,740** | **27,025** | **23,856** |
| **Gain/loss for the period from** | | | | | |
| Experience adjustments on plan liabilities | 69 | 653 | –105 | –196 | –258 |
| Adjustments to actuarial assumptions | 316 | 1,197 | –1,153 | 4,191 | 819 |

## 27 Other provisions

Provisions developed as follows in the fiscal year:

| In EUR k | 1 Jan 2017 | Exchange differences | Change in the consolidated group | Allocation | Effects from unwinding the discount and changes in interest rates | Utilization | Reversal | Reclassification | 31 Dec 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Restoration obligations | 22,646 | 82 | 0 | 3,702 | 192 | –2,744 | –724 | 0 | 23,154 |
| thereof non-current | 16,893 | | | | | | | | 17,217 |
| Personnel | 32,026 | –36 | 3,323 | 23,312 | 7 | –27,027 | –3,527 | 0 | 28,078 |
| thereof non-current | 3,496 | | | | | | | | 5,561 |
| Miscellaneous | 24,363 | –197 | 6,016 | 22,556 | –1 | –23,168 | –1,195 | 157 | 28,531 |
| thereof non-current | 5,055 | | | | | | | | 4,650 |
| **Total** | **79,035** | **–151** | **9,339** | **49,570** | **198** | **–52,939** | **–5,446** | **157** | **79,763** |

The personnel provisions include management board and employee bonuses as well as severance payments. They also include provisions for restructuring measures of EUR 1,133k (prior year: EUR 9,340k).

The provision for restoration obligations is based on the anticipated costs of restoration. The provision was discounted using an interest rate of 0.87% (prior year: 0.62%).

Miscellaneous other provisions include, among other things, provisions for restructuring measures of EUR 366k (prior year: EUR 3,380k).

## 28 Financial liabilities

Non-current financial liabilities break down as follows:

| In EUR k | Carrying amount 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Loan liabilities | 496,343 | 356,036 |
| Obligation to purchase own equity instruments | 90,284 | 84,503 |
| Liabilities from business acquisitions | 13,075 | 14,087 |
| Other financial liabilities | 553 | 320 |
| **Total** | **600,254** | **454,946** |

Ströer SE & Co. KGaA placed a note loan with a volume of EUR 145.0m on the capital market in June 2016. The loan has several tranches with terms of five and seven years. A volume of EUR 131.0m bears interest at the EURIBOR plus a variable margin that ranges between 100 and 110 basis points (bp). Interest on the remaining EUR 14.0m is fixed and ranges between 100 and 130bp.

In December 2016, Ströer SE & Co. KGaA agreed on a new credit facility of EUR 600.0m with a banking syndicate comprising selected German and foreign financial institutions, with the option to extend the volume by a further EUR 100.0m, if required. This new facility replaced the previous financing. The term of the new financing was originally agreed for five years up to December 2021, with the option to extend the term by an additional year at both the end of the first and the second year. In November 2017, the first extension until December 2022 was agreed with the participating banks. The total volume of EUR 600.0m is structured as a flexible revolving facility. The credit facility bears interest at the EURIBOR plus a variable margin that now ranges between 65 and 160bp (prior year: 95 and 215bp).

Ströer SE & Co. KGaA also placed a note loan with a volume of EUR 350.0m on the capital market in October 2017. The individual tranches largely have terms of five and seven years. A volume of EUR 157.0m bears interest at the EURIBOR plus a variable margin that ranges between 65 and 90bp. Interest on the remaining EUR 193.0m is fixed and ranges between 65 and 140bp.

The provision of the financing gave rise to transaction costs totaling EUR 755k in 2017 (prior year: EUR 2,623k) which are released over the term of the loan. See note 22 for more details.

Current financial liabilities break down as follows:

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Liabilities from business acquisitions | 2,928 | 4,794 |
| Obligation to purchase own equity instruments | 6,222 | 30,809 |
| Current account liabilities | 880 | 5,460 |
| Debtors with credit balances | 15,206 | 11,743 |
| Interest liabilities | 772 | 292 |
| Finance lease liabilities | 173 | 0 |
| Loan liabilities | 6,200 | 6,742 |
| Other current financial liabilities | 12,169 | 3,007 |
| **Total** | **44,550** | **62,849** |

Other current financial liabilities include, among other things, liabilities to non-controlling interests of EUR 5.3m which had to be accounted for as settlement claims within the scope of profit and loss transfer agreements.

See note 6 for more information on liabilities from business combinations.

## 29 Trade payables

Current trade payables break down as follows:

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Trade payables | 141,703 | 154,579 |
| Deferred liabilities from outstanding invoices | 73,348 | 68,483 |
| **Total** | **215,051** | **223,062** |

## 30 Other liabilities

Other current financial liabilities break down as follows:

| In EUR k | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Liabilities from other taxes | 30,743 | 35,256 |
| Deferred contributions | 51,357 | 53,510 |
| Miscellaneous other liabilities | 18,205 | 9,365 |
| **Total** | **100,305** | **98,131** |

# OTHER NOTES

## 31 Notes to the statement of cash flows

The statement of cash flows has been prepared in accordance with IAS 7, "Statement of Cash Flows," and shows the cash flows of the fiscal year broken down by cash flows from operating, investing and financing activities.

Cash flows from operating activities are presented using the indirect method by deducting non-cash transactions from profit or loss for the period in accordance with IAS 7. Furthermore, items which are attributable to cash flows from investing or financing activities are eliminated. The starting point for cash flows from operating activities is consolidated profit or loss, which is then reduced by the financial result and tax result in a second step. Cash flows from operating activities include, among other things, cash received from distributions by associates and joint ventures. As in the prior year, however, cash flows from operating activities do not include any other dividends received.

Besides the amounts contained in the cash flows from investing activities, in the fiscal year, as in the prior year, no significant transactions were concluded within the meaning of IAS 7.43 as non-cash transactions that led to an increase in non-current assets without resulting in cash flows in the reporting period.

Cash consists of the cash and cash equivalents disclosed in the statement of financial position. Cash comprises cash on hand and bank balances.

The following table shows the cash and non-cash changes in financial liabilities:

## 32 Segment information

### Reporting by operating segment

The Ströer Group has bundled its business into three segments which operate independently on the market in close cooperation with the group holding company Ströer SE & Co. KGaA. The three segments are Ströer Digital, OOH Germany and OOH International. The newly acquired Avedo and Ranger groups active in dialog marketing were included in the Ströer Digital segment in 2017.

Segment reporting follows the management approach under IFRS 8 according to which external segment reporting should follow the internal reporting structure. The internal reporting structure of the Ströer Group is based on the concept of proportionate consolidation of joint ventures. As a result, despite the new provisions under IFRS 11, 50.0% of the four joint ventures' earnings contributions are included in all segment figures as in the past. In contrast to the presentation in the income statement, they are not presented as a single net line item according to the equity method.

| | | | Non-cash change | | | |
|---|---|---|---|---|---|---|
| **In EUR m** | **1 Jan 2017** | **Cash change** | **Change in basis of consolidation** | **Change in fair value** | **Other** | **31 Dec 2017** |
| Non-current liabilities to banks | 356.0 | 140.1 | 0.0 | 0.1 | 0.0 | **496.3** |
| Current liabilities to banks | 5.5 | –5.9 | 1.4 | 0.0 | 0.0 | **0.9** |
| Obligation to purchase own equity instruments | 115.3 | –24.7 | 8.2 | –2.4 | 0.0 | **96.5** |
| Other financial liabilities | 41.0 | –34.9 | 25.6 | –4.9 | 24.2 | **51.1** |
| **Total financial liabilities** | **517.8** | **74.7** | **35.1** | **–7.1** | **24.2** | **644.8** |

**2017**

| In EUR k | Ströer Digital | OOH Germany | OOH International | Reconciliation | Equity method reconciliation | Group value |
|---|---|---|---|---|---|---|
| External revenue | 704,093 | 527,004 | 113,956 | 0 | –14,021 | **1,331,033** |
| Internal revenue | 6,091 | 11,696 | 206 | –17,992 | 0 | **0** |
| Segment revenue | 710,184 | 538,700 | 114,162 | –17,992 | –14,021 | **1,331,033** |
| Operational EBITDA | 186,694 | 151,309 | 16,530 | –23,381 | 0 | **331,151** |
| Amortization, depreciation and impairment | 95,404 | 56,465 | 15,840 | 7,297 | –1,988 | **173,018** |
| Impairment losses | 0 | 0 | 10,484 | 0 | 0 | **10,484** |
| Interest income | 693 | 653 | 67 | –79 | 0 | **1,334** |
| Interest expenses | 3,275 | 778 | 1,155 | 2,377 | –18 | **7,567** |
| Income taxes | 3,045 | –977 | –17 | –24,052 | 2,989 | **–19,011** |

**2016**

| In EUR k | Ströer Digital | OOH Germany | OOH International | Reconciliation | Equity method reconciliation | Group value |
|---|---|---|---|---|---|---|
| External revenue | 509,586 | 490,355 | 135,207 | 0 | –11,891 | **1,123,257** |
| Internal revenue | 5,234 | 10,804 | 390 | –16,428 | 0 | **0** |
| Segment revenue | 514,820 | 501,159 | 135,598 | –16,428 | –11,891 | **1,123,257** |
| Operational EBITDA | 145,397 | 137,093 | 21,229 | –20,959 | 0 | **282,760** |
| Amortization, depreciation and impairment | 76,627 | 51,887 | 21,347 | 8,161 | –1,882 | **156,140** |
| Impairment losses | 0 | 0 | 10,102 | 0 | 0 | **10,102** |
| Interest income | 662 | 346 | 72 | –259 | –1 | **820** |
| Interest expenses | 3,843 | 4,623 | 1,025 | 608 | –7 | **10,092** |
| Income taxes | 2,060 | 439 | –4,960 | –8,446 | 2,386 | **–8,520** |

Ströer Digital
The Ströer Digital segment comprises the Group's entire operations relating to the commercialization of digital advertising, including the public video business, the subscription and e-commerce business operations as well as dialog marketing which was added to the product portfolio in 2017.

Out-of-Home Germany (OOH Germany)
The Ströer Germany segment comprises the Group's entire German operations in the large formats, street furniture, transport and other business.

Out-of-Home International (OOH International)
This segment comprises all of the operations of Ströer Turkey and Ströer Poland in addition to the giant poster business of the blowUP group.

Internal control and reporting is based on the IFRS accounting principles described in note 1, "General."

Intersegment income is calculated using prices on an arm's length basis.

In the revenue item, the reconciliation of revenue from all segments to the Group's revenue only includes effects from consolidation.

The Group measures the performance of its segments, among other things, by their internally defined "operational EBITDA." From the board of management's perspective, this indicator provides the most appropriate information to assess each individual segment's economic performance.

The segment performance indicator operational EBITDA comprises the sum total of gross profit, selling and administrative expenses and the other operating result (other operating income less other operating expenses), in each case before amortization, depreciation and impairment, less certain adjustment effects.

The Group has defined gains and losses from changes in the investment portfolio (e.g., due diligence transaction costs, legal advice, notarial certifications, purchase price allocations), reorganization and restructuring measures (e.g., costs for integrating entities and operations, adjustments for exceptional items from material restructuring and from performance improvement programs), capital measures (e.g., material fees for amending and adjusting loan agreements including external consulting fees) and other effects (e.g., costs for potential legal disputes, currency effects) as adjustment effects.

Adjustment effects are broken down into individual classes in the table below:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Gains and losses from changes in the investment portfolio | –4,691 | –8,047 |
| Gains and losses from capital measures | 25 | 86 |
| Reorganization and restructuring expenses | 19,231 | 32,600 |
| Other adjustment effects | 1,286 | 2,120 |
| **Total** | **15,852** | **26,758** |

Gains and losses from changes in the investment portfolio comprise the result from adjustments to earn-out liabilities of EUR 5,341k (prior year: EUR 12,990k) and income from the sale of ApDG Handels- und Dienstleistungsgesellschaft mbH (Vitalsana) of EUR 12,046k. The reduction in reorganization and restructuring expenses largely reflects the expenses reported in the prior year for restructuring provisions (EUR 12,720k) due to the relocation of Ströer Digital Publishing GmbH. However, other reorganization expenses in various areas as a result of the growth strategy remained at the prior-year level.

The reconciliation from segment to group values contains information on group units that do not meet the definition of a segment ("reconciliation items"). They mainly relate to all costs for central functions such as the board of management, corporate communication, accounting, controlling, less their income from services rendered.

The following table shows the reconciliation of the segment performance indicator to the figures included in the consolidated financial statements:

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Total segment results (operational EBITDA)** | **354,532** | **303,720** |
| Reconciliation items | –23,381 | –20,959 |
| **Group operational EBITDA** | **331,151** | **282,760** |
| Adjustment effects (exceptional items) | –15,852 | –26,758 |
| Adjustment effects (IFRS 11) | –5,117 | –4,418 |
| **EBITDA** | **310,183** | **251,584** |
| Amortization, depreciation and impairment | –173,018 | –156,140 |
| Impairment of Goodwill | –10,484 | –10,102 |
| Financial result | –8,910 | –10,011 |
| **Consolidated earnings before income taxes** | **117,771** | **75,332** |

### Reporting by geographical location

Revenue and non-current assets are allocated according to the location principle (i.e., the geographical location of the revenue-generating Ströer entity).

**2017**

| In EUR k | Germany | Turkey | Rest of world | Equity method reconciliation | Group value |
|---|---|---|---|---|---|
| External revenue | 1,156,783 | 63,482 | 124,789 | –14,021 | **1,331,033** |
| Non-current assets (IFRS 8) | 1,418,042 | 35,644 | 66,915 | 3,045 | **1,523,646** |

**2016**

| In EUR k | Germany | Turkey | Rest of world | Equity method reconciliation | Group value |
|---|---|---|---|---|---|
| External revenue | 960,422 | 87,888 | 86,838 | –11,891 | **1,123,257** |
| Non-current assets (IFRS 8) | 1,290,168 | 62,659 | 65,334 | 4,378 | **1,422,539** |

### Reporting by product group

The Group has defined seven product groups on the basis of the products and services it provides.

**2017**

| In EUR k | Large formats | Street furniture | Transport | Display | Video | Trans-actional | Other | Equity method reconciliation | Group value |
|---|---|---|---|---|---|---|---|---|---|
| External revenue | 329,309 | 168,880 | 62,483 | 281,083 | 128,810 | 313,122 | 61,367 | –14,021 | **1,331,033** |

**2016**

| In EUR k | Large formats | Street furniture | Transport | Display | Video | Trans-actional | Other | Equity method reconciliation | Group value |
|---|---|---|---|---|---|---|---|---|---|
| External revenue | 341,416 | 160,444 | 61,069 | 262,956 | 109,355 | 147,536 | 52,373 | –11,891 | **1,123,257** |

Large formats
The large formats product group largely includes the large-format advertising media of up to 9m² and above which are predominantly found at prominent locations (e.g., arterial roads, squares and public buildings). In addition, this product group comprises the products from the giant poster business.

Street Furniture
The street furniture product group mainly comprises standardized small-format advertising media no larger than 2m² which blend into the urban environment.

Transport
The advertising media in this product group include advertisements in or on public transport vehicles and product solutions for specific use at airports and train stations.

Display
The display product group includes all income from the commercialization of advertising on desktops and on mobile devices.

Video
This product group comprises all income from the commercialization of video advertising. Its media inventory includes online videos and public videos.

Transactional
This product group comprises all income from the subscription and e-commerce business as well as all income from the newly acquired Avedo and Rangers groups active in dialog marketing.

Other
This product group comprises, in particular, all income from promotional and event media as well as the production and procurement of advertising media within the scope of our full service solution for customers.

In the fiscal year, no single end customer accounted for 10% or more of our total revenue.

## 33 Other notes pursuant to IFRS 7 and IFRS 13 on financial risk management and financial instruments

### Financial risk management and derivative financial instruments

In the course of its operating activities, the Group is exposed in the area of finance to credit, liquidity and market risks. The market risks mainly relate to interest rate and exchange rate changes.

Credit risk
The credit risk is related to the deterioration of the economic situation of Ströer's customers and counterparties. This brings about the risk of a partial or full default on contractually agreed payments as well as the risk of credit-related impairment losses on financial assets. Excluding securities, the maximum risk of default equates to the carrying amount.

Credit risks mainly result from trade receivables. To manage the credit risk, the receivables portfolio is monitored on an ongoing basis. Customers intending to enter into transactions with large business volumes undergo a creditworthiness check beforehand; credit risk is at a level customary for the industry. Bad debt allowances are charged to account for the residual risk. The Ströer Group is exposed to a lesser extent to credit risks arising from other financial assets.

As part of the risk management process, the functional departments regularly analyze whether in particular credit risk concentrations have arisen from the build-up of receivables with comparable features. The Group has defined similar features as a high amount of receivables accumulated against a single debtor or group of related debtors. As of the reporting date of 31 December 2017, no such risk concentrations involving significant amounts were evident.

Interest rate risk
The Ströer Group is mainly exposed to interest rate risks in connection with non-current floating-rate financial liabilities and existing cash and cash equivalents. Financial liabilities amounting to EUR 207.0m bear a fixed rate of interest. The remaining financial liabilities bear a floating rate of interest. The interest rate trend is monitored regularly to enable a swift response to changes. Hedging measures are coordinated and executed centrally. As in the prior year, there are no interest rate hedges in a hedge relationship.

In fiscal year 2017, as in the prior year, no remeasurement gains on interest rate swaps were taken to equity.

The sensitivity analysis of the interest rate risk shows the effect of an upward shift in the yield curve by 100bp and a downward shift by 10bp, ceteris paribus, on the profit or loss for the period. The yield curve was only shifted down 10bp as the Group believes that this decrease corresponds to the maximum interest rate risk arising from the current low interest rate level. The analysis relates to floating-rate financial liabilities and existing cash and cash equivalents. The results are summarized in the table below:

| | 31 Dec 2017 | | 31 Dec 2016 | |
|---|---|---|---|---|
| **In EUR k** | **+100bp** | **–10bp** | **+100bp** | **–10bp** |
| Change in profit or loss for the period | –2,064 | 206 | –2,580 | 258 |

Currency risk
Following the designation of intragroup loans granted to subsidiaries in Turkey as a net investment as defined by IAS 21, with the exception of the translation of the operating results of foreign segments into euros, currency risk is of minor significance for the Ströer Group. The functional currency of the foreign operations is the local currency.

Currency risks arising on monetary financial instruments that are not denominated in the functional currencies of the individual Ströer group entities were included in the sensitivity analysis. Effects from the translation of foreign currency financial statements of foreign operations into the group reporting currency (euro) are not included in the sensitivity analysis in accordance with IFRS 7.

A 10% increase/decrease in the value of the euro against the Turkish lira as of 31 December 2017 would decrease/increase the profit or loss for the period by EUR 281k (prior year: EUR 933k). A 10% increase/decrease in the value of the euro against the Polish zloty would decrease/increase the profit or loss for the period by EUR 616k (prior year: EUR 961k). The effect on profit or loss for the period of all other currencies in the Group is not significant as of 31 December 2017. The designation of the euro-denominated loans as a net investment in a foreign operation (IAS 21) was considered in this analysis, which was performed on the assumption that all other variables, in particular interest rates, remain unchanged and is based on the foreign currency positions as of the reporting date.

Liquidity risk
The liquidity risk is defined as the risk that Ströer SE & Co. KGaA will not have sufficient funds to settle its payment obligations. The liquidity risk is countered through systematic liquidity management. A liquidity forecast for a fixed planning horizon and the unutilized credit lines in place ensure that the Group has adequate liquidity at all times. The following table shows the liquidity situation and the contractual maturity dates for the payments due under financial liabilities as of 31 December 2017:

**Contractual maturity of financial liabilities including interest payments as of 31 Dec 2017**

| In EUR k | Carrying amount | Up to 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Financial liabilities[1] | 548,292 | 44,030 | 41,685 | 354,955 | 134,499 | **575,169** |
| Trade payables | 215,051 | 215,051 | 0 | 0 | 0 | **215,051** |
| Obligation to purchase own equity instruments | 96,506 | 6,222 | 85,224 | 4,073 | 987 | **96,506** |
| **Total** | **859,849** | **265,303** | **126,909** | **359,028** | **135,486** | **886,726** |

**Contractual maturity of financial liabilities including interest payments as of 31 Dec 2016**

| In EUR k | Carrying amount | Up to 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Financial liabilities[1] | 402,481 | 35,331 | 19,698 | 346,291 | 18,522 | **419,842** |
| Trade payables | 223,062 | 223,062 | 0 | 0 | 0 | **223,062** |
| Obligation to purchase own equity instruments | 115,312 | 30,809 | 74,194 | 10,308 | 0 | **115,312** |
| **Total** | **740,855** | **289,202** | **93,892** | **356,599** | **18,522** | **758,216** |

[1] Excluding the obligation to purchase own equity instruments

## Additional disclosures on financial instruments

The following table presents the carrying amount and fair value of the financial instruments included in the individual items of the statement of financial position, broken down by class and measurement category according to IAS 39.

| | | | Carrying amount pursuant to IAS 39 | | | |
|---|---|---|---|---|---|---|
| In EUR k | Measurement category pursuant to IAS 39 | Carrying amount as of 31 Dec 2017 | Amortized cost | Fair value recognized directly in equity | Fair value recognized through profit and loss | Fair value as of 31 Dec 2017 |
| **Assets** | | | | | | |
| Cash | L&R | 84,984 | 84,984 | | | 84,984 |
| Trade receivables | L&R | 179,203 | 179,203 | | | 179,203 |
| Other non-current financial assets | L&R | 6,647 | 6,647 | | | 6,647 |
| Other current financial assets | L&R | 8,582 | 8,582 | | | 8,582 |
| Available-for-sale financial assets | AFS | 805 | 805 | | | n.a. |
| **Equity and liabilities** | | | | | | |
| Trade payables | AC | 215,051 | 215,051 | | | 215,051 |
| Non-current financial liabilities[2] | AC | 509,964 | 497,256 | | 12,708[1] | 509,964 |
| Current financial liabilities[2] | AC | 38,328 | 35,688 | | 2,640[1] | 38,328 |
| Obligation to purchase own equity instruments | AC | 96,506 | 0 | 96,506 | 0 | 96,506 |
| **Thereof aggregated by measurement category pursuant to IAS 39:** | | | | | | |
| Loans and receivables (L&R) | | 279,415 | 279,415 | | | 279,415 |
| Available-for-sale financial assets (AFS) | | 805 | 805 | | | n.a. |
| Financial liabilities carried at amortized cost (AC) | | 859,849 | 747,995 | 96,506 | 15,348[1] | 859,849 |
| Financial assets at fair value through profit or loss (FVTPL) | | 0 | | | 0 | 0 |

[1] Earn-out liabilities (Level 3)
[2] Excluding the obligation to purchase own equity instruments

| In EUR k | Measurement category pursuant to IAS 39 | Carrying amount as of 31 Dec 2016 | Carrying amount pursuant to IAS 39: Amortized cost | Fair value recognized directly in equity | Fair value recognized through profit and loss | Fair value as of 31 Dec 2016 |
|---|---|---|---|---|---|---|
| | | | | | | |
| **Assets** | | | | | | |
| Cash | L&R | 64,154 | 64,154 | | | 64,154 |
| Trade receivables | L&R | 135,879 | 135,879 | | | 135,879 |
| Other non-current financial assets | L&R | 5,150 | 5,150 | | | 5,150 |
| Other current financial assets | L&R | 9,875 | 9,875 | | | 9,875 |
| Available-for-sale financial assets | AFS | 578 | 578 | | | n.a. |
| | | | | | | |
| **Equity and liabilities** | | | | | | |
| Trade payables | AC | 223,062 | 223,062 | | | 223,062 |
| Non-current financial liabilities[2] | AC | 370,441 | 356,791 | | 13,650[1] | 370,441 |
| Current financial liabilities[2] | AC | 32,040 | 27,778 | | 4,262[1] | 32,040 |
| Obligation to purchase own equity instruments | AC | 115,312 | 0 | 115,312 | 0 | 115,312 |
| | | | | | | |
| **Thereof aggregated by measurement category pursuant to IAS 39:** | | | | | | |
| Loans and receivables (L&R) | | 215,059 | 215,059 | | | 215,059 |
| Available-for-sale financial assets (AFS) | | 578 | 578 | | | n.a. |
| Financial liabilities carried at amortized cost (AC) | | 740,855 | 607,631 | 115,312 | 17,912[1] | 740,855 |
| Financial assets at fair value through profit or loss (FVTPL) | | 0 | | | 0 | 0 |

[1] Earn-out liabilities (Level 3)
[2] Excluding the obligation to purchase own equity instruments

Due to the short terms of cash and cash equivalents, trade receivables, trade payables, other financial assets and current financial liabilities, it is assumed that the fair values correspond to the carrying amounts.

The fair values of the liabilities to banks included in non-current financial liabilities are calculated as the present values of the estimated future cash flows taking into account Ströer's own credit risk (Level 2 fair values). Market interest rates for the relevant maturity date are used for discounting. It is therefore assumed as of the reporting date that the carrying amount of the non-current financial liabilities is equal to the fair value.

The fair value hierarchy levels and their application to the Group's assets and liabilities are described below:

Level 1: Listed market prices are available in active markets for identical assets or liabilities.

Level 2: Quoted or market prices for similar financial instruments on an active market or for identical or similar financial instruments on a market that is not active or inputs other than quoted prices that are based on observable market data.

Level 3: Valuation techniques that use inputs which are not based on observable market data.

Changes in the assessment of the level to be used for measuring the assets and liabilities are made at the time any new facts are established. At present, derivative financial instruments are measured at fair value in the consolidated financial statements and are all classified as Level 2.

**Purchase price liabilities from business acquisitions and put options**

Additionally, there are contingent purchase price liabilities from acquisitions as well as put options for shares in various group entities that are each classified as Level 3. These liabilities – which are tied to contractually agreed conditions – are remeasured as financial liabilities at fair value as of the reporting date on the basis of the measurement model laid down in the contract. The fair values of liabilities from contingent purchase price payments or relating to the acquisition of non-controlling interests are determined on the basis of discounted cash flows using unobservable inputs. The valuation model includes the EBITDA figures forecast for the interests concerned (which are probability-weighted in individual cases) as well as risk-adjusted interest rates in line with the underlying terms. The EBITDA figures result from the respective short and medium-term business planning and are estimated and, if appropriate, adjusted on a quarterly basis. The following table shows the changes in the liabilities classified as Level 3:

| In EUR k | 1 Jan 2017 | Additions | Remeasurements | Disposals | 31 Dec 2017 |
|---|---|---|---|---|---|
| Contingent purchase price liabilities | 17,912 | 6,617 | –5,340 | –3,842 | **15,348** |
| Liabilities from the acquisition of own equity instruments | 115,312 | 8,227 | –2,377 | –24,657 | **96,506** |

| In EUR k | 1 Jan 2016 | Additions | Remeasurements | Disposals | 31 Dec 2016 |
|---|---|---|---|---|---|
| Contingent purchase price liabilities | 8,230 | 25,470 | –12,990 | –2,798 | **17,912** |
| Liabilities from the acquisition of own equity instruments | 56,518 | 49,691 | 14,188 | –5,084 | **115,312** |

The remeasurement of the contingent purchase price liabilities led to expenses of EUR 2.2m (prior year: EUR 0.0m) that are reported in other operating expenses as well income of EUR 7.5m (prior year: EUR 13.0m) that are reported in other operating income. As in the prior year, interest expenses from write-ups amounted to EUR 0.0m.

The valuation models are sensitive to the amount of the forecast and actual EBITDA figures. For example, if the respective EBITDA increased by 20% (or decreased by 20%), the fair values of the contingent purchase price liabilities would increase by EUR 1.1m (prior year: EUR 1.7m) (or decrease by EUR 2.2m (prior year: EUR 10.8m)). Liabilities from put options would rise by EUR 11.4m (prior year: EUR 20.1m) or fall by EUR 16.2m (prior year: EUR 20.1m). The valuation models are also sensitive to the discount rates used. However, due to the predominantly short terms, if the discount rate increased or decreased by 100 basis points, there would only be a marginal change in the liabilities. This also applies to the prior-year amounts.

The following table shows the net gains and losses on financial instruments in the income statement, broken down by measurement category according to IAS 39 (excluding derivative financial instruments which are part of a hedge):

| In EUR k | 2017 | 2016 |
|---|---|---|
| Loans and receivables | –7,208 | –2,727 |
| Financial liabilities measured at amortized cost | –5,295 | –369 |

Net gains and losses on loans and receivables include the impairment losses (EUR 6,891k; prior year: EUR 3,063k), write-ups and exchange differences.

Net gains and losses on financial liabilities measured at amortized cost include effects from exchange differences and the unwinding of the discount on loans.

The total interest income for financial assets or financial liabilities that are not at fair value through profit or loss came to EUR 1,334k in the fiscal year (prior year: EUR 820k). The total interest expense for financial assets or financial liabilities that are not at fair value through profit or loss came to EUR 6,968k in the fiscal year (prior year: EUR 8,843k).

## 34 Contingent liabilities and other financial obligations

### Contingent liabilities

Guarantees and liabilities similar to guarantees amounted to EUR 18,380k as of 31 December 2017 (prior year: EUR 17,137k) and chiefly related to liabilities from a contract for services with Telekom Deutschland GmbH and collateral for bank loans.

The nature of the underlying legal transactions gives rise to uncertainty with regard to the amount and due date of the figures stated. The figures stated thus represent maximum amounts.

### Financial obligations

There are other financial obligations from the following contractual obligations, which are shown by maturity as of the reporting date below:

| 31 Dec 2017 | | thereof due in | | |
|---|---|---|---|---|
| In EUR k | Total amount | up to 1 year | 1 to 5 years | more than 5 years |
| Minimum leases | **1,045,339** | 110,723 | 430,672 | 503,944 |
| Site leases | **215,722** | 44,452 | 151,360 | 19,910 |
| Investment obligations | **26,835** | 17,786 | 8,086 | 964 |
| Other rental and lease obligations | **156,585** | 30,130 | 98,115 | 28,341 |
| Maintenance services | **853** | 527 | 326 | 0 |
| Miscellaneous other financial obligations | **10,893** | 9,345 | 1,548 | 0 |

In the prior year, obligations broke down as follows:

| 31 Dec 2016 | | thereof due in | | |
|---|---|---|---|---|
| In EUR k | Total amount | up to 1 year | 1 to 5 years | more than 5 years |
| Minimum leases | **591,630** | 94,455 | 327,689 | 169,486 |
| Site leases | **333,732** | 64,338 | 252,476 | 16,918 |
| Investment obligations | **36,524** | 19,411 | 15,476 | 1,637 |
| Other rental and lease obligations | **53,346** | 15,975 | 28,555 | 8,816 |
| Maintenance services | **1,282** | 589 | 693 | 0 |
| Miscellaneous other financial obligations | **11,447** | 11,365 | 82 | 0 |

The increase in minimum leases is largely due to the extension of advertising concessions. The other lease obligations also rose in connection with the first-time consolidation of the newly acquired operations and within the scope of the long-term lease on offices at several locations.

## 35 Related parties

The board of management and supervisory board as well as their close family members are deemed related parties. Besides the entities included in the consolidated financial statements, related parties include in particular those entities in which related parties hold a controlling position alone or jointly with others.

All transactions with related parties were conducted at arm's length in the fiscal year.

The following transactions were conducted between the Ströer Group and related parties in fiscal year 2017:

Udo Müller is a shareholder of Ströer SE & Co. KGaA as well as the president and CEO of Ströer Management SE, Düsseldorf, which is the general partner of Ströer SE & Co. KGaA. Furthermore, he holds shares in entities from which the Ströer Group procured services of EUR 4k in the fiscal year (prior year: EUR 0k). Dirk Ströer is a shareholder and member of the supervisory board of Ströer SE & Co. KGaA. He also holds shares in entities with which business transactions were conducted in the fiscal year, largely involving the commercialization of advertising media, the award of advertising concessions and the leasing of buildings. The expenses incurred for the services received in the fiscal year amounted to EUR 29,808k (prior year: EUR 26,716k) and the income generated to EUR 6,814k (prior year: EUR 7,702k). The receivables and liabilities resulting from this trade came to EUR 510k (prior year: EUR 374k) and EUR 1,642k (prior year: EUR 23,976k), respectively, as of 31 December 2017.

Ströer SE & Co. KGaA has a business relationship with Deutsche Telekom AG. In addition, Ströer SE & Co. KGaA has been an associated company of Deutsche Telekom AG since 2 November 2015. The services received from this business relationship in fiscal year 2017 amounted to EUR 7,909k (prior year: EUR 12,916k) and the income generated to EUR 18,699k (prior year: EUR 3,018k). As of 31 December 2017, these services led to receivables of EUR 519k (prior year: EUR 664k) and liabilities of EUR 613k (prior year: EUR 1,091k).

Ströer SE & Co. KGaA distributed a dividend totaling EUR 60,811k in the fiscal year. Udo Müller and Dirk Ströer participated in this distribution to the extent of the interests held by them.

Ströer Management SE, which is the general partner of Ströer SE & Co. KGaA, provides key management personnel services to Ströer SE & Co. KGaA. The services received from this business relationship in 2017 amounted to EUR 274k (prior year: EUR 291k) and the income generated to EUR 32k (prior year: EUR 27k). These services led to liabilities of EUR 169k as of 31 December 2017 (prior year: EUR 112k).

The services received in the fiscal year from business relationships with equity method investees amounted to EUR 10,275k (prior year: EUR 5,973k) and the income generated to EUR 6,044k (prior year: EUR 1,508k). As of 31 December 2017, these services led to receivables of EUR 3,216k (prior year: EUR 1,816k) and liabilities of EUR 6,935k (prior year: EUR 5,685k).

## 36 Auditor's fees

The following expenses for services rendered by the group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, were posted in fiscal year 2017:

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Auditor's fees** | | |
| Fees for audit services | 971 | 822 |
| Fees for audit-related services | 44 | 12 |
| Fees for tax services | 204 | 323 |
| Fees for other services | 225 | 239 |
| **Total** | **1,444** | **1,396** |

The fees for other services mainly comprise expenses for advisory services in connection with purchase price allocations, due diligence services and the implementation of new accounting standards.

## 37 Disclosures pursuant to Sec. 264 (3) HGB

The following incorporated subsidiaries and subsidiary partnerships based in Germany make use of the exemption from certain provisions concerning the presentation, audit and publication of the financial statements/management report in accordance with Sec. 264 (3) HGB and/or Sec. 264b HGB:

Asam Betriebs-GmbH (formerly Asam GmbH & Co. Betriebs-KG), Beilngries
ASAMBEAUTY GmbH, Unterföhring
Avedo Essen GmbH (formerly vocando GmbH, Essen)
Avedo Gelsenkirchen GmbH (formerly vocando Gelsenkirchen GmbH), Gelsenkirchen
Avedo Köln GmbH, Cologne
Avedo Leipzig GmbH, Leipzig
Avedo Leipzig West GmbH (formerly Avedo Leipzig II GmbH, Leipzig)
Avedo München GmbH, Munich
Avedo Rostock GmbH, Rostock
BHI Beauty & Health Investment Group Management GmbH, Unterföhring
B.A.B. MaxiPoster Werbetürme GmbH, Hamburg
blowUP media GmbH, Cologne
DERG Vertriebs GmbH, Cologne
DSM Deutsche Städte Medien GmbH, Frankfurt am Main
DSM Rechtegesellschaft mbH, Cologne
DSM Werbeträger GmbH & Co. KG, Cologne
DSM Zeit und Werbung GmbH, Cologne
INFOSCREEN GmbH, Cologne
InnoBeauty GmbH, Unterföhring
Interactive Media CCSP GmbH, Cologne
M. Asam GmbH, Unterföhring
Mercury Beteiligungs GmbH, Leipzig
Permodo GmbH, Munich
Ranger Holding GmbH, Düsseldorf
Ranger Marketing & Vertriebs GmbH, Düsseldorf
Retail Media GmbH, Cologne
Sales Holding GmbH, Düsseldorf
Service Planet GmbH, Düsseldorf
Smartplace GmbH, Düsseldorf
SMD Rechtegesellschaft mbH, Cologne
SMD Werbeträger GmbH & Co. KG, Cologne
SRG Rechtegesellschaft mbH, Cologne
SRG Werbeträger GmbH & Co. KG, Cologne
Statista GmbH, Hamburg
StayFriends GmbH, Erlangen
Ströer Content Group GmbH, Cologne
Ströer DERG Media GmbH, Kassel
Ströer Deutsche Städte Medien GmbH, Cologne
Ströer Dialog Group GmbH (formerly Avedo GmbH), Leipzig
Ströer Digital Commerce GmbH, Cologne
Ströer Digital Group GmbH, Cologne
Ströer Digital International GmbH, Cologne
Ströer Digital Media GmbH, Hamburg
Ströer Digital Publishing GmbH, Cologne
Ströer KAW GmbH, Cologne
Ströer Kulturmedien GmbH, Cologne
STRÖER media brands AG, Berlin
Ströer Media Deutschland GmbH, Cologne
Ströer Next Publishing GmbH, Cologne
Ströer Sales & Services GmbH, Cologne
Ströer Sales Group GmbH, Cologne
Ströer SSP GmbH, Munich
Ströer Venture GmbH, Cologne
Ströer Werbeträgerverwaltungs GmbH, Cologne

## 38 Declaration of compliance with the German Corporate Governance Code

The board of management of Ströer Management SE, which is the general partner of Ströer SE & Co. KGaA, and the supervisory board of Ströer SE & Co. KGaA submitted the annual declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 14 December 2017. The declaration of compliance was made permanently available to shareholders on the Company's website at http://ir.stroeer.com in the Corporate Governance section.

## 39 Remuneration of the board of management and the supervisory board

The cost of payment arrangements with the board of management and the supervisory board of the Ströer Group is presented below:

| In EUR k | 2017 | 2016 |
|---|---|---|
| **Board of management** | | |
| Short-term benefits | 3,723 | 3,485 |
| Other long-term benefits | 1,895 | 1,895 |
| Share-based payments | 2,663 | 2,733 |
| **Total** | **8,281** | **8,113** |
| **Supervisory board** | | |
| Short-term benefits | 264 | 222 |
| **Total** | **264** | **222** |

Short-term benefits comprise in particular salaries, remuneration in kind and performance-linked remuneration components which are paid during the following year. Long-term benefits comprise performance-based remuneration components granted to the board of management (excluding share-based payments) that are only paid in later years. The share-based payment relates to long-term incentives (LTI) and remuneration under the stock option plan resolved in 2013, under which stock options were issued in 2013 and 2014, as well as the stock option plan resolved in 2015, under which stock options were issued in 2015 and 2017.

A reference price for the shares in Ströer SE & Co. KGaA is determined at the end of each fiscal year for share-based LTI payments granted to the board of management (excluding the stock option plan).

After four fiscal years, the reference price is compared with the share price at the end of the year and the payment of remuneration is based on the share price reached (cash-settled transaction). An upper limit has been agreed for share-based payments.

Calculating the value of the share-based payment requires an estimate to be made of the future share price as of each reporting date. This is done using a Black-Scholes valuation model that was based on volatility of 37% and a dividend yield of 1.5% as of 31 December 2017. The interest rates used for the model are –0.6%. For the share-based payment attributable to 2017, we currently assume that the share price at the end of the vesting period will be 200% of the reference price. The 6,440 phantom stock options granted in 2017 each have a fair value of EUR 58.85. This led to an expense from allocations to provisions of EUR 496k in 2017 (prior year: EUR 248k).

The total provision for the share-based LTI payments granted to the board of management (excluding the stock option plan) as of 31 December 2017 amounts to EUR 1,948k (prior year: EUR 1,736k).

### Stock Option Plan 2013

Under the stock option plan resolved by the shareholder meeting in 2013, the board of management received a total of 1,954,700 options in 2013 and 2014, which resulted in an expense of EUR 667k in 2017 (prior year: EUR 1,221k).

No options were granted in fiscal years 2016 and 2017 and therefore no weighted average fair value of the options granted in the fiscal year (prior year) needs to be stated.

The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.14 (prior year: EUR 2.14).

For further details, see note 40 "Share-based payment."

### Stock Option Plan 2015

Under the stock option plan resolved by the shareholder meeting in 2015, the board of management received a total of 350,000 options in 2015 and 239,190 in 2017, which resulted in an expense of EUR 1,500k in 2017 (prior year: EUR 1,264k).

The weighted average fair value of options granted during the fiscal year was EUR 11.20 (prior year: not applicable).

The weighted average fair value of all options granted under the Stock Option Plan 2015 was EUR 11.94 (prior year: EUR 12.70).

For further details, see note 40 "Share-based payment."

As of 31 December 2017, a total of EUR 7,681k (prior year: EUR 6,991k) was recognized as provisions for all potential future short and long-term bonus entitlements of the board of management, EUR 1,948k (prior year: EUR 1,736k) of which is attributable to current entitlements from share-based payments. For further information, see the remuneration report, which is part of the combined management report of the Company and the Group.

EUR 2,066k of long-term benefits (LTI) are due for payment in 2017.

## 40 Share-based payment

### Stock Option Plan 2013 for executives and employees

In 2013, the Group launched a stock option plan that entitles the relevant members of the board of management and executives to acquire shares in the Company.

The option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to service the stock options. The options are expected to be equity-settled.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and operational EBITDA of the Group of EUR 150m. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

As of the grant date, the fair value of the stock options granted is determined using a Black-Scholes model and taking into account the conditions at which the stock options were issued.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, stock options during the fiscal year.

| In EUR | 2017 Number | 2017 WAEP | 2016 Number | 2016 WAEP |
|---|---|---|---|---|
| Outstanding on 1 Jan | 2,274,700 | 7.93 | 2,274,700 | 7.93 |
| Granted | 0 | | 0 | |
| Forfeited | 0 | | 0 | |
| Exercised | –275,486 | 6.77 | 0 | |
| Expired | –457,847 | 6.77 | 0 | |
| Outstanding on 31 Dec | 1,541,367 | 8.49 | 2,274,700 | 7.93 |
| Exercisable on 31 Dec | 1,116,667 | 7.89 | 0 | 0 |

The expense recognized for employee services received during the fiscal year is shown in the following table:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Expenses arising from equity-settled share-based payment transactions | 939 | 1,221 |

The weighted average remaining contractual life for the stock options outstanding as of 31 December 2017 is 2.9 years (prior year: 3.8 years).

No options were granted in fiscal year 2017 and therefore no weighted average fair value of the options granted in the fiscal year needs to be stated. The figure for the prior year amounts to EUR 0.00.

The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.07 (prior year: EUR 2.07).

The weighted average share price of all options exercised in the reporting period was EUR 60.37 as of the exercise date (prior year: not applicable).

The following table lists the inputs used to value the Stock Option Plan 2013, under which options were only granted in fiscal years 2013 and 2014, at the grant date:

| | Options granted in 2014 | | Options granted in 2013 | |
|---|---|---|---|---|
| In EUR | Board of management members | Executives | Board of management members | Executives |
| Dividend yield (%) | 1.5 | 1.5 | 1.5 | 1.5 |
| Expected volatility (%) | 35 | 35 | 38 | 38 |
| Risk-free interest rate (%) | 0.40 | 0.60 | 0.85 | 0.85 |
| Expected life of stock options (years) | 5.5 | 5.5 | 5.5 | 5.5 |
| Share price at grant date (EUR) | 14.36 | 12.31 | 7.90 | 7.45 |
| Model used | Black Scholes | Black Scholes | Black Scholes | Black Scholes |

The expected volatility is based on an assessment of the historical volatility of the Company's share price, in particular in the period that corresponds to the expected life. The expected life of the stock options is based on estimates by the board of management.

### Stock Option Plan 2015 for executives and employees

In 2015, the Group launched another stock option plan that entitles the relevant members of the board of management and executives to acquire shares in the Company.

The option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to service the stock options. The options are expected to be equity-settled.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and operational EBITDA of the Group of EUR 250m. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

As of the grant date, the fair value of the stock options granted is determined using a Black-Scholes model and taking into account the conditions at which the stock options were issued.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, stock options during the fiscal year.

| In EUR | 2017 Number | 2017 WAEP | 2016 Number | 2016 WAEP |
|---|---|---|---|---|
| Outstanding on 1 Jan | 420,000 | 50.92 | 420,000 | 50.92 |
| Granted | 456,190 | 49.01 | 0 | 0 |
| Forfeited | 0 | 0 | 0 | 0 |
| Exercised | 0 | 0 | 0 | 0 |
| Expired | 0 | 0 | 0 | 0 |
| Outstanding on 31 Dec | 876,190 | 50.02 | 420,000 | 50.92 |
| Exercisable on 31 Dec | 0 | 0 | 0 | 0 |

The expense recognized for employee services received during the fiscal year is shown in the following table:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Expenses arising from equity-settled share-based payment transactions | 2,132 | 1,264 |

The weighted average remaining contractual life for the stock options outstanding as of 31 December 2017 is 5.5 years (prior year: 5.8 years).

The weighted average fair value of options granted during fiscal year 2017 was EUR 11.63 (prior year: not applicable).

The weighted average fair value of all options granted under the Stock Option Plan 2015 was EUR 11.89 (prior year: EUR 12.70).

The table below lists the inputs used to value the options granted under the Stock Option Plan 2015 in fiscal year 2017:

| In EUR | Options granted in 2017 Board of management members | Options granted in 2017 Executives | Options granted in 2016 Board of management members | Options granted in 2016 Executives |
|---|---|---|---|---|
| Dividend yield (%) | 1.5 | 1.5 | 0 | 0 |
| Expected volatility (%) | 36.5 | 36.5 | 0 | 0 |
| Risk-free interest rate (%) | –0.60 | –0.60 | 0 | 0 |
| Expected life of stock options (years) | 5.0 | 5.0 | 0 | 0 |
| Share price at grant date (EUR) | 49.66 | 49.66 | 0 | 0 |
| Model used | Black Scholes | Black Scholes | | |

The expected volatility is based on an assessment of the historical volatility of the Company's share price, in particular in the period that corresponds to the expected life. The expected life of the stock options is based on estimates by the board of management.

### Cash-settled employee participation program for executives and employees

In 2016, a cash-settled employee participation program was set up as part of the acquisition of a majority shareholding in a subsidiary. This incentive system allows eligible employees to exercise phantom put options at a defined date in the future in return for cash settlement. The option holders are entitled to receive a cash settlement depending on the value of the shares. The value of the options was calculated on the basis of the business valuation performed as part of the majority acquisition. Future adjustments to the valuation are made on the basis of contractually agreed valuation formulas which are dependent on the business development and the company affiliation of the eligible employees. No other profit or market conditions have to be fulfilled to exercise the options. The options are allocated to the eligible employees and valued by the management of the subsidiary which requires the approval of its shareholders. All options with cash settlement were vested as of 31 December 2017. The carrying amount and the fair value of the liability from options with cash settlement was EUR 4,146k as of 31 December 2017 (31 December 2016: EUR 2,889k).

The personnel expenses recognized in the reporting period break down as follows:

| In EUR k | 2017 | 2016 |
|---|---|---|
| Incentive systems with cash settlement | 1,258 | 2,889 |

## 41 Executive bodies

| Name | Membership in statutory supervisory boards | Membership in other oversight bodies comparable with supervisory boards |
|---|---|---|
| **Board of management** | | |
| Udo Müller (Chairman) | STRÖER media brands AG, Berlin | |
| Christian Schmalzl | STRÖER media brands AG, Berlin | Internet Billboard a.s., Ostrava, Czech Republic |
| Dr. Bernd Metzner | Döhler GmbH, Darmstadt | Anavex Life Sciences Corp, New York, USA<br>Conexus AS, Drammen, Norway |
| **Supervisory board** | | |
| Christoph Vilanek<br>Chairman of the board of management of freenet AG, Büdelsdorf (Chairman) | eXaring AG, Munich<br>MEDIA BROADCAST GmbH, Cologne<br>mobilcom-debitel GmbH, Büdelsdorf<br>Ströer Management SE, Düsseldorf | Sunrise Communications SE, Zurich, Switzerland |
| Dirk Ströer<br>Managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne (Deputy Chairman) | Ströer Management SE, Düsseldorf | |
| Ulrich Voigt<br>Member of the management board of Sparkasse KölnBonn | Ströer Management SE, Düsseldorf | Finanz Informatik GmbH & Co. KG, Frankfurt<br>modernes Köln GmbH, Cologne |
| Anette Bronder<br>Managing director of T-Systems International GmbH, FFM | elumeo SE, Berlin | Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern |
| Julia Flemmerer<br>Managing director of Famosa Real Estate S.L., Ibiza, Spain | | |
| Christian Sardiña Gellesch<br>Head of Portfolio Management at Ströer Deutsche Städte Medien GmbH (since 3 April 2017) | | |
| Rachel Marquardt<br>Trade union secretary of ver.di federal administration (since 3 April 2017) | | |
| Tobias Meuser<br>Rail Portfolio Manager at Ströer Deutsche Städte Medien GmbH (since 3 April 2017) | | |
| Dr. Thomas Müller<br>Trade union secretary of ver.di Hessen (since 3 April 2017) | | |
| Michael Noth<br>Director of in-house staff at Ströer Sales & Services GmbH (since 3 April 2017) | | |
| Sabine Hüttinger<br>Employee in the Public Affairs division at Ströer Deutsche Städte Medien GmbH (since 3 April 2017) | | |
| Vicente Vento Bosch<br>Managing director and CEO of Deutsche Telekom Capital Partners Management GmbH, Hamburg | Scout24 AG, Berlin (until 31 October 2017)<br>Ströer Management SE, Düsseldorf | Deutsche Telekom Strategic Investments GmbH, Bonn<br>Deutsche Telekom Venture Funds GmbH, Bonn<br>eValue 2nd Fund GmbH, Berlin<br>Telekom Innovation Pool GmbH, Bonn<br>Swiss Towers AG, Zug, Switzerland<br>Keepler Data Tech., S.L., Madrid, Spain |

## 42 Subsequent events

### DV-COM group/D+S 360 group

With effect as of the acquisition date of 27 February 2018, the Ströer Group acquired all of the shares in DV-COM GmbH, Pforzheim. The provisional purchase price for the shares, including the redemption of financial liabilities, comes to EUR 30.2m.

With effect as of 27 February 2018, Ströer also acquired all of the shares in D+S communication center management GmbH, Hamburg. The provisional purchase price for the acquired shares, including the redemption of financial liabilities, comes to EUR 17.2m.

The acquisitions of DV-COM and D+S 360 reinforce Ströer's new dialog media segment created last year, adding additional extensive and scalable customer communication services. The sales and service products offered by DV-COM and D+S 360 encompass inbound and outbound, non-voice channels such as social media and chat, as well as products downstream of the sales process such as back office services and aftersales support. Prominent companies from the telecommunications, pharmaceutical, energy, finance and insurance sectors number among the customers of DV-COM and D+S 360 and bear a great similarity to the Ströer Group's existing customer portfolio.

### Realignment of segments

As of 1 January 2018, the former segment Ströer Digital was split into two new segments as part of a new segmentation. The commercialization of digital faces, including the public video business, will be allocated to the new Content Media segment, while the subscription and e-commerce business along with dialog marketing activities will be bundled in the new Dialog Media segment. At the same time, the previous segments OOH Germany and OOH International will be combined into one OOH Media segment as of 1 January 2018 due to the decreasing relevance of international business activities.

No other significant events occurred after the reporting date.

# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group, and the combined management report of the Company and the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected future development of the Group.

Cologne, 14 March 2018

Ströer SE & Co. KGaA represented by:

Ströer Management SE
(general partner)

| | | |
|---|---|---|
| Udo Müller<br>Co-CEO | Christian Schmalzl<br>Co-CEO | Dr. Bernd Metzner<br>CFO |

# INDEPENDENT AUDITOR'S REPORT

To Ströer SE & Co. KGaA

**Report on the audit of the consolidated financial statements and the combined management report of the Company and the Group**

## Opinions

We have audited the consolidated financial statements of Ströer SE & Co. KGaA, Cologne, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2017 to 31 December 2017, the consolidated statement of financial position as at 31 December 2017, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group of Ströer SE & Co. KGaA for the fiscal year from 1 January 2017 to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017, and
- the accompanying combined management report of the Company and the Group as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report of the Company and the Group is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report of the Company and the Group.

## Basis for the opinions

We conducted our audit of the consolidated financial statements and the combined management report of the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report of the Company and the Group" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report of the Company and the Group.

## Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

### 1. Impairment testing of goodwill

**Reasons why the matter was determined to be a key audit matter**

Ströer SE & Co. KGaA performs the impairment testing of assets required under IAS 36, Impairment of Assets, as of 30 September of a given fiscal year, or as required. The carrying amount of a cash-generating unit to which goodwill has been allocated is compared with the recoverable amount, which the Company determines using a discounted cash flow method. In view of the complexity and use of judgment involved, the impairment testing of goodwill was a key audit matter in our audit. Impairment testing is based on assumptions which are derived from the business planning and are influenced by expected future market and economic conditions. The impairment test is also essentially based on the proper identification of the cash-generating units to which goodwill is allocated.

In each case, the recoverable amount depends in particular on the future cash flows in the mid-range planning for the cash-generating units as well as the assumed discount and growth rates. The executive directors are responsible for determining these parameters and judgment is used. There is a risk that changes in judgment entail material changes in the impairment testing of the relevant cash-generating units. The result of impairment testing for the Ströer Turkey cash-generating unit led to goodwill impairment of EUR 10,484k.

**Auditor's response**

As part of our audit procedures, we examined the Company's established impairment testing process in terms of its suitability for identifying a potential impairment requirement. In doing so, we analyzed the planning process and the controls implemented by the Company. In this context, we discussed the main planning assumptions with the executive directors with the assistance of our internal valuation specialists. We focused on assessing the expected future cash flows in the mid-range planning of the significant cash-generating units as well as the discount and growth rates used. To this end, we analyzed the assumptions underlying the impairment test and tested their plausibility based on a comparison with general and industry-specific market expectations. We also checked the executive directors' planning accuracy by comparing the mid-range planning from prior years with the actual figures of the relevant fiscal years. Furthermore, we compared the mid-range planning used in the impairment testing with the mid-range planning approved by the supervisory board and assessed the mathematical accuracy of the valuation models based on a sample. Given the material significance of goodwill, we also performed our own sensitivity analyses (carrying amount compared with the recoverable amount) for significant cash-generating units in order to understand the effect of changes to certain parameters on the valuation models. Another area of audit focus was the assessment of the disclosures made by Ströer SE & Co. KGaA in the notes to the consolidated financial statements. In particular, the presentation of the sensitive assessments of impairment, on the basis of which the executive directors investigated in a scenario analysis the level from which changes to the main planning assumptions could lead to a potential impairment requirement, formed the main area of audit focus for the notes to the consolidated financial statements. In this regard we checked a sample of the executive directors' disclosures for completeness and compared them with our expectations.

Our audit procedures did not lead to any reservations relating to the measurement of goodwill.

**Reference to related disclosures**

Notes 2, "Assumptions, accounting estimates and the use of judgment," 3, "Significant accounting policies," 18, "Other notes," and 19, "Intangible assets," in the notes to the consolidated financial statements contain information from Ströer SE & Co. KGaA regarding goodwill.

**2. Significant business combinations – presentation of purchase price allocations**

**Reasons why the matter was determined to be a key audit matter**

In fiscal year 2017, Ströer SE & Co. KGaA made various acquisitions with a change of control which are accounted for in line with IFRS 3, Business Combinations. Assessing the accounting for the significant business combinations was particularly important for our audit because considerable judgment is used by the executive directors in purchase price allocations in connection with the first-time consolidation of acquirees, such that there is an elevated risk of material misstatement. In this connection the executive directors' estimates concerning the change of control also had to be assessed in line with IFRS 10, Consolidated Financial Statements. Additional estimation uncertainty arises in the case of business acquisitions with variable purchase prices based on contractually agreed purchase price adjustment clauses as the measurement models for variable purchase prices are based on each acquiree's business planning and influenced by future market and economic conditions.

**Auditor's response**

As part of our audit procedures for significant business combinations we analyzed the underlying contractual arrangements as to whether estimates made by the executive directors in relation to the change of control are plausible based on the criteria of IFRS 10, Consolidated Financial Statements. Besides examining the consideration transferred by Ströer SE & Co. KGaA when assessing the purchase price allocations, we also assessed in particular the methods used by the executive directors in terms of the assumptions used based on the criteria of IFRS 3, Business Combinations. When recognizing business combinations in the consolidated financial statements, the executive directors use a great deal of judgment, particularly in respect of the identifiable assets and liabilities, the estimated future cash flows of the identifiable assets and the fair values of the assumed liabilities, the discount rates applied and the estimated useful lives at the acquisition date. Based on our past experience and general as well as industry-specific market expectations, we assessed the executive directors' estimates with the assistance of our valuation specialists. We also assessed the objectivity and competence of the external valuation specialists who were engaged by the Company to prepare purchase price allocations for significant business combinations. We assessed the valuation models for estimating variable purchase prices on a sample basis using existing market and economic data and taking the underlying budgets and forecasts into account. In addition, we reconciled these valuations with the underlying internal data in the group planning system and checked the mathematical accuracy of the purchase prices. Furthermore, we checked whether the acquired entities applied the uniform group accounting policies and whether the initial consolidations were recognized properly in the consolidation system. As part of our audit of the consolidated financial statements we also assessed the presentation of the business combinations in the notes to the consolidated financial statements in terms of their compliance with IFRS 3, Business Combinations.

Our audit procedures did not lead to any reservations relating to the recognition of significant business combinations.

**Reference to related disclosures**

Notes 2, "Assumptions, accounting estimates and the use of judgment," 3, "Significant accounting policies," 6, "Significant business combinations and sales," and 33, "Other notes pursuant to IFRS 7 and IFRS 13 on financial risk management and financial instruments" in the notes to the consolidated financial statements contain the Company's disclosures regarding significant business combinations.

### 3. Revenue – Adequacy of the recognition of different revenue streams

**Reasons why the matter was determined to be a key audit matter**

The main revenue streams in the consolidated financial statements of Ströer SE & Co. KGaA are generated from the commercialization of advertising faces in the large formats, street furniture and transport product groups, the commercialization of online advertising as well as subscription and e-commerce business. In view of their complexity, the proper recognition and allocation of these various revenue streams is subject to a particular risk of material misstatement. Against this backdrop, we classified the recognition of various revenue streams in the context of applying financial reporting standards as significant for our audit of the consolidated financial statements.

**Auditor's response**

As part of our audit, we initially assessed the process of recording the main revenue streams and the related control environment with regard to the criteria of IAS 18, Revenue, by testing the process-specific and non-process specific controls. In order to test the propriety of revenue recognition as of the reporting date, we inspected significant contracts, obtained external customer confirmations and performed substantive testing on a sample of supplier documents, customer invoices and payment receipts as of the reporting date. With the help of analytical analyses of the aggregate data of relevance for revenue in fiscal year 2017, we checked correlation analyses and daily revenue postings using data analysis tools. Our expectations were based on industry and market-specific data as well as past experience; we compared them with the results of the data analyses by Ströer SE & Co. KGaA. We also assessed the accounting consequences of new business models in terms of revenue recognition. To this end we checked whether the underlying contracts were properly recorded in the notes to the consolidated financial statements. The risk stemming from management being able to make manual revenue postings outside of the standardized revenue process was mitigated by making extensive inquiries of the executive directors for our audit opinion and using data analysis tools. In this connection we also investigated a sample of the underlying data to check that there was no unauthorized access in fiscal year 2017.

Our audit procedures did not lead to any reservations relating to the recognition of revenue.

**Reference to related disclosures**
Notes 3, "Significant accounting policies," and 9, "Revenue," in the notes to the consolidated financial statements contain the Company's disclosures on revenue recognition.

**Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the combined management report of the Company and the Group**

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report of the Company and the Group that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report of the Company and the Group that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report of the Company and the Group.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report of the Company and the Group.

**Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report of the Company and the Group**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report of the Company and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report of the Company and the Group.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report of the Company and the Group or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report of the Company and the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report of the Company and the Group with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report of the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**Other legal and regulatory requirements**

**Further information pursuant to Art. 10 of the EU Audit Regulation**

We were elected as auditor by the shareholder meeting on 14 June 2017 and, since no group auditor was appointed, we are thus group auditor pursuant to Sec. 318 (2) HGB. We were engaged by the supervisory board on 27 November 2017. We have been the group auditor of Ströer SE & Co. KGaA without interruption since fiscal year 2002.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

**German Public Auditor responsible for the engagement**

The German Public Auditor responsible for the engagement is Titus Zwirner.

Cologne, 14 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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|---|---|
| **Ueberschär** | **Zwirner** |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# IMPRINT

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### Disclaimer

This annual report contains forward-looking statements which entail risks and uncertainties. The actual business development and results of Ströer SE & Co. KGaA and of the Group may differ significantly from the assumptions made in this annual report. This annual report does not constitute an offer to sell or an invitation to submit an offer to purchase securities of Ströer SE & Co. KGaA. There is no obligation to update the statements made in this annual report.

# FINANCIAL CALENDAR

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|---|---|
| **27 Apr 2018** | Ströer Capital Markets Day, London |
| **15 May 2018** | Quarterly statement Q1 2018 |
| **30 May 2018** | Annual shareholder meeting, Cologne |
| **09 Aug 2018** | Half-year financial report H1/Q2 2018 |
| **13 Nov 2018** | Quarterly statement 9M/Q3 2018 |

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