STRÖER SE, KÖLN
(FORMERLY STRÖER MEDIA SE)

STRÖER

SEPARATE FINANCIAL STATEMENTS
FOR 2015

Ströer SE (formerly Ströer Media SE), Cologne
Balance sheet as of 31 December 2015

ASSETS

	31 Dec 2015 EUR	31 Dec 2014 EUR
NON-CURRENT ASSETS		
Intangible assets		
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	4,456,313.50	3,341,028.72
Prepayments	4,821,989.75	7,576,905.50
	9,278,303.25	**10,917,934.22**
Property, plant and equipment		
Other equipment, furniture and fixtures	3,857,119.48	2,868,208.08
Prepayments made and assets under construction	111,230.55	81,390.02
	3,968,350.03	**2,949,598.10**
Financial assets		
Shares in affiliates	811,358,467.56	523,926,134.56
Loans to affiliates	74,486,230.59	45,868,942.92
Loans to other investees and investors	360,000.00	0.00
Other loans	0.00	26,929.74
	886,204,698.15	**569,822,007.22**
	899,451,351.43	**583,689,539.54**
CURRENT ASSETS		
Receivables and other assets		
Trade receivables	93,300.53	108,317.67
Receivables from affiliates	126,002,399.07	54,944,599.42
Receivables from other investees and investors	221.44	0.00
Other assets	17,845,112.87	6,028,683.83
	143,941,033.91	**61,081,600.92**
Cash on hand and bank balances	1,050,276.86	14,375,075.65
	144,991,310.77	**75,456,676.57**
PREPAID EXPENSES	**4,662,175.88**	**3,924,483.08**
	1,049,104,838.08	**663,070,699.19**

EQUITY AND LIABILITIES

EQUITY

Subscribed capital
- Conditional capital: EUR 16,174,145.00 (prior year: EUR 14,952,4

Capital reserves

Retained earnings

Other retained earnings

Accumulated profit

PROVISIONS

Provisions for pensions and similar obligations

Tax provisions

Other provisions

LIABILITIES

Liabilities to banks
- thereof due in up to one year: EUR 4,485,285.35 (prior year: EUR 167,091.73)

Trade payables
- thereof due in up to one year: EUR 7,077,718.26 (prior year: EUR 3,977,727.85)

Liabilities to affiliates
- thereof due in up to one year: EUR 90,362,157.89 (prior year: EUR 48,410,805.63)

Liabilities to other investees and investors
- thereof due in up to one year: EUR 5,500,000.00 (prior year: EUR 3,990,000.00)

Other liabilities
- thereof due in up to one year: EUR 1,307,038.16 (prior year: EUR 1,425,693.02)
- thereof for taxes: EUR 293,501.91 (prior year: EUR 535,039.96)

DEFERRED TAX LIABILITIES

Ströer SE (formerly Ströer Media SE), Cologne
Income statement for fiscal year 2015

	2015 EUR	2014 EUR
Other own work capitalized	31,280.01	86,518.34
Other operating income	19,754,790.91	26,699,148.88
- thereof income from currency translation: EUR 763.29 (prior year: EUR 790.35)		
Personnel expenses		
Wages and salaries	-20,874,034.72	-19,110,600.43
Social security and pension costs	-2,241,509.58	-2,250,522.90
- thereof for pensions: EUR 91,754.94 (prior year: EUR 59,063.88)		
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-7,863,343.30	-5,824,806.56
Other operating expenses	-28,968,078.72	-16,475,352.69
- thereof expenses from currency translation: EUR 11,884.72 (prior year: EUR 15,245.76)		
Income from equity investments	889,656.32	4,500,000.00
- thereof from affiliates EUR 889,656.32 (prior year: EUR 4,500,000.00)		
Income from profit and loss transfer agreements	93,722,042.03	46,932,199.87
Income from loans classified as non-current financial assets	1,394,972.06	2,639,671.24
- thereof from affiliates: EUR 1,387,040.23 (prior year: EUR 2,639,671.24)		
Other interest and similar income	16,322.02	212,844.28
- thereof from affiliates: EUR 53.72 (prior year: EUR 18,207.35)		
Expenses from loss transfer	-4,191,402.69	-980,102.35
Interest and similar expenses	-3,278,963.39	-4,551,570.16
- thereof to affiliates: EUR 23,533.73 (prior year: EUR 7,731.32)		
- thereof expenses from discounting: EUR 921.15 (prior year: EUR 6,741.66)		
Result from ordinary activities	**48,391,730.95**	**31,877,427.52**
Extraordinary expenses	-663,867.66	-240,483.17
Extraordinary result	**-663,867.66**	**-240,483.17**
Income taxes	-561,174.78	-5,640,633.16
- thereof income/expense from the change in deferred taxes: EUR 5,514,823.22 income (prior year: EUR 1,067,053.04 income)		
Other taxes	-26,932.54	-41,585.59
Profit for the period	**47,139,755.97**	**25,954,725.60**
Profit carryforward from the prior year	45,954,725.60	48,631,440.86
Allocations to other retained earnings	-6,406,812.00	-23,744,462.46
Profit distribution	-19,547,913.60	-4,886,978.40
Accumulated profit	**67,139,755.97**	**45,954,725.60**

Ströer SE (formerly Ströer Media SE), Cologne
Notes to the financial statements for fiscal year 2015

A. General

Ströer SE (formerly Ströer Media SE), Cologne (Ströer SE, the Company or SMH), was established under its articles of association and bylaws dated 18 June 2014. It was entered in the commercial register on 15 October 2014 under HRB no. 82548. On 30 June 2015, the shareholder meeting resolved to rename the company "Ströer SE" and amend the articles of incorporation and bylaws accordingly. As of 1 March 2016, Ströer SE changed its legal form to a German partnership limited by shares [Kommanditgesellschaft auf Aktien; KGaA] and was renamed Ströer SE & Co. KGaA, Cologne.

These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the AktG ["Aktiengesetz": German Stock Corporation Act]. The Company is subject to the requirements for large corporations.

The income statement is classified using the nature of expense method.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Intangible assets and **property, plant and equipment** are recognized at acquisition or production cost and are written off on a straight-line basis over their useful lives if they have a limited life.

Amortization/depreciation is based on the following useful lives:

- Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets — 3 to 5 years

- Other equipment, furniture and fixtures 3 to 13 years

Low-value assets with an individual net value not exceeding EUR 150.00 are fully expensed in the year of acquisition, with their immediate disposal being assumed. For convenience, the collective item procedure applied for tax purposes to assets with an individual net value of more than EUR 150.00 but no greater than EUR 1,000.00 is also used in the statutory balance sheet. The collective item is depreciated by 20% in the year of acquisition and in each of the following four years. All other depreciation of additions to property, plant and equipment is charged pro rata temporis. Depreciation of the collective item amounted to EUR 111k (prior year: EUR 72k).

With regard to **financial assets**, equity investments are recognized at the lower of cost or net realizable value, while loans are disclosed at nominal value. Interest-free or low interest loans were discounted to their present value.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for foreseeable valuation risks, while the general credit risk is provided for by a general bad debt allowance. Non-interest or low-interest bearing receivables due in more than one year were discounted.

Payments made before the balance sheet date which constitute expenses for a certain period after this date are recognized as **prepaid expenses**.

Provisions for pensions and similar obligations are calculated in accordance with the projected unit credit method using the "2005 G mortality tables." The obligations were discounted at the average market interest rate of 3.89% for a residual term of 15 years in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions] of 18 November 2009. Expected pension increases were taken into account at 1.0%.

Tax provisions and **other provisions** account for all uncertain liabilities and potential losses from pending transactions. They were recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases). Provisions with a residual term of more than one year were discounted.

Liabilities are recorded at the settlement value.

To determine **deferred taxes** arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, these differences are valued using the company-specific tax rates at the time they reverse; the amounts of any resulting tax charge and benefit are not discounted. Deferred tax assets and liabilities are offset.

Foreign currency assets and liabilities are translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

All entities which are fully consolidated in SMH’s consolidated financial statements are classified as **affiliates**.

C. Notes to the balance sheet

1. Non-current assets

The development of the individual non-current asset items, including amortization, depreciation and impairment for the fisca
changes in non-current assets.

	ACQUISITION AND PRODUCTION COST					ACCUMULATED AMORTIZATION,	
	1 Jan 2015 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec 2015 EUR	1 Jan 2015 EUR	Additions EUR
INTANGIBLE ASSETS							
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	9,464,659.75	2,438,157.47	1,948,812.19	469,690.77	10,423,695.80	6,123,631.03	1,792,56
Prepayments	12,868,905.50	2,514,950.90	0.00	-469,690.77	14,914,165.63	5,292,000.00	4,800,17
	22,333,565.25	**4,953,108.37**	**1,948,812.19**	**0.00**	**25,337,861.43**	11,415,631.03	6,592,73
PROPERTY, PLANT AND EQUIPMENT							
Other equipment, furniture and fixtures	8,564,471.39	2,279,321.10	642,749.76	0.00	10,201,042.73	5,696,263.31	1,270,60
Prepayments and assets under construction	81,390.02	29,840.53	0.00	0.00	111,230.55	0.00	
	8,645,861.41	**2,309,161.63**	**642,749.76**	**0.00**	**10,312,273.28**	5,696,263.31	1,270,60
FINANCIAL ASSETS							
Shares in affiliates	523,926,134.56	287,432,333.00	0.00	0.00	811,358,467.56	0.00	
Loans to affiliates	45,868,942.92	74,196,287.67	45,579,000.00	0.00	74,486,230.59	0.00	
Loans to other investees and investors	0.00	360,000.00	0.00	0.00	360,000.00	0.00	
Other assets	26,929.74	0.00	26,929.74	0.00	0.00	0.00	
	569,822,007.22	**361,988,620.67**	**45,605,929.74**	**0.00**	**886,204,698.15**	0.00	
	600,801,433.88	**369,250,890.67**	**48,197,491.69**	**0.00**	**921,854,832.86**	17,111,894.34	7,863,34

a) Intangible assets

The items "Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets" and "Prepayments" mainly comprise the cost of purchased software. An impairment loss of EUR 4,800k was recognized for the item "prepayments" due to limited future usability.

b) Financial assets

With regard to shares in affiliates, SMH, with economic effect as of 27 May 2015, acquired the remaining 10% stake in BlowUP Media GmbH, Cologne. SMH now holds all the shares in the company. The purchase price for the 10% stake totaled EUR 2,590k.

With economic effect as of 2 November 2015, SMH also acquired all the shares in Digital Media Products GmbH, Darmstadt (DMP), at a cost of EUR 284,616k. The internet portal t-online.de of Deutsche Telekom AG, Bonn, and all the shares in InteractiveMedia CCSP GmbH, Darmstadt, are bundled in DMP. The basic component of the purchase price was settled by issuing 6,412,715 new shares in SMH. Purchase price liabilities from contractually agreed price adjustment clauses were settled in cash.

Also in November 2015, SMH, as the sole shareholder, established a new Ströer Venture GmbH, Cologne, after its previous subsidiary Ströer Venture GmbH, Cologne, was renamed Ströer Content Group GmbH, Cologne (SCG). The capital stock of the newly established Ströer Venture GmbH amounts to EUR 25k and is fully paid in.

The book value of the equity investment in Ströer Digital International GmbH, Cologne (formerly Ballroom International GmbH, Glonn), increased by EUR 201k to EUR 24,637k due to the earn-out adjustment.

The year-on-year change in loans to affiliates mainly relates to a loan from SMH to the newly established subsidiary Ströer Venture GmbH of EUR 21,210k and a EUR 11,150k increase in the loan granted to the subsidiary STRÖER media brands AG, Berlin (formerly GIGA Digital AG).

Loans to other investees and investors relate to the loan of EUR 360k granted to evidero GmbH, Cologne in 2015.

2. Receivables and other assets

	31 Dec 2015 EUR k	31 Dec 2014 EUR k
Trade receivables	93	108
thereof due in more than one year	0	0
Receivables from affiliates	126,002	54,945
thereof due in more than one year	0	0
Other assets	17,846	6,029
thereof due in more than one year	477	504
	143,941	61,082

EUR 92,701k (prior year: EUR 46,932k) of receivables from affiliates relates to the profit and loss transfer agreement with Ströer Media Deutschland GmbH, Cologne (SMD), and EUR 1,021k (prior year: EUR 0k) to the profit and loss transfer agreement with SCG. There are also trade receivables of EUR 3,603k (prior year: EUR 2,309k) and receivables from short-term loans due from Ströer Digital International GmbH (EUR 760k) and RZV Digital A.S., Istanbul, Turkey (EUR 220k). In addition, there are receivables of EUR 3,245k from cash pooling with Ströer Digital Group GmbH, Cologne (SDG), and receivables of EUR 23,174k and EUR 1,278k, from the cash pooling agreements concluded in the fiscal year with SCG and Ströer Digital International GmbH, respectively.

Other assets include receivables from purchase price adjustments of EUR 8,607k in connection with the acquisition of shares in DMP, tax refund claims of EUR 5,766k (prior year: EUR 4,386k), VAT receivables from the tax office of EUR 1,897k (prior year: EUR 77k), a tax-related recourse claim of EUR 911k (prior year: EUR 911k), security deposits of EUR 329k (prior year: EUR 329k), receivables from employees of EUR 215k (prior year: EUR 16k) and interest receivables of EUR 114k (prior year: EUR 100k).

3. Prepaid expenses

Prepaid expenses mainly include fees of EUR 3,562k (prior year: EUR 3,563k) charged by banks and consultants in connection with the refinancing arrangements made in 2012, 2014 and 2015, which are being expensed pro rata over the term of the loan until April 2020. See our explanations in section C. 8. a) iii).

4. Equity

a) Subscribed capital

In fiscal year 2015, subscribed capital was increased by EUR 6,412,715 from EUR 48,869,784 to EUR 55,282,499 by virtue of the authorization granted to the Company's board of management and entered in the commercial register on 8 July 2014 (approved capital 2014). The increase was implemented on 2 November 2015 as a capital increase in return for a non-cash contribution by issuing 6,412,715 new bearer shares of no par value carrying full dividend rights as of fiscal year 2015. Subscribed capital has since amounted to EUR 55,282,499.

Subscribed capital is split into 55,282,499 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.

Approved capital 2014

Approved capital 2014 of EUR 18,938,495 was created by resolution of the shareholder meeting on 18 June 2014. Approved capital 2014 now amounts to EUR 12,525,780 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.

Subject to the approval of the supervisory board, the board of management 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 twentyfive thousand seven hundred and eighty euros) by issuing up to

12,525,780 (in words: twelve million five hundred and twentyfive 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 Media AG on the date the change in the legal form of Ströer Media AG to a European Company (SE) pursuant to the conversion plan of 30 April 2014 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 or (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 board of management 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 treasury shares 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 board of management 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 2010

The Company’s capital stock is subject to a conditional increase by a maximum of EUR 11,776,000.00 by issuing a maximum of 11,776,000 new bearer shares of no par value (conditional capital 2010). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6 of the articles of incorporation of Ströer Media AG which had not yet been carried out on the date the change in the legal form of Ströer Media AG to a European Company (SE) pursuant to the conversion plan of 30 April 2014 took effect. The purpose of the conditional capital increase is to grant 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 13 July 2010 based on item 4 of the agenda. New shares of no par value are issued at particular conversion and option prices 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 treasury shares or of new shares issued from approved capital. The new shares of no par value participate in profit from the beginning of the fiscal year in which they are issued through the exercise of options or conversion rights or the fulfillment of conversion obligations. The board of management, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase.

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). 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 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 accumulated profit has been adopted by the shareholder meeting at the time of their issue. The Company’s board of management, 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 Company’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). 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 Company's board of management, 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 Company'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.

b) Capital reserves

As of the balance sheet date, the Company had capital reserves of EUR 631,638k (of which EUR 597,187k pursuant to Sec. 272 (2) No. 1 HGB and EUR 34,451k pursuant to Sec. 272 (2) No. 2 HGB), which exceeds 10% of capital stock. In the fiscal year, capital reserves increased by EUR 289,987k year on year due to a contribution in kind relating to the acquisition of DMP effective 2 November 2015.

c) Retained earnings

By resolution of the shareholder meeting on 30 June 2015, EUR 6,407k from the accumulated profit for 2014 was allocated to other retained earnings.

d) Accumulated profit

By resolution of the shareholder meeting on 30 June 2015, EUR 19,548k (EUR 0.40 per qualifying share) was distributed as a dividend and EUR 20,000k from the accumulated profit for 2014 was carried forward to new account.

5. Provisions for pensions and similar obligations

Provisions for pensions of EUR 20k (prior year: EUR 20k) were recognized by the Company.

6. Tax provisions

Tax provisions mainly include provisions for trade tax of EUR 5,123k (prior year: EUR 7,568k) and provisions for corporate income tax of EUR 5,864k (prior year: EUR 0k). In addition, there are other tax provisions of EUR 228k (prior year: EUR 0k) for wage-tax matters.

7. Other provisions

Other provisions break down as follows:

	EUR k
Personnel provisions	7,518
Outstanding invoices	1,428
Financial statement and audit fees	356
Miscellaneous	8
Total	**9,310**

8. Liabilities

A breakdown of unsecured liabilities with their remaining terms is presented in the following statement of changes in liabilities:

	Total amount EUR k	Thereof due in up to one year EUR k	one to five years EUR k	more than five years EUR k
Liabilities to banks	64,485 (prior year: *49,167)*	4,485 *(prior year: 167)*	60,000 *(prior year: 49,000)*	0 *(prior year: 0)*
Trade payables	7,078 *(prior year: 3,978)*	7,078 *(prior year: 3,978)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Liabilities to affiliates	90,362 (prior year: *48,411)*	90,362 (prior year: *48,411)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Liabilities to other investees and investors	5,500 (prior year: *3,990)*	5,500 (prior year: *3,990)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Other liabilities	1,307 *(prior year: 1,425)*	1,307 *(prior year: 1,425)*	0 *(prior year: 0)*	0 *(prior year: 0)*
	168,732 *(prior year: 106,971)*	108,732 *(prior year: 57,971)*	60,000 *(prior year: 49,000)*	0 *(prior year: 0)*

a) Liabilities to banks

i) Loan liability

On 28 April 2015, Ströer SE and SMD obtained a syndicated loan in the amount of EUR 450,000k (including a credit facility) from a banking syndicate (facility agreement). The syndicate consists of 11 commercial banks and is led by Commerzbank International S.A., Luxembourg branch, as the loan agent. This loan replaced the previous financing arrangement from 2014, which had a volume of EUR 500,000k, and reduced it by EUR 50,000k.

The syndicated loan has a term of five years until April 2020 and consists of a bullet term loan of EUR 200,000k and a revolving credit facility (RCF) of EUR 250,000k. It bears interest at the EURIBOR reference rate plus a variable margin. This variable margin depends on defined financial covenants and the type of loan (term loan or RCF).

While the term loan is allocated to SMD, Ströer SE holds the RCF tranche, of which EUR 64,318k had been drawn down as of 31 December 2015. Due to the fact that several staggered drawings are made in parallel, the interest payments on the RCF are usually made monthly.

ii) Interest from the facility agreement

At the end of the fiscal year, the interest calculation for several drawings on the RCF tranche was not yet available. An interest liability of EUR 40k was disclosed in this connection as of 31 December 2015 (prior year: EUR 35k).

iii) Fees from the facility agreement

Loan commitment fees of EUR 823k were incurred in connection with the refinancing in 2015. Of this amount, EUR 457k was borne and recognized by Ströer SE in line with its share in the refinancing, in addition to the loan commitment fees already recognized in connection with the refinancing in 2014. The amount is being amortized over the term of the facility agreement on a straight-line basis and amounted to EUR 3,562k as of 31 December 2015 (prior year: EUR 3,563k).

In addition, the loan commitment fees, which are invoiced every three months for the undrawn part of the credit facility, were outstanding as of 31 December 2015. The resulting liabilities amounted to EUR 127k as of the balance sheet date (prior year: EUR 132k).

b) Liabilities to affiliates

Liabilities to affiliates relate to cash pooling with companies in the SMH Group (EUR 45,225k; prior year: EUR 46,107k) as well as to short-term loans from InteractiveMedia CCSP GmbH and DMP of EUR 17,000k and EUR 12,000k, respectively. This item also includes trade payables of EUR 9,796k (prior year: EUR 1,324k) and liabilities under a profit and loss transfer agreement with SDG of EUR 4,191k (prior year: EUR 980k). There is also a payment liability of EUR 2,150k to Ströer Digital International

GmbH due to the contractual transfer by Ströer Digital International GmbH to the Company of a loan receivable from RZV Digital A.S.

c) Liabilities to other investees and investors

Liabilities to other investees and investors result from a short-term loan granted by X-City Marketing GmbH, Hanover.

d) Other liabilities

Other liabilities comprise in particular liabilities from salary payments of EUR 1,000k (prior year: EUR 0k), which were due to be made in January 2016. As of the balance sheet date, there were also liabilities from wage and church taxes for fiscal year 2015 of EUR 294k (prior year: EUR 369k).

9. Deferred taxes

Deferred taxes at the level of SMH (tax group parent) are calculated based on the tax rate, unchanged from the prior year, of 32.45%. This comprises corporate income tax of 15%, solidarity surcharge of 5.5% and average trade tax of 16.6%.

After offsetting deferred tax assets against deferred tax liabilities, the Company recognized net deferred tax liabilities of EUR 9,171k (prior year: EUR 14,686k). As in the past, deferred tax liabilities are attributable to the consolidation of the tax bases of the subsidiaries in the tax group at the level of SMH, the tax group parent. Material items in this context are the carrying amount of an investment in a subsidiary which was treated differently for tax purposes, and the carrying amounts of recognized rights of use that were different for tax purposes. The deferred tax assets of EUR 3,578k (prior year: EUR 8,185k) used for offsetting are also mainly attributable to the consolidation of the tax bases of the subsidiaries in the tax group at the level of SMH, the tax group parent. The deferred tax assets offset essentially arise from the different recognition of provisions for tax purposes as of 31 December 2015.

The following table shows details regarding deferred taxes and how they were offset:

In EUR k	31 Dec 2015		31 Dec 2014	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	336	2,259	363	5,495
Property, plant and equipment	0	126	127	0
Financial assets	0	8,584	0	15,185
Pension provisions	986	0	530	0
Other provisions	2,256	1,780	2,602	2,187
Liabilities	0	0	92	4
Deferred taxes	**3,578**	**12,749**	**3,714**	**22,871**
Interest carryforwards	0	0	28	0
Loss carryforwards	0	0	4,443	0
Total	**3,578**	**12,749**	**8,185**	**22,871**
Offsetting	-3,578	-3,578	-8,185	-8,185
Carrying amount	**0**	**9,171**	**0**	**14,686**

Including unused tax losses and full use of the interest carryforward in 2015, SMH's tax rate is 1.19% (prior year: 17.85%).

D. Notes to the income statement

1. Other own work capitalized

In fiscal year 2015, personnel expenses of EUR 31k (prior year: EUR 87k) were recognized in connection with the in-house development of IT in the Ströer Group.

2. Other operating income

Other operating income breaks down as follows:

	2015
	EUR k
Income from commercial and technical services	16,781
Income from cost allocations	2,365
Income from the reversal of provisions	424
Income from cost reimbursements	91
Income from the disposal of non-current assets	30
Miscellaneous income	64
	19,755

Income from the reversal of provisions mainly relates to the reversal of provisions for bonuses (EUR 237k) and outstanding invoices (EUR 162k). Miscellaneous income comprises out-of-period income of EUR 35k from cost reimbursements for 2013 and 2014.

3. Other operating expenses

Other operating expenses mainly comprise costs in connection with cost allocations from subsidiaries (EUR 8,371k), legal and consulting fees (EUR 5,536k), IT expenses (EUR 3,267k), expenses which are charged on to affiliates (EUR 2,365k), other administrative expenses (EUR 1,768k), premises expenses (EUR 1,410k), advertising and trade fair expenses (EUR 1,315k), travel expenses (EUR 814k), data communication costs (EUR 788k) and development costs (EUR 609k). Miscellaneous expenses comprise out-of-period expenses of EUR 92k, relating primarily to back payments of contributions for prior years to the Chamber of Industry and Commerce (IHK).

4. Income from equity investments

Income from equity investments is attributable to a dividend payment of EUR 890k made by BlowUP Media GmbH, Cologne, to SMH by shareholder resolution dated 10 February 2015.

5. Income from profit and loss transfer agreements

Income from profit and loss transfer agreements stems from the absorption of SMD's profit for the period (EUR 92,701k). The Company entered into a corresponding profit and loss transfer agreement effective 1 January 2010.

A profit and loss transfer agreement is also in place with SCG, effective 1 January 2015. It gave rise to income of EUR 1,021k.

6. Expenses from loss absorption

Expenses from loss absorption stem exclusively from the absorption of SDG's loss for the period. The Company entered into a corresponding profit and loss transfer agreement effective 1 July 2013.

7. Extraordinary expenses

The extraordinary expenses of EUR 664k comprise the costs of converting the Company into a partnership limited by shares (KGaA), which was agreed at the extraordinary shareholder meeting on 25 September 2015 and was executed effective 1 March 2016.

8. Income taxes

Due to the Company's function as tax group parent, all of the tax bases of the subsidiaries in the tax group are transferred to the Company. Trade tax add-backs, restrictions on the deduction of interest expenses and rules on minimum taxation result in taxable profit/trade earnings.

Income taxes primarily comprise corporate income tax expenses including solidarity surcharge of EUR 5,864k for the current fiscal year (prior year: EUR 93k).

Furthermore, this item comprises expenses for trade tax for prior years (EUR 119k) and income from the recognition of deferred taxes (EUR 5,515k).

E. Other notes

1. Cash flow statement

	2015 EUR k	2014 EUR k
1. Cash flows from operating activities		
Profit or loss for the period before extraordinary items	47,804	26,195
Write-downs (+) on/ write-ups (-) of non-current assets	7,863	5,825
Increase (+)/decrease (-) in provisions	6,220	3,481
Other non-cash expenses (+)/income (-)	-95,495	-47,884
Gain (-)/loss (+) on disposals of non-current assets	-28	-67
Increase (-)/decrease (+) in trade receivables and other assets	39,153	41,438
Increase (+)/decrease (-) in trade payables and other liabilities	12,649	-1,170
Cash received from (+)/cash paid for (-) extraordinary items	-664	-240
Cash flows from operating activities	17,502	27,578
2. Cash flows from investing activities		
Cash received (+) from the disposal of property, plant and equipment	48	75
Cash paid (-) for investments in property, plant and equipment	-2,360	-1,991
Cash paid (-) for investments in intangible assets	-4,902	-1,816
Cash received (+) from the disposal of non-current financial assets	45,606	16,395
Cash paid (-) for investments in non-current financial assets	-71,643	-41,173
Cash flows from investing activities	-33,251	-28,510
3. Cash flows from financing activities		
Dividends (-)	-19,548	-4,887
Cash received from (+)/cash paid for (-) cash pooling activities	-23,856	14,957
Cash received (+) from the issue of bonds and borrowings	128,818	3,990
Cash repayments (-) of bonds and borrowings	-82,990	-8,000
Cash flows from financing activities	2,424	6,060
4. Cash at the end of the period		
Change in cash (subtotal 1 to 3)	-13,325	5,128
Cash at the beginning of the period	14,375	9,247
Cash at the end of the period	1,050	14,375
5. Composition of cash		
Cash	1,050	14,375
Cash at the end of the period	1,050	14,375

2. Contingent liabilities and other financial obligations

a) Contingent liabilities

Under the loan agreement between Ströer SE, SMD (both of them borrowers) and other entities of the Ströer Group (guarantors), and the banking syndicate, the Company as contracting party (guarantor) to the facility agreement, as evidenced by an independent guarantee, has joint and several liability for loan liabilities of EUR 200,000k owed by SMD.

In connection with the acquisition of Ströer DERG Media GmbH, Kassel, SMH issued an indefinite guarantee to Deutsche Bahn AG for the obligations of Ströer DERG Media GmbH under the advertising space agreement. These relate particularly to expenses for advertising media intended for the installation and operation of digital real-time systems for information and entertainment and the upgrading of existing advertising media. Over the life of the long-term agreement, the investment volume comes to roughly EUR 20m plus ongoing operating and maintenance expenses and overheads. The volume of ongoing costs depends, on the one hand, on the scope and duration of implementation and, on the other, on the use of existing electronic media structures within the Ströer Group.

Under the contract for services for the Bremen city contract between Telekom Deutschland GmbH, Bonn, and DSM Deutsche Städte Medien GmbH, Frankfurt am Main (DSM), dated 18 December 2015, SMH assumed an absolute guarantee for EUR 5,850k, which is limited until 31 December 2025.

Under the rental agreement concluded with Deka Immobilien Investment GmbH, Frankfurt am Main, as of 1 July 2015 for the building at Torstrasse 49, Berlin, SMH assumed an indefinite guarantee for the tenant STRÖER media brands AG, Berlin, for EUR 107k.

Under the agreement on the exercise of advertising concessions for public faces between the city of Ravensburg and DSM dated 23 May 2015, SMH assumed a guarantee of EUR 300k, which is limited until 31 December 2024.

In connection with an agreement concluded between SEM Internet Reklam Hiz. Ve Dan. A.S., Istanbul, Turkey, and Facebook Ireland Ltd., Dublin, Ireland, in January 2014, SMH assumed an indefinite guarantee of USD 500k on 19 August 2015.

In connection with the sale of shares in ADselect GmbH, Duisburg, on 22 May 2015 by Mr. Martin Reichardt (seller), SMH assumed an absolute guarantee of EUR 480k for the obligation by Business Advertising GmbH, Düsseldorf, to pay the purchase price, which expires upon payment of the last purchase price installment on 28 February 2017.

The risk of a claim under the above guarantees is currently deemed to be low.

b) Total amount of other off-balance sheet financial obligations

In addition to contingent liabilities, the Company has other financial obligations of EUR 22,822k (of which to affiliates EUR 0k). These obligations include the following items:

Lease payments:

■	up to 1 year:	EUR	2,187k
■	1 to 5 years:	EUR	6,851k
■	more than 5 years:	EUR	2,615k

The lease payments mainly relate to the administrative building in Cologne used by the Company. The building was leased to avoid cash outflows and financing which would have been required if the building had been purchased. These benefits are contrasted by fixed and contractually agreed payment obligations over the term of the lease.

The Company also has other financial obligations from the lease of storage and administrative buildings. The remaining terms break down as follows:

■	up to 1 year:	EUR	769k
■	1 to 5 years:	EUR	5,623k
■	more than 5 years:	EUR	4,777k

There are also obligations to non-controlling interests from put options for which the vesting conditions had not been met as of 31 December 2015. The theoretical value of potential liabilities under these options came to EUR 8,230k as of the balance sheet date. It is not possible to say when these obligations will fall due as SMH does not have any control over the exact date on which the options will be exercised by the holders. However, all option agreements are structured in such a way that the outflow of cash will not have a significant effect on the Company's financial position.

For supplies of advertising media in 2016 by Shanghai Kingbo Industry Co. Ltd., Shanghai, China, and Programm Contractors Ltd., Kowloon, Hong Kong, SMH signed two letters of intent in 2015. They come to EUR 398k.

3. Related party transactions

The following significant transactions with related parties were conducted:

Type of relationship	Subsidiaries	Other related parties
Type of transaction	**EUR k**	**EUR k**
Performance of services	154	126
Purchase of services	0	1
Provision of other services	424	2
Purchase of other services	366	211
Loans granted	1,440	360
Loans received	0	5,500

Other related parties comprise companies that are not fully included in SMH's consolidated financial statements and companies in which persons with SMH board functions have an equity interest. Furthermore, other related parties also includes companies which can exercise significant influence over SMH, as well as members of management in key positions.

The Company provides product development services for advertising media, IT services, central procurement and personnel services.

The purchase of services and the purchase of other services relate mainly to allocated expenses from subsidiaries.

In addition, the Company provides other services in the form of interest-bearing loans to foreign subsidiaries (EUR 418k). For further information see our explanations in C.1.b).

SMH also received a short-term loan of EUR 5,500k from a related party.

For information on further transactions with the board of management and the supervisory board, see our disclosures in E.5.

4. Audit and consulting fees

The total fee charged by the auditor for the fiscal year pursuant to Sec. 285 No. 17 HGB is included in the relevant disclosure made in the notes to the consolidated financial statements.

5. Board of management and supervisory board

The composition of the board of management and the supervisory board as well as membership in statutory supervisory boards and other oversight bodies comparable with a supervisory board is shown in the table below:

Name	Membership in statutory supervisory boards	Membership in other oversight bodies comparable with a supervisory board
Board of management		
Udo Müller (Chairman)	TARTECH eco industries AG, Berlin	Kölner Aussenwerbung GmbH, Cologne
Christian Schmalzl	STRÖER media brands AG, Berlin	Internet BillBoard a.s., Ostrava, Czech Republic
Dr. Bernd Metzner		Anavex Life Sciences Corp., New York, USA
Supervisory board		
Christoph Vilanek Chairman of freenet AG, Büdelsdorf (Chairman)	eXaring AG, Munich gamigo AG, Hamburg Netzpiloten AG, Hamburg mobilcom-debitel GmbH, Büdelsdorf	
Dirk Ströer, managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne (Deputy chairman until 2 November 2015)		
Ulrich Voigt Member of the management board of Sparkasse KölnBonn		modernes Köln GmbH, Cologne

Vicente Vento Bosch CEO of Deutsche Telekom Capital Partners Management GmbH (since 12 November 2015)	Scout24 AG, Munich STRATO AG, Berlin	T-Venture Holding GmbH, Bonn Deutsche Telekom Venture Funds GmbH, Bonn Telekom Innovation Pool GmbH, Bonn

Mr. Müller, Dr. Metzner and Mr. Schmalzl exercised their board of management functions on a full-time basis.

The benefits granted under payment arrangements with the board of management and the supervisory board of the Ströer Group (excluding share-based payments) are presented below for the fiscal years 2015 and 2014:

Board of management	2015 EUR k	2014 EUR k
Short-term benefits	4,382	3,161
Other long-term benefits	1,865	1,082
	6,247	**4,243**

Supervisory board	2015 EUR k	2014 EUR k
Short-term benefits	151	200
	151	**200**

Short-term benefits comprise in particular salaries, remuneration in kind and performance-linked remuneration components which are only paid in later years. 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. A reference price for the shares in Ströer SE is determined at the end of each fiscal year for share-based 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 was done using a Black-Scholes valuation model that was based on volatility of 36% and a dividend yield of 1% as of 31 December 2015. The interest rate used for the model is 0.04%.

For the share-based payment attributable to 2015, we currently assume that the share price at the end of the vesting period will be 200% of the reference price. The 11,034 phantom stock options granted in 2015 each have a fair value of EUR 56.19.

EUR 1,055k of all long-term benefits (LTI) is due for payment in 2016.

Stock option plan:

Under the stock option plan resolved by the shareholder meeting in 2013 (SOP 2013), the board of management was granted a total of 1,954,700 options. In 2015, another stock option plan (SOP 2015) was resolved by the shareholder meeting, under which the board of management was granted 350,000 options.

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 a minimum operational EBITDA of the Group of EUR 150m (SOP 2013) or EUR 250m (SOP 2015). 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 weighted average fair value of options granted under the SOP 2015 for the first time during the fiscal year was EUR 12.70. The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.14 (prior year: EUR 1.99).

As of 31 December 2015, a total of EUR 6,289k (prior year: EUR 4,397k) was recognized as provisions for all potential future short and long-term bonus entitlements of the board of management, EUR 1,790k (prior year: EUR 1,255k) of which is attributable to current entitlements from share-based payments.

For further information, see the remuneration report, which is part of the group management report.

6. Employees

An average of 242 staff were employed in fiscal year 2015 (prior year: 242).

7. List of shareholdings

The disclosures pursuant to Sec. 285 No. 11 HGB on entities in which the Company holds an equity interest of at least 20% are presented in the following list of shareholdings.

	Equity interest 31 Dec 2015 %	Equity as of 31 Dec 2015 EUR k	Profit or loss 2015 EUR k
Direct investments			
BlowUP Media GmbH, Cologne	100	953	317
Digital Media Products GmbH, Darmstadt	100	31,848	6,489
Ströer Digital Group GmbH, Cologne	100	84,587	*-4,191
Ströer Digital International GmbH, Cologne (formerly Ballroom International GmbH, Glonn)	100	10,343	363
Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey	90	66,441	-4,625
Ströer Media Deutschland GmbH, Cologne	100	121,245	*92,701
Ströer Polska Sp. z.o.o., Warsaw, Poland	100	18,586	118
Ströer Venture GmbH, Cologne	100	-33	-58
Ströer Content Group GmbH, Cologne (formerly Ströer Venture GmbH, Cologne)	100	25	*1,328
Indirect investments			
adscale GmbH, Munich	99.6	9,497	-39
Adscale Laboratories Ltd., Christchurch, New Zealand	100	526	123
Adselect GmbH, Duisburg	100	156	76
Ad-Vice Sp. z.o.o., Warsaw, Poland	100	219	47
ARGE Aussenwerbung Schönefeld GbR, Berlin	50	33	60
BB Elements Sp. z.o.o., Warsaw, Poland	100	55	23
BlowUP Media Belgium BVBA, Antwerp, Belgium	80	628	254
BlowUP Media Benelux B.V., Amsterdam, Netherlands	100	649	859
BlowUP Media Espana S.A., Madrid, Spain	100	-1,037	76
BlowUP Media U.K. Ltd., London, UK	100	4,050	1,111
Business Advertising GmbH, Dusseldorf	50.4	1,725	606
Conexus AS, Drammen, Norway	54.83	5,195	329
Conexus Norge AS, Drammen, Norway	100	115	-272
Conexus Technology AS, Drammen, Norway	100	-1,426	80
Content Fleet GmbH, Hamburg	70.2	-973	-1,269
DERG Vertriebs GmbH, Cologne	100	50	*2,463
DSMDecaux GmbH, Munich	50	10,412	8,853
DSM Deutsche Städte Medien GmbH, Frankfurt am Main	100	12,611	*13,836
DSM Krefeld Aussenwerbung GmbH, Krefeld	51	1,614	145
DSM Rechtegesellschaft mbH, Cologne	100	25	*44,387
DSM Werbeträger GmbH & Co. KG, Cologne	100	31,031	205
DSM Zeit und Werbung GmbH, Frankfurt am Main	100	1,453	*844
ECE flatmedia GmbH, Hamburg	75.1	4,190	4,163
Erdbeerlounge GmbH, Cologne	100	-832	-272
evidero GmbH, Cologne	65	6	-377
FaceAdNet GmbH, Mannheim	52	872	791
Fahrgastfernsehen Hamburg GmbH, Hamburg	100	57	211
GIGA fixxoo GmbH, Berlin	75	3,379	-342

	Equity interest 31 Dec 2015 %	Equity as of 31 Dec 2015 EUR k	Profit or loss 2015 EUR k
GIGA Kino GmbH, Cologne	100	25	*-176
Hamburger Verkehrsmittel-Werbung GmbH, Hamburg	75.1	1,848	468
iBillBoard Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Turkey	96	52	20
iBillBoard Poland Sp. z.o.o, Warsaw, Poland	100	109	66
INFOSCREEN GmbH, Cologne	100	8,227	*30,007
Instytut Badań Outdooru IBO SP. z o.o., Warsaw, Poland	40	-350	-389
InteractiveMedia CCSP GmbH, Darmstadt	100	4,460	1,975
Internet BillBoard a.s., Ostrava, Czech Republic	85	1,161	422
INTREN Informatikai Tanacsado es Szolgaltato Kft., Budapest, Hungary	50.89	344	173
KissMyAds GmbH, Cologne	100	-153	-448
Konya Inter Tanitim ve Reklam Hizmetleri Anonim Sti., Istanbul, Turkey	50	138	-1
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen, Hamburg	51	562	487
Laeringslaben Fou AS, Drammen, Norway	100	-302	6
Linkz Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Turkey	100	-37	-181
MBR Targeting GmbH, Berlin	79.07	-3,566	-1,493
mediateam Werbeagentur GmbH/Ströer Media Deutschland GmbH - GbR, Cologne	50	66	66
mYouTime AS, Drammen, Norway	64.25	-117	-7
Objektif Kentvizyon Reklam Pazarlama Ticaret Ltd. Sti., Istanbul, Turkey	80	193	151
Omnea GmbH, Berlin	80	-963	-1,254
OnlineFussballManager GmbH, Cologne	50.1	-527	-879
OSD Holding Pte. Ltd., Singapore, Singapore	36.46	905	124
Pacemaker AOS GmbH, Cologne	93.33	-155	78
Permodo International GmbH, Munich	51	911	859
Permodo GmbH, Munich	100	509	485
RegioHelden GmbH, Stuttgart	90	-3,739	-3,272
RZV Digital Medya ve Reklam Hizmetleri A.S., Istanbul, Turkey	100	-3,617	-3,260
SEM Internet Reklam Hizmetleri ve Danismanlik A.S., Istanbul, Turkey	100	1,604	526
SMD Rechtegesellschaft GmbH, Cologne	100	25	*20,977
SMD Werbeträger GmbH & Co. KG, Cologne	100	9,450	89
SRG Rechtegesellschaft GmbH, Cologne	100	25	*22,688
SRG Werbeträger GmbH & Co. KG, Cologne	100	14,409	78
Ströer DERG Media GmbH, Kassel	100	5,492	*17,975
Ströer Deutsche Städte Medien GmbH, Cologne	100	500	*9,597
Ströer Digital Media GmbH, Hamburg	100	974	*4,429
Ströer Digital Polska Sp. z o.o., Warsaw, Poland	100	1	0
Ströer Entertainment Web GmbH, Cologne	100	22	*-30
Ströer KAW GmbH, Cologne	100	1,538	1,039
Ströer Kulturmedien GmbH, Cologne	100	180	*543

	Equity interest 31 Dec 2015 %	Equity as of 31 Dec 2015 EUR k	Profit or loss 2015 EUR k
STRÖER media brands AG, Berlin (formerly GIGA Digital AG, Berlin)	100	1,508	*2,302
Ströer Media Sp. z.o.K., Warsaw, Poland	100	1,577	1,510
Ströer Media Sp. z.o.o., Warsaw, Poland	100	-1	-4
Ströer Netherlands B.V., Amsterdam, Netherlands	100	2	1
Ströer Netherlands C.V., Amsterdam, Netherlands	100	400	399
Ströer Sales & Services GmbH, Cologne	100	272	*19,365
Ströer Werbeträgerverwaltungs GmbH, Cologne	100	25	*-3
TUBE ONE Networks GmbH, Hamburg	51	1,487	459
Trierer Gesellschaft für Stadtmöblierung mbH, Trier	50	971	182
VIP 24 AS, Drammen, Norway	100	-60	-19
Webguidez Entertainment GmbH, Berlin	100	453	-145
X-City Marketing Hannover GmbH, Hannover	50	10,228	1,794

* Result before profit and loss transfer

8. Consolidated financial statements

The Company prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements are published in the *elektronischer Bundesanzeiger* [Electronic German Federal Gazette].

9. Disclosures pursuant to Sec. 160 (1) No. 8 AktG

Dirk Ströer holds 21.80% and Udo Müller 21.42% of the Company's shares. Moreover, according to the notifications made to the Company as of the date of preparation of these notes to the financial statements on 16 March 2016, the following parties reported to us that they hold more than 3% of the voting rights in the Company: Deutsche Telekom AG (11.60%), Allianz Global Investors Europe (5.88%) and Credit Suisse (4.63%).

See also our disclosures in exhibit 1 to the notes.

10. Declaration pursuant to Sec. 161 AktG on the Corporate Governance Code

The board of management and supervisory board of SMH submitted the annual declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 17 December 2015. The declaration was made permanently available to shareholders on the Company's website (http://ir.stroeer.de).

11. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, 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 Company, together with a description of the principal opportunities and risks associated with the expected future development of the Company.

Cologne, 16 March 2016

The Board of Management

Udo Müller Christian Schmalzl Dr. Bernd Metzner

Exhibit 1 to the notes to the financial statements of Ströer Media SE, Cologne

Disclosures pursuant to Sec. 160 (1) No. 8 AktG ["Aktiengesetz": German Stock Corporation Act]

The Company issued the following notifications pursuant to Sec. 26 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]:

Allianz Global Investors GmbH, Frankfurt am Main, Germany, notified us pursuant to Sec. 21 (1) WpHG on 14 October 2015 that its share of the voting rights of Ströer SE, Ströer-Allee 1, 50999 Cologne, had fallen below the 5% reporting threshold on 13 October 2015 and amounted to 4.98% on this date. This corresponds to 2,432,865 out of a total of 48,869,784 voting rights issued by the Company.

Of these voting rights, 1.21% is attributable to Allianz Global Investors GmbH in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG. This corresponds to 591,910 out of a total of 48,869,784 voting rights issued by the Company.

On 2 November 2015, Deutsche Telekom AG, Bonn, Germany, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer SE, Cologne, Germany, had exceeded the thresholds of 3%, 5% and 10% of the voting rights and amounted to 11.59% on this date. This corresponds to 6,412,715 of the 55,282,499 voting rights issued by Ströer SE. Deutsche Telekom AG acquired the voting rights in Ströer SE by way of a capital increase in return for a non-cash contribution.

Further to the voting rights notification pursuant to Sec. 21 (1) WpHG dated 2 November 2015, Deutsche Telekom AG, Bonn, Germany, as the party subject to mandatory reporting pursuant to Sec. 27a (1) Sentences 1, 3 and 4 WpHG, stated the following on 4 November 2015:

1. The investment held by Deutsche Telekom AG is a long-term investment with the aim of generating trading profit.

2. Deutsche Telekom AG does not intend to obtain further voting rights in Ströer SE within the next 12 months by acquisition or other means.

3. Deutsche Telekom AG intends to be represented for an electoral term on the supervisory board of Ströer SE and, subsequent to the change in legal form of Ströer SE into Ströer SE & Co. KGaA resolved on 25 September 2015, on the supervisory board of Ströer SE & Co. KGaA. Deutsche Telekom is represented on the supervisory board of Ströer Management SE, the general partner of the future Ströer SE & Co. KGaA. Deutsche Telekom AG does not otherwise intend to influence the composition of the issuer's administrative, management or supervisory bodies.

4. Deutsche Telekom AG does not intend to significantly change the capital structure of Ströer

SE, especially with regard to the ratio of internal/external financing and the dividend policy.

5. With regard to the origin of the funds, the voting rights acquired result from new shares issued by Ströer SE that Deutsche Telekom AG acquired as part of a capital increase in return for a non-cash contribution as consideration for the transfer of all the shares in Digital Media Products GmbH.

On 23 November 2015, Delphi Beteiligungsges. mbH, Unterhaching, Germany, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer SE, Cologne, Germany, had fallen below the thresholds of 5% and 3% of the voting rights on 20 November 2015 and amounted to 2.81% (corresponding to 1,555,773 voting rights) on this date.

On 23 November 2015, Media Ventures GmbH, Cologne, Germany, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer SE, Cologne, Germany, had fallen below the thresholds of 5% and 3% of the voting rights on 20 November 2015 and amounted to 0.00% (corresponding to 0 voting rights) on this date.

On 23 November 2015, Mr. Dirk Ströer, Germany, notified us pursuant to Sec. 21 (1) WpHG that his share of the voting rights of Ströer SE, Cologne, Germany, had fallen below the threshold of 25% of the voting rights on 20 November 2015 and amounted to 21.80% (corresponding to 12,052,263 voting rights) on this date. 2.81% of the voting rights (corresponding to 1,555,773 voting rights) is attributable to Mr. Ströer in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG. 0.0009% of the voting rights (corresponding to 490 voting rights) are attributable to Mr. Ströer in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

On 23 November 2015, SAMBARA STIFTUNG, Vaduz, Liechtenstein, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer SE, Cologne, Germany, had fallen below the thresholds of 5% and 3% of the voting rights on 20 November 2015 and amounted to 0.00% (corresponding to 0 voting rights) on this date.

Voting right notification in accordance with Sec. 25 (1) WpHG
We received the following notification pursuant to Sec. 25 (1) WpHG on 23 November 2015:

1. Issuer:
Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification:
Green Towers Holding B.V., Amsterdam, Netherlands

3. How threshold was met: Exceeded

4. Relevant thresholds: 5%

5. Date when threshold was met: 3 June 2013

6. Share of voting rights subject to mandatory notification: 6.93% (corresponding to 3,385,773 voting rights) in relation to the total voting rights of the issuer of: 48,869,784

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
6.93% (corresponding to 3,385,773 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
0.00% (corresponding to 0 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25 WpHG: ISIN or description of the (financial/other) instrument: Exercise period: from 3 June 2013 to 30 April 2019

Maturity:
Expiry:

Voting right notification in accordance with Sec. 25 (1) WpHG
We received the following notification pursuant to Sec. 25 (1) WpHG on 23 November 2015:

1. Issuer:
Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification:
Green Towers Holding B.V., Amsterdam, Netherlands

3. How threshold was met: Shortfall

4. Relevant thresholds: 5%

5. Date of falling below threshold: 20 November 2015

6. Share of voting rights subject to mandatory notification: 0% (corresponding to 0 voting rights) in relation to the total voting rights of the issuer of: 55,282,499

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
0.00% (corresponding to 0 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
0.00% (corresponding to 0 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25 WpHG:

Voting right notification in accordance with Sec. 25 (1) WpHG
We received the following notification pursuant to Sec. 25 (1) WpHG on 23 November 2015:

1. Issuer: Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Dacapo 2 GmbH, Berlin, Germany

3. How threshold was met: Exceeded

4. Relevant thresholds: 5%

5. Date when threshold was exceeded: 3 June 2013

6. Share of voting rights subject to mandatory notification: 6.93% (corresponding to 3,385,773 voting rights) in relation to the total voting rights of the issuer of: 48,869,784

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
6.93% (corresponding to 3,385,773 voting rights)
of which held indirectly:
6.93% (corresponding to 3,385,773 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
0.00% (corresponding to 0 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25 WpHG: Chain of controlled companies: Green Towers Holding B.V.

ISIN or description of the (financial/other) instrument: Exercise period: from 3 June 2013 to 30 April 2019

Maturity:
Expiry:

Voting right notification in accordance with Sec. 25 (1) WpHG
We received the following notification pursuant to Sec. 25 (1) WpHG on 23 November 2015:

1. Issuer:
Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Dacapo 2 GmbH, Berlin, Germany

3. How threshold was met: Shortfall

4. Relevant thresholds: 5%

5. Date of falling below threshold: 20 November 2015

6. Share of voting rights subject to mandatory notification:
0.00% (corresponding to 0 voting rights) in relation to the total voting rights of the issuer of: 55,282,499

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
0.00% (corresponding to 0 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
0.00% (corresponding to 0 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25 WpHG:

Voting right notification in accordance with Sec. 25 (1) WpHG
We received the following notification pursuant to Sec. 25 (1) WpHG on 23 November 2015:

1. Issuer: Ströer SE

Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Avalanche GmbH, Berlin, Germany

3. How threshold was met: Exceeded

4. Relevant thresholds: 5%

5. Date when threshold was met: 3 June 2013

6. Share of voting rights subject to mandatory notification: 6.93% (corresponding to 3,385,773 voting rights) in relation to the total voting rights of the issuer of: 48,869,784

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
6.93% (corresponding to 3,385,773 voting rights)
of which held indirectly:
6.93% (corresponding to 3,385,773 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
0.00% (corresponding to 0 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25 WpHG: Chain of controlled companies: Green Towers Holding B.V., Dacapo 2 GmbH
ISIN or description of the (financial/other) instrument: Exercise period: from 3 June 2013 to 30 April 2019
Maturity:
Expiry:

Voting right notification in accordance with Sec. 25 (1) WpHG
We received the following notification pursuant to Sec. 25 (1) WpHG on 23 November 2015:

1. Issuer: Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Avalanche GmbH, Berlin, Germany

3. How threshold was met: Shortfall

4. Relevant thresholds: 5%

5. Date of falling below threshold: 20 November 2015

6. Share of voting rights subject to mandatory notification: 0.00% (corresponding to 0 voting rights) in relation to the total voting rights of the issuer of: 55,282,499

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
0.00% (corresponding to 0 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
0.00% (corresponding to 0 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25 WpHG:

Voting right notification in accordance with Sec. 25 (1) WpHG
We received the following notification pursuant to Sec. 25 (1) WpHG on 23 November 2015:

1. Issuer: Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Mr. Matthias Rumpelhardt, Germany

3. How threshold was met: Exceeded

4. Relevant thresholds: 5%

5. Date when threshold was met: 3 June 2013

6. Share of voting rights subject to mandatory notification: 6.93% (corresponding to 3,385,773 voting rights) in relation to the total voting rights of the issuer of: 48,869,784

7. Details of the share of voting rights:

Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
6.93% (corresponding to 3,385,773 voting rights)
of which held indirectly:
6.93% (corresponding to 3,385,773 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
0.00% (corresponding to 0 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25 WpHG: Chain of controlled companies: Green Towers Holding B.V., Dacapo 2 GmbH, Avalanche GmbH
ISIN or description of the (financial/other) instrument: Exercise period: from 3 June 2013 to 30 April 2019
Maturity:
Expiry:

Voting right notification in accordance with Sec. 25 (1) WpHG
We received the following notification pursuant to Sec. 25 (1) WpHG on 23 November 2015:

1. Issuer:
Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Mr. Matthias Rumpelhardt, Germany

3. How threshold was met: Shortfall

4. Relevant thresholds: 5%

5. Date of falling below threshold: 20 November 2015

6. Share of voting rights subject to mandatory notification: 0.00% (corresponding to 0 voting rights) in relation to the total voting rights of the issuer of: 55,282,499

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
0% (corresponding to 0 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
0.00% (corresponding to 0 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25 WpHG:

Voting right notification in accordance with Sec. 25a WpHG
We received the following notification pursuant to Sec. 25a WpHG on 23 November 2015:

1. Issuer: Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Mr. Udo Müller, Germany

3. How threshold was met: Exceeded

4. Relevant thresholds: 5%, 10%, 15%, 20%, 25% and 30%

5. Date when threshold was met: 3 June 2013

6. Share of voting rights subject to mandatory notification: 31.15% (corresponding to 15,224,273 voting rights) in relation to the total voting rights of the issuer of: 48,869,784

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25a WpHG:
6.93% (corresponding to 3,385,773 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
0.00% (corresponding to 0 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
24.22% (corresponding to 11,838,500 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25a WpHG: ISIN or description of the (financial/other) instrument: The instrument is a fiduciary agreement concerning the shares in Green Towers Holding B.V. ("GTH"). On 3 June 2013, GTH in turn acquired a call option on Ströer SE shares (exercise period: 3 June 2013 to 30 April 2019).

Voting right notification in accordance with Sec. 25a WpHG
We received the following notification pursuant to Sec. 25a WpHG on 23 November 2015:

1. Issuer: Ströer SE
Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Mr. Udo Müller, Germany

3. How threshold was met: Shortfall

4. Relevant thresholds: 30%

5. Date of falling below threshold: 2 November 2015

6. Share of voting rights subject to mandatory notification: 27.54% (corresponding to 15,224,273 voting rights) in relation to the total voting rights of the issuer of: 55,282,499

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25a WpHG:
6.12% (corresponding to 3,385,773 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
0.00% (corresponding to 0 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
21.41% (corresponding to 11,838,500 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25a WpHG: ISIN or description of the (financial/other) instrument: The instrument is a fiduciary agreement concerning the shares in Green Towers Holding B.V. ("GTH"). On 3 June 2013, GTH in turn acquired a call option on Ströer SE shares (exercise period: 3 June 2013 to 30 April 2019).

Voting right notification in accordance with Sec. 25a WpHG
We received the following notification pursuant to Sec. 25a WpHG on 23 November 2015:

1. Issuer: Ströer SE

Ströer Allee 1, 50999 Cologne, Germany

2. Party subject to mandatory notification: Mr. Udo Müller, Germany

3. How threshold was met: Shortfall

4. Relevant thresholds: 25%, 20%, 15%, 10% and 5%

5. Date of falling below threshold: 20 November 2015

6. Share of voting rights subject to mandatory notification: 0.00% (corresponding to 0 voting rights) in relation to the total voting rights of the issuer of: 55,282,499

7. Details of the share of voting rights:
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25a WpHG:
0.00% (corresponding to 0 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights due to (financial/other) instruments in accordance with Sec. 25 WpHG:
0.00% (corresponding to 0 voting rights)
of which held indirectly:
0.00% (corresponding to 0 voting rights)
Share of voting rights in accordance with Sec. 21, 22 WpHG:
21.46% (corresponding to 11,863,100 voting rights)

8. Details of (financial/other) instruments in accordance with Sec. 25a WpHG:

Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, notified us pursuant to Sec. 21 (1) WpHG on 25 November 2015 that its share of the voting rights of Ströer SE, Ströer-Allee 1, 50999 Cologne, had exceeded the 5% reporting threshold on 20 November 2015 and amounted to 5.88% on this date. This corresponds to 3,249,040 out of a total of 55,282,499 voting rights issued by the Company.

Of these voting rights, 1.69% is attributable to Allianz Global Investors GmbH in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG. This corresponds to 935,822 out of a total of 55,282,499 voting rights issued by the Company.

COMBINED MANAGEMENT REPORT

The references made in this combined management report of Ströer SE (formerly "Ströer Media SE", since 1 March 2016 "Ströer SE & Co. KGaA", hereinafter "Ströer SE") and of the Group to page numbers refer to the numbering in the annual report.

BACKGROUND OF THE STRÖER GROUP

Business model

Ströer SE, Cologne (formerly Ströer Media SE, Cologne), is a leading provider of out-of-home and online advertising, and offers its advertising customers individualized and integrated communications solutions. Its portfolio of branding and performance products offers customers new opportunities for addressing specific target groups while increasing the relevance of the Ströer Group as a contact partner for media agencies and advertisers.

The Company's business model is based on offering traditional out-of-home advertising, the public video network that is shown on screens installed in train stations and shopping malls, as well as online display and video marketing via stationary internet and mobile devices and tablets. This means that we can offer advertisers a platform for optimizing campaigns, combining substantial reach with the precise targeting of customer groups.

Particular mention should be made of the development departments for online and out-of-home advertising. Furthermore, on the marketing side, Ströer has the market presence needed to offer national and regional customers comprehensive out-of-home advertising and online products. Our more than 90 offices across Europe maintain close relationships with our contracting partners, while offering our advertising customers a wide range of communication opportunities. The sales organizations in each country manage the sales and marketing activities that are flanked by target group analyses and market research, and serve regional and national advertisers, media agencies and media specialists.

On the cost side, the Ströer Group leverages positive economies of scale arising in areas such as finance, procurement, development, information technology, legal services and human resources, as well as synergies arising from cooperation between the individual segments and entities. One such example is the cross-segment bundling of moving-picture advertising in Ströer Digital Media GmbH (Ströer Digital Media).

→ For further information on strategy and management, see page 21

Segments and organizational structure

At the beginning of fiscal year 2015, Ströer aligned its internal controlling and thus also the structure of its segments to reflect current developments and the Group's new focus. In this context, the digital business public video, which was previously part of the Ströer Germany segment, was transferred to the Ströer Digital segment. As such, the remaining Germany segment has since solely comprised the German out-of-home business excluding the public video business, which is aptly reflected in the new name "Out-of-Home Germany (OOH Germany)." We have also optimized our internal controlling in relation to our international out-of-home business. We grouped Ströer Turkey, Ströer Poland and blowUP Media into a new segment, "Out-of-Home International (OOH International)." The prior-year figures were restated accordingly to reflect the new segment 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. This cooperation relates in particular to the Group's central strategic focus and enables a targeted transfer of expertise between the different segments.

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 segment comprises in particular the intermediate holding companies Ströer Digital Group GmbH, Cologne (Ströer Digital Group), Ströer Digital International GmbH, Cologne (Ströer Digital International, formerly Ballroom International GmbH), Ströer Venture GmbH, Cologne (Ströer Venture), Ströer Content Group GmbH, Cologne (Ströer Content Group, formerly Ströer Venture GmbH), and their respective subsidiaries as well as Digital Media Products GmbH, Darmstadt (Digital Media Products). The Ströer Digital Group with its various subsidiaries holds a strong position in the commercialization of advertising in Germany and covers the entire digital marketing value chain, from traditional online banner advertising, special advertising formats and individual advertising integration through to video and mobile advertising. Ströer Digital International is similarly positioned in the markets outside Germany. Ströer Venture focuses on data-driven business models. Ströer Content Group works on enhancing our digital assets. Digital Media Products with its subsidiary InteractiveMedia CCSP GmbH, Darmstadt (InteractiveMedia), represents the acquisition of the portal business of t-online.de and the digital marketer.

Display and mobile advertising

With its portfolio of more than 600 websites and a reach of approximately 44 million unique users[1] Ströer Digital Media was ranked the number one marketer by the industry group Arbeitsgemeinschaft Online Forschung (AGOF), making it one of the most important display and online marketers in the German advertising market.[2] In the area of online advertising, Ströer has a large number of direct customers as well as an automated technology platform (for both the demand and supply side).

In the fiscal year, Ströer SE significantly increased its reach in the area of display and mobile marketing in particular by acquiring the marketer InteractiveMedia. Ströer SE also commenced its acquisition of OMS Vermarktungs GmbH & Co. KG, Düsseldorf (OMS), in the reporting year, which was completed in January 2016. In terms of mobile advertising, Ströer SE will considerably strengthen its portfolio through the exclusive contract to market the music identification service Shazam Entertainment Ltd (Shazam).

InteractiveMedia markets in particular t-online.de. In the fiscal year, the t-online portal was acquired from Deutsche Telekom AG as part of Digital Media Products. t-online.de is Germany's leading internet portal and reaches 31 million users per month.[3] The t-online portfolio includes email access as well as content offerings such as wetter.info, wanted.de, zuhause.de and selected news stories. As a premium online marketer, InteractiveMedia also markets kicker.de, gutefrage.de, vital.de, wetter.info and many more websites in addition to t-online.de.

1 Per month

2 Source: Extrapolation of marketer rankings following the merger of the offerings of Ströer Digital, InteractiveMedia and OMS based on the AGOF ranking digital facts 09-2015

3 Source: AGOF digital facts 10-2015; overall digital offerings ranking

In this context, rich media[4] and native advertising[5] are intelligently linked with traditional display advertising formats and new moving-picture products. At the same time, InteractiveMedia, a pioneer in programmatic advertising, is continuing to develop innovative advertising formats, also for automatic trading. In the area of social ads advertising, the premium marketer provides its customers with a unique marketing portfolio of renowned media brands and apps as well as thematic verticals.

OMS is one of the strongest premium marketers of high-quality editorial environments for regional daily newspapers and offers its advertising customers solutions for addressing attractive target groups with display, mobile and moving-picture campaigns across all screens.

Shazam is a music identification service for mobile phones and smartphones and has 7 million active users and 36 million downloads per month.

Along with the abovementioned acquisitions, Ströer added a large number of its own websites to its portfolio in the fiscal year, most of which are operated by Ströer Content Group. In this context, Ströer focuses on the performance publishing approach, which involves evaluating and developing content based on internet traffic quality and leads to a stronger generation of traffic on the website. The acquisition of Content Fleet GmbH, Hamburg (Content Fleet), – a notable company in the area of content optimization – is a key component in this regard. For the first time, Ströer can provide creative, distribution and monetization services from a single source. Content Fleet offers proprietary, performance-driven technology solutions for the real-time processing, evaluation and interpretation of large volumes of data. These solutions allow it to offer its customers detailed insights in real time.

Ströer is also a powerful player in the market for the automated marketing of advertising space. The technology platform is largely provided by the subsidiaries adscale GmbH (adscale) in Munich and MBR Targeting GmbH (MBR) in Berlin.

adscale is one of the biggest marketplaces for digital advertising in Germany. In the fiscal year, adscale significantly expanded its supply-side platform and supplemented it with a cross-media market place. This will enable publishers to put together cross-media packages comprising video, mobile and display inventory to which selected advertisers then enjoy exclusive access. Advertisers can use adscale to filter out target groups for their campaigns from a portfolio of more than 6,000 websites. Each month, adscale records around 42 million unique visitors and some 5 billion page views (as of the end of 2015).[6] With its wide-ranging portfolio of some 6,000 websites, adscale reaches more than three quarters of all German internet users.[6]

MBR has proprietary technologies for precisely identifying online target groups, delivering transaction-based performance campaigns and generating new customers in the digital segment. Anonymous data on the surfing behavior of users is compiled using the consumer action mining (CAM) algorithm and used in real time to assign products to consumers.

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

5 Native Advertising is a method wherein various forms of advertising can be placed in an editorial environment

6 Source: comScore, November 2015

Video
Ströer offers various formats in the area of video: Public video screens (in stations, shopping malls, underground railway stations), online video as well as leading web TV offerings.

Ströer has around 3,500 public video screens in shopping malls, railway stations and underground railway stations. Public video is a new kind of media channel to complement traditional TV and can be combined directly with campaigns in the online segment. In contrast to linear TV, public video screens can accompany consumers on their customer journey and are therefore a unique product. Consumers can be addressed directly and in a targeted manner using specific synchronized advertising loops. In the online segment, the video format enables premium content to be offered on a large number of websites. In addition, Ströer has a leading web TV offering in the shape of TUBE ONE Networks GmbH (TubeOne), one of the largest social video networks in Germany. TubeOne markets around 150 artists and generates around 650 million video views per month (including 50 million social views). The YouTube channels of celebrities such as Simon Desue or DieAussenseiter have well over a million subscribers. 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, Ströer SE intends to focus on other digital business models such as e-commerce, shopping and subscription-based revenue models.

In the reporting period, Ströer SE already initiated several game-changing acquisitions in this regard. Conexus AS, Drammen (Conexus), was acquired in the last quarter and the acquisition of Statista GmbH, Hamburg (Statista), was finalized in the first quarter of 2016.

Conexus is the market leader for digital, big-data driven educational solutions and professional learning for the educational sector in Scandinavia. Conexus is able to capture complex value chains and analyze big data in highspeed. Conexus delivers trendsetting infrastructure solutions, already in use by around 75% of all schools and educational institutions in Norway.

Statista is a leading global data and business platform. Statista offers its customers a considerable degree of efficiency and extensive cost benefits in sourcing business-relevant information, especially in the form of statistics. The platform already gives access to around one million statistics from more than 18,000 sources. On the basis of the compiled data, Statista continuously develops new, innovative and data-based products, which are primarily marketed with partners.

Statista and Conexus will be legally bundled into the newly established Ströer Venture. Ströer Venture will continue to focus on developing disruptive, digital business models.

International online marketing
Ströer Digital International is one of the biggest marketing networks for online advertising with a focus on south-eastern European markets. Its portfolio ranges from ad exchange services, video and display advertising to performance marketing. Ströer Digital International uses proprietary technologies, from real-time bidding, ad server and video solutions, through to targeting components.

Out-of-home business

The out-of-home advertising business is based on an attractive portfolio of contracts with private and public-sector owners of land and buildings, which furnish us with advertising concessions for high-reach sites. Of particular importance are the contracts with municipalities, for which we, as a system provider, develop 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. Our product portfolio covers all forms of outdoor advertising media, from traditional posters (billboards) 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 more than 290,000 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, billboard, 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 in Cologne. With some 230,000 marketable advertising faces in more than 600 cities, we generate 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 our 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 7 of the 10 largest Turkish cities and operates in all product groups. With some 48,000 marketable advertising faces in approximately 20 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 is the joint leader of 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 product groups.

BlowUP Media is a strong western European provider of giant posters of up to more than 1,000m^2 positioned on building façades. The company currently markets more than 300 sites, some of which are digitized, which are booked either individually or in blocks, both nationally and internationally, by well-known advertisers. The generally 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.

Investments and locations

The following overview as of 31 December 2015 outlines the main investment structure and allocation to the core markets.

	Ströer SE								
	100%	100%	100%	100%	100%	100%	90%	100%	100%
Management company	Ströer Media Deutschland GmbH	Ströer Digital Group GmbH	Ströer Digital International GmbH	Ströer Venture GmbH	Ströer Content Group GmbH	Digital Media Products GmbH	Ströer Kent-vizyon Reklam Pazarlama A.S.	Ströer Polska Sp. z.o.o.	BlowUP Media GmbH
Geographical activity	Germany/ Netherlands	Germany/ New Zealand	Germany/ Hungary/ Turkey/ Poland/ Czech Republic	Germany/ Norway	Germany	Germany	Turkey	Poland	Germany/ UK/Belgium/ Spain/ Netherlands
Investees*	**25**	**7**	**8**	**9**	**10**	**1**	**1**	**3**	**4**
Segment revenue 2015	EUR 464m	EUR 243m					EUR 143m		
Segment	OOH Germany	Ströer Digital					OOH International		

* Number of fully consolidated companies

Management and control

The board of management of Ströer SE as of 31 December 2015 comprised three members: Udo Müller (CEO), Christian Schmalzl (COO) 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	October 2019	Chairman Strategy
Dr. Bernd Metzner	June 2014	June 2017	Chief Financial Officer Group Finance and Tax Group HR Group IT Group Legal Group M&A/Corporate Finance Group Internal Audit Group Investor Relations Group Procurement Group Risk Management Group Accounting Group Controlling
Christian Schmalzl	November 2012	October 2019	Management and supervision of national, international and digital companies Group business development Group corporate communications

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

The supervisory board as of 31 December 2015 comprised three members: Christoph Vilanek, Vicente Vento Bosch and Ulrich Voigt. 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. 289 HGB ["Handelsgesetzbuch": German Commercial Code], which also includes the declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act]. In addition, the board of management and supervisory board issue a joint corporate governance report each year in accordance with 3.10 of the German Corporate Governance Code. All documents are published on the website of Ströer SE (http://ir.stroeer.com).

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. 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, advertisers and media agencies. Out-of-home advertising is affected in particular by the conditions relating to the advertising concessions granted by municipalities.

Customers in the out-of-home advertising industry sometimes place bookings with a lead time of not much more than eight weeks. This underlines the trend towards ever shorter advance booking 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 business, advance booking times by customers are even shorter due to the high degree of automation compared with out-of-home advertising. The highest revenue activity generally falls in the fourth quarter in the online industry. A key factor for online advertising is the further penetration of the market using targeting/re-targeting, real-time bidding (RTB) and moving-picture offerings. Apart from the commissions paid to website operators, the main cost drivers are personnel and IT operating expenses.

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 can be advertised in out-of-home campaigns. If regulatory amendments are made, we will be able to mitigate the impact on our business volume through appropriate marketing and sales activities thanks to the usual lead times involved in legislative changes.

The regulatory environment in online advertising is mainly determined by data privacy aspects at European and national level, which give national legislatures leeway in drafting guidelines.

The use of ad blockers is becoming increasingly 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. 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 end 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.

It also gives added importance to performance products, especially as it is possible to reach target groups with increasing accuracy by analyzing large volumes of data and using targeting technologies. The moving-picture and mobile offerings in the online advertising market are expected to see above-average growth. At the same time, there is substantial potential for regional online advertising campaigns. Out-of-home advertising is also affected by advances in digital media, but is the only medium to retain its physical presence.

Strategy and management

Value-based strategy

We have significantly developed the Ströer Group's growth and value-based strategy by expanding our business model and developing our online portfolio. We are one of the first fully integrated digital marketers to focus our strategy on generating revenue and earnings potential from the integration of traditional and digital out-of-home advertising with online display and video marketing. Traditional out-of-home advertising campaigns, which are primarily aimed at increasing brand awareness (branding), are strategically supplemented by attractive and innovative performance marketing products and solutions. At the same time, Ströer is diversifying its advertising-heavy revenue streams towards subscription and e-commerce.

We are a major digital multi-channel media company focused on big data, digital content and out-of-home infrastructure. Our activities center around five strategic growth opportunities:

- OOH digitization in Germany
- First-party content business – enhancement of digital assets
- Local markets – increasing our local and regional advertising revenue
- National market – establishing ourselves as a leading cross-media marketer in Germany
- Ventures – focus on disruptive and data-driven business models

OOH digitization in Germany
The digitization of out-of-home advertising is one of our main areas of investment and growth. Targeted investments in innovative premium formats, market research and audience reach measurement also ensure the Ströer Group's outstanding position in out-of-home advertising technology. The focus is on developing extremely powerful, functional and maintenance-friendly solutions that win over customers with their modern design.

In 2015, our activities were dominated by the continued systematic modularization and standardization of the product portfolio to enhance product quality. In addition, product development also focused on optimizing the lighting/background lighting systems of advertising media and the related reduction in energy consumption in existing product ranges. Since 2014, the Ströer Group has already converted 26,500 sites to LED operation.

Crucial to the attractiveness of public video for advertising and media agencies is the synchronization of the screens, which ensures an attention-grabbing brand presence and visually dominant video advertising messages. In the fiscal year, we increased the number of our public video screens by 17% from around 3,000 screens to 3,500 screens.

The digital development also includes LED video boards, which can be used in the outdoor segment. Two-sided LED systems were planned and tested in 2014, and were launched on the German market in 2015. Ströer installed the first digital roadside screens in Wuppertal and Hamburg, with other cities across Germany, such as Cologne, to follow in the coming years.

After the successful launch of the iBeacon testing platform (Düsseldorf) in cooperation with Deutsche Bahn, we have begun installing 50,000 iBeacons across Germany. The use of this technology, which is based on Bluetooth low energy, makes it possible to connect the analog world with the digital world. Retail customers in particular could profit from this development as the iBeacon technology allows the mechanisms of e-commerce to be integrated into stationary trade. In this way, additional information that is pinpointed in terms of time and place concerning products, advertising campaigns or coupons is channeled to consumers directly and can guide them to the point of sale.

Validated and accepted audience measurements as well as the effectiveness of out-of-home media near to the point of sale, as proven in numerous studies, make Ströer a key partner for the advertising industry. New studies published in the reporting year by renowned, independent institutions show that information that is presented using out-of-home advertising has a significant influence on implicit memory and thus on the spontaneous brand preferences of consumers. In the fiscal year, Ströer established the "Visible Brands" award.

We also support the initiative of the leading out-of-home advertising providers with regard to the systematic analysis of reach in our core markets. Ströer introduced audience measurement systems in Turkey and Poland which are comparable with the internationally recognized audience measurement system POSTAR.

In the area of out-of-home advertising, around 28 employees worked in product development as of the end of 2015.

First-party content business – enhancement of digital assets
In 2014, we began setting up the Digital Content group. In 2015, we were already one of the biggest digital publishers in Germany. The group is based on a disruptive, tech-based and performance-driven business model which mainly involves monetizing content and maximizing traffic through our performance publishing approach.

Along with the portal t-online.de acquired in 2015, the portfolio built up to date includes in particular the content and technology specialist, Content Fleet, which was also acquired in 2015. Furthermore, we also signed an agreement on the acquisition of Statista with economic effect as of 1/2 February 2016. Statista is a global data and business platform. It offers its customers a considerable degree of efficiency and extensive cost benefits in sourcing business-relevant information, especially in the form of statistics. The platform gives access to around one million statistics from more than 18,000 sources. On the basis of the compiled data, Statista continuously develops new, innovative and data-based products, which are primarily marketed with partners.

STRÖER media brands AG, Berlin (Ströer Media Brands, formerly GIGA Digital AG), brings together the areas of Apple, Android, software and film.

In order to complement our portfolio, we will continue to integrate individual attractive publishers into our portfolio in the future.

Local markets – increasing our local and regional advertising revenue
In Germany, advertising in a local or regional environment is currently largely distributed between free advertising publications and daily newspapers. There is also substantial growth potential here due to the shift in advertising budgets from local print media to local online services. The relatively small marketing budgets available in the local environment to individual, usually medium-sized advertisers mean that there is also strong demand for standardized solutions.

In developing its local markets, the Ströer Group can build on its broad customer base and sales strength from traditional out-of-home activities. In addition to our existing strong regional presence with around 40 offices across Germany, we are planning to strengthen our regional sales activities by making structural improvements and recruiting sales staff (hunters) to acquire new customers.

In the fiscal year, we added digital products to our local and regional offering. The acquisition of RegioHelden GmbH, Stuttgart, enables us to also offer our local customers integrated services in the area of online advertising. In this context, we focus in particular on campaign management in the area of search engine optimization. By monitoring the success of advertising in detail and transparently, the traditional scattering loss in print advertising can be avoided and new target groups reached in the local environment.

We successfully increased our revenue at regional level during the reporting year. We also strengthened our regional sales force. We now have more than 300 field staff at regional level. This year we started offering products in the out-of-home advertising segment and in the digital segment from a single source at regional level. The extensive exploitation of structural growth potential should ensure an above-average increase in net revenue from local and regional advertising.

National market – establishing ourselves as a leading marketer in Germany
Today, we are already one of the largest marketers in Germany and intend to expand our position further, with consolidation being the key to our success. Following the acquisition of InteractiveMedia and OMS (with economic effect as of 19 January 2016), we hold a leading position in the area of national online marketing, in addition to out-of-home advertising.

The significant growth potential of our multi-screen products and marketing position arises from the increasing use of media across a range of screens in public, professional and private environments. As a result, advertisers are increasingly aiming for a combination of different screens when planning their campaigns to target specific groups as far as possible and to maximize their reach among those target groups. One core element of Ströer’s multi-screen offering is the integration of public video and online/mobile video. The Ströer Group has developed a new kind of media channel to complement traditional moving pictures in television and online media. Hence we are no longer talking about digital OOH, but rather public videos – i.e., moving pictures in public spaces. Online and public videos appeal particularly to young and mobile target groups, who respond positively to moving pictures and who are reached less and less by linear television. The aim is to sharply increase the share of total revenue from multi-screen products in the next few years and, in connection with this, to also generate a larger proportion of out-of-home advertising revenue through public and online videos. In this way, customers receive all the main services for their moving-picture campaigns out of one hand – from cross-media planning and booking to campaign monitoring.

The group-wide marketing of multi-screen campaigns was made easier in the reporting year by an ad server solution in the form of a multi-screen planning and booking tool that enables dynamic and regional campaign management. In order to make the reaches comparable, Ströer converted the video views achievable via out-of-home advertising into ad impressions,[1] with the help of GfK's (Gesellschaft für Konsumforschung) Media Efficiency Panel. Ströer generates well over three billion video ad impressions per month via online video and public video.[2] Our digital out-of-home advertising portfolio currently comprises approximately 3,500 screens at the most highly frequented locations in public spaces. The cross-media combination aims to create benefits for both advertisers and publishers, since the additional digital moving-picture screens tap into new target groups and increase overall reach.

Ventures – focus on disruptive and data-driven business models
In the area of ventures, we invest in disruptive, data-driven and digital business models. In the reporting period, Ströer already initiated several game-changing acquisitions in this regard, such as Conexus.

Conexus is the largest provider of digital, big-data driven educational solutions and professional learning for the educational sector in Scandinavia. Conexus is able to capture complex value chains and analyze big data in high speed. Conexus delivers trendsetting infrastructure solutions, already in use by around 75% of all schools and educational institutions in Norway.

1 Own survey
2 Basis: Gesellschaft für Konsumforschung (GfK) enigma

Unifying success factor – OOH and digital: data-driven and innovative product development

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

We are focusing heavily on data-driven business models which will help us control our campaigns even more precisely. Our newly established data management platform (DMP) launched in the fiscal year serves as a basis to this end. It will enable Ströer to record, collect and analyze anonymized traffic data and use them for individual campaigns.

Along with the existing demand-side platform (DSP), which enables advertisers to automatically buy advertising space from other providers, our supply-side platform (SSP) helps customers to optimize their advertising campaigns. The new targeting algorithms make it possible, among other things, to identify potential new customers on the internet (new customer prediction) and then to address them with a specific campaign. The retargeting of existing customers is also more precise. Ultimately, programmatic buying means that advertising customers can procure precisely the ad impressions that will increase the probability that their target groups will purchase a specific product.

Technology position in terms of precisely identifying online target groups was improved continuously in the reporting period. MBR's user-centric consumer action mining (CAM) algorithm enables the processing of large volumes of data in real time, is less prone to error and much more dynamic and efficient than comparable targeting technologies. Thus Ströer can meet its customers' growing performance requirements and better capitalize on the inventory of publishers.

Ströer is continuously expanding its strong technology position in the digital segment and integrated the advertising format mobile and video into the SSP and DSP in the fiscal year. In the case of the mobile format, special mobile formats can also be booked via both automated platforms.

We also focus on data-driven content marketing as part of our performance publishing approach. Supported by our subsidiary Content Fleet, we are able to analyze more than 400 million articles and images in real time and use them in effective marketing campaigns via Facebook and Twitter. This means that reach is decisive for brand awareness, and relevant content is the key prerequisite for satisfied readers. We prepare content which is perfectly tailored to the target groups, thereby increasing traffic on our websites.

We also added search engine optimization technology to our portfolio in the fiscal year, which helps websites achieve higher rankings with regional relevance in search machine rankings.

With our products geared to performance, we cover the entire digital value chain, from ad servers through demand and supply-side platforms, real-time bidding and ad exchanges to targeting driven by proprietary technology.

In the digital segment, product development accounted for around 100 employees as of the end of fiscal year 2015.

Value-based management

We manage our Group using internally defined financial and non-financial key performance indicators in the interests of sustainable development. Our group-wide reporting structure that is implemented at all subsidiaries ensures that we keep abreast of the value added of all group entities and of the Group. Our objective is sustainable value creation over the entire economic cycle. At the same time, this ensures that we observe the covenants set by our lenders. Our value-based management is also reflected in the performance-related remuneration of the board of management. For us, value drivers are the main internal and external factors affecting business development. Key financial indicators follow the internal reporting structure and are pro forma figures which are not covered by IFRSs. They comprise organic revenue growth, operational EBITDA, adjusted profit for the period, free cash flow (before M&A transactions), ROCE (return on capital employed), as well as net debt and the leverage ratio derived from it.

→ For more information on the financing strategy, see page 38

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, and adherence to these targets is continuously monitored during the year. Both organic revenue growth (excluding the effects of acquisitions and exchange rate changes) and nominal revenue growth (joint ventures are consolidated proportionately) are analyzed in this context. In view of its expansionary business development, Ströer adjusted its calculation of organic growth in 2015 to improve transparency. The adjustment means that the business performance of acquirees – both positive and negative – is included in the calculation of organic growth from the time of initial consolidation.

Operational EBITDA gives an insight into the sustainable development of the Group's earnings adjusted for exceptional items (joint ventures are consolidated proportionately). Exceptional items include gains and losses from changes in the investment portfolio and from capital measures, reorganization and restructuring expenses, and other extraordinary expenses and income. Furthermore, operational EBITDA is a key input for determining the leverage ratio which must be reported to the syndicate of banks on a quarterly basis as one of several covenants. In addition, sustainable operational EBITDA is used on the capital market as part of the multiplier process for simplifying the determination of business value.

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 cash paid for investments in intangible assets and property, plant and equipment. Free cash flow before M&A transactions therefore represents the earnings power of our Company (joint ventures are consolidated pursuant to IFRS 11 using the equity method) and is an important determining factor for our investment, financing and dividend policy.

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

ROCE is calculated as adjusted EBIT divided by capital employed (joint ventures are consolidated proportionately). Adjusted EBIT is defined as follows: Earnings before interest and taxes adjusted for exceptional items, amortization of acquired advertising concessions and impairment losses on intangible assets. Capital employed is defined as the average capital tied up in the Group. It is the arithmetic mean of capital employed at the start of the year and the respective year-end. Capital employed comprises total non-current intangible assets including goodwill, property, plant and equipment and current assets less total non-interest-bearing liabilities.

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.

The Company's net debt and net debt ratio are also key performance indicators for the Group. The net debt ratio is measured as the ratio of net debt to operational EBITDA. Net debt is calculated as financial liabilities less derivative financial instruments and cash (joint ventures are consolidated proportionately).

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

ECONOMIC REPORT

Business environment

General economic developments in 2015

The global economic trend witnessed in 2014 continued into 2015, with growth of 3.1% forecast by the International Monetary Fund in its World Economic Outlook.[1] Various factors affecting growth such as the drop in commodity prices, the turnaround in interest rates in the US and the cooling off of the economy in China made themselves felt in different ways.

Our three key markets of Germany, Turkey and Poland turned in subdued to positive performances in the reporting year. Despite the ailing Chinese economy and the related decline in orders placed with German companies, the German economy recorded strong growth thanks to strong domestic demand. The ongoing geopolitical tensions in the Middle East and the related uncertainties curbed economic development in Turkey, but growth in 2015 was still slightly higher year on year. The Polish economy continued to develop positively despite prevailing political flashpoints such as the conflict between Russia and Ukraine.

Germany

The German economy developed positively in 2015. Leading economic institutes adjusted their growth forecasts upward several times during the year. According to initial calculations by the German Federal Statistical Office ["Statistisches Bundesamt"], price-adjusted GDP increased by 1.7% year on year and has therefore grown by more than the 10-year average (1.3%) According to the German Federal Statistical Office, the German economy maintained its position in a difficult global economic environment and profited, above all, from strong domestic demand. Adjusted for inflation, private consumer spending rose by 1.9% and public-sector spending by 2.8%.[2]

The number of people in employment reached 43 million in 2015, a new record high for the ninth consecutive year. Households' real disposable income increased by 2.8% in 2015. This growth was almost matched by household spending calculated on the basis of current prices, which grew by 2.5%. Preliminary calculations put the household saving ratio in 2015 at 9.6%, up slightly year on year despite low interest rates.[2] In 2015, the inflation rate in Germany fell to its lowest level for six years. In 2015, consumer prices increased by 0.3% year on year[2] chiefly due to the sharp fall in energy prices.

Turkey

According to the International Monetary Fund (IMF) and Organisation for Economic Cooperation and Development (OECD) estimates, GDP growth was still around 3.0% in 2015, compared with 2.9% in 2014, although the forecasts were downgraded continuously during the year.[3] Despite the presidential elections in the middle of the year, the political situation and the macroeconomic environment only stabilized to a small extent. Consumer prices increased during the course of 2015 from 7.2% in January to 8.8% at year-end.[4]

1 Source: World Economic Outlook Adjusting to Lower Commodity Prices, October 2015

2 Source: BVR study on World Savings Day, September 2015

3 Source: OECD real GDP forecasts summary, Turkey, November 2015

4 Source: Turkish Statistical Institute, January 2016

Poland
The Polish economy continued to grow in the reporting period. OECD figures suggest that real GDP is likely to have increased to 3.5% in 2015.[5] This positive development was driven mainly by substantial EU investments in the country's infrastructure, which continue to support GDP growth, as well as strong domestic demand and a record number of people in employment in 2015. The labor market continues to be very robust and, with unemployment standing at around 8.0%, improved significantly compared with prior years. The rate of inflation remained at a very low level and was negative throughout 2015. An average rate of inflation of –0.7% is anticipated over the course of the year.[6]

Development of the out-of-home and online advertising industry in 2015
The impact of muted economic growth in Europe as a whole also filtered through to the western European advertising market in 2015. ZenithOptimedia, for example, estimates that net advertising spending on the main media increased by 2.9% in this region, consistent with the prior-year increase. While print media continued to contend with substantial losses of market share (down 5.9%), net advertising spending in the online segment once again rose sharply by 10.9%. Out-of-home advertising in the western European advertising market increased marginally by 3.0%. The advertising industry contracted by 3.4%[7] in eastern and central European countries.[8]

Germany
According to the gross advertising spending calculated by Nielsen Media Research, the advertising market in Germany grew by 4.0% in 2015.[9] 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 territories. We currently expect net advertising investments to have increased only slightly in 2015 – in line with the most recently announced forecasts of the Central Association of the German Advertising Industry ["Zentralverband der deutschen Werbewirtschaft e.V.": ZAW]. ZAW is scheduled to publish the official net media spending figures in May 2016.[10] Our estimate for 2015 is also supported by a ZenithOptimedia forecast, which expects net advertising spending to increase slightly by 1.7% following an increase by 2.1% in 2014.[11]

In terms of net advertising spending, according to ZenithOptimedia, the out-of-home segment grew by 2.0% in 2015. For the digital segment, growth in net advertising spending was measured at 9.7%. At –4.0%, the print segment is expected to have decreased in the fiscal year. Reliable estimates of any shifts in market share cannot be made until the net market figures are published. However, we expect our market share to have increased slightly in out-of-home advertising.

5 Source: OECD real GDP forecasts summary, November 2015
6 Source: European Commission, Economic and Financial Affairs, EU economic situation, Economies of the member states, January 2016
7 Source: ZenithOptimedia Advertising Expenditure Forecast, Western Europe & Central and Eastern Europe, December 2015
8 Includes the remaining countries of western Europe as well as selected central European countries with a moderate growth profile and strong economic connections to western Europe, such as the Czech Republic, Hungary and Poland
9 Source: Nielsen advertising trends for 12-2015, Nielsen, January 2016
10 Source: ZAW press release no.12/15, December 2015
11 Source: ZenithOptimedia Advertising Expenditure Forecast, Germany, December 2015

Turkey
The Turkish advertising market remained subdued overall in 2015 owing to continued domestic and international political uncertainty and the impact this had on the country's macroeconomic environment. Total advertising spending increased by 8.2% in 2015, an improvement on the increase in the prior year (8.0%).[12] A more conservative value can be gleaned from intra-year publications by the Turkish Association of Advertising Agencies (TAAA), with total advertising spending expected to increase by 5.3% in 2015.[13]

Consistent information on the net development of the Turkish out-of-home media market is not available. However, we expect nominal growth in this market segment to be just above the prior-year level. Based on ZenithOptimedia's data, the internet segment is again expected to have grown well above-average and gained further market share in 2015, mainly at the expense of the print segment.[14]

Poland
The economic upturn had a positive effect on the Polish advertising industry in the reporting year. According to the ZenithOptimedia report from December 2015, a 2.8% increase in advertising spending is expected compared with 2014.[15] Following the significant decreases seen in 2012 (down 5.5%) and 2013 (down 5.3%), this development underscores the turnaround that emerged in 2014 with growth of 2.4%. The Polish out-of-home market continued to stabilize, seeing advertising spending increase slightly by 0.2 percentage points year on year.[15] We anticipate that, in 2015, market share will mainly shift toward online media which is showing strong growth of 10.7% in the Polish market.[15]

Development of the exchange rate in 2015 [16]
In 2015, the development of the euro exchange rate against the Turkish lira, the Polish zloty and the pound sterling was primarily relevant for our business. The Turkish lira started the year at 2.83 TRY/EUR in January 2015. However, it lost considerable ground during the course of the year and was quoted at 3.18 TRY/EUR as of year-end. The annual average at which the Turkish lira was quoted was down overall by some 4.1% on the prior-year average.

The Polish zloty remained broadly stable in the reporting period and was quoted at an annual average of 4.18 PLN/EUR, exactly the same as the prior-year average. The zloty was quoted at 4.30 PLN/EUR at the beginning of the year and 4.26 PLN/EUR at year-end.

The pound sterling appreciated considerably against the euro over the course of the year, primarily due to the UK's stronger economic development compared with the eurozone and to the European Central Bank's more expansionary monetary policy. At the end of the year, it was quoted at 0.73 GBP/EUR, below the initial level of 0.78 GBP/EUR at the beginning of the year. The average exchange rate for 2015 of 0.73 GBP/EUR was 10.0% lower than the prior-year level.

12 Source: Magna Global Advertising Revenue Forecasts, Turkey, December 2015
13 Source: Turkish Foundation of Advertising Agencies, November 2015
14 Source: ZenithOptimedia Advertising Expenditure Forecast, Turkey, December 2015
15 Source: ZenithOptimedia Advertising Expenditure Forecast, Poland, December 2015
16 Source: European Central Bank (EZB)

Results of operations of the group and the segments

Overall assessment of the board of management on the economic situation
The Ströer Group closed fiscal year 2015 with an excellent consolidated result of EUR 59.5m. Both the very robust business in OOH Germany and the continued rigorous expansion of the digital business were key to this success. This positive development was most noticeable in the Ströer Group's key performance indicators – revenue and operational EBITDA – with both growing strongly once again compared with the prior year.

The Group's net assets and financial position also developed very well with both free cash flow and net debt improving considerably despite extensive investment measures in the fiscal year. The development of the equity ratio and leverage ratio was also very positive such that the Group's financial position was very sound and well balanced as of the reporting date.

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

Comparison of forecast and actual business development
The Ströer Group had drawn up its targets for fiscal year 2015 as presented in its prior-year forecast on the basis of 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 or indeed for the main part exceeded all of the targets we set ourselves in fiscal year 2015.

With a view to **organic revenue growth** of the Ströer Group, we were expecting growth to be in the mid-single-digit percentage range. At 9.8%[1], actual organic revenue growth was higher than we forecast. For inorganic growth, we based our forecast on additional growth in the low-double-digit millions and clearly achieved that goal.

Operational earnings before interest, taxes, depreciation and amortization **(operational EBITDA)** is another key performance indicator of the Ströer Group. In our forecast we anticipated a noticeable increase in this indicator, which we then went on to quantify at at least EUR 180m in our Q1 report for 2015. Ultimately, operational EBITDA amounted to EUR 207.5m in the fiscal year (prior year: EUR 148.1m), more than fulfilling our goal. As regards the **operational EBITDA margin** (defined as the ratio of revenue to operational EBITDA)[2], we had assumed a stable to slightly improved margin for 2015 in our forecast a year ago, based on the prior-year value of 20.2%. The operational EBITDA margin stood at 24.8% at year-end, seeing it exceed the slight improvement we predicted.

With regard to **return on capital employed (ROCE)**, we forecast a considerable increase for 2015. Ströer ultimately achieved a ROCE of 15.4% (prior year: 13.8%), fulfilling that forecast.

1 After the change in the method of calculation in 2015.
2 Joint ventures are consolidated proportionately.

For fiscal year 2015, we also anticipated a further increase in **consolidated profit after taxes**, with the Ströer Group already having achieved very good consolidated profit of EUR 23.3m in 2014. However, the actual increase in 2015 to EUR 59.5m was well beyond our expectations.

A major indicator for measuring the financial position in the Ströer Group is **free cash flow** (before M&A transactions), which was anticipated in the mid to high-double-digit millions in our forecast. The free cash flow before M&A transactions generated in the fiscal year amounted to EUR 114.1m, putting it well above the range we forecast.

Equally material for assessing our financial position is the development of the **leverage ratio**. This is dependent, among other things, on the volume of business acquisitions made in the reporting period. In our forecast, we assumed a further reduction in the leverage ratio, notwithstanding major M&A transactions. With the leverage ratio at 1.1 (prior year: 1.9), we achieved that reduction in spite of extensive investment measures. At the same time, the Group's net debt decreased from EUR 275.0m to EUR 231.2m.

An overview of the development of the Group in the last five years can be found in the following table. The economic situation in our segments is explained in detail below.

Results of operations of the Group

Consolidated income statement					
In EUR m	**2015**	2014	2013	2012[1]	2011[1]
Revenue	823.7	721.1	622.0	560.6	577.1
Cost of sales	–561.2	–506.2	–434.2	–386.5	–372.1
Gross profit	**262.6**	**214.9**	**187.8**	**174.1**	**205.0**
Selling expenses	–107.8	–91.7	–84.2	–75.4	–74.5
Administrative expenses	–94.9	–87.9	–82.6	–71.8	–75.1
Other operating income	24.0	25.1	18.7	16.5	15.9
Other operating expenses	–10.6	–11.5	–9.8	–9.6	–14.3
Share in profit or loss of equity method investees	4.5	3.7	4.1	0.0	0.0
EBIT	**77.7**	**52.5**	**34.0**	**33.7**	**56.9**
EBITDA	**187.8**	**134.3**	**108.8**	**100.4**	**121.1**
Operational EBITDA[2]	**207.5**	**148.1**	**118.0**	**107.0**	**132.3**
Financial result	–9.3	–14.8	–19.8	–31.9	–49.8
EBT	**68.4**	**37.7**	**14.2**	**1.8**	**7.1**
Income taxes	–8.9	–14.4	–9.7	–3.6	–10.7
Consolidated profit or loss for the period	**59.5**	**23.3**	**4.5**	**–1.8**	**–3.6**

[1] A retrospective adjustment in relation to IFRS 11 was not made.
[2] Joint ventures are consolidated proportionately.

With effect from 1 January 2014, the EU Commission adopted the new provisions of IFRS 11 issued by the International Accounting Standards Board (IASB) with binding effect for the whole European Union. As a result of these new requirements, four joint ventures which the Ströer Group previously accounted for on a proportionate basis were accounted for using the equity method. Consequently, the pro rata contributions of these four entities are no longer included in the individual income and expense items of the consolidated income statement, but are presented as a net item under "Share in profit or loss of equity method investees." The key indicators operational EBITDA, ROCE, net debt and the leverage ratio derived from it, as well as adjusted EBIT and adjusted profit for the period are not affected by this and continue to follow the internal reporting structure. The four entities accounted for using the equity method in which Ströer holds a 50.0% stake are included in these figures on a pro rata basis as in the prior years.

At the beginning of fiscal year 2015, Ströer aligned its internal controlling and thus also the structure of its segments to reflect current developments and the Group's new focus. In this context, the public video business, which was previously the digital business within the Ströer Germany segment, was transferred to the Ströer Digital segment, due to the high level of similarity in operations. As such, the remaining Germany segment has since solely comprised the German out-of-home business, which is aptly reflected in the new name "Out-of-Home Germany (OOH Germany)." We have also optimized our internal controlling in relation to our international out-of-home business. We grouped Ströer Turkey, Ströer Poland and BlowUP into a new segment, "Out-of-Home International (OOH International)." The prior-year figures were restated accordingly to reflect the new segment structure.

Development of revenue

In the fiscal year, the Ströer Group seamlessly followed on from the success of the prior year and drove its profitable growth course forward once again. At EUR 823.7m, consolidated revenue was a clear EUR 102.6m higher than in the prior year. Digital business accounted for the lion's share of the increase at EUR 73.7m, its growth stemming in turn from both M&A transactions and organic growth of the existing entities. Furthermore, the OOH Germany segment once again reported robust business and contributed to the significantly higher consolidated revenue with pleasing growth rates. Only the OOH International segment saw a slight fall in revenue. The geopolitical uncertainties in Turkey and the related weakness of the Turkish lira were disadvantageous for Ströer in this regard.

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

In EUR m	**2015**	2014
Ströer Digital	238.2	164.5
OOH Germany	457.2	422.9
OOH International	142.4	146.3
Reconciliation using the equity method (IFRS 11)	–14.0	–12.5
Total	**823.7**	**721.1**

A geographical breakdown of consolidated revenue shows a further shift in 2015 toward domestic revenue. Domestic revenue (excluding equity-method investees) increased by 19.5% to EUR 665.3m (prior year: EUR 556.8m), whereas external revenue saw a slight dip of 3.5% year on year and only reached EUR 158.4m (prior year: EUR 164.2m). Thus the percentage of revenue attributable to foreign operations came to 19.2% (prior year: 22.8%).

Revenue development in the online and out-of-home advertising industry is generally subject to similar seasonal fluctuations to the rest of the media industry. This also affects the development of the Ströer Group during the course of 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	161.8
Q2	201.6
Q3	189.9
Q4	270.5
Q1 to Q4	**823.7**

Operational EBITDA development by quarter

In EUR m

Q1	26.3
Q2	52.1
Q3	43.4
Q4	85.7
Q1 to Q4	**207.5**

Earnings development

Gross profit amounted to EUR 262.6m in the fiscal year, an impressive EUR 47.7m increase on the prior-year figure. This is a reflection, in particular, of the fact that the substantial increase in revenue was paired with considerably lower growth in cost of sales. The gross profit margin rose by 2.1 percentage points to 31.9%.

→ Additional explanations on the development of cost of sales can be found in the section below, "Development of key income statement items"

The significant improvement in operating activities and the successful expansion in digital business had an extremely positive effect on the Ströer Group's **consolidated profit**. At the same time, the sustainable improvement in the financial result and the considerable reduction in the tax expense also contributed materially to this development. Only higher general and administrative expenses, which were due in particular to the first-time consolidations in the digital segment, had a downward effect on profit. Overall, however, consolidated profit was a pleasing EUR 36.2m higher than in the prior year at EUR 59.5m.

The dynamic growth in operating activities also gave a considerable boost to the earnings indicators adjusted for exceptional items. Thus at EUR 106.3m, **net profit (adjusted)**[1] was a notable EUR 49.9m higher than in the prior year. Even more remarkable was the increase in **operational EBITDA**, which at EUR 207.5m was even able to grow by EUR 59.5m. Finally, the upwards trend also had a very favorable effect on the return on capital employed (ROCE) – adjusted for amortization of our advertising concessions – which came to 15.4% (prior year: EUR 13.8%).

→ See the adjusted income statement on page 172

1 Adjusted EBIT before non-controlling interests net of the financial result adjusted for exceptional items and the normalized tax expense (joint ventures are consolidated proportionately).

Development of key income statement items

In contrast to the substantial increase in revenue, the **cost of sales** did not rise as much, only increasing by EUR 54.9m to EUR 561.2m. The development in the Ströer Digital segment played an important part here, with the additional cost of sales from the newly acquired entities chiefly responsible for the increase. The OOH Germany segment also reported higher cost of sales than in the prior year, which was mainly due to revenue-related higher lease expenses for advertising media locations. The OOH International segment saw some contrasting developments in the cost of sales in its various core markets but overall the cost of sales was also higher than in the prior year in this segment, albeit marginally.

With a view to **selling expenses**, the business acquisitions in the Ströer Digital segment also shaped the development. Furthermore, the cost of the rigorous ongoing expansion in regional sales operations had a negative effect on selling expenses. On balance, selling expenses came to EUR 107.8m in the fiscal year, which corresponds to an increase of EUR 16.0m. Given the strong growth in revenue, the ratio of selling expenses to revenue was only slightly higher than in the prior year at 13.1% (prior year: 12.7%).

Administrative expenses were also affected to a large extent by Ströer's expansion strategy. The EUR 6.9m increase to EUR 94.9m was almost entirely attributable to the newly acquired entities. Furthermore, the legal and consulting fees incurred in connection with the acquisition of the internet portal t-online.de and InteractiveMedia CCSP GmbH also made a negative contribution. Adjusted for effects from business acquisitions, administrative expenses in the Ströer Group fell sharply on the back of extensive cost-saving measures. Administrative expenses as a percentage of revenue improved by 0.7 percentage points to 11.5%.

→ A detailed presentation of other operating income and expenses can be found in notes 13 and 14 to the consolidated financial statements

Other operating income decreased slightly by EUR 1.1m in fiscal year 2015 to EUR 24.0m, which was chiefly attributable to the fact that compensation claims for advertising concessions that could not be used to the extent agreed had been unusually high in the prior year. There was only a low level of such compensation claims in the fiscal year. This decrease was offset, however, by a number of smaller contrasting effects.

The Ströer Group recorded a year-on-year reduction of EUR 0.9m in **other operating expenses** to EUR 10.6m. There were no notable effects in this development. Other operating expenses include bad debt allowances, exchange losses from operating activities, and losses from the disposal of assets.

As in the prior year, Ströer saw a steady upwards trend in the **share in profit or loss of equity method investees**, with their share amounting to EUR 4.5m in the fiscal year, up EUR 0.8m on the prior-year figure.

→ More information on the financial result can be found in note 15 to the consolidated financial statements

The Ströer Group's **financial result** improved by EUR 5.5m to EUR –9.3m in the reporting period. Besides the further reduction in capital market interest rates, the renewed adjustment in our favor of the interest rate on our syndicated loan in April 2015 had a particularly positive impact. In addition, the further reduction in the leverage ratio in the course of the year had a very beneficial effect on the interest margin payable to our lenders.

→ For more information, see the reconciliation in note 16 to the consolidated financial statements

In view of the improvement in operating business for the Ströer Group and a further improvement in the financial result, the Group's tax base increased noticeably. However, some process improvement and structural changes carried out in 2015 in the Group's legal units countered this effect. In this connection there was, among other things, a significant reduction in the tax rate from 38.2% to 13.0%, such that the tax expense improved considerably year on year (EUR –8.9m; prior year: EUR –14.4m).

Ströer Digital

In EUR m	2015	2014	Change in %
Segment revenue, thereof	**243.5**	**165.4**	**47.2**
Digital (Online)	236.4	164.1	44.0
Other	7.1	1.3	>100.0
Operational EBITDA	**79.5**	**39.0**	**>100.0**

The Ströer Digital segment reported strong growth once again in the fiscal year and thus continued unabated on its upwards trajectory. Given the fact that we are continually adding to and expanding our business, the segment figures can only be compared with those of the prior year to a limited extent. Adjusted for the business acquisitions, all areas of the digital segment saw strong organic growth, led by our public video products. While digital marketing succeeded in monetizing the base of publishers which it had strengthened in the prior year and also selling more video and mobile products, public video reported a year-on-year increase in demand, especially from new customers. At the same time, our investments in other digital business models also contributed to robust organic growth. The integration of the newly acquired companies was simultaneously driven forward and we are increasingly able to leverage synergies and economies of scale on both the revenue and cost side.

→ For information on the reconciliation of segment figures to group figures, see our explanations in note 34 of the notes to the consolidated financial statements “Segment reporting”

Out-of-Home Germany

In EUR m	2015	2014	Change in %
Segment revenue, thereof	**464.0**	**429.1**	**8.1**
Billboard	208.6	198.3	5.2
Street furniture	137.6	129.5	6.3
Transport	54.5	52.6	3.6
Other	63.3	48.8	29.6
Operational EBITDA	**124.5**	**97.8**	**27.2**

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.

In fiscal year 2015, the Ströer Group recorded significant growth in **revenue** in the Out-of-Home Germany segment, with both national and regional business contributing considerably to that growth. In addition to demand which continues to be very robust and dynamic, this upwards trend was largely bolstered by a number of sales measures.

The **billboard** product group, which targets both national and regional customers, grew its revenue by EUR 10.4m, bringing it to EUR 208.6m in the reporting period. This product group benefited on the one hand from the optimization of the national sales organization in the prior year, and on the other hand from the related regional sales force expansion, which had a markedly positive effect on business. By contrast, the **street furniture** product group serves mainly national and international customer groups. Business was expanded further in this product group too, allowing it to close the fiscal year with revenue of EUR 137.6m, an increase of EUR 8.2m. The **transport** product group, which has only comprised advertising on buses and trains since the start of 2015, closed the year at a low level with just minimal increases in revenue.

The strong growth in the **other** product group was primarily due to higher production revenue. This increase can be largely attributed to the increase in revenue from small local customers as this customer group is much more interested in full-service solutions, including the production of advertising materials.

Due to increased operating activities, the Out-of-Home Germany segment also saw its **cost of sales** increase, albeit at a much lower rate than revenue. In this connection, the cost-cutting program that was expanded in the prior year had a markedly positive impact on the cost structure in 2015 in particular. The cost cutting also led to a sustained reduction in overheads. Against this backdrop, the segment generated **operational EBITDA** of EUR 124.5m in the fiscal year (prior year: EUR 97.8m) and an **operational EBITDA margin** of 26.8% (prior year: 22.8%).

Out-of-Home International

In EUR m	**2015**	2014	Change in %
Segment revenue, thereof	**142.8**	**147.3**	**–3.0**
Billboard	114.5	120.7	–5.2
Street Furniture	20.3	20.0	1.7
Other	8.0	6.5	22.1
Operational EBITDA	**25.0**	**24.6**	**1.7**

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 142.8m in 2015, seeing it decrease EUR 4.5m year on year. This drop in revenue was primarily due to the geopolitical uncertainties and the related depreciation in the Turkish lira affecting the Turkey sub-segment. In local currency, however, revenue only fell marginally. In Poland, revenue was also slightly lower than in the prior year given the persistently challenging market environment. The BlowUP group was unable to attain the high growth rates of the prior year but managed to maintain and marginally increase the high level of revenue seen in the prior year.

In terms of cost of sales, all three sub-segments varied in their development. While our out-of-home business in Turkey and the BlowUP group reported higher cost of sales due to increased lease expenses, costs in Poland continued to fall. Given the additional savings in overheads, **operational EBITDA** improved overall at EUR 25.0m (prior year: EUR 24.6m). The **operational EBITDA margin** also picked up by 0.8 percentage points and came to 17.5%.

Net Assets and Financial Position

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.

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 us with 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 components, 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.

The Ströer Group currently obtains its external financing from a syndicate of banks comprising 11 selected national and international institutions. The financing comprises a credit facility agreed in April 2014, the conditions of which were amended in the Ströer Group's favor to reflect its current situation in April 2015. At the same time, the volume was reduced from EUR 500m to EUR 450m, with the possibility to increase it by a further EUR 100m at a later date. The term of the facility was also extended by one year until April 2020. The loans were issued without collateral. This provides the Ströer Group with stable, long-term financing at low borrowing costs. The costs incurred in connection with the amendment are being amortized over the term of the agreement.

As of the reporting date, no single bank accounted for more than 20% of all loan amounts, hence there is a balanced diversification of the loan provision. Since we had only utilized EUR 282.7m (including utilization by bank guarantees) of our group-wide working capital facilities amounting to a total of EUR 461.3m as of the 2015 reporting date, we still have substantial unutilized financing facilities available beyond the existing cash on hand (EUR 56.5m). The credit margins for the different loan tranches depend on the leverage ratio. The financial covenants reflect customary market conditions and relate to two key performance indicators (leverage ratio and fixed charge ratio), which were met as of the end of the year with plenty of leeway to the relevant covenant limit. As of 31 December 2015, the Group had unutilized short and long-term credit facilities of EUR 178.6m (prior year: EUR 189.2m).

The loans all have a floating rate of interest. As of 31 December 2014, there were fixed interest rate swaps for around EUR 40m of these syndicated credit facilities. The terms of these swaps ended in January 2015. As part of the financing strategy, the board of management regularly examines the possibility of hedging interest rate risks by 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 2015. 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.

Due to the encouraging earnings development of the entire Ströer Group, net debt fell considerably by EUR 43.8m in the fiscal year to EUR 231.2m. In 2015, Ströer SE and its group entities complied with all loan covenants and obligations from financing agreements.

Continuously increasing capital requirements, primarily due to the Basel III reform package, are having a significant impact on bank 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 will periodically examine various alternative financing options as part of our financing management (such as issuing borrower's note loans or corporate bonds) and also take into account the further optimization of the maturity profile of our financial liabilities.

The Ströer Group did not make use of any off-balance sheet financing instruments in 2015. An agreement in place at the beginning of fiscal year 2014 on the sale of trade receivables (factoring) between a Turkish group entity and a bank based in Turkey was terminated at the end of 2014. We primarily use operating leases to finance our company vehicles. Due to the low volumes involved, however, operating leases do not have a significant effect on the economic situation of the Group.

Overall assessment of net assets and financial position

The net assets and financial position of the Ströer Group improved once again in the fiscal year. The leverage ratio – the ratio between net debt and operational EBITDA – decreased further and amounted to just 1.1 as of the reporting date (prior year: 1.9). In terms of liquidity, the Ströer Group had cash of EUR 56.5m as of fiscal-year end (prior year: EUR 46.1m) as well as unutilized credit facilities of EUR 178.6m (prior year: EUR 189.2m). The credit lines are secured by a credit facility until April 2020. The Group's internal financing capability continues to be very robust. Cash flows from operating activities amounted to EUR 190.3m in 2015 (prior year: EUR 123.4m). In spite of the expansion strategy, free cash flow stood at EUR 92.4m, which was also far higher than in the prior year (EUR 65.5m). The capital increase in November gave a further considerable boost to equity gearing, bringing the equity ratio to an extremely comfortable 46.3% (prior year: 33.6%) as of the reporting date. Overall, the Ströer Group's net assets and financial position are very well balanced and sound as of fiscal year-end 2015.

Financial position

In EUR m	2015	2014	2013	2012*	2011*
Cash flows from operating activities	190.3	123.4	74.4	54.9	95.0
Cash flows from investing activities	–97.9	–57.9	–70.3	–44.1	–57.0
Free cash flow	92.4	65.5	4.1	10.8	38.0
Cash flows from financing activities	–82.0	–59.9	14.6	–121.4	–10.1
Change in cash	10.4	5.6	18.8	–110.6	27.9
Cash at the end of the period	56.5	46.1	40.5	23.5	134.0

* A retrospetive adjustment in relation to IFRS 11 was not made.

Liquidity and investment analysis

The notable upwards trend in the Ströer group’s operating business also had a sustained impact on **cash flows from operating activities**, which hit a new record high at EUR 190.3m as of the reporting date (prior year: EUR 123.4m). Furthermore, cash flow benefited from a significant decrease of EUR 6.0m in interest payments, which was predominantly attributable to the optimization of refinancing in the prior year. In addition, the changes in working capital and the decrease in tax payments were advantageous for cash flow, with the latter stemming mainly from the changes made mid-year in the structure of the Ströer Group.

With outflows of EUR –97.9m (prior year: EUR –57.9m), **cash flows from investing activities** reflect the continuing growth course of the Ströer Group. Due to the expansion strategy, investments in intangible assets and property, plant and equipment were increased substantially.

As a result, Ströer managed to generate **free cash flow** of EUR 92.4m in spite of increased investing activities. In the last five years, it has financed all replacement and expansion investments and payments for growth projects and business acquisitions entirely from the cash flows from operating activities. Against this backdrop, the strong internal financing capability remains a defining feature of the Ströer Group, as demonstrated once again in the fiscal year.

With regard to **cash flows from financing activities**, EUR 54.1m of the outflows of EUR –82.0m (prior year: EUR –59.9m) related largely to the repayment of finance loans. Furthermore, a good EUR 19.5m of the outflows related to the distribution of a dividend to the shareholders of Ströer SE.

At the end of the fiscal year, **cash** totaled EUR 56.5m, up EUR 10.4m on the prior year. In conjunction with the additional available, long-term credit facilities of EUR 178.6m, we believe that the Ströer Group’s liquidity remains very comfortable.

Financial structure analysis

As of the end of 2015, around 75.6% of the Ströer Group’s **financing** was covered by equity and non-current debt (prior year: 75.9%). Well over 100% of the current liabilities of EUR 355.3m (prior year: EUR 229.8m) is financed at matching maturities by current assets of EUR 240.9m (prior year: EUR 169.1m) as well as available, long-term credit facilities of EUR 178.6m (prior year: EUR 189.2m).

The balance of short and long-term **financial liabilities** amounted to EUR 351.0m (prior year: EUR 348.2m) as of the end of the fiscal year. The decrease in liabilities to banks was over compensated to some extent by, among other things, additional liabilities from put options, which were granted in connection with business acquisitions.

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.

In EUR m		**31 Dec 2015**	31 Dec 2014	31 Dec 2013	31 Dec 2012*	31 Dec 2011*
(1)	Non-current financial liabilities**	302.7	307.7	351.2	311.0	413.1
(2)	Current financial liabilities**	43.3	36.5	42.3	31.6	52.6
(1)+(2)	Total financial liabilities	346.0	344.2	393.5	342.5	465.7
(3)	Derivative financial instruments**	56.5	21.6	24.3	16.9	27.4
(1)+(2)–(3)	Financial liabilities excluding derivative financial instruments	289.5	322.6	369.2	325.6	438.3
(4)	Cash**	58.3	47.6	43.1	23.5	134.0
(1)+(2)–(3)–(4)	**Net debt**	**231.2**	**275.0**	**326.1**	**302.1**	**304.3**
	Leverage ratio**	**1.1**	**1.9**	**2.8**	**2.8**	**2.3**
	Equity ratio (in %)	**46.3**	**33.6**	**31.1**	**32.4**	**27.8**

* A retrospective adjustment in relation to IFRS 11 was not made.
** Joint Ventures are consolidated proportionately.

Despite extensive investments in the fiscal year, the Ströer Group reduced its net debt from EUR 275.0m to EUR 231.2m in the fiscal year. This was largely made possible by the upwards trend in operating business, which is also reflected in a considerable improvement in operational EBITDA. Consequently, the leverage ratio, defined as the ratio of net debt to operational EBITDA, also improved noticeably to 1.1.

With regard to **trade payables**, the rise from EUR 121.7m to EUR 180.4m is mainly attributable to the inclusion of new entities in the digital segment as well as to a general increase in investing activities in the Ströer Group as a whole.

Other liabilities amounted to EUR 71.3m, up EUR 37.3m on the prior year. This was attributable, among other things, to an increase in deferred income for reported receivables where no services have yet been rendered.

The Ströer Group's **equity** increased predominantly as a result of the capital increase (EUR 378.2m) in return for a non-cash contribution as part of the acquisition of Digital Media Products GmbH, in which InteractiveMedia CCSP GmbH and the internet portal t-online.de from Deutsche Telekom AG are bundled. Furthermore, equity benefited from the profit for the period of EUR 59.5m. The increase in the reserve for put options, the distribution of a dividend to the shareholders of Ströer SE and the adjustment item for foreign currency translation for foreign operations all had the opposite effect on equity. Overall, the Ströer Group's equity rose from EUR 320.7m to EUR 675.2m, and the equity ratio improved from 33.6% to 46.3%.

Capital structure costs

In the Ströer Group, cost of capital relates to risk-adjusted required rate of return 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.

Net assets

Consolidated statement of financial position					
In EUR m	**31 Dec 2015**	31 Dec 2014	31 Dec 2013	31 Dec 2012*	31 Dec 2011*
Assets					
Non-current assets					
Intangible assets	308.4	234.5	248.0	262.0	278.4
Goodwill	655.1	307.9	301.4	226.1	224.2
Property, plant and equipment	201.2	198.7	201.1	225.9	221.8
Investment in equity method investees	25.3	24.0	24.5	–	–
Tax assets	13.0	4.7	7.7	5.0	15.5
Receivables and other assets	13.1	15.0	10.6	14.3	14.4
Sub-total	**1,216.1**	**784.8**	**793.3**	**733.3**	**754.3**
Current assets					
Receivables and other assets	177.5	117.8	112.8	96.7	85.8
Cash	56.5	46.1	40.5	23.5	134.0
Tax assets	5.6	4.3	4.2	4.8	3.1
Inventories	2.7	0.9	2.8	5.5	5.4
Sub-total	**242.3**	**169.1**	**160.3**	**130.5**	**228.4**
Total assets	**1,458.4**	**953.9**	**953.6**	**863.7**	**982.6**
Equity and liabilities					
Equity and non-current liabilities					
Equity	**675.2**	**320.7**	**296.7**	**279.6**	**273.5**
Non-current liabilities					
Financial liabilities	302.7	307.7	351.2	311.0	413.1
Deferred tax liabilities	68.7	54.8	54.9	55.1	71.4
Provisions	56.4	40.8	38.4	37.2	31.3
Sub-total	**427.8**	**403.3**	**444.4**	**403.2**	**515.8**
Current liabilities					
Trade payables	180.4	121.7	103.2	80.5	77.5
Financial and other liabilities	119.5	74.4	82.1	65.9	81.7
Provisions	34.9	23.1	20.6	18.6	21.0
Income tax liabilities	20.4	10.5	6.6	16.0	13.1
Sub-total	**355.3**	**229.8**	**212.5**	**180.9**	**193.3**
Total equity and liabilities	**1,458.4**	**953.9**	**953.6**	**863.7**	**982.6**

* A retrospective adjustment in relation to IFRS 11 was not made.

Analysis of the net asset structure
The Ströer Group's **total assets** amounted to EUR 1,458.4m as of 31 December 2015 (prior year: EUR 953.9m).

The considerable rise in total assets is attributable first and foremost to additions to **non-current assets** which, at EUR 1,216.1m, were EUR 431.3m higher than in the prior year. The acquisition of Digital Media Products GmbH, in which InteractiveMedia CCSP GmbH and the internet portal t-online.de from Deutsche Telekom AG are bundled, was mainly responsible for this growth. The additions, both from this acquisition and from numerous smaller M&A transactions, are chiefly reflected in intangible assets including goodwill. Furthermore, the rise in non-current deferred taxes of EUR 8.5m is almost exclusively due to the business acquisitions made in the fiscal year.

By contrast, the growth in **current assets**, which stood at EUR 242.3m as of the reporting date (prior year: EUR 169.1m), was much lower than that of non-current assets. Notable changes were seen in particular here in current receivables and other assets. These were due on the one hand to the EUR 32.1m increase in trade receivables, which was almost exclusively the result of entities being consolidated for the first time. On the other hand, the changes were due to current financial receivables, which increased from EUR 8.9m to EUR 28.9m year on year mainly as a result of receivables from purchase price adjustments (M&A) and contractual compensation claims.

The Ströer Group's **off-balance sheet assets** include a substantial portfolio of internally generated advertising concessions with municipalities and private lessors. 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 1,005.2m as of 31 December 2015 (prior year: EUR 1,011.6m) and related to obligations from not yet completed investments and leases based on operating lease agreements. Due to the selected agreement structures, the latter may not be recognized in non-current assets. In addition, there are obligations of EUR 77.9m (prior year: EUR 5.8m) arising from acquisitions of shares in companies contractually agreed in 2015 and executed in 2016. For more information, see our comments in the "Subsequent events" section.

INFORMATION ON STRÖER SE

The management report of Ströer SE (formerly "Ströer Media SE") and the group management report for fiscal year 2015 have been combined pursuant to Sec. 315 (3) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 298 (3) HGB. The separate 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 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 financial control 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 financial statements of Ströer SE which were prepared in accordance with the provisions of the HGB and the AktG ["Aktiengesetz": German Stock Corporation Act].

Results of operations

Ströer SE boosted its **result from ordinary activities** considerably in the fiscal year from EUR 31.9m to EUR 48.4m. This increase was primarily due to significantly higher income from intragroup profit and loss transfers, which almost doubled year on year at EUR 93.7m (prior year: EUR 46.9m). By contrast, the other operating result, in particular, did not fare as well, being impacted by higher legal and consulting fees, restructuring costs and the group-wide harmonization of overhead cost allocations. The significant increase in the result from ordinary activities, together with the EUR 5.1m year-on-year improvement in the tax result, had a very positive effect on the Company's **profit for the period**. Overall, the profit for the period came to EUR 47.1m (prior year: EUR 26.0m).

In EUR k	**2015**	2014
Other own work capitalized	31	87
Other operating income	19,755	26,699
Personnel expenses	–23,116	–21,361
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	–7,863	–5,825
Other operating expenses	–28,968	–16,475
Income from equity investments	890	4,500
Income from profit and loss transfer agreements	89,531	45,952
Income from loans classified as non-current financial assets	1,395	2,640
Interest and similar expenses/income	–3,263	–4,339
Result from ordinary activities	**48,392**	**31,877**
Extraordinary result	–664	–240
Income taxes	–561	–5,641
Other taxes	–27	–42
Profit for the period	**47,140**	**25,955**
Profit carryforward	45,955	48,631
Allocation to other retained earnings	–6,407	–23,744
Dividend distribution	–19,548	–4,887
Accumulated profit	**67,140**	**45,955**

Other operating income totaled EUR 19.8m in the fiscal year (prior year: EUR 26.7m). This decrease is attributable in part to the group-wide harmonization of holding cost allocations implemented at the start of 2015. Furthermore, the prior-year result included one-time effects which did not occur in 2015.

By contrast, **personnel expenses** only saw a slight increase of EUR 1.8m against the prior year to EUR 23.1m.

At EUR 7.9m, **amortization, depreciation and write-downs** of intangible assets and property, plant and equipment were higher than in the prior year. As in the prior year, in addition to regular amortization and depreciation, this figure includes in particular the additional amortization charge on intangible assets recognized within the context of the restructuring of the IT landscape.

Other operating expenses were negatively impacted by, among other things, higher legal and consulting fees, restructuring costs and the group-wide harmonization of overhead cost allocations and amounted overall to EUR 29.0m (prior year: EUR 16.5m).

Income from equity investments in 2014 benefited from a dividend distribution by BlowUP Media GmbH of EUR 4.5m which related to several prior years. In 2015, however, this income was much lower at EUR 0.9m.

With a view to the **income from profit and loss transfer agreements**, Ströer SE recorded profit transfers of EUR 89.5m from its subsidiaries in the reporting period (prior year: EUR 46.0m). At EUR 92.7m (prior year: EUR 46.9m), the largest portion thereof by far stemmed from Ströer Media Deutschland GmbH under the profit and loss transfer agreement concluded in 2010. The pleasingly high profit transfer is attributable to the continued very robust development of the German Ströer Group's business.

Income from loans classified as non-current financial assets relates to long-term intragroup loans that Ströer SE granted to its subsidiaries in the fiscal year or in prior years. The decline to EUR 1.4m (prior year: EUR 2.6m) this item reflects, among other things, the Ströer Group's lower cost of refinancing, which we passed on to our subsidiaries in the form of reduced interest rates. It is also due to the fact that existing loans of EUR 65.0m to our subsidiaries in Poland and Turkey were converted into equity toward the end of 2014.

At EUR –3.3m (prior year: EUR –4.3m), **interest and similar expenses/income** by contrast was positively shaped in particular by new interest terms negotiated with our banks in April 2015. At the same time, the lower net debt of the Ströer Group reduced the interest margin payable to the banks.

At EUR –0.6m, the **tax result** improved considerably year on year (prior year: EUR –5.6m). Among other things, this reflects the changes in the structure of the Ströer Group which have led to a decline in tax expenses.

Net assets and financial position

Ströer SE's total assets increased from EUR 663.1m to EUR 1,049.1m in the reporting period (up EUR 386.0m). The major reason for this increase was the acquisition of shares in Digital Media Products GmbH, which affected assets under shares in affiliates and equity as part of a capital increase in return for a non-cash contribution. Furthermore, the financial position changed significantly due in particular to the profit transfer receivable from Ströer Media Deutschland GmbH of EUR 92.7m (prior year: EUR 46.9m). Other effects stemmed from the rise in receivables from subsidiaries, which had been provided additional funds under the expansion strategy in digital business.

In EUR k	**2015**	2014
Assets		
Non-current assets		
Intangible assets and property, plant and equipment	13,247	13,868
Financial assets	886,205	569,822
	899,451	**583,690**
Current assets		
Receivables and other assets	143,941	61,082
Cash on hand and bank balances	1,050	14,375
	144,991	**75,457**
Prepaid expenses	**4,662**	**3,924**
Total assets	**1,049,105**	**663,071**
Equity and liabilities		
Equity	**850,657**	**526,665**
Provisions		
Provisions for pensions and similar obligations	20	20
Tax provisions	11,215	7,568
Other provisions	9,310	7,161
	20,545	**14,749**
Liabilities		
Liabilities to banks	64,485	49,167
Trade payables and other liabilities	8,385	5,403
Liabilities to affiliates	90,362	48,411
Liabilities to other investees	5,500	3,990
	168,732	**106,971**
Deferred tax liabilities	**9,171**	**14,686**
Total equity and liabilities	**1,049,105**	**663,071**

Analysis of the net asset structure

Intangible assets and property, plant and equipment were roughly on a par with the prior year at EUR 13.2m (prior year: EUR 13.9m), with depreciation and amortization being almost entirely compensated for by corresponding additions.

By contrast, Ströer SE saw a considerable change in its **shares in affiliates**, which were up EUR 287.4m against the prior-year figure at EUR 811.4m. The main reason for this increase, accounting for EUR 284.6m, was the acquisition of all of the shares in Digital Media Products GmbH, Darmstadt. With economic effect as of 2 November 2015, Ströer SE acquired all of the shares in this company, in which InteractiveMedia CCSP GmbH, Darmstadt, and the internet portal t-online.de from Deutsche Telekom AG are bundled. Ströer SE also acquired the remaining 10.0% of the shares in BlowUP Media GmbH for a purchase price of EUR 2.6m, effective 27 May 2015.

At EUR 74.8m, **loans to affiliates** were also significantly higher than in the prior year (up EUR 29.0m). The funds made available to subsidiaries in this connection were predominantly used to finance the expansion strategy in digital business. Specifically, the lion's share of the increase, at EUR 21.2m, is attributable to the newly established subsidiary Ströer Venture GmbH, and EUR 11.2m is attributable to STRÖER media brands AG (formerly GIGA Digital AG).

With a view to **receivables and other assets**, the increase in the reporting period came to EUR 82.9m, bringing the balance to EUR 143.9m at fiscal-year end. At EUR 71.1m, current receivables from affiliates were chiefly responsible for this significant growth. EUR 45.8m thereof was attributable to the increase in profit transferred by Ströer Media Deutschland GmbH, which at EUR 92.7m was almost twice as high as in the prior year (prior year: EUR 46.9m). A further EUR 23.2m related to Ströer Ströer Content Group GmbH, with the addition attributable on the one hand to its integration in the cash pool with Ströer SE, and on the other to the provision of additional funds as part of the expansion strategy in digital business. In addition, Ströer SE recognized a receivable of EUR 8.6m under other assets from purchase price adjustments in connection with the acquisition of shares in Digital Media Products GmbH.

Bank balances amounted to EUR 1.1m as of the reporting date, down EUR 13.3m on the prior-year figure. For further information, see the liquidity analysis in the following section.

Prepaid expenses stood at EUR 4.7m as of 31 December 2015, up EUR 0.7m on the prior year. This increase was primarily due to the capitalization of costs incurred in April 2015 as part of the new refinancing arrangement, which will be amortized over the loan period of five years.

Financial structure analysis

Ströer SE's **equity** rose by EUR 324.0m to EUR 850.7m in fiscal year 2015. EUR 296.4m of this increase was attributable to the contribution of the shares in Digital Media Products GmbH as part of a capital increase in return for a non-cash contribution by Deutsche Telekom AG (see our comments under "Shares in affiliates"). In turn, Deutsche Telekom AG has become a shareholder of Ströer SE and received 6,412,715 new shares in this connection. Furthermore, the profit for the period in 2015 of EUR 47.1m increased equity, while the dividend for 2014 of EUR 19.5m distributed in 2015 decreased equity. The equity ratio rose from 79.4% to 81.1%, thereby remaining very comfortable.

As regards **provisions**, the Company saw a moderate increase from EUR 14.7m to EUR 20.5m. The main cause for this change was, in particular, the tax provisions which, at EUR 11.2m, were EUR 3.6m up on the prior year. In addition, other provisions increased from EUR 7.2m to EUR 9.3m.

Ströer SE saw its **liabilities to banks** increase by EUR 15.3m to EUR 64.5m, which was almost exclusively due to the higher utilization of the working capital facility provided by its banking syndicate. For further information, see the liquidity analysis in the following section.

In terms of **liabilities to affiliates**, too, the year-end balance of EUR 90.4m was considerably higher than in the prior year (prior year: EUR 48.4m). This was due to the fact that some of the subsidiaries had considerable amounts of cash and cash equivalents which they temporarily transferred to Ströer SE in order to optimize the Group's financing.

Trade payables and **other liabilities** increased by EUR 3.0m overall year on year to EUR 8.4m.

Liquidity analysis

In EUR m	**2015**	2014
Cash flows from operating activities	17.5	27.6
Cash flows from investing activities	–33.2	–28.5
Free cash flow	**–15.7**	**–0.9**
Cash flows from financing activities	2.4	6.1
Change in cash	**–13.3**	**5.1**
Cash at the end of the period	1.1	14.4

In fiscal year 2015, Ströer SE generated **cash flows from operating activities** of EUR 17.5m (prior year: EUR 27.6m). While the profit of EUR 46.9m transferred by Ströer Media Deutschland GmbH for fiscal year 2014 was only slightly lower than in the prior year (EUR 47.5m), higher outflows for the operating business of the holding company, which included extensive costs in connection with M&A transactions, led to the reduction in cash flow.

With a view to **cash flows from investing activities**, outflows were slightly higher than in the prior year (EUR –33.2m; prior year: EUR –28.5m), and related primarily to loans of EUR 21.2m to the newly established Ströer Venture GmbH. In other respects, investments in intangible assets were also up slightly.

Free cash flow – defined as cash flows from operating activities less cash flows from investing activities – amounted to EUR –15.7m in fiscal year 2015, down EUR 14.8m on the prior year. The discrepancy between the free cash flow and the considerable improvement in the Company's profit for the period is largely attributable to the time lag of Ströer Media Deutschland GmbH's profit transfer to Ströer SE, which will positively impact Ströer SE's free cash flow in fiscal year 2016.

Cash flows from financing activities were shaped in particular by the cash inflows from temporary loans by group entities to optimize refinancing costs across the Group as well as by higher loans from banks. These contrasted with the distribution of a dividend to the shareholders of Ströer SE (EUR 19.5m) and the outflows to group entities as a result of cash pool financing (EUR 23.9m). On balance, there was thus a slight net cash inflow of EUR 2.4m (prior year: EUR 6.1m).

Cash decreased by EUR 13.3m year on year to EUR 1.1m as of the reporting date.

Ströer SE's **net financial assets** break down as follows:

In EUR m	31 Dec 2015	31 Dec 2014
(1) Non-current financial liabilities	–60.0	–49.0
(2) Current financial liabilities (including intragroup financial liabilities)	–90.5	–49.5
(1)+(2) Total financial liabilities	**–150.5**	**–98.5**
(3) Intragroup non-current and current financial receivables	200.8	100.8
(1)+(2)–(3) Financial liabilities (less intragroup financial receivables)	**50.3**	**2.4**
(4) Cash	1.1	14.4
(1)+(2)–(3)–(4) Net financial assets	**51.4**	**16.7**
Equity ratio (in %)	**81.1**	**79.4**

Ströer SE's net financial assets improved year on year, increasing from EUR 16.7m to EUR 51.4m. The considerable upwards trend in the Ströer Group's operating business and the related increase in profit transfer by Ströer Media Deutschland GmbH made a substantial contribution in this regard. Overall, Ströer SE's net financial assets remain positive and the Company thus has an extremely stable financing structure.

As the holding company, the development of Ströer SE is closely linked to the performance of the entire Ströer Group. Due to its comfortable equity ratio and the continued 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

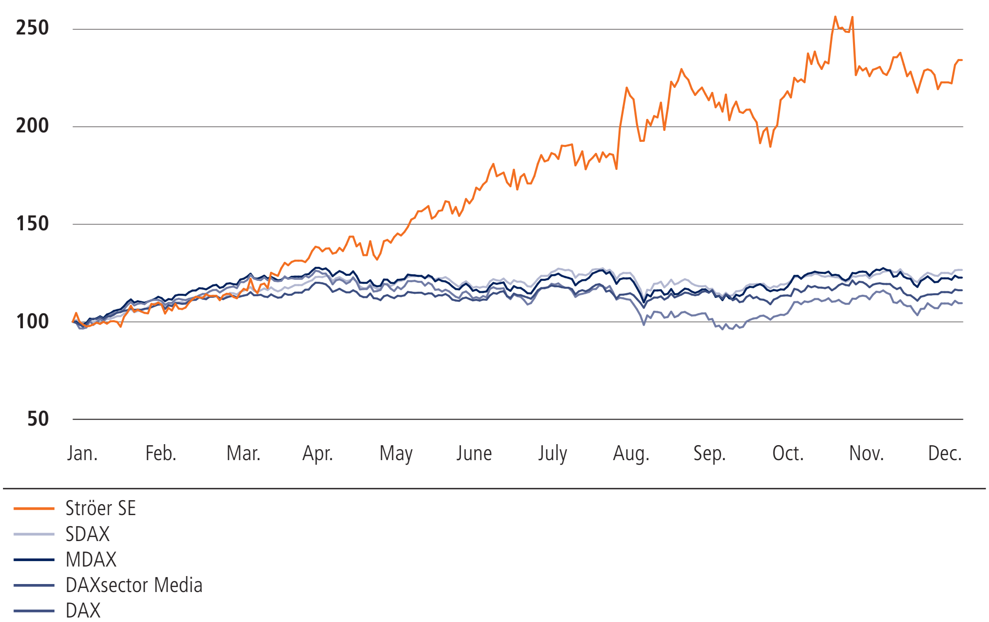
Due to its role as group parent, the anticipated development of Ströer SE depends on the development of the Group as a whole. Based on the Group's predicted results of operations for 2016 presented under "Forecast", we expect the subsidiaries to generate even higher earnings contributions overall and Ströer SE to achieve even higher results in the future.

INFORMATION ON THE SHARE

The stock market was shaped by considerable fluctuations in 2015, with the uncertain monetary policy of the ECB and the US Federal Reserve as well as the development of economic growth in China playing a role. Having begun the year at 9,869 points, the DAX reached a record high of 12,390 points in April and fell to its annual low of 9,325 points at the end of September. The DAX closed the last trading day of 2015 at 10,743 points. This corresponds to an increase of 8.86% over the year as a whole.

The Ströer share performed extremely positively in 2015 and was one of the best performers on the SDAX. After closing 2014 at around EUR 24.72 (as of 31 December 2014), the share closed the reporting year at EUR 57.90 (as of 30 December 2015). This corresponds to an increase of more than 134% over the year as a whole. Ströer SE has been listed in the MDAX since 21 December.

The Ströer share in a 2015 index comparison



Source: Bloomberg

Targeted investor relations

In addition to complying with the statutory disclosure requirements, we aim to ensure a trust-building and transparent dialog through continuous and personal contact with analysts, investors and interested capital market players. We provide information about current developments through roadshows, meetings at our group headquarters and regular telephone contact. Active dialog with capital market players also helps to optimize our investor relations work in order to guarantee sustainable shareholder value. We continuously assess our shareholder structure and adapt our roadshow destinations accordingly. The main venues for our presentations in the reporting year were Frankfurt am Main, London and New York. We also regularly visit Paris, Zurich, Scandinavia and the west coast of the US. In addition, we hold Capital Market Days, Analyst Days and Lender Days to address individual issues from different capital market perspectives. Furthermore, we place value on a personal dialog with private shareholders, to whom we also pay close attention by participating in public shareholder forums.

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

Shareholder meeting

Ströer SE's shareholder meeting was held at the Koelnmesse Congress Center on 30 June 2015 and was attended by approximately 60 shareholders, guests and representatives of the press. Overall, nearly 80% of the capital stock was represented. Most of the resolutions proposed by the supervisory board and board of management were accepted by majorities of more than 80%. This also included the distribution of a dividend of EUR 0.40 per qualifying share. The proposals to waive disclosure of the remuneration paid to the individual members of the board of management in the separate and consolidated financial statements as well as to authorize the issue of convertible bonds and/or bonds with warrants were not adopted due to a three-quarters majority not being achieved.

Extraordinary shareholder meeting

On 25 September 2015, Ströer SE's extraordinary shareholder meeting took place at the Koelnmesse Congress Center and was attended by some 80 participants. The main reason for the extraordinary shareholder meeting was the proposed change of the legal structure from Ströer SE to a partnership limited by shares (KGaA). Overall, around 79.0% of the capital stock was represented. The resolutions proposed by the supervisory board and board of management were accepted by majorities of more than 80.0%. This also included the proposed conversion to a KGaA, which was accepted by a majority of over 84.0%.

Stock exchange listing, market capitalization and trading volume

Ströer SE stock is listed in the Prime Standard of the Frankfurt Stock Exchange. It was listed in the SDAX, a selection index of Deutsche Börse, from September 2010 and was admitted to the MDAX, a Prime Standard Index, on 21 December 2015. Based on the closing share price on 30 December 2015, market capitalization came to around EUR 3.2b. The average daily volume of Ströer stock traded on German stock exchanges was 161,872 shares over the 12 months of 2015, more than double the prior-year volume.

Analysts' coverage

The performance of Ströer SE is tracked by 13 teams of analysts. Based on the assessments at the end of the 12-month reporting period, 13 of the analysts are giving a "buy" recommendation. The latest broker assessments are available at http://ir.stroeer.com and are presented in the following table:

Investment bank	Recommendation*
Bankhaus Lampe	Buy
Citigroup Global Markets	Buy
Commerzbank	Buy
Deutsche Bank	Buy
ExaneBNP	Buy
Hauck & Aufhäuser	Buy
Jeffries	Buy
J.P. Morgan	Buy
KeplerCheuvreux	Buy
Liberum	Buy
MainFirst	Buy
Morgan Stanley	Buy
OddoSeydler	Buy

*As of 31 December 2015

Capital measures

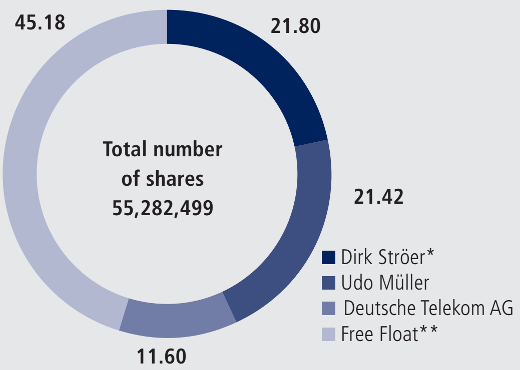
The total number of shares increased from 48,869,784 to 55,282,499 in the reporting period. This increase stems from the contribution of the shares in Digital Media Products GmbH in connection with a capital increase in return for a non-cash contribution by Deutsche Telekom AG.

Shareholder structure

CEO Udo Müller holds 21.42%, supervisory board member (until 2 November 2015) Dirk Ströer holds 21.80% and Christian Schmalzl holds around 0.05% of Ströer SE 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 7 March 2016, the following parties reported to us that they hold more than 3% of the voting rights in Ströer SE: Deutsche Telekom AG (11.60%), Allianz Global Investors Europe (5.88%) and Credit Suisse (4.63%).

Shareholder structure of Ströer SE

As of 25 November 2015, in %



* Includes shares of companies in which Dirk Ströer holds a majority interest

** Free float, thereof:

Allianz Global Investors Europe[1], Germany	5.88%
Credit Suisse[1, 2, 3], Switzerland	4.63%
Christian Schmalzl	0.05%

[1] According to voting right notification in accordance with Sec. 21, 22 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]
[2] According to voting right notification in accordance with Sec. 25 (1) WpHG
[3] According to voting right notification in accordance with Sec. 25a (1) WpHG

Dividend policy

In the reporting year, Ströer SE paid a dividend of EUR 0.40 per qualifying share. Ströer SE intends to continue to allow shareholders to participate in any successful profit development.

Key data of Ströer SE stock	
Capital stock	EUR 55,282,499
Number of shares	55,282,499
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 sponsors	OddoSeydler
Opening price 2015 (2 January)	EUR 24.61
Closing price 2015 (31 December)*	EUR 57.90
Highest price 2015 (10 November)*	EUR 63.40
Lowest price 2015 (21 January)*	EUR 24.10

*Closing price in XETRA in EUR

EMPLOYEES

Training and developing our employees is crucial for the success of the Ströer Group. The main tool here is our qualified on-the-job training. Demographic change and the altered expectations of young graduates mean that requirements are constantly increasing in relation to the recruitment and internal development of suitable employees, especially for future management roles. Committed and competent employees play a key role in business success and in the ability to innovate and increase value. Ströer aims to ensure that its employees stay with the Company in the long term and identify themselves with it. Ströer therefore places great importance on being an attractive employer by pursuing a sustainable HR policy and offering flexible working time models.

We have successfully introduced trust-based working hours in Germany as well as target agreements. In this way, we would also like to enable employees to better combine their work and personal lives and to be individually responsible for achieving business goals. Ströer is thus laying the foundations for an open and trust-based working relationship. We believe that this will significantly increase employee efficiency and satisfaction.

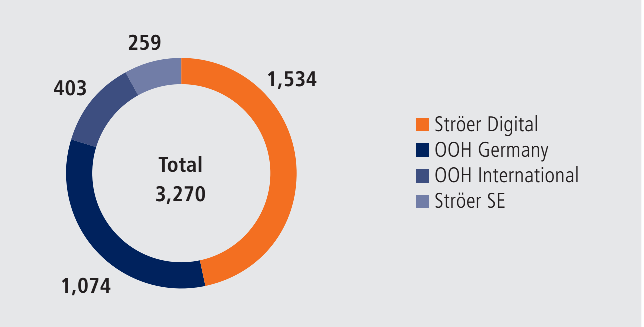
Employment situation

Headcount

As of year-end, the Ströer Group had 3,270 (prior year: 2,380) full and part-time employees. The increase of 890 positions is attributable to the digital business in Germany and results particularly from larger acquisitions such as t-online.de. In the coming year, we expect our headcount to rise, due in particular to the further expansion of our sales structure.

Employees by segment

as of 31 December 2015

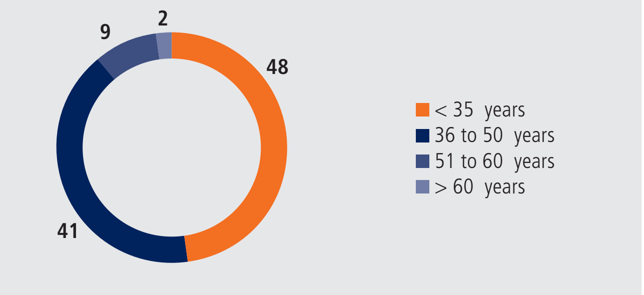


Length of service

As of the reporting date, employees had been working for an average of 6.5 years (prior year: 7.4 years) for the Ströer Group. The decline is due to the inclusion of employees in the digital segment which now also comprises companies which were established only a few years ago.

Age structure in the Group

2015 in %

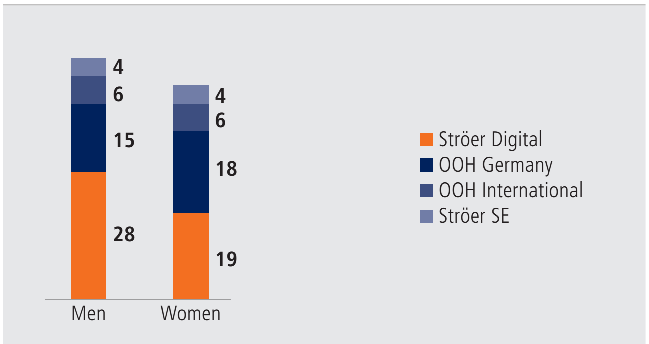


We have a balanced age structure. We aim to retain young employees through targeted training programs and to sustain their enthusiasm for our Company in the long term. They work with mentors who can support them in their careers and draw on their own extensive professional experience.

Gender structure
The share of female employees declined by 1.7 percentage points, but remained high. As of year-end, 53% of the Ströer Group's employees were male and 47% were female. This 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

2015 in %



Training

Vocational training and education
We systematically pursued our vocational training strategy again in 2015. This offers the Company a variety of ways to ensure the supply of qualified young staff. As of the reporting date, Ströer provided a total of 70 young talents throughout Germany with vocational training as digital and print media designers, office management assistants, marketing communications assistants and IT specialists, a substantial increase against the prior year. Our trainees receive practical training at our group headquarters and at large regional offices. In addition to traditional vocational training, Ströer offers places on cooperative study programs (BA degrees). In 2015, we employed 20 BA students in Germany. We have been offering our students the opportunity to spend one semester abroad for some time and plan to also offer our trainees the opportunity to work for one month at one of our European offices in the future.

Ströer offers BA students and trainees good prospects of a permanent position. In 2015, we again hired a large number of young talents in a wide range of business areas. We began recruiting our next trainee intake for 2016 at the end of 2015.

Further development and qualification
In the past year, we significantly enhanced our national and regional sales structures in Germany. A targeted training program comprising on the job training and individual seminars enables us to select the most successful sales staff. Our strategy here is also long term in nature. We want to involve our sales staff in the Ströer Group's strategy and drive forward the Ströer Group's revenue growth. Since the last reporting period, we have – for the first time – rigorously enhanced our regional sales operations at the level of digital products.

REMUNERATION REPORT

The remuneration report provides information on the structure and amount of remuneration paid to the board of management and supervisory board. 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 supervisory board 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 deliberated on the decisions to be made regarding the board of management's remuneration and made appropriate resolutions. In fiscal year 2015, 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)
   – 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.

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.

Variable compensation for fiscal year 2015 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 294k. 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 329k. 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 2015 upon reaching the target in full is EUR 242k, which as of the reporting date corresponded to 11,034 phantom stock options each with a fair value of EUR 56.19. 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 supervisory board 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 year 2013 for the first time and in fiscal year 2015. 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 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 for fiscal year 2015 (2014) is presented in the table below:

Benefits granted for 2015 (2014), in EUR					
	2015				2014
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total
Fixed remuneration	3,120,000	2,300,000	440,000	380,000	2,070,800
Fringe benefits	293,400	263,900	17,800	11,700	238,000
Total	**3,413,400**	**2,563,900**	**457,800**	**391,700**	**2,308,800**
One-year variable compensation (target reached in full)	**968,200**	**643,200**	**200,000**	**125,000**	**852,000**
Multi-year variable compensation (amount based on a probability scenario)					
LTI "ROCE" (3 years)	761,600	520,200	149,600	91,800	412,500
LTI "revenue growth" (3 years)	851,200	581,400	167,200	102,600	614,700
LTI "share price" (4 years)	627,200	428,400	123,200	75,600	452,900
LTI "other"	252,000	252,000	0	0	55,000
Share-based subscription rights (5 years)					
Total	**2,492,000**	**1,782,000**	**440,000**	**270,000**	**1,535,100**
Total remuneration	**6,873,600**	**4,989,100**	**1,097,800**	**786,700**	**4,695,900**

Benefits granted for 2015 (2014), in EUR					
	2015 minimal achievable value				2015 maximal achievable value
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total
Fixed remuneration	3,120,000	2,300,000	440,000	380,000	3,120,000
Fringe benefits	293,400	263,900	17,800	11,700	293,400
Total	**3,413,400**	**2,563,900**	**457,800**	**391,700**	**3,413,400**
One-year variable compensation (target reached in full)	**0**	**0**	**0**	**0**	**968,200**
Multi-year variable compensation (amount based on a probability scenario)					
LTI "ROCE" (3 years)	0	0	0	0	761,600
LTI "revenue growth" (3 years)	0	0	0	0	851,200
LTI "share price" (4 years)	0	0	0	0	627,200
LTI "other"	0	0	0	0	252,000
Share-based subscription rights (5 years)					
Total	**0**	**0**	**0**	**0**	**2,492,000**
Total remuneration	**3,413,400**	**2,563,900**	**457,800**	**391,700**	**6,873,600**

Total remuneration received in fiscal year 2015 and in the prior year is presented in the table below:

Benefits received in 2015 (2014), in EUR					
	2015				2014
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total
Fixed remuneration	3,120,000	2,300,000	440,000	380,000	2,070,800
Advance payment	1,000,000	1,000,000			0
Fringe benefits	293,400	263,900	17,800	11,700	238,000
Total	**4,413,400**	**3,563,900**	**457,800**	**391,700**	**2,308,800**
One-year variable compensation (amount paid out in the reporting period)	**968,200**	**643,200**	**200,000**	**125,000**	**852,000**
Severance payment	**0**	**0**	**0**	**0**	**400,000**
Multi-year variable compensation (scheduled term ended in the reporting period)					
LTI "ROCE" 2012	78,000	74,000	4,000	0	114,200
LTI "ROCE" 2013	0	0	0	0	46,000
LTI "revenue growth" 2012	407,000	387,000	20,000	0	524,500
LTI "revenue growth" 2013	0	0	0	0	160,000
LTI "share price" 2011	91,000	91,000	0	0	112,800
LTI "share price" 2012	0	0	0	0	70,200
LTI "share price" 2013	0	0	0	0	117,600
Total	**576,000**	**552,000**	**24,000**	**0**	**1,145,300**
Total remuneration	**5,957,600**	**4,759,100**	**681,800**	**516,700**	**4,706,100**

Re “LTI other”
The remuneration of EUR 252k (prior year: EUR 55k) for a member of the board of management is dependent on the member remaining with the Company for four years. The amount is fully repayable in the event of early termination.

Re “Share-based subscription rights”
2015: 350,000 stock options each with a weighted fair value of EUR 12.70
2014: 554,700 stock options each with a weighted fair value of EUR 3.61

Post-employment benefits for members of the board of management

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

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

Severance payments
An arrangement has been agreed for one member of the board of management which stipulates that if his employment contract is not extended, he is entitled to fixed remuneration pro rata temporis for a further four months as a severance payment.

Non-compete clause
With the exception of one member of the board of management, 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
The remuneration paid to the supervisory board is approved by the shareholder meeting. The members of the supervisory board receive fixed basic remuneration, attendance fees and out-of-pocket expenses. Total remuneration in fiscal year 2015 (excluding any VAT) is presented in the table below:

In EUR	Fixed remuneration	Attendance fee per meeting	Total
Christoph Vilanek	60,000	4,000	64,000
Dirk Ströer (until 2 November 2015)	40,000	3,500	43,500
Ulrich Voigt	40,000	3,500	43,500
Vicente Vento Bosch (since 12 November 2015)	0	500	500
Total	140,000	11,500	151,500

OPPORTUNITIES AND RISK REPORT

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 are also confident that Ströer is in a good strategic and financial position and will take advantage of opportunities that arise. Despite the mixed economic environment in our core markets, the board of management expects market conditions to be stable overall in the current fiscal year. If a less favorable scenario were to occur, the Ströer Group would be able to react quickly and implement the internal measures needed to adjust its investment and cost budgets.

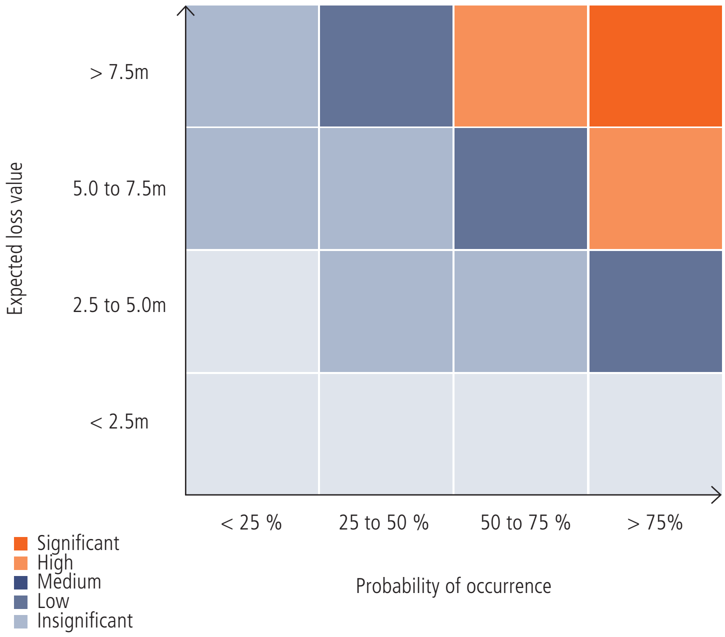
Opportunity and risk management system

Our Chief Financial Officer is responsible for opportunity and risk management, which is an integral part of corporate governance. Ströer's opportunity management is based on the success factors identified in the corporate strategy. 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 regular 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. The consolidated group for risk management purposes is the same as the overall consolidated group.

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 success factors 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.

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 group controlling unit at the Company's headquarters. It has the methodological and system expertise. It ensures the functionality and efficiency of the early warning system for the detection of risk and informs the board of management and the supervisory board regularly about current risks to which the Group is exposed. The internal risk report is prepared 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 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 Chief Financial Officer 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 as well as the processes of the Group's accounting-related internal control and risk management system are defined 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 main risk fields and control areas relevant to the group financial reporting process.
- Controls for monitoring the group financial reporting process and the results thereof at the level of the Group's board of management and the significant consolidated entities.
- Preventative control measures in the finance and accounting functions of the Group and the entities included in the consolidated financial statements and in operating processes which generate key information for the preparation of the consolidated financial statements (and the combined management report).
- Measures to ensure that group financial reporting issues and data are processed using appropriate IT systems.
- Measures to monitor the Group's accounting-related internal control and risk management system.
- Defined channels for communicating changes in 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 ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act].

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 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 the expected EBITDA and/or cash flow and probability of occurrence (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.

We see particular economic risks for the Turkish advertising market but expect to see the market pick up overall after a difficult 2015. 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 2016.

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 also very limited thanks to our highly diverse portfolio in the out-of-home and digital segments.

Procurement risks, 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 growing 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 of the new content-based business model centered around Germany's online portal with the largest reach, t-online.de, in the Ströer Group in the last two years, the Ströer Group is now also diversifying its advertising-heavy revenue streams to include other revenue types in the area of subscription-based business models and e-commerce activities. The aim is to mitigate general market risks in marketing advertisements.

The fast-growing change in user surfing behavior away from stationary computers toward mobile devices is presenting new challenges in particular for online display advertising. We are addressing this risk mainly by expanding our mobile advertising activities.

The increased use of ad blockers is also posing a risk to online advertising; however, the risk for our online marketing activities is limited. 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: medium)
The ongoing discussion on data protection in politics and society at large presents a risk for our digital business activities, for which data processing is a key element. Uncertainty here stems for example from the EU's proposed General Data Protection Regulation. Changes in legal conditions, e.g., for cookie identifiers or similar technologies, are, among other things, the subject of discussion here. Even though such legal changes would only affect individual business models in our portfolio and large volumes of data are used anonymously, we are working on technological measures aimed at limiting the risk of any earnings losses.

In addition, there is a general 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. By significantly reducing our dependency on individual advertising customers and industries, we have 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 and deputization arrangements. We also strengthened our profile as an innovative and attractive media company by radically expanding our digital segment.

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 has decreased considerably over the course of the reporting period due to a considerable improvement in operating business.

→ For more detailed information on financial risks, see note 35 to the consolidated financial statements

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 weight of the financial statements prepared in foreign currency in the consolidated financial statements decreased significantly 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 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 results of operations and liquidity. The impairment of goodwill cannot be completely ruled out if the business performance of individual companies falls short of expectations.

Finally, 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.

Business acquisitions such as the acquisition of numerous companies in the digital segment over the past three 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 ultimately differ from the risk assessments undertaken and the associated provision.

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 or if the shift in advertising budgets towards out-of-home and online advertising is more pronounced than anticipated.

The structural change in the advertising industry that is reflected in particular by the continuing digitization of media offerings could further accelerate the migration of advertising business from print media to digital media in fiscal year 2016. In this context, demand for multi-screen solutions (public video, desktop, mobile) only offered in this form by the Ströer Group could exceed forecasts. Given the continuing megatrends of digitization, urbanization and the increasing mobility of the population, our range of out-of-home and online media products puts us in a good position to offer optimal solutions to our customers. This could give rise to opportunities to gain more market share in intermedia competition than previously forecast.

Equally, bookings for mobile advertising – including those linked to regional campaigns – could be higher than expected. Our strong positioning in performance technologies and in our core out-of-home business also offers us considerable growth potential.

In addition, strategic opportunities arise from the ongoing consolidation pressure in the online advertising market. The Ströer Group's credible positioning as a pioneer in this consolidation trend could lead to further specific opportunities for inorganic growth in the future. The continuing expansion of the Group's online inventory and the further improvement of its technology position – as well as the accelerated international roll-out of its fully integrated business model – 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.

The increased integration efforts currently underway at the numerous companies acquired in the reporting period may lead to unexpected synergies at the revenue/cost level. The increased exchange of technological know-how between the newly acquired units provides us with an additional opportunity to further improve our position in this area.

The quality of our advertising media portfolio is a key success factor here. 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. In Germany as well as in Turkey and Poland, the Ströer Group has a prominent position that allows it to actively shape the out-of-home and online advertising markets.

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

FORECAST[1]

Overall assessment by the board of management on the Group's expected performance in 2016

The "internet of things" is the central driver of development in the entertainment and media industry thanks to the anytime and anywhere use of media on mobile end devices. Technical developments make individual needs-based use possible for consumers, regardless of where they are. The information gap between the real and the virtual world is diminishing.

For the first time, we can manage moving-picture content on online desktops, mobile and public video screens via our central ad server. We are therefore strengthening our position as the largest non-TV marketer for our advertising customers and our reputation as a provider of innovative communication solutions. The management of big data and performance publishing is also of particular interest, and the regional marketing of our out-of-home and digital portfolio is another major growth area.

To harness this potential, we plan to drive forward the expansion of our regional sales organization in Germany in 2016. We will continue to work intensively to safeguard and further expand our marketable portfolio in both the out-of-home and digital segments.

Based on our excellent market position, we again expect significant organic growth in revenue for the entire Ströer Group in 2016. Organic growth should be in the mid to high single-digit percentage range with a further slight improvement in the operational EBITDA margin compared with fiscal year 2015. Based on a higher cash flow forecast and owing to optimized financing terms in the fiscal year, we expect a further decline in finance costs. Notwithstanding M&A transactions, we will strive to further noticeably reduce the Ströer Group's leverage ratio (net debt to operational EBITDA). Factoring in investment requirements for the coming year, we anticipate (without M&A transactions) a significant increase in free cash flow. We also anticipate that our return on capital employed (ROCE) will remain virtually unchanged in the coming year.

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 2016. Based on past experience, the Ströer Group's revenue and earnings development is dependent on 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. However, it is 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 advertising customers throughout the advertising industry is characterized by extremely short and increasingly shorter booking lead times. This is true for out-of-home marketing and, in particular, digital marketing, where campaigns can be booked at even shorter notice for technical reasons. The expansion of RTB platforms, which enable transactions to be processed in real time, plays a major role in this development. Short booking lead times severely restrict our ability to forecast revenue and therefore earnings development.

In addition, it should be noted that for the outlook on consolidated profit, it is almost impossible to forecast the development of the relevant external market parameters, such as yield curves and exchange rates. Uncertainties in the forecasting of these parameters can also impact non-cash items in the financial result. The 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 to remain largely unchanged compared with the end of the reporting period.

1 Comparisons to the forecast values for the next year are generally based on the actual 2015 values

Future macroeconomic conditions

Global economic development fell short of expectations once again in 2015. Monetary policy normalized with the Fed raising interest rates for the first time since 2006, which should reduce liquidity slightly in 2016. The slowdown in the Chinese economy is also impacting the global economy. The low oil price is having a positive effect, however. Global growth on a par with the prior year is anticipated for 2016. In its World Economic Outlook for 2016, the IMF projects an increase of 3.6% in world output (prior year: 3.1%).

The European Commission is expecting to see GDP grow by 1.8% in the eurozone in 2016.[2] Besides the dampening effect of political and geopolitical risks (Greek debt-relief negotiations, refugee crisis in Europe), the ongoing quantitative easing and the weaker euro are having a positive effect on the economy. Overall therefore, exports, private consumption and investment should all increase moderately. Conditions on the finance markets are set to remain favorable initially in 2016 before becoming more restrictive towards the end of the year. However, we do not anticipate any major year-on-year changes in interest rates or capital markets.

In spite of the prevailing Volkswagen crisis, forecasts for **German** economic development were consistently positive in 2015. The German Federal Government is forecasting growth of 1.8%[3] for 2016, which is in line with OECD forecasts.[4] The main source of demand is domestic. Refugee migration is currently providing short-term stimulus for private and government spending. The low oil price is boosting private purchasing power and company profits. Positive impetus is also expected in the short term for exports on the back of the depreciation of the euro.

Although **Turkey** developed at a slower pace than predicted by long-term forecasts, the Turkish government and the OECD expect robust GDP growth of 3.4% in 2016.[5] Uncertainty may arise in connection with the development of the conflict in the neighboring south-eastern countries of Syria and Iraq and due to the exchange rate volatility of the Turkish lira against the US dollar and the euro. Following the parliamentary elections in the middle of the year, we believe the political situation is more stable but do not expect to see any major changes in development for the next few years.

The quantitative estimates for economic growth in **Poland** are positive. The OECD expects GDP growth of 3.4% for 2016.[6] This positive outlook is based chiefly on growing domestic demand stemming from large-scale investment plans, higher business investment and an increase in consumer spending. The promise of EU funds is also likely to have a positive effect on the economy. Fluctuations in the zloty exchange rate, however, pose a financial risk for imports and exports.

2 Source: European Commission, European Economic Forecast Autumn 2015

3 Source: Fall forecast by the German Federal Government 2015

4 Source: OECD real GDP forecasts summary, Germany, November 2015

5 Source: OECD real GDP forecasts summary, Turkey, November 2015

6 Source: OECD real GDP forecasts summary, Poland, November 2015

Future industry performance

In the eurozone, the positive growth forecast should have a stabilizing effect on the traditionally cyclical advertising sector. MagnaGlobal expects growth of 2.5% in western Europe.[7] The ZenithOptimedia agency is forecasting an average growth rate of 4.0% for 2016.[8] ZenithOptimedia expects a few strong western European advertising markets to offset low growth rates in the peripheral countries and thus ensure average growth of 3.3% until 2018.

The increasing dominance of digital media is reflected nowhere better than in the advertising sector. In its study, "Global Entertainment and Media Outlook," PricewaterhouseCoopers (PwC) predicts that revenue from digital media will account for 43% of the overall market in 2019.[9]

Development of the German advertising market

The development of the advertising market in Germany was also characterized by strong growth in the digital segment in 2015. According to ZenithOptimedia, the advertising market grew by 1.7%. Growth of 1.6% is expected for 2016.[10] MagnaGlobal predicts that advertising revenues will grow at a stable rate of 1.3% in 2016.[11] These positive forecasts for 2016 are consistent with the results of a survey conducted by the German Advertisers Association ["Organisation Werbungtreibende im Markenverband": OWM]. Owing to the stable economic outlook, advertising companies are cautiously optimistic about 2016. In the German Advertisers Association's survey, 38% of advertisers said that they expect advertising revenue to rise, just under half expect revenue to remain stable and only 14% expect a decline.[12]

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 PwC, advertising revenue will grow at a rate of 2.7% in 2016.[13] ZenithOptimedia forecasts slightly higher growth of 3.0%.[10] The main growth drivers are likely to be digital advertising media, which PwC expects to grow by an average rate of 8% in the coming years.[13] 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 and near field communication (NFC), 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, we expect revenue growth in the low to mid-single-digit percentage range in the out-of-home segment.

7 Source: Magna Global Advertising Revenue Forecasts, Western Europe, December 2015

8 Source: ZenithOptimedia Advertising Expenditure Forecast, Worldwide, December 2015

9 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2015-2019

10 Source: ZenithOptimedia Advertising Expenditure Forecast, Germany, December 2015

11 Source: Magna Global Advertising Revenue Forecasts, Germany, December 2015

12 Source: German Advertisers Association ["Organisation Werbungtreibende im Markenverband": OWM], November 2015

13 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, OOH advertising, 2015-2019

The positive development in the online advertising market in 2015 is also expected to continue in 2016. The most dynamic growth among the various media types stems from the increasing digitization of the media landscape and the strong development of the internet as an advertising medium. Improved advertising efficiency through more precise targeting and performance-based offerings provides sustainable opportunities for growth. ZenithOptimedia and PwC predict growth in online advertising revenue of 7.6% and 7.5%, respectively, for 2016.[14] PwC expects growth in the stationary online advertising market to gradually slow in light of the increasing maturity of the market. Average growth of 7.1% is expected until 2019. Mobile online advertising offers greater growth potential. PwC expects this area to grow by an average of 20.8% until 2019.[15] This growth will be driven by the increasing penetration of internet-enabled mobile devices (smartphones and tablets), the associated shift in media usage and improved monetization opportunities. We agree with these market assessments. Based on our excellent market position in the display, video and mobile advertising segments, we expect to gain further market share in these areas. Our recently attained position as the online marketer with the widest reach in Germany will also contribute to this growth in market share.

Development of the Turkish advertising market

Revenue development in the advertising market in Turkey also depends largely on the prevailing economic conditions. Provided that the political environment remains stable, revenue in the Turkish advertising market should rise in 2016 owing to the economic environment as a whole. Following negative growth of –3.0% (adjusted for inflation) in 2015, ZenithOptimedia expects advertising markets to recover and see an upwards trend to neutral growth in 2016. The same applies for the online advertising and out-of-home markets.[16]

Entwicklung des polnischen Werbemarktes

The positive outlook on the Polish advertising market is underpinned by economic growth prospects. After several years of decline, Poland has developed positively since 2014. This has resulted in an increase in total advertising spending of 2.8%. For 2016, ZenithOptimedia expects growth of as much as 3.2%. This is largely attributable to the rapidly advancing online advertising segment, where ZenithOptimedia forecasts double-digit growth. In out-of-home advertising, advertising revenue is expected to stagnate or decrease slightly.[17] We also anticipate an increase in revenue in the overall advertising market and a largely unchanged market environment for out-of-home advertising.

14 Source: ZenithOptimedia Advertising Expenditure Forecast, Germany, December 2015

15 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, online advertising, 2015-2019

16 Source: ZenithOptimedia Advertising Expenditure Forecast, Turkey, December 2015

17 Source: ZenithOptimedia Advertising Expenditure Forecast, Poland, December 2015

Anticipated revenue and earnings development

Ströer Group
We expect the Ströer Group to record organic consolidated revenue growth in the mid to high-single-digit percentage range in 2016. As well as strong growth impulses in the digital segment and minor impulses in the OOH International segment, this will also be driven by robust revenue growth in the OOH Germany segment. The acquisitions made in the fiscal year and after the reporting date will also have a significantly positive effect on full-year revenue.

We further combined public video infrastructure (digital out-of-home displays) with online assets in both the desktop and the mobile sectors in the fiscal year. Initial customer feedback on this novel product combination in the moving-picture sector has been remarkably positive. We also enhanced our digital portfolio with numerous game-changing acquisitions. In terms of marketing this product innovation and the associated growth of digital media in 2016, we expect digital revenue as a percentage of consolidated revenue to increase to over 40%.

Revenue in Poland and Turkey and some blowUP Media and digital advertising revenue is generated in foreign currency and therefore subject to exchange rate effects. Because it is almost impossible to predict the development of exchange rates, 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 compared with the end of the reporting period.

We expect a slight volume-related increase in direct advertising media costs in 2016. The increase is expected to remain below the level of organic revenue growth as we anticipate further cost savings and a more favorable product mix for the margin in the out-of-home segment. We expect an increase in overheads for the Group as a whole, which will be slightly higher than the increase in organic revenue. The planned cost increases – together with a strict cost management – relate primarily to the large number of acquired companies, inflation-related salary and other cost adjustments, as well as the strengthening of regional sales structures in Germany and the significant increase in business volume in the digital segment.

Based on the anticipated increase in business volume combined with a moderate rise in costs, we expect – provided there are no negative exchange rate effects – an increase in operational EBITDA from EUR 270m to EUR 280m in 2016. Overall, we expect the Group's operational EBITDA margin to remain stable or to increase slightly since costs are likely to increase at a slower rate than revenue. Notwithstanding significant M&A transactions in 2016, the Group's finance costs are likely to fall further due to the reduction in financial leverage in the fiscal year and the successful renegotiation of borrowing terms in the fiscal year. Thanks to tax-efficient structures, we expect an effective tax rate of around 20%. In view of the higher anticipated consolidated profit after taxes, we expect a further marked rise in earnings per share in 2016.

OOH Germany segment
In Germany we are optimistic about 2016. The economic outlook and consumer sentiment are positive. We believe that the advertising sector will also benefit from this general mood, although there is no way to reliably predict the availability and distribution of actual advertising budgets or the development of discounts. Among other things, this is because of radical changes in the media landscape and the increasing diversity of advertising offerings, especially in digital media channels, with a growing importance of social networks for the advertising industry. In this market environment, we are carving out a position for ourselves with a portfolio of attractive out-of-home and digital media that is unrivaled in Germany.

In the OOH Germany segment, we expect organic revenue growth in the mid-single-digit percentage range, which will be slightly higher than the market growth of 3.0%[18] predicted by ZenithOptimedia in the out-of-home advertising segment.

On the cost side, we expect revenue-related higher leasing fees and inflation-driven changes in direct costs. Thanks to our advantageous product mix, we also anticipate cost reductions. Due to the further expansion of the regional sales organization, in particular, overheads are likely to increase at a faster rate than inflation.

In Germany, we definitely expect the operational EBITDA margin to remain stable year on year.

OOH International segment
The OOH International segment comprises our operating activities in Turkey and Poland as well as BlowUP Media. In Turkey, unexpected increase in geopolitical instability could still negatively impact the political environment. We are seeing a relatively stable market environment in Poland despite challenging conditions.

Various internationally recognized audience measurement systems, as well as continual product portfolio enhancement and selective investments, can positively shape revenue development.

While we see positive trends in Poland, we expect the market environment to remain difficult in Turkey. Organic revenue growth should therefore be in the low single-digit percentage range in the OOH International segment.

Combined with further targeted cost management, we expect the relatively constant revenue development to result in a slight improvement in operational EBITDA and a slight rise in the operational EBITDA margin in 2016.

Ströer Digital segment
The Ströer Digital segment is benefiting greatly from strong growth in the online advertising market, particularly in Germany. In addition to the positive business development, the full-year effects of the first-time consolidation of new acquisitions in the fiscal year and in the months following the reporting date will be reflected in revenue for 2016.

According to figures published by AGOF, Ströer Digital was the number one online marketer in Germany[19] with 44 million unique users.[20] This ranking should further raise Ströer Digital's profile among customers and publishers, which will again improve our reputation as an advertising and marketing partner in 2016.

As announced in the prior year, we are anticipating further marketing success in 2016 from the linking of OOH and digital offerings, with personal (desktop, tablets, smartphones) and public screens (out-of-home displays) being combined in a new multi-screen solution.

In the area of performance-based digital products, technological advancement is playing an ever greater role in business expansion. Thus, besides the success of our performance publishing, we expect regional search engine optimization (SEO) to also stimulate revenue in digital business. Furthermore, we will source external growth opportunities in 2016 to achieve greater reach and better marketing opportunities for our portfolio as a whole.

18 Source: ZenithOptimedia Advertising Expenditure Forecast, Germany, 2015

19 per month

20 Extrapolation of marketer rankings following the merger of the offerings of Ströer Digital, InteractiveMedia and OMS based on the AGOF ranking "Digital Facts" 08/2015

In the digital segment, we are optimistic about 2016 and subsequent years. Based on the above initiatives and revenue synergies between acquired operations, we expect organic revenue growth of around 10% in 2016. We expect this revenue growth to be driven by higher expenditure in the high-demand mobile and video segments. Besides harnessing cost synergies in the area of marketing, we expect to make further investments in particular in our transactional product segment. On the back of investments in sustainable growth, we expect the operational EBITDA margin in 2016 to be between 25% and 30%.

Planned investments

Our investments in the forecast period will focus on the installation and exchange of out-of-home advertising media due mainly to the extension or acquisition of public advertising concessions. In this way, we are maintaining, modernizing and expanding our advertising infrastructure, which forms the basis for marketing out-of-home advertising faces in national and regional networks in our market. In 2016, investments are planned to further digitize out-of-home advertising in Germany. We also plan to convert more lighting systems to LED technology in order to further reduce the energy consumption of our advertising media.

In 2016, a similar level of investment in portfolio improvements as to that in 2015 is in the pipeline for our OOH International segment. Due to the demand for large-format digital advertising media, BlowUP Media plans to continue to pursue its digital strategy and to install further digital advertising media in select, highly frequented locations in European cities. At group level we remain committed to further developing our IT landscape. Furthermore, moderate investments are also planned for earnouts and subsequent purchase price payments.

In the Ströer Group, we anticipate the volume of total investments – excluding M&A activities – to amount to more than EUR 90m in fiscal year 2016. 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. We are constantly looking for acquisition opportunities with a view to sustainably increasing the value of the Company. At present, possible options include further consolidation steps in the digital segment and strategic fill-in acquisitions in the out-of-home 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 results of operations, we also anticipate a further improvement in the Group's financial position. Specifically, the improved results of operations should lead to higher cash flows from operating activities. In view of this and based on our planned investments in 2016, we forecast free cash flow before M&A transactions of more than EUR 120m. Due to the considerable increase in our adjusted EBIT, our return on capital employed (ROCE) should remain almost unchanged in spite of the t-online acquisition.

Following refinancing in the fiscal year, the Ströer Group's syndicated loan is secured until the middle of 2020. During the course of refinancing, we were able to further improve our borrowing terms. The covenants are designed to provide sufficient headroom even during economic and seasonal fluctuations. The leverage ratio of 1.1 at the end of the reporting period means that we are well below our target range of between 2.0 and 2.5.

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

B. A. B. MaxiPoster Werbetürme GmbH

With effect as of 6 January 2016, Ströer acquired all the shares in B. A. B. MaxiPoster Werbetürme GmbH, Hamburg. The company commercializes large-format posters and advertising faces. The purchase price for the acquired shares is approximately EUR 7.4m.

OMS Vermarktungs GmbH & Co. KG

With effect as of 19 January 2016, the Ströer Group acquired OMS Vermarktungs GmbH & Co. KG, Düsseldorf, and its general partner. OMS Vermarktungs GmbH & Co. KG is the leading premium marketer of high-quality editorial environments for regional daily newspapers and offers its advertising customers solutions for addressing attractive target groups with display, mobile, moving-picture and cross-media campaigns across all screens. In return for the shares acquired, OMS-Online Marketing Service GmbH & Co. KG will gain a 10.0% share in Ströer Digital Group GmbH.

Statista GmbH

With effect as of 1/2 February 2016, the Ströer Group acquired a total of 81.3% of the shares in Statista GmbH, Hamburg. Statista GmbH is a leading data and business intelligence portal. It offers its customers a considerable degree of efficiency and extensive cost benefits in sourcing business-relevant information – especially in the form of statistics – on a single highly relevant platform. The purchase price for the acquired shares amounts to approximately EUR 64.7m.

Change in legal form from Ströer SE to Ströer SE & Co. KGaA

On 1 March 2016, Cologne Local Court entered the change in legal form from Ströer SE to Ströer SE & Co. KGaA into the commercial register. At the same time Deutsche Börse AG admitted the shares of Ströer SE & Co. KGaA to trading on the Frankfurt Stock Exchange. Following the change in legal form, Ströer SE & Co. KGaA is now registered in the commercial register of Cologne Local Court under HRB 86922.

INFORMATION IN ACCORDANCE WITH SEC. 315 HGB AND EXPLANATORY REPORT OF THE BOARD OF MANAGEMENT OF STRÖER SE

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

Composition of subscribed capital

On 2 November 2015, Ströer SE's capital stock was increased by EUR 6,412,715.00 from EUR 48,869,784.00 to EUR 55,282,499.00 due to the utilization of the authorized capital. It is divided into 55,282,499 bearer shares of no par value. Each share has a nominal value of EUR 1 in the capital stock.

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

Udo Müller holds 21.42% and Dirk Ströer 21.80% of total stock. Both shareholders are resident in Germany. Deutsche Telekom AG, Bonn, also holds a total of 11.60% of the shares in Ströer SE. 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.

Appointment and dismissal of members of the board of management and amendments to the articles of incorporation and bylaws

Pursuant to Sec. 84 AktG, the supervisory board is responsible for the appointment and dismissal of members of the board of management. The composition of the board of management is governed by Art. 8 of the articles of incorporation of Ströer SE. 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. 12 of the articles of incorporation of Ströer SE.

Authorization of the board of management to issue or reacquire shares

Subject to the approval of the supervisory board, the board of management 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 by issuing up to 12,525,780 new bearer shares of no par value in return 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 capital stock pursuant to Art. 5 (1) of the articles of incorporation of Ströer Media AG on the date the change in the legal form of Ströer Media AG to a European Company (SE) pursuant to the conversion plan of 30 April 2014 took effect.

Under a resolution approved by the shareholder meeting on 13 July 2010, the board of management is authorized, with the approval of the supervisory board, to issue convertible bonds and/or bonds with warrants of up to a maximum of EUR 11,776k until 12 July 2015 (conditional capital 2010). The capital stock of Ströer SE was increased conditionally by a maximum of EUR 11,776k by issuing up to 11,776,000 new bearer shares of no par value. The purpose of the conditional capital increase was to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are being issued as a result of the above resolution. Use was not made of the authorization.

According to the resolution adopted by the shareholder meeting on 10 July 2010, the board of management of Ströer SE was authorized to acquire treasury shares of up to 10% of capital stock. The authorization expired on 9 July 2015. Use was not made of the option to acquire treasury shares.

The capital stock was increased conditionally by a maximum of EUR 3,176,400 by issuing a maximum of 3,176,400 bearer shares of no par value (conditional capital 2013). 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 exercise these rights and that the Company does not settle the stock options in cash.

The capital stock was also increased conditionally by a maximum of EUR 2,123,445 by issuing a maximum of 2,123,445 bearer shares of no par value (conditional capital 2015). 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 rights and that the Company does not settle the stock options in cash.

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

A facility agreement is in place between Ströer SE and a syndicate of various banks and credit institutions. The syndicate granted the Company a loan of EUR 200m and a credit line of EUR 250m. This facility agreement concluded in 2014 and amended in 2015 replaced the previous facility agreement dating from 2012.

The provisions 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 his interest in the company for sale in the event of a change in control under a put option.

STRÖER SE & CO. KGAA, COLOGNE
(FORMERLY STRÖER SE)

STRÖER

ANNUAL FINANCIAL STATEMENTS AND COMBINED
MANAGEMENT REPORT FOR 2016

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne

Balance sheet as of 31 December 2016

ASSETS

	31 Dec 2016 EUR	31 Dec 2015 EUR
NON-CURRENT ASSETS		
Intangible assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	6,424,925.75	4,456,313.50
Prepayments	6,403,558.89	4,821,989.75
	12,828,484.64	**9,278,303.25**
Property, plant and equipment		
Other equipment, furniture and fixtures	5,662,505.41	3,857,119.48
Prepayments made and assets under construction	114,433.16	111,230.55
	5,776,938.57	**3,968,350.03**
Financial assets		
Shares in affiliates	783,896,047.56	811,358,467.56
Loans to affiliates	74,053,376.60	74,486,230.59
Equity investments	947,071.43	0.00
Loans to other investees and investors	1,585,000.00	360,000.00
Other loans	50,000.00	0.00
	860,531,495.59	**886,204,698.15**
	879,136,918.80	**899,451,351.43**
CURRENT ASSETS		
Receivables and other assets		
Trade receivables	841,457.31	93,300.53
Receivables from affiliates	470,677,008.59	126,002,399.07
Receivables from other investees and investors	32,535.53	221.44
Other assets	7,267,416.11	17,845,112.87
	478,818,417.54	**143,941,033.91**
Cash on hand and bank balances	1,813,346.94	1,050,276.86
	480,631,764.48	**144,991,310.77**
PREPAID EXPENSES	**6,909,131.72**	**4,662,175.88**
	1,366,677,815.00	**1,049,104,838.08**

EQUITY AND LIABILITIES

	31 Dec 2016 EUR	31 Dec 2015 EUR
EQUITY		
Subscribed capital	55,282,499.00	55,282,499.00
- Conditional capital: EUR 15,454,545.00 (prior year: EUR 16,174,145.00)		
Capital reserves	631,637,512.64	631,637,512.64
Retained earnings		
Other retained earnings	95,039,275.39	96,597,268.72
Accumulated profit	66,489,744.27	67,139,755.97
	848,449,031.30	**850,657,036.33**
PROVISIONS		
Provisions for pensions and similar obligations	13,975.00	20,083.00
Tax provisions	20,303,643.00	11,214,922.34
Other provisions	11,662,934.77	9,309,805.07
	31,980,552.77	**20,544,810.41**
LIABILITIES		
Liabilities to banks	360,373,939.39	64,485,285.35
- thereof due in up to one year: EUR 5,373,939.39 (prior year: EUR 4,485,285.35)		
- thereof due in more than one year: EUR 355,000,000.00 (prior year: EUR 60,000,000.00)		
Trade payables	8,011,575.95	7,077,718.26
- thereof due in up to one year: EUR 8,011,575.95 (prior year: EUR 7,077,718.26)		
Liabilities to affiliates	116,962,941.41	90,362,157.89
- thereof due in up to one year: EUR 116,962,941.41 (prior year: EUR 90,362,157.89)		
Liabilities to other investees and investors	0.00	5,500,000.00
- thereof due in up to one year: EUR 0.00 (prior year: EUR 5,500,000.00)		
Other liabilities	899,774.18	1,307,038.16
- thereof due in up to one year: EUR 899,774.18 (prior year: EUR 1,307,038.16)		
- thereof for taxes: EUR 885,275.41 (prior year: EUR 293,501.91)		
- thereof for social security: EUR 3,081.09 (prior year: EUR 2,147.43)		
	486,248,230.93	**168,732,199.66**
DEFERRED TAX LIABILITIES	**0.00**	**9,170,791.68**
	1,366,677,815.00	**1,049,104,838.08**

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne

Income statement for fiscal year 2016

	2016 EUR	2015 EUR
Revenue	19,724,854.04	0.00
Other own work capitalized	0.00	31,280.01
Other operating income	2,611,332.65	19,754,790.91
- thereof income from currency translation EUR 1,014.86 (prior year: EUR 763.29)		
Cost of materials		
Cost of purchased services	-774,984.31	0.00
Personnel expenses		
Wages and salaries	-21,557,386.42	-20,874,034.72
Social security and pension costs	-2,823,857.62	-2,241,509.58
- thereof for pensions: EUR 85,302.59 (prior year: EUR 91,754.94)		
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-6,382,441.23	-7,863,343.30
Other operating expenses	-23,034,209.25	-29,631,946.38
- thereof expenses from currency translation: EUR 5,867.17 (prior year: EUR 11,884.72)		
Income from equity investments	694,710.62	889,656.32
- thereof from affiliates: EUR 694,710.62 (prior year: EUR 889,656.32)		
Income from profit and loss transfer agreements	152,535,702.09	93,722,042.03
Income from other securities and loans classified as non-current financial assets	3,592,174.71	1,394,972.06
- thereof from affiliates: EUR 3,559,501.78 (prior year: EUR 1,387,040.23)		
Other interest and similar income	202,723.10	16,322.02
- thereof from affiliates: EUR 69.94 (prior year: EUR 53.72)		
- thereof income from discounting: EUR 0.00 (prior year: EUR 218.71)		
Impairment losses on financial assets	-42,724,000.00	0.00
Expenses from loss absorption	-30,498,189.54	-4,191,402.69
Interest and similar expenses	-5,861,666.03	-3,278,963.39
- thereof to affiliates: EUR 245,032.61 (prior year: EUR 23,533.73)		
- thereof expenses from unwinding the discount: EUR 754.55 (prior year: EUR 921.15)		
Income taxes	-9,081,156.43	-561,174.78
- thereof income from the change in deferred taxes EUR 9,170,791.68 (prior year: EUR 5,514,823.22)		
Profit after taxes	**36,623,606.38**	**47,166,688.51**
Other taxes	-133,862.11	-26,932.54
Profit for the period	**36,489,744.27**	**47,139,755.97**
Profit carryforward from the prior year	20,000,000.00	20,000,000.00
Withdrawals from other retained earnings	10,000,000.00	0.00
Accumulated profit	**66,489,744.27**	**67,139,755.97**

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne
Notes to the financial statements for fiscal year 2016

A. General

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne (Ströer KGaA), was established by transforming Ströer SE, Cologne (Cologne Local Court, HRB no. 82548), by way of a change in legal form in accordance with the resolution adopted by the extraordinary shareholder meeting on 25 September 2015. Its articles of incorporation and bylaws are dated 23 June 2016. It was entered in the commercial register of Cologne Local Court on 1 March 2016 under HRB no. 86922.

These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the AktG ["Aktiengesetz": German Stock Corporation Act]. The Company is subject to the requirements for large corporations.

The income statement is classified using the nature of expense method.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Changes arose in particular due to the first-time application of the BilRUG ["Bilanzrichtlinie-Umsetzungsgesetz": German Accounting Directive Implementation Act] in fiscal year 2016.

The prior-year figures of revenue cannot be compared with the fiscal year as a result of the revision of Sec. 277 (1) HGB by the BilRUG. The application of Sec. 277 (1) HGB as amended by the BilRUG would have led to revenue of EUR 17,584k in the prior year, the total of which was reported under other operating income in the prior year.

Intangible assets and **property, plant and equipment** are recognized at acquisition or production cost and are written off on a straight-line basis over their useful lives if they have a limited life.

Amortization/depreciation is based on the following useful lives:

■ Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	3 to 5 years
■ Other equipment, furniture and fixtures	3 to 13 years

Low-value assets with an individual net value not exceeding EUR 150.00 are fully expensed in the year of acquisition, with their immediate disposal being assumed. For convenience, the collective item procedure applied for tax purposes to assets with an individual net value of more than EUR 150.00 but no greater than EUR 1,000.00 is also used in the statutory balance sheet. The collective item is depreciated by 20% in the year of acquisition and in each of the following four years. All other depreciation of additions to property, plant and equipment is charged pro rata temporis. Depreciation of the collective item amounted to EUR 181k (prior year: EUR 111k).

With regard to **financial assets**, equity investments are recognized at the lower of cost or net realizable value, while loans are disclosed at nominal value. Interest-free or low interest loans were discounted to their present value.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for foreseeable valuation risks, while the general credit risk is provided for by a general bad debt allowance. Non-interest or low-interest bearing receivables due in more than one year were discounted.

Payments made before the balance sheet date which constitute expenses for a certain period after this date are recognized as **prepaid expenses**.

Provisions for pensions and similar obligations are calculated in accordance with the projected unit credit method using the "2005 G mortality tables." The obligations were discounted at the average market interest rate of 4.01% (prior year: 3.89%) for a residual term of 15 years in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions] of 18 November 2009. As in the prior year, expected pension increases were taken into account at 1.0%.

Tax provisions and **other provisions** account for all uncertain liabilities and potential losses from pending transactions. They were recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases). Provisions with a residual term of more than one year were discounted.

Liabilities are recorded at the settlement value.

To determine **deferred taxes** arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, these differences are valued using the company-specific tax rate of 32.45% at the time they reverse; the amounts of any resulting tax charge and benefit are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

Foreign currency assets and liabilities are translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

All entities which are fully consolidated in Ströer KGaA's consolidated financial statements are classified as **affiliates**.

C. Notes to the balance sheet

1. Non-current assets

The development of the individual non-current asset items, including amortization, depreciation and impairment for the fiscal year, is shown in the statement of changes in non-current assets.

ACQUISITION AND PRODUCTION COST

	1 Jan 2016 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec 2016 EUR
INTANGIBLE ASSETS					
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	10,423,695.80	3,495,862.66	466,350.43	640,148.17	14,093,356.20
Prepayments	14,914,165.63	4,399,259.47	645.04	-640,148.17	18,672,631.89
	25,337,861.43	**7,895,122.13**	**466,995.47**	**0.00**	**32,765,988.09**
PROPERTY, PLANT AND EQUIPMENT					
Other equipment, furniture and fixtures	10,201,042.73	3,781,857.32	923,768.20	62,402.57	13,121,534.42
Prepayments made and assets under construction	111,230.55	65,605.18	0.00	-62,402.57	114,433.16
	10,312,273.28	**3,847,462.50**	**923,768.20**	**0.00**	**13,235,967.58**
FINANCIAL ASSETS					
Shares in affiliates	811,358,467.56	100,230.00	818,650.00	0.00	810,640,047.56
Loans to affiliates	74,486,230.59	152,525,784.01	136,978,638.00	0.00	90,033,376.60
Equity investments	0.00	947,071.43	0.00	0.00	947,071.43
Loans to other investees and investors	360,000.00	2,685,000.00	1,460,000.00	0.00	1,585,000.00
Other loans	0.00	50,000.00	0.00	0.00	50,000.00
	886,204,698.15	**156,308,085.44**	**139,257,288.00**	**0.00**	**903,255,495.59**
	921,854,832.86	**168,050,670.07**	**140,648,051.67**	**0.00**	**949,257,451.26**

ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

	1 Jan 2016 EUR	Additions EUR	Reversals EUR	31 Dec 2016 EUR
INTANGIBLE ASSETS				
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	5,967,382.30	2,166,670.15	465,622.00	7,668,430.45
Prepayments	10,092,175.88	2,176,897.12	0.00	12,269,073.00
	16,059,558.18	**4,343,567.27**	**465,622.00**	**19,937,503.45**
PROPERTY, PLANT AND EQUIPMENT				
Other equipment, furniture and fixtures	6,343,923.25	2,038,873.96	923,768.20	7,459,029.01
Prepayments made and assets under construction	0.00	0.00	0.00	0.00
	6,343,923.25	**2,038,873.96**	**923,768.20**	**7,459,029.01**
FINANCIAL ASSETS				
Shares in affiliates	0.00	26,744,000.00	0.00	26,744,000.00
Loans to affiliates	0.00	15,980,000.00	0.00	15,980,000.00
Equity investments	0.00	0.00	0.00	0.00
Loans to other investees and investors	0.00	0.00	0.00	0.00
Other loans	0.00	0.00	0.00	0.00
	0.00	**42,724,000.00**	**0.00**	**42,724,000.00**
	22,403,481.43	**49,106,441.23**	**1,389,390.20**	**70,120,532.46**

NET BOOK VALUES

	31 Dec 2016 EUR	31 Dec 2015 EUR
INTANGIBLE ASSETS		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	6,424,925.75	4,456,313.50
Prepayments	6,403,558.89	4,821,989.75
	12,828,484.64	**9,278,303.25**
PROPERTY, PLANT AND EQUIPMENT		
Other equipment, furniture and fixtures	5,662,505.41	3,857,119.48
Prepayments made and assets under construction	114,433.16	111,230.55
	5,776,938.57	**3,968,350.03**
FINANCIAL ASSETS		
Shares in affiliates	783,896,047.56	811,358,467.56
Loans to affiliates	74,053,376.60	74,486,230.59
Equity investments	947,071.43	0.00
Loans to other investees and investors	1,585,000.00	360,000.00
Other loans	50,000.00	0.00
	860,531,495.59	**886,204,698.15**
	879,136,918.80	**899,451,351.43**

a) Intangible assets

The items "Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets" and "Prepayments" mainly comprise the cost of purchased software. An impairment loss of EUR 2,177k was recognized for the item "prepayments" due to limited future usability.

b) Financial assets

Ströer KGaA holds an equity investment of 90% in the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. In light of the tense political situation and terrorist attacks in Turkey, which put considerable pressure on both the Turkish lira and the Turkish advertising market, Ströer KGaA wrote down the carrying amount of its investment in the Turkish subsidiary by a total of EUR 26,744k on a pro rata basis in 2016 and wrote off the loan granted to the subsidiary of EUR 13,000k in full.

Furthermore, intragroup loans were written down by EUR 2,980k.

2. Receivables and other assets

	31 Dec 2016 EUR k	31 Dec 2015 EUR k
Trade receivables	841	93
thereof due in more than one year	0	0
Receivables from affiliates	470,677	126,002
thereof due in more than one year	0	0
Receivables from other investees and investors	33	0
thereof due in more than one year	0	0
Other assets	7,267	17,846
thereof due in more than one year	456	477
	478,818	143,941

Receivables from affiliates relate to the profit and loss transfer agreement with Ströer Media Deutschland GmbH, Cologne (SMD) (EUR 120,894k; prior year: EUR 92,701k), as well as to the profit and loss transfer agreements in place as of 1 January 2016 with Ströer Digital Publishing GmbH, Cologne (formerly Digital Media Products GmbH; SDP) (EUR 28,407k) and with blowUP Media GmbH, Cologne (blowUP) (EUR 3,234k). There are also trade receivables of EUR 12,500k (prior year: EUR 3,603k) and receivables from short-term loans due from Ströer Digital International GmbH (EUR 760k; prior year: EUR 760k) and RZV Digital Medya ve Reklam Hizmetleri A.S., Istanbul, Turkey (EUR 220k; prior year: EUR 220k). In addition, there are receivables from cash pooling of EUR 120,708k (prior year: liability of EUR 45,225k) with SMD, of EUR 73,450k (prior year: EUR 23,174k) with Ströer Content Group GmbH, Cologne (SCG), and of EUR 8,157k (prior year: EUR 3,245k) with Ströer Digital Group GmbH, Cologne (SDG), as well as receivables of EUR 101,898k and EUR 448k from the cash pooling agreements concluded in the fiscal year with Ströer Venture GmbH, Cologne (SVE), and blowUp, respectively.

3. Equity

a) 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 of legal form of the legal entity, formerly Ströer SE with its registered office in Cologne (HRB no. 82548).

Subscribed capital is split into 55,282,499 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. Approved capital 2014 now amounts to EUR 12,525,780 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.

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 treasury shares 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 2010

The conditional capital 2010 of EUR 11,776,000.00 expired in fiscal year 2016.

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 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, has been 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 has been 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

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 2016). 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 in return for cash contributions as a result of the authorization granted by the shareholder meeting of 23 June 2016 based on item 12 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.

b) Capital reserves

As of the balance sheet date, the Company had capital reserves of EUR 631,638k (of which EUR 597,187k pursuant to Sec. 272 (2) No. 1 HGB and EUR 34,451k pursuant to Sec. 272 (2) No. 2 HGB), which exceeds 10% of subscribed capital.

c) Retained earnings

By resolution of the shareholder meeting on 23 June 2016, EUR 8,442k from the accumulated profit for 2015 was allocated to other retained earnings.

d) Accumulated profit

By resolution of the shareholder meeting on 23 June 2016, EUR 38,698k (EUR 0.70 per qualifying share) was distributed as a dividend and EUR 20,000k from the accumulated profit for 2015 was carried forward to new account.

4. Provisions for pensions and similar obligations

The difference pursuant to Sec. 253 (6) HGB amounts to EUR 53.

5. Other provisions

Other provisions break down as follows:

	EUR k
Personnel provisions	8,307
Outstanding invoices	2,974
Financial statement and audit fees	381
Miscellaneous	1
Total	**11,663**

6. Liabilities

A breakdown of unsecured liabilities with their remaining terms is presented in the following statement of changes in liabilities:

		Thereof due in		
	Total amount EUR k	up to one year EUR k	one to five years EUR k	more than five years EUR k
Liabilities to banks	360,374 *(prior year: 64,485)*	5,374 *(prior year: 4,485)*	127,000 *(prior year: 60,000)*	228,000 *(prior year: 0)*
Trade payables	8,011 *(prior year: 7,078)*	8,011 *(prior year: 7,078)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Liabilities to affiliates	116,963 *(prior year: 90,362)*	116,963 *(prior year: 90,362)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Liabilities to other investees and investors	0 *(prior year: 5,500)*	0 *(prior year: 5,500)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Other liabilities	900 *(prior year: 1,307)*	900 *(prior year: 1,307)*	0 *(prior year: 0)*	0 *(prior year: 0)*
	486,248 *(prior year: 168,732)*	131,248 *(prior year: 108,732)*	127,000 *(prior year: 60,000)*	228,000 *(prior year: 0)*

Liabilities to affiliates relate to cash pooling with companies in the Ströer Group (EUR 64,207k; prior year: EUR 45,225k) as well as to a short-term loan from InteractiveMedia CCSP GmbH, Darmstadt (IAM), of EUR 6,000k (prior year: EUR 17,000k). For the first time, short-term loans were granted in the fiscal year by Permodo GmbH, Munich (EUR 5,000k), StayFriends GmbH, Erlangen (EUR 5,000k), Statista GmbH, Hamburg (EUR 3,500k), and Business Advertising GmbH, Düsseldorf (EUR 800k). This item also includes trade payables of EUR 1,957k (prior year: EUR 9,796k). In addition, liabilities include liabilities under profit and loss transfer agreements with SDG of EUR 20,005k (prior year: EUR 4,191k), with Ströer Digital International GmbH, Cologne, of EUR 5,512k (prior year: EUR 0k), with SCG of EUR 3,482k (prior year: receivable of EUR 1,021k) as well as liabilities of EUR 1,494k and EUR 4k, from the profit and loss transfer agreements concluded in fiscal year 2016 with SVE and Ströer Sales Group GmbH, Cologne, respectively.

7. Deferred taxes

Deferred taxes at the level of Ströer KGaA (tax group parent) are calculated based on the tax rate of 32.45% (prior year: 32.45%). This comprises corporate income tax of 15%, solidarity surcharge on corporate income tax of 5.5% (15.82% in total) and average trade tax of 16.625%.

As in the past, deferred taxes are attributable to the consolidation of the tax bases of the subsidiaries in the tax group at the level of Ströer KGaA, the tax group parent.

Overall, the surplus of deferred tax assets in fiscal year 2016 amounts to EUR 7,127k. The option to recognize deferred tax assets afforded by Sec. 274 HGB was not exercised.

The deferred tax assets essentially arise from the different treatment of goodwill and the different recognition of provisions for tax purposes as of 31 December 2016.

The deferred tax liabilities mainly arise from the temporary differences in respect of investments. The deferred tax liabilities are offset against the deferred tax assets.

The following table shows details regarding deferred taxes and how they were offset:

In EUR k	31 Dec 2016		31 Dec 2015		Change	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Intangible assets	7,061	0	336	2,259	6,725	-2,259
Property, plant and equipment	0	0	0	126	0	-126
Financial assets	110	2,623	0	8,584	110	-5,961
Receivables	0	34	0	0	0	34
Pension provisions	1,333	0	986	0	347	0
Other provisions	3,027	1,747	2,256	1,780	771	-33
Liabilities	0	0	0	0	0	0
Deferred taxes	**11,532**	**4,404**	**3,578**	**12,749**	**7,953**	**-8,346**
Interest carryforwards	0	0	0	0	0	0
Loss carryforwards	0	0	0	0	0	0
Total	**11,532**	**4,404**	**3,578**	**12,749**	**7,953**	**-8,346**
Offsetting	-4,404	-4,404	-3,578	-3,578	-825	-825
No exercise of the option to recognize deferred tax assets	**-7,127**	**0**	**0**	**0**	**-7,127**	**0**
Carrying amount	**0**	**0**	**0**	**9,171**	**0**	**-9,171**

D. Notes to the income statement

1. Revenue

In fiscal year 2016, revenue amounted to EUR 19,725k and was generated in Germany mainly from commercial and IT services rendered for subsidiaries of the Ströer Group (EUR 18,938k) and from rental income (EUR 787k).

2. Other operating income

Other operating income comprises out-of-period income of EUR 19k from cost reimbursements for 2015.

Extraordinary income of EUR 100k is due to compensation payments under an out-of-court settlement.

3. Other operating expenses

Other operating expenses comprise out-of-period expenses of EUR 354k relating to services received in 2014 and 2015 and billed in 2016.

This item also includes extraordinary expenses of EUR 134k (prior year: EUR 664k) incurred for the costs of converting the Company into a KGaA.

In addition, extraordinary expenses were incurred for legal and consulting fees associated with acquisitions (EUR 1,682k), for trade fair expenses (EUR 498k) and for migration expenses in connection with the integration of SDP and IAM (EUR 313k) in 2016.

4. Income taxes

Due to the Company's function as tax group parent, all of the tax bases of the subsidiaries in the tax group are transferred to the Company. Trade tax add-backs, restrictions on the deduction of interest expenses and rules on minimum taxation result in taxable profit/trade earnings.

Income taxes comprise amounts of EUR 230k and EUR 592k for corporate income tax and trade tax, respectively, that relate to prior years.

E. Other notes

1. Cash flow statement

	2016 EUR k	2015 EUR k
1. Cash flows from operating activities		
Profit or loss for the period	36,490	47,140
Amortization, depreciation and impairment losses (+)/write-ups (-) on non-current assets	49,106	7,863
Increase (+)/decrease (-) in provisions	11,608	6,220
Other non-cash expenses (+)/income (-)	-131,274	-95,495
Gains (-)/loss (+) on the disposal of non-current assets	1	-28
Increase (-)/decrease (+) in trade receivables and other assets	99,619	39,153
Increase (+)/decrease (-) in trade payables and other liabilities	-13,654	12,649
Cash flows from operating activities	51,896	17,502
2. Cash flows from investing activities		
Cash received (+) from the disposal of property, plant and equipment	-1	48
Cash paid (-) for investments in property, plant and equipment	-3,847	-2,360
Cash received (+) from the disposal of intangible assets	1	0
Cash paid (-) for investments in intangible assets	-7,895	-4,902
Cash received (+) from the disposal of non-current financial assets	30,811	45,606
Cash paid (-) for investments in non-current financial assets	-76,316	-71,643
Cash flows from investing activities	-57,247	-33,251
3. Cash flows from financing activities		
Dividends (-)	-38,698	-19,548
Cash received (+) from/cash paid (-) for cash pooling activities	-236,771	-23,856
Cash received (+) from the issue of bonds and borrowings	545,201	128,818
Cash repayments (-) of bonds and borrowings	-263,618	-82,990
Cash flows from financing activities	6,114	2,424
4. Cash at the end of the period		
Change in cash		
Change in cash (subtotal 1 to 3)	763	-13,325
Cash at the beginning of the period	1,050	14,375
Cash at the end of the period	1,813	1,050
5. Composition of cash		
Cash and cash equivalents	1,813	1,050
Cash at the end of the period	1,813	1,050

2. Contingent liabilities and other financial obligations

a) Contingent liabilities

In connection with the acquisition of Ströer DERG Media GmbH, Kassel, Ströer KGaA issued an indefinite guarantee to Deutsche Bahn AG for the obligations of Ströer DERG Media GmbH under the advertising space agreement. These relate particularly to expenses for advertising media intended for the installation and operation of digital real-time systems for information and entertainment and the upgrading of existing advertising media. Over the life of the long-term agreement, the investment volume comes to roughly EUR 20m plus ongoing operating and maintenance expenses and overheads. The volume of ongoing costs depends, on the one hand, on the scope and duration of implementation and, on the other, on the use of existing electronic media structures within the Ströer Group.

Under the contract for services for the Bremen city contract between Telekom Deutschland GmbH, Bonn, and DSM Deutsche Städte Medien GmbH, Frankfurt am Main (DSM), dated 18 December 2015, Ströer KGaA assumed an absolute guarantee for EUR 5,850k, which is limited until 31 December 2025.

Under the rental agreement concluded with Deka Immobilien Investment GmbH, Frankfurt am Main, as of 1 July 2015 for the building at Torstrasse 49, Berlin, Ströer KGaA assumed an indefinite guarantee for the tenant STRÖER media brands AG, Berlin, for EUR 107k.

Under the agreement on the exercise of advertising concessions for public faces between the city of Ravensburg and DSM dated 23 May 2015, Ströer KGaA assumed a guarantee of EUR 300k, which is limited until 31 December 2024.

With regard to an agreement concluded between SEM Internet Reklam Hiz. Ve Dan. A.S., Istanbul, Turkey, and Facebook Ireland Ltd., Dublin, Ireland, in January 2014, Ströer KGaA assumed an indefinite guarantee of USD 500k on 19 August 2015.

In connection with the sale of shares in ADselect GmbH, Duisburg, on 22 May 2015 by Mr. Martin Reichardt (seller), Ströer KGaA assumed an absolute guarantee of EUR 480k for the obligation by Business Advertising GmbH, Düsseldorf, to pay the purchase price, which expires upon payment of the last purchase price installment on 28 February 2017.

On 20 December 2016, Ströer KGaA issued letters of comfort in favor of Statista GmbH, Ströer Digital Commerce GmbH, Ströer SSP GmbH, Munich (formerly adscale GmbH), and IAM. Under these letters of comfort, Ströer KGaA undertakes to ensure that the entities above will be able to meet their financial obligations from operating their businesses. All letters of comfort are limited until 31 December 2017.

The risk of a claim under the above guarantees and letters of comfort is currently deemed to be low.

b) Total amount of other off-balance sheet financial obligations

In addition to contingent liabilities, the Company has other financial obligations of EUR 25,187k (of which to affiliates EUR 0k and to associates EUR 11,035k). These obligations include the following items:

Lease payments:

■	up to 1 year:	EUR	2,035k
■	1 to 5 years	EUR	7,369k
■	more than 5 years:	EUR	984k

The lease payments mainly relate to the administrative building in Cologne used by the Company. The building was leased to avoid cash outflows and financing which would have been required if the building had been purchased. These benefits are contrasted by fixed and contractually agreed payment obligations over the term of the lease.

The Company also has other financial obligations from the lease of storage and administrative buildings. The remaining terms break down as follows:

- up to 1 year: EUR 1,626k
- 1 to 5 years EUR 7,515k
- more than 5 years: EUR 5,658k

For supplies of advertising media in 2017 by UAB BaltLED, Vilnius, Lithuania, and Programm Contractors Ltd., Kowloon, Hong Kong, Ströer KGaA signed two letters of intent in 2016. They come to EUR 608k.

c) Financial instruments within the meaning of Sec. 285 No. 15a HGB

There are obligations to non-controlling shareholders from put options for which the vesting conditions had not been met as of 31 December 2016. The theoretical value of potential liabilities under these options came to EUR 5,611k as of the balance sheet date. It is not possible to say when these obligations will fall due as Ströer KGaA does not have any control over the exact date on which the options will be exercised by the holders. However, all option agreements are structured in such a way that the outflow of cash will not have a significant effect on the Company's financial position.

3. Related party transactions

The following significant transactions with related parties were conducted:

Type of relationship	Subsidiaries	Other related parties
Type of transaction	EUR k	EUR k
Performance of services	1,156	160
Provision of other services	568	34
Purchase of other services	1,193	1,115
Loss absorption under profit and loss transfer agreements	20,005	0
Loans granted	8,992	2,685
Repayment of loans granted	750	1,460
Loans received	26,000	6,000
Repayment of loans received	33,500	11,500

Other related parties comprise companies that are not fully included in Ströer KGaA's consolidated financial statements and companies in which persons with Ströer KGaA board functions have an equity interest. Furthermore, other related parties also includes companies which can exercise significant influence over Ströer KGaA, as well as members of management in key positions.

The Company provides product development services for advertising media, IT services, central procurement and personnel services.

In addition, the Company provides other services in the form of interest-bearing loans to subsidiaries (EUR 525k).

The purchase of other services mainly relates to allocated expenses from subsidiaries.

For information on further transactions with the board of management and the supervisory board, see our disclosures in E.5.

4. Audit and consulting fees

The total fee charged by the auditor for the fiscal year pursuant to Sec. 285 No. 17 HGB is included in the relevant disclosure made in the notes to the consolidated financial statements.

5. Board of management and supervisory board

The composition of the board of management of the general partner, Ströer Management SE, Düsseldorf (the board of management), and of the supervisory board of Ströer KGaA as well as membership in statutory supervisory boards and other oversight bodies comparable with a supervisory board is shown in the table below:

Name	Membership in statutory supervisory boards	Membership in other oversight bodies comparable with a supervisory board
Board of management		
Udo Müller (Chairman)	Ströer media brands AG, Berlin TARTECH eco industries 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
Supervisory board		
Christoph Vilanek Chairman of freenet AG, Büdelsdorf (Chairman)	eXaring AG, Munich gamigo AG, Hamburg MEDIA BROADCAST GmbH, Cologne Netzpiloten AG, Hamburg mobilcom-debitel GmbH, Büdelsdorf Ströer Management SE, Düsseldorf	Sunrise Communications Group AG, Zurich, Switzerland
Dirk Ströer Managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne (Deputy chairman) (since 1 March 2016)	Ströer Management SE, Düsseldorf	

Ulrich Voigt Member of the management board of Sparkasse KölnBonn	Ströer Management SE, Düsseldorf	Finanz Informatik GmbH & Co. KG, Frankfurt modernes Köln GmbH, Cologne
Anette Bronder Managing director of T-Systems International GmbH, Frankfurt (since 5 April 2016)	elumeo SE, Berlin	Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern
Martin Diederichs Lawyer (from 1 to 10 March 2016)	Ströer Management SE, Düsseldorf	DSD Steel Group GmbH, Saarlouis
Julia Flemmerer Managing director of Famosa Real Estate S.L., Ibiza, Spain (since 1 March 2016)		
Michael Remagen Tax advisor (from 1 to 9 March 2016)		
Vicente Vento Bosch Managing director of Deutsche Telekom Capital Partners Management GmbH, Hamburg Managing director of Deutsche Telekom Capital Partners Fund GmbH, Hamburg (from 12 November 2015 to 29 February 2016 / since 5 April 2016)	Immobilien Scout GmbH, Berlin STRATO AG, Berlin Ströer Management SE, Düsseldorf	Deutsche Telekom Strategic Investments GmbH, Bonn Deutsche Telekom Venture Funds GmbH, Bonn Interactive Media CCSP GmbH, Darmstadt Telekom Innovation Pool GmbH, Bonn

Mr. Müller, Dr. Metzner and Mr. Schmalzl exercised their board of management functions on a full-time basis.

The benefits granted under payment arrangements with the board of management and the supervisory board (excluding share-based payments) are presented below for the fiscal years 2016 and 2015:

	2016	2015
Board of management	**EUR k**	**EUR k**
Short-term benefits	3,485	4,382
Other long-term benefits	1,895	1,865
	5,380	**6,247**

	2016	2015
Supervisory board	**EUR k**	**EUR k**
Short-term benefits	222	151
	222	**151**

Short-term benefits comprise in particular salaries, remuneration in kind and performance-linked remuneration components which are only paid in later years. 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. A reference price for the shares in Ströer KGaA is determined at the end of each fiscal year for share-based 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 was done using a Black-Scholes valuation model that was based on volatility of 36% and a dividend yield of 1% as of 31 December 2016. The interest rate used for the model is 0.04%.

For the share-based payment attributable to 2016, we currently assume that the share price at the end of the vesting period will be 100% of the reference price. The 4,312 phantom stock options granted in 2016 each have a fair value of EUR 38.81.

EUR 1,574k of all long-term benefits (LTI) is due for payment in 2017.

Stock option plan:

Under the stock option plan resolved by the shareholder meeting in 2013 (SOP 2013), the board of management was granted a total of 1,954,700 options. In 2015, another stock option plan (SOP 2015) was resolved by the shareholder meeting, under which the board of management was granted 350,000 options.

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 a minimum operational EBITDA of the Group of EUR 150m (SOP 2013) or EUR 250m (SOP 2015). 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 weighted average fair value of options granted under the SOP 2015 was EUR 12.70. The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.14.

As of 31 December 2016, a total of EUR 6,991k (prior year: EUR 6,289k) was recognized as provisions for all potential future short and long-term bonus entitlements of the board of management, EUR 1,736k (prior year: EUR 1,790k) of which is attributable to current entitlements from share-based payments.

For further information, see the remuneration report, which is part of the group management report.

6. Employees

An average of 286 staff were employed in fiscal year 2016 (prior year: 242).

7. List of shareholdings

The disclosures pursuant to Sec. 285 No. 11 HGB on entities in which the Company holds an equity interest of at least 20% as well as the disclosures pursuant to Sec. 285 No. 11b HGB on investments in large corporations exceeding 5% of the voting rights are presented in the following list of shareholdings.

	Equity interest 31 Dec 2016 %	Equity as of 31 Dec 2016 EUR k	Profit or loss 2016 EUR k
Direct investments			
blowUP Media GmbH, Cologne	100	953	*3,234
eValue 2nd Fund GmbH, Berlin	33.3	2,565	-151
Ströer Content Group GmbH, Cologne	100	25	*-3,482
Ströer Digital Commerce GmbH, Cologne	100	-1,741	-1,766
Ströer Digital International GmbH, Cologne	100	10,343	*-5,512
Ströer Digital Publishing GmbH, Cologne (formerly Digital Media Products GmbH, Darmstadt)	100	111,982	*28,407
Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey	90	47,800	-9,972
Ströer Media Deutschland GmbH, Cologne	100	121,245	*120,894
Ströer Polska Sp. z o.o., Warsaw, Poland	100	17,374	-860
Ströer Sales Group GmbH, Cologne	100	25	*-4
Ströer Venture GmbH, Cologne	100	-33	*-1,494
Indirect investments			
4EVER YOUNG GmbH, Unterföhring	75	816	791
Adscale Laboratories Ltd., Christchurch, New Zealand	100	406	167
AD-Vice Sp. z.o.o., Warsaw, Poland	100	297	84
Ahuhu GmbH, Unterföhring	70	181	156
ApDG Handels- und Dienstleistungsgesellschaft mbH, Ulm	100	1,187	8
ARGE Aussenwerbung Schönefeld GbR, Berlin	50	61	85
Asam GmbH, Beilngries	51	80	54
Asam GmbH & Co. Betriebs-KG, Beilngries	100	8,510	4,501
ASAMBEAUTY GmbH, Unterföhring	100	450	425
B.A.B. Maxiposter Werbetürme GmbH, Hamburg	100	2,828	35
BHI Beauty & Health Investment Group Management GmbH, Unterföhring	51	32,459	984
blowUP Media Belgium BVBA, Antwerp, Belgium	80	546	-82
blowUP Media Benelux B.V., Amsterdam, Netherlands	100	1,573	924
blowUP Media Espana S.A., Madrid, Spain	100	-1,051	-14
blowUP Media U.K. Ltd., London, UK	100	2,209	2,182
Boojum Kft., Budapest, Hungary	60	123	101
Business Advertising GmbH, Düsseldorf	71.2	930	190
Conexus AS, Drammen, Norway	54.83	5,896	578
Conexus Norge AS, Drammen, Norway	100	1,116	-781
Content Fleet GmbH, Hamburg	92.52	-2,703	-1,730
DERG Vertriebs GmbH, Cologne	100	50	*865
DSM Decaux GmbH, Munich	50	10,742	9,184
DSM Deutsche Städte Medien GmbH, Frankfurt am Main	100	12,611	*24,155
DSM Krefeld Aussenwerbung GmbH, Krefeld	51	1,636	167
DSM Rechtegesellschaft mbH, Cologne	100	25	*101,257
DSM Werbeträger GmbH & Co. KG, Cologne	100	31,226	400
DSM Zeit und Werbung GmbH, Frankfurt am Main	100	1,453	*1,438
ECE flatmedia GmbH, Hamburg	75.1	4,929	4,740
Erdbeerlounge GmbH, Cologne	100	-928	-96
European Web Video Academy GmbH, Düsseldorf	50.1	-559	-629
evidero GmbH, Cologne	65	-748	-377
FaceAdNet GmbH, Berlin	52	1,461	1,436
Fahrgastfernsehen Hamburg GmbH, Hamburg	100	394	337
Foodist GmbH, Hamburg	100	-542	-1,742
Graceland SP. z o.o., Warsaw, Poland	100	1	0
Hamburger Verkehrsmittel-Werbung GmbH, Hamburg	75.1	2,699	851

	Equity interest 31 Dec 2016 %	Equity as of 31 Dec 2016 EUR k	Profit or loss 2016 EUR k
iBillBoard Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Turkey	96	12	-36
iBillBoard Poland Sp. z o.o., Warsaw, Poland	100	127	72
INFOSCREEN GmbH, Cologne	100	8,227	*41,247
InnoBeauty GmbH, Unterföhring	100	200	175
Instytut Badań Outdooru IBO SP. z o.o., Warsaw, Poland	40	-199	-89
InteractiveMedia CCSP GmbH, Darmstadt	100	100,334	3,753
Internet BillBoard a.s., Ostrava, Czech Republic	90	1,707	503
INTREN Informatikai Tanacsado es Szolgaltato Kft., Budapest, Hungary	50.89	641	296
kajomi GmbH, Planegg	51	314**	161**
Kinolo GmbH, Munich	100	-38	-29
Klassenfreunde.ch GmbH, Berne, Switzerland	100	832	105
Klassträffen Sweden AB, Stockholm, Sweden	100	469	64
Klitschko Performance GmbH, Munich (in liquidation)	50	-3	53
Konya Inter Tanitim ve Reklam Hizmetleri Anonim Sti., Istanbul, Turkey	100	114	-5
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen, Hamburg	51	338	263
Linkz Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Turkey	100	-215	-202
M.Asam GmbH, Unterföhring	100	7,991	7,966
MBR Targeting GmbH, Berlin	100	-5,044	-1,478
Media-Direktservice GmbH, Cologne	25.1	-1,046	-1,071
mediateam Werbeagentur GmbH/ Ströer Media Deutschland GmbH - GbR, Cologne	50	92	92
MT Mobile Ticketing GmbH, Berlin	100	319	214
MT Mobile Ticketing j.d.o.o., Zagreb, Croatia	100	12	2
mYouTime AS, Drammen, Norway	64.25	-203	-78
Nachsendeauftrag DE Online GmbH, Berlin	60	52	33
Omnea GmbH, Berlin	80	-3,097	-2,133
OMS Vermarktungs GmbH & Co. KG, Düsseldorf	100	0	0
OMS Vermarktungs-Beteiligungsgesellschaft mbH, Düsseldorf	100	34	1
OnlineFussballManager GmbH, Cologne	50.1	-623	-95
OSD Holding Pte. Ltd., Singapore, Republic Singapore	36.46	1,132	201
Permodo GmbH, Munich (formerly Permodo International GmbH, Munich)	51	5,955	7,079
RegioHelden GmbH, Stuttgart	90	-9,824	-6,029
RZV Digital Medya ve Reklam Hizmetleri A.S., Istanbul, Turkey	100	-6,231	-3,453
SEM Internet Reklam Hizmetleri ve Danismanlik A.S., Istanbul, Turkey	100	1,727	433
SF Beteiligungs GmbH, Cologne	75.4	2,027	-4
SMD Rechtegesellschaft GmbH, Cologne	100	25	*45,883
SMD Werbeträger GmbH & Co. KG, Cologne	100	9,785	154
Social Media Interactive GmbH, Munich	58.8	-642	-2,106
SRG Rechtegesellschaft GmbH, Cologne	100	25	*47,127
SRG Werbeträger GmbH & Co. KG, Cologne	100	14,465	134
Statista GmbH, Hamburg	81.3	2,106	-1,814
Statista Inc., New York, USA	100	-860	1
Statista Ltd., London, UK	100	-33	-612
StayFriends GmbH, Erlangen	100	4,550	3,122

	Equity interest 31 Dec 2016 %	Equity as of 31 Dec 2016 EUR k	Profit or loss 2016 EUR k
Ströer DERG Media GmbH, Kassel	100	5,492	*21,221
Ströer Deutsche Städte Medien GmbH, Cologne	100	500	*14,785
Ströer Digital Group GmbH, Cologne	100	93,692	*-20,005
Ströer Digital Media GmbH, Hamburg	100	819	*-1,675
Ströer Digital Operations Sp. z. o.o., Warsaw, Poland (formerly Goldbach Holding Sp. z. o.o., Warsaw, Poland)	100	1,047	153
Ströer Digital Services Sp. z. o.o., Warsaw, Poland (formerly Goldbach Audience Services Sp. z. o.o., Warsaw, Poland)	100	-355	-70
Ströer KAW GmbH, Cologne	100	1,538	*2,698
Ströer Kulturmedien GmbH, Cologne	100	180	*837
STRÖER media brands AG, Berlin (formerly GIGA Digital AG, Berlin)	100	1,508	*-479
Ströer Media Sp. z o.K., Warsaw, Poland	100	3,393	1,889
Ströer Media Sp. z o.o., Warsaw, Poland	100	1	2
Ströer Mobile Performance GmbH, Cologne (formerly KissMyAds GmbH)	100	-566	-253
Ströer Netherlands B.V., Amsterdam, Netherlands	100	4	2
Ströer Netherlands C.V., Amsterdam, Netherlands	100	1,021	621
Ströer Products GmbH, Berlin (formerly GIGA fixxoo GmbH, Berlin)	75	1,927	-1,452
Ströer Sales & Services GmbH, Cologne	100	272	*11,247
Ströer SSP GmbH, Munich (formerly adscale GmbH, Munich)	100	7,825	-2,004
Ströer Werbeträgerverwaltungs GmbH, Cologne	100	25	*4
stylefruits GmbH, Munich	100	3,161	-2,545
T&E Net Services GmbH, Berlin	60	1,272	922
Trierer Gesellschaft für Stadtmöblierung mbH, Trier	50	1,081	109
Trombi Acquisition SARL, Paris, France	100	-1,222	-397
TUBE ONE Networks GmbH, Hamburg	74.99	642	-603
twiago GmbH, Cologne	51	1,549	1,285
VITALSANA B.V., Heerlen, Netherlands	100	-1,864	-767
X-City Marketing Hannover GmbH, Hanover	50	12,038	1,810

*Result before profit and loss transfer **Prior-year figures

8. Consolidated financial statements

The Company prepares the consolidated financial statements for the largest and smallest group of entities. The consolidated financial statements are published in the *Bundesanzeiger* [German Federal Gazette].

9. General partner

Ströer Management SE, Düsseldorf, which is the general partner, reported subscribed capital of EUR 120k as of 31 December 2016.

10. Disclosures pursuant to Sec. 160 (1) No. 8 AktG

Dirk Ströer holds 21.80% and Udo Müller 21.70% of the Company's shares. Moreover, according to the notifications made to the Company as of the date of preparation of these notes to the financial statements on 14 March 2017, the following parties reported to us that they hold more than 3% of the voting rights in the Company: Deutsche Telekom AG (11.60%), Allianz Global Investors Europe (6.15%) and Credit Suisse (4.63%).

See also our disclosures in exhibit 1 to the notes.

11. Proposal for the appropriation of profit

The general partner and the supervisory board propose to the shareholder meeting of Ströer SE & Co. KGaA that the accumulated profit of EUR 66,489,744.27 disclosed in the financial statements as of 31 December 2016 be appropriated as follows:

- Distribution of a dividend of EUR 1.10 per qualifying share, which makes EUR 60,810,748.90 in total (with 55,282,499 shares); and
- Carryforward of the remainder of EUR 5,678,995.37 to new account

12. Subsequent events

There were no events after the close of the fiscal year which have a significant financial effect.

13. Declaration pursuant to Sec. 161 AktG on the Corporate Governance Code

The board of management of the general partner of Ströer SE & Co. KGaA, Ströer Management SE, Düsseldorf, 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 15 December 2016. The declaration was made permanently available to shareholders on the Company's website (www.ir.stroeer.com).

14. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, 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 Company, together with a description of the principal opportunities and risks associated with the expected future development of the Company.

Cologne, 14 March 2017

Ströer SE & Co. KGaA
represented by:
Ströer Management SE (general partner)

Udo Müller Christian Schmalzl Dr. Bernd Metzner

Exhibit 1 to the notes to the financial statements of Ströer SE & Co. KGaA (formerly Ströer SE), Cologne

Disclosures pursuant to Sec. 160 (1) No. 8 AktG ["Aktiengesetz": German Stock Corporation Act]

The Company issued the following notifications pursuant to Sec. 26 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]:

1. Details of the issuer

Ströer SE Ströer Allee 1 50999 Cologne Germany

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in aggregate number of voting rights
X	Other reason: Statement of holdings in accordance with Sec. 41 (4f) WpHG

3. Details of the party subject to mandatory notification

Name:	City and country of registered office:
Allianz Global Investors GmbH	Frankfurt am Main Germany

4. Names of shareholders

holding 3% or more voting rights, if different from 3

5. Date when threshold was met

26 November 2015

6. Total share of voting rights

	Share of voting rights (total of 7.a.)	Share of instruments (total of 7.b.1. + 7.b.2.)	Total share (total of 7.a. + 7.b.)	Total number of voting rights
new	6.12%	0.03%	6.15%	55282499
Most recent notification	5.88%	%	%	/

7. Details of the share of voting rights

a. Voting rights (Secs. 21, 22 WpHG)

ISIN	absolute		in %	
	direct (Sec. 21 WpHG)	allocated (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	allocated (Sec. 22 WpHG)
DE0007493991	0	3384405	0%	6.12%
Total	3384405		6.12%	

b.1. Instruments within the meaning of Sec. 25 (1) No. 1 WpHG

Type of instrument	Maturity/expiration date	Exercise period/term	Voting rights absolute	Voting rights in %
Right for redelivery of shares being subject to open overnight securities lending	none	Cancellation possible on each trading day	14300	0.03%
		Total	14300	0.03%

b.2. Instruments within the meaning of Sec. 25 (1) No. 2 WpHG

Type of instrument	Maturity/expiration date	Exercise period/term	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total	0	0%

8. Information on the party subject to mandatory notification

	The party subject to mandatory notification (3.) is not controlled and does itself not control any other undertaking(s) holding any reportable voting rights in the issuer (1.).
X	Full chain of controlled companies starting with the ultimate controlling natural person or legal entity:

Companies	Voting rights in %, if equal to or higher than 3%	Instruments in %, if equal to or higher than 5%	Total in %, if equal to or higher than 5%
Allianz SE	%	%	%
Allianz Asset Management AG	%	%	%
Allianz Global Investors GmbH	6.12%	%	6.15%

9. In case of proxy voting in accordance with Sec. 22 (3) WpHG

(only applicable when allocating pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG)

Date of shareholder meeting:	
Total share of voting rights after the shareholder meeting:	% (corresponding to voting rights)

COMBINED MANAGEMENT REPORT

The references made in this combined management report of Ströer SE & Co. KGaA (formerly Ströer SE and hereinafter referred to as Ströer KGaA) to page numbers refer to the numbering in the annual report.

BACKGROUND AND STRATEGY OF THE STRÖER GROUP

Business model

Ströer SE & Co. KGaA, Cologne (formerly Ströer SE, Cologne, and hereinafter referred to as Ströer KGaA), is a leading provider in the commercialization of out-of-home and online advertising in Germany, and offers its advertising customers individualized and integrated communications solutions. Its portfolio of branding and performance products offers customers opportunities for addressing specific target groups while increasing the relevance of the Ströer Group as a contact partner for media agencies and advertisers.

The Company's business model is based on offering traditional out-of-home advertising, the public video network that is shown on screens installed in train stations and shopping malls, as well as online display and video marketing via stationary internet and mobile devices and tablets.

Particular mention should be made of the development departments for online and out-of-home advertising. Furthermore, on the marketing side, Ströer has the market presence needed to offer national and regional customers comprehensive out-of-home advertising and online products. The sales organization is continuously intensifying its target group analyses and market research, manages the sales and marketing activities, and serves regional and national advertisers, media agencies as well as media specialists.

On the cost side, the Ströer Group leverages economies of scale arising in areas such as finance, procurement, development, information technology, legal affairs and human resources, as well as synergies arising from cooperation between the individual segments and entities. One such example is the cross-segment bundling of moving-picture advertising on public screens in out-of-home advertising and on mobile devices, tablets and stationary PCs in the digital area.

→ For further information on strategy and management, see page 17.

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.

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 segment. 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 45 million unique users per month, 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 recent acquisition of t-online.de. In terms of direct customers, Ströer bundled its advertising capacity last year and now has exclusive marketing rights for up to 1,000 websites.
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 4,000 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 PV" 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, Ströer 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.

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 the fiscal year. By acquiring the BHI Beauty and Health Investment Group (which develops and sells, among other things, various own cosmetic products) and Bodychange Inc. (Social Media Interactive GmbH, active in weight optimization and nutritional advice), we have successfully expanded our value chain with the aim of maximizing monetization of our entire advertising inventory.

1 Source: 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.

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 us with advertising concessions for high-reach sites. Of particular importance are the agreements with municipalities, for which we, as a system provider, develop 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. Our 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, we generate 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 our 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 7 of the 10 largest Turkish cities and operates in all product groups. With some 49,000 marketable advertising faces in approximately 16 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 1,000m^2 positioned on building façades. The company currently markets more than 300 sites, some of which are digitized, 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 in Germany:

OOH digitization in Germany
The digitization of out-of-home advertising is one of our main areas of investment and growth. Targeted investments in innovative premium formats, market research and audience reach measurement also ensure the Ströer Group's outstanding position in out-of-home advertising technology. In the fiscal year, the Ströer Group successfully began to install various roadside screens in Wuppertal, Düsseldorf and Cologne. Other cities will follow in the coming months and years.

Digital content – managing and monetizing traffic
In 2014, we began setting up the Digital Content group. In 2015, we were already one of the biggest digital publishers in Germany. The group is based on a disruptive, tech-based and performance-driven business model which mainly involves monetizing content and maximizing traffic through our performance publishing approach.

National marketing – establishing ourselves as one of the leading marketers in Germany
Consolidation is the key to our success. Ströer is already one of the biggest marketers in Germany. In the reporting year, Ströer harmonized its market presence along with the products and technology of InteractiveMedia CCSP GmbH (Interactive Media), OMS Vermarktungs-Beteiligungsgesellschaft mbH (OMS) and Ströer Digital Media GmbH (Ströer Digital Media) and has an overarching offering across all three marketers. In terms of technology, the multichannel media company has successfully put the ONE platform concept into practice and developed new cross-portfolio products embodying quality, viewability and innovation. Across all media and due to the combination of online and out-of-home marketing operations, we are one of the leading German media companies.

Local markets – increasing our local and regional advertising revenue
In Germany, free advertising publications and daily newspaper advertising are the main advertising media used in a local or regional environment. There is substantial growth potential here due to the shift in advertising budgets from local print media to local online services. The relatively small marketing budgets available to small and medium-sized advertisers means that there is also strong demand for standardized solutions. In the reporting period, Ströer successfully began to promote its cross-media digital and OOH solutions on a regional level. Ströer also invested further in the national sales structure for local products, which is unique in terms of geographical reach.

Transaction-based business models
In addition to traditional advertising income from the marketing of websites, Ströer is focusing on new business models, such as digital commerce and subscription-based models, in order in particular to use and indirectly monetize the existing inventory to successfully build the brand for its own products and services. Ströer uses a waterfall approach in this regard, only using the unutilized advertising faces that are not fully booked in national and regional sales.

Data-driven product development
The digital strategy is based on the Group's technology position, which is being continuously enhanced and enables local and regional performance as well as direct marketing. Technologies for precisely targeted 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 IFRS. 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. In this case, joint ventures are consolidated pursuant to IFRS 11 using the equity method.

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, and adherence to these targets is continuously monitored during the year. Both organic revenue growth and nominal revenue growth are analyzed in this context. In view of its expansionary business development, Ströer adjusted its calculation of organic revenue growth in 2015 to improve transparency. The adjustment means that 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 19.

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.

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 operational EBITDA and adjusted consolidated profit, see page 20.

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 the calculation of free cash flow (before M&A transactions), see page 32.

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.

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).

→ For further information on net debt, see page 33.

The Company's 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 borrower's note loans and other financial liabilities less cash (joint ventures are consolidated proportionately).

→ For the section on employees, see page 50.

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 2016, it shows that with an increase in revenue (without foreign exchange effects) of EUR 77.5m and adjusted revenue of EUR 1,070.3m of the prior year, the organic growth rate comes to 7.2%.

in EUR k	**2016**	2015
Revenue PY (reported)	**823,706**	**721,092**
IFRS 11	14,012	12,532
Revenue PY (management approach)	**837,718**	**733,624**
Disposals and discontinued units	–3,132	–7,130
Acquisitions	235,669	39,272
Revenue PY (management approach (adjusted))	**1,070,255**	**765,766**
Foreign currency effects	–12,637	–2,985
Organic revenue growth	77,530	74,937
Revenue – current year (management approach)	**1,135,148**	**837,718**
IFRS 11	–11,891	–14,012
Revenue – current year (reported)	**1,123,257**	**823,706**

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

in EUR m	**Income statement in accordance with IFRSs 2016**	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	**1,123.3**		**11.9**		**1,135.1**
Cost of sales	–753.9	138.6	–3.2	5.8	–612.7
Selling expenses	–156.9				
Administrative expenses	–124.8				
Total selling and administrative expenses	–281.8	12.5	0.3	19.6	–249.3
Other operating income	34.9				
Other operating expenses	–34.4				
Total other operating income and other operating expenses	0.5	10.1	0.1	1.3	12.0
Share in profit or loss of equity method investees	4.7		–4.7		0.0
Operational EBITDA					**285.2**
Amortization, depreciation and impairment losses		–161.2	–1.9		–163.1
Adjusted EBIT					**122.1**
Exceptional items[1]				–26.8	–26.8
Financial result	–10.0		0.0		–10.0
Income taxes	–10.8		–2.4		–13.2
Consolidated profit or loss for the period	**71.9**	**0.0**	**0.0**	**0.0**	**71.9**

[1] For further details of exceptionals we refer to Paragraph 33, 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 2016**	Adjusted income statement 2015
				1,135.1	**837.7**
				–612.7	–467.8
				–249.3	–175.8
				12.0	14.3
				0.0	0.0
				285.2	**208.3**
60.7			12.3	–90.0	–71.8
60.7			**12.3**	**195.1**	**136.6**
			26.8	0.0	0.0
	–0.1		0.8	–9.4	–9.5
		–16.2		–29.4	–20.1
60.7	**–0.1**	**–16.2**	**39.9**	**156.3**	**106.9**

Management and control

The board of management of the general partner Ströer Management SE, Düsseldorf, as of 31 December 2016 comprises three members: Udo Müller (CEO), Christian Schmalzl (COO) 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	Chairman (CEO) Strategy
Dr. Bernd Metzner	June 2014	December 2020	Chief Financial Officer Group finance and tax Group HR Group IT Group legal Group M&A / corporate finance Group internal audit Group investor relations Group procurement Group risk management Group accounting Group controlling
Christian Schmalzl	November 2012	December 2020	Management and supervision of national, international and digital companies Group business development Group corporate communications

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

An executive committee was set up 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 as of 31 December 2016 comprises the following members: Christoph Vilanek, Dirk Ströer, Annette Bronder, Vicente Vento Bosch, Julia Flemmerer and Ulrich Voigt.

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. 289a 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 all documents, see website http://ir.stroeer.com.

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. 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, advertisers and media agencies. Out-of-home advertising is affected in particular by the conditions relating to the advertising concessions granted by municipalities.

Customers in the out-of-home advertising industry sometimes place bookings with a lead time of not more than eight weeks. This underlines the trend toward ever shorter advance booking 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 shorter due to the high degree of automation compared with out-of-home advertising. In the online industry, the highest revenue activity generally falls in the fourth quarter. A key factor for online advertising is the further penetration of the market using targeting/re-targeting, real-time bidding (RTB) and moving-picture offerings. Apart from the commissions paid to website operators, the main cost drivers are personnel and IT operating expenses.

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 can be advertised in out-of-home campaigns. 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.

The use of ad blockers is becoming increasingly 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. 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.

This also gives added importance to performance products, especially as it is possible to reach target groups with increasing accuracy by analyzing large data volumes and using targeting technologies. Disproportionately high growth in the online advertising market is expected for moving-picture and mobile offerings. At the same time, there is substantial potential for regional online advertising campaigns. Out-of-home advertising is also affected by advances in digital media, but is the only medium to retain its physical presence.

ECONOMIC REPORT

Business environment

General economic developments in 2016

Based on a revenue contribution of around 85%, Germany is our key market with international business playing a secondary role. This is due among other things to the change in our business model to focus more strongly on digital fields of business which are concentrated predominantly in the German market. 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 two key markets of Germany and Turkey turned in a mixed performance in the fiscal year. While persistent macroeconomic uncertainty in Turkey had a negative effect, the German economy benefited from dynamic domestic growth, as in the prior year.

Germany

Once again in 2016, the German economy continued its positive trajectory. Towards the end of the year in particular, the mood among German companies picked up slightly according to the German Institute for Economic Research.[1] According to initial calculations by the German Federal Statistical Office ["Statistisches Bundesamt"], inflation-adjusted GDP increased by 1.9% year on year and has grown half a percentage point above the average of the last 10 years (1.4%). The solid and consistent growth has largely been driven by lively domestic demand, with private consumer spending growing by 2.0%. Public-sector spending rose significantly more, by 4.2%, due among other things to the high level of immigration.[2]

The number of people in employment reached 43.5 million in 2016, the highest level since 1991. Households' real disposable income increased by 2.8%. A similarly high increase was reported for private household consumption expenditure which was up 2.6% on the basis of current prices. Preliminary calculations put the household saving ratio in 2016 at 9.7%, moving sideways year on year.[3] In 2016, consumer prices increased by 1.7% year on year.[4]

Turkey

The Turkish economy was shaped by considerable political unrest in the fiscal year. This is also reflected in the economic situation and led to a slowdown in the economy compared with the prior year. In 2016, the Turkish economy grew 2.9% compared with 4.0% in 2015.[5] Over the course of the year, the rise in consumer prices slowed down, standing at 8.5% at year-end compared with 9.6% at the start of the year.[6]

Development of the out-of-home and online advertising industry in 2016

The western European advertising market has been recovering strongly since 2014. For 2016, ZenithOptimedia expects a 3.7% increase in the net advertising spend.

Online advertising in particular can report renewed rigorous growth of 10.4%, whereas print media are still struggling with strong losses (down 5.0%). In the western European market out-of-home advertising rose by 3.3%.

1 Source: DIW Berlin, Economic Barometer, December 2016
2 Source: German Federal Statistical Office, GDP 2016
3 Source: BVR [National Association of German Cooperative Banks] study on World Savings Day, September 2016
4 Source: Global Rates – Inflation
5 Source: OECD real GDP forecasts summary, Turkey, November 2016
6 Source: Global Rates – Inflation

Germany

According to the gross advertising spending calculated by Nielsen Media Research, the advertising market in Germany grew by 6.1% in 2016.[7] 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 territories. We currently expect net advertising investments to have increased by around 2.5% in 2016 – in line with the most recently announced forecasts of the Central Association of the German Advertising Industry ["Zentralverband der deutschen Werbewirtschaft e.V.": ZAW]. ZAW is scheduled to publish the official net media spending figures in May 2017.[8] Our estimate is also supported by a ZenithOptimedia forecast. Following an increase of 1.9% in 2015, more significant growth in net advertising spending of 3.1% is expected for 2016.[9]

According to ZenithOptimedia, the out-of-home segment saw net advertising spending grow by 6.4% in 2016. For the internet segment, growth of 8.4% was measured. As the biggest loser once again, the print segment recorded a loss of 1.5% in the fiscal year. Reliable estimates of any shifts in market share cannot be made until the 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.[10]

Turkey

For the Turkish advertising market, ZenithOptimedia only predicts a low growth rate of around 3.5% in 2016.[11] This is owing to the continued domestic and international political uncertainty and the impact this has had on the country's macroeconomic environment. Consistent information on the net development of the Turkish out-of-home media market is not available.

Development of exchange rates in 2016[12]

In 2016, 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 3.22 TRY/EUR in January 2016. After remaining somewhat stable at the start of the year, it lost considerable ground over the further course of the year. In the last quarter of 2016, the Turkish lira hit additional record lows and was quoted at 3.71 TRY/EUR as of year-end. On an annual average, the Turkish lira thus lost 10.5% overall compared with the prior-year average. This was due once again to political uncertainties and domestic tensions in Turkey.

In the second half of the year in particular the pound sterling also fell sharply against the euro. This is attributable in particular to the massive slump in the pound after the Brexit vote. Following record lows the currency regained some ground and was quoted at 0.86 GBP/EUR as of year-end. With an annual average of 0.82 GBP/EUR, the exchange rate was down 12.9% year on year.

7 Source: Nielsen Werbetrend 12-2016, Nielsen, January 2017
8 Source: ZAW press release no. 14/16, November 2016
9 Source: ZenithOptimedia Advertising Expenditure Forecast, Germany, December 2016
10 Source: ZenithOptimedia Advertising Expenditure Forecast, Germany, December 2016
11 Source: ZenithOptimedia Advertising Expenditure Forecast, Turkey, December 2016
12 Source: European Central Bank (ECB)

Results of operations of the group

Overall assessment of the board of management on the economic situation

2016 was a very successful fiscal year for the Ströer Group. This success was mainly driven by the digital business and the German out-of-home business. The considerable growth in the operating business had a noticeably positive effect on revenue and operational EBITDA along with all other key performance indicators.

The Group's net assets and financial position also developed very well. In this context, the leverage ratio remained at an extremely low level despite extensive investment measures. In addition, the free cash flow (before M&A transactions) improved noticeably from the strong growth in the operating business. With a continued very solid equity ratio, the financial position is very sound and balanced.

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.

Comparison of forecast and actual business development

The forecasts we made for fiscal year 2016 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 2016.

	Results forecast for 2016 in the 2015 annual report	Actual results achieved in fiscal year 2016
Organic growth	Growth in the mid to upper single-digit percentage range	7.2%
Operational EBITDA	Increase to between EUR 270m and EUR 280m	EUR 285.2m
Operational EBITDA margin	Slight improvement (2015: 24.9%)	25.1%
ROCE	Almost ucnhanged (2015: 15.4%)	16.9%
Consolidated profit	Visible increase (2015: EUR 58.8m)	EUR 71.9m
Free cash flow (before M&A)	Increase to more than EUR 120m	EUR 138.5m
Leverage ratio	Another visible decrease (notwistanding M&A transactions) (2015: 1.11)	1.16 (following extensive M&A transactions)

Results of operations of the Group

Consolidated income statement		
In EUR m	**2016**	2015
Revenue	1,123.3	823.7
EBITDA	254.0	188.6
Operational EBITDA	285.2	208.3
EBIT	92.8	76.8
Financial result	–10.0	–9.3
EBT	82.7	67.5
Income taxes	–10.8	–8.6
Consolidated profit	71.9	58.8

The Ströer Group continued on the successful course of the prior years in the reporting period and once again saw its **revenue** rise significantly by EUR 299.6m to EUR 1,123.3m. The springboard for this growth was in particular the notable rise in revenue in the digital business stemming from the acquisitions made in the past quarters as well as organic growth. The organic growth in the OOH Germany segment also contributed to the increase in revenue. By contrast, the OOH International segment reported a decrease in revenue, mainly due to the macroeconomic situation in Turkey and the related weakness of the Turkish lira. However, due to the significant growth rates in the digital and German OOH business, the Group nonetheless generated considerable overall organic revenue growth of 7.2%.

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

In EUR m	**2016**	2015
Ströer Digital	509.6	238.2
OOH Germany	490.4	457.2
OOH International	135.2	142.4
Reconciliation using the equity method (IFRS 11)	–11.9	–14.0
Total	**1,123.3**	**823.7**

A geographical breakdown of consolidated revenue shows a further shift in revenue toward domestic activities. While domestic revenue (excluding equity-method investees) increased by EUR 283.3m to EUR 948.5m, foreign revenue only rose by EUR 16.3m to EUR 174.7m. Thus the percentage of revenue attributable to foreign operations only came to 15.6% (prior year: 19.2%).

Revenue development in the online and out-of-home advertising industry is subject to generally similar seasonal fluctuations, as is 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

Operational EBITDA development by quarter

In EUR m

The revenue growth described above was also accompanied by a rise in **cost of sales**. The rise in costs can be largely attributed to the business operations acquired in the past two years. Revenue-based lease expenses and increased running costs in the OOH Germany segment also drove up costs. Cost of sales amounted to EUR 753.9m for the full fiscal year and were thus up EUR 191.3m on the prior year. On balance, **gross profit** increased from EUR 261.1m to EUR 369.3m, which corresponds to an increase of EUR 108.3m. The gross profit margin rose from 31.7% to 32.9% in the fiscal year.

At EUR 281.8m, the **selling and administrative expenses** of the Ströer Group were up EUR 79.8m on the prior year due to the newly acquired companies. The acquisition-related increase can be directly attributed to the functional divisions of the new operations on the one hand, as well as to the integration expenses incurred in this connection. In addition to these M&A effects, the ongoing expansion of our local sales organization for digital and OOH products in Germany also increased our costs substantially. Ströer also saw net **other operating income and expenses** decrease by EUR 12.8m year on year to EUR 0.5m. While the reversal in particular of earn-out liabilities no longer payable (EUR 13.0m) had a positive effect on other operating income, the increase in other operating expenses is largely reflected in the recognition of restructuring provisions (EUR 12.7m) and the impairment of the goodwill of our Turkish OOH operations (EUR 10.1m). All three effects were classified as exceptional items in the reconciliation to the net income (adjusted). However, at EUR 4.7m, the **share in profit or loss of equity method investees** remained almost unchanged year on year (prior year: EUR 4.5m). Overall, the significant increase in operating activities led to another substantial improvement in **EBIT** to EUR 92.8m (prior year: EUR 76.8m). In addition, **operational EBITDA** also benefited greatly from this development, increasing by EUR 76.8m to EUR 285.2m and reaching an all-time high for the Ströer Group. Return on capital employed **(ROCE)** climbed accordingly to 16.9% (prior year: 15.4%).

The lower leverage ratio on a year-on-year average, which had a direct effect on the interest margin payable, had a positive effect on the Ströer Group's **financial result**. By contrast, the early repayment of the term loan within the context of placing the note loan had a negative effect as transaction costs were taken to income which would have otherwise been amortized over the term until April 2020. Overall, the net financial result was slightly down on the prior year at an expense of EUR 10.0m (prior year: EUR 9.3m).

In view of the extremely positive development of operating business, the Group's tax base increased further with a knock-on effect on **tax expense**. However, process improvements and structural changes carried out in the Group's legal entities in mid-2015 countered this effect. Against this backdrop, tax expense was up EUR 2.2m year on year at EUR 10.8m (prior year: EUR 8.6m).

Thanks to its very positive operating activities, overall the Ströer Group closed fiscal year 2016 with an even better **consolidated profit** of EUR 71.9m (prior year: EUR 58.8m), thereby continuing on its profitable growth course. At the same time, **net income (adjusted)** rose by EUR 49.3m to EUR 156.3m.

Net assets and financial position

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 us with 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.

We notably expanded our external financing leeway and our financial flexibility in two steps in 2016: In a first step, Ströer SE & Co. KGaA placed a note loan with a volume of EUR 170.0m on the capital market in June 2016. The loan has several tranches with terms of five and seven years. The tranches predominantly bear a floating rate of interest. The investor base was substantially diversified by placing this loan. In addition, the note loan has helped us to accordingly reduce the utilization of the existing credit facility and has considerably expanded our financial flexibility.

In a second step, a new credit facility of EUR 600.0m was agreed in December 2016 with a banking syndicate, with the option to extend by a further EUR 100.0m. The financing that had been in place since April 2014 and was adjusted in April 2015, of which a volume of EUR 480.0m was most recently available, was repaid through this new facility. Besides a further improvement in the conditions, the documentation was adjusted to reflect the investment grade status of the Ströer Group. The new financing extends over a five-year period with the option of extending it by an additional two years. The total volume of EUR 600.0m is structured as a flexible revolving facility. Our financial flexibility has once again increased considerably through this second step.

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 new financing instruments are amortized over the 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 435.5m (prior year: EUR 223.8m) available to it as of 31 December 2016 from unutilized credit lines under the newly concluded credit facility agreement including a cash balance (EUR 64.2m).

As of the reporting date, no single bank accounted for more than 20% of all loan amounts in the Ströer Group, hence there is a balanced diversification of the loan provision. The loans largely have a floating rate of interest. As part of the financing strategy, the board of management regularly examines the possibility of hedging interest rate risks by 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 2016. 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.

Due to the encouraging earnings development of the entire Ströer Group coupled with an only moderate increase in net debt, the leverage ratio was only slightly higher than in the prior year at 1.16 (prior year: 1.11). In 2016, 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 did not make use of any off-balance sheet financing instruments in 2016. We primarily use operating leases to finance our company vehicles. Due to the low volumes involved, however, operating leases do not have a significant effect on the economic situation of the Group.

Overall assessment of net assets and financial position

The Ströer Group strengthened its very encouraging net assets and financial position at a high level in the reporting period, even improving some individual key performance indicators. In addition, from the newly concluded credit facility agreement alone, the Group had credit lines of EUR 371.4m available to it as of the reporting date, bringing the total unutilized financing facilities including cash to EUR 435.5m (prior year: EUR 223.8m). The leverage ratio – the ratio between net debt and operational EBITDA – remained extremely solid despite extensive investments in 2016 at 1.16 (prior year: 1.11). Besides this external financing, which is secured for the long term, the Group's internal financing strength also increased considerably once again. In this context, cash flows from operating activities rose from EUR 190.3m to EUR 236.3m. Free cash flow before M&A transactions amounted to EUR 138.5m (prior year: EUR 116.4m). The Group's equity gearing also remained extremely comfortable at 38.2%. Overall, the Ströer Group's net assets and financial position are very well balanced and sound as of fiscal year-end 2016.

Financial position

In EUR m	2016	2015
Cash flows from operating activities	**236.3**	**190.3**
Cash received from the disposal of intangible assets and property, plant and equipment	3.4	2.3
Cash paid for investments in intangible assets and property, plant and equipment	–101.3	–76.3
Free cash flow before M&A transactions	**138.5**	**116.4**
Cash paid for investments in financial assets	–1.3	–0.2
Cash received from and cash paid for the acquisition of consolidated entities	–138.9	–23.7
Cash flows from investing activities	**–238.0**	**–97.9**
Free cash flow	**–1.7**	**92.4**
Cash flows from financing activities	**9.3**	**–82.0**
Change in cash	7.7	10.4
Cash at the end of the period	**64.2**	**56.5**

Liquidity and investment analysis

The Ströer Group's strong operating business led to a new high in **cash flows from operating activities**. This positive development stemmed primarily from the EUR 65.4m improvement in the Group's EBITDA to EUR 254.0m. The increase was slightly offset by the EUR 5.3m increase in tax payments. On the other hand, the positive effect from working capital was EUR 10.8m down on the prior year. Furthermore, EBITDA comprised non-cash effects from the recognition of provisions in relation to the partial closure of the location in Darmstadt and from earn-out liabilities being reversed to profit or loss. Net of these non-cash effects, cash flows from operating activities amounted to a pleasing EUR 236.3m (prior year: EUR 190.3m).

The continued growth course of the Ströer Group was also evident in the **cash flows from investing activities**. Investments in intangible assets and property plant and equipment came to EUR 101.3m (prior year: EUR 76.3m), reflecting the additional investments in new advertising media and increased payments for development work and purchases in the course of digitization. On balance, this led to a **free cash flow before M&A** of EUR 138.5m (prior year: EUR 116.4m). Taking the cash payments for business acquisitions into account, cash flows from investing activities came to EUR 238.0m (prior year: EUR 97.9m), resulting in a **free cash flow** of a total EUR -1.7m (prior year: EUR 92.4m).

In the last five years, Ströer has financed all replacement and expansion investments and payments for growth projects and acquisitions entirely from cash flows from operating activities. Against this backdrop, the strong internal financing capability remains a defining feature of the Ströer Group, as demonstrated once again in the fiscal year.

The **cash flows from financing activities** were shaped by cash paid to (non-controlling) shareholders (EUR 48.3m; prior year: EUR 26.9m), including cash payments for the acquisition of further shares in fully consolidated entities in addition to the distribution of a dividend to the shareholders of Ströer SE & Co. KGaA of EUR 38.7m. Furthermore, EUR 70.0m of the term loan (EUR 200.0m) under the previous credit facility was repaid in June 2016 in connection with the placing of a note loan as well as EUR 130.0m in December 2016 in connection with the restructuring of the credit facility. The cash received from borrowings of EUR 297.7m stemmed from the repayments made and the remaining financing requirements within the scope of the expansion strategy. As in the prior year, we exercised the option in 2016 to net "cash received from borrowings" with "cash repayments of borrowings" pursuant to IAS 7.22 in conjunction with IAS 7.23 A (c).

As of the end of the fiscal year therefore, **cash** came to EUR 64.2m (prior year: EUR 56.5m), an increase of EUR 7.7m on the prior year. In conjunction with the additional available, long-term credit lines of EUR 371.4m (prior year: EUR 167.3m) from the new credit facility agreement, we believe that the Ströer Group's liquidity remains very comfortable.

Financial structure analysis

At year-end 2016, around 73% (prior year: 76%) of the Ströer Group's **financing** was covered by equity and non-current debt. Well over 100% of the current liabilities of EUR 474.0m (prior year: EUR 357.9m) is financed at matching maturities by current assets of EUR 283.8m (prior year: EUR 241.7m) as well as available, long-term credit lines under the credit facility agreement of EUR 371.4m (prior year: EUR 167.3m).

The balance of current and non-current **financial liabilities** of the Ströer Group came to EUR 518.0m (prior year: EUR 351.0m) as of the reporting date. Besides a clear increase in liabilities to banks, liabilities from the acquisition of own equity instruments and liabilities from acquisitions also increased.

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		**31.12.2016**	31.12.2015
(1)	Liabilities from the facility agreement	215.1	261.1
(2)	Liabilities from note loans[1]	144.5	0.0
(3)	Liabilities from obligation to purchase own equity instruments	115.3	56.5
(4)	Other financial liabilities	43.1	33.3
(1)+(2)+(3)+(4)	Total financial liabilities	518.0	351.0
(1)+(2)+(4)	Total financial liabilities excluding liabilities from obligation to purchase own equity instruments	402.7	294.5
(5)	Cash	64.2	56.5
(6)	IFRS 11 adjustment	8.3	6.7
(1)+(2)+(4)-(5)-(6)	**Net debt**	**330.3**	**231.2**
Leverage ratio		**1.2**	**1.1**
Equity ratio (in %)		**38.2**	**46.2**

[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.

In the course of the Ströer Group's continued expansion, its net debt increased by EUR 99.1m to EUR 330.3m year on year. In the same period, operational EBITDA rose accordingly bringing the leverage ratio, defined as the ratio of net debt to operational EBITDA, to 1.16 at year-end, only marginally higher than the prior-year figure of 1.11.

As a result of the growth strategy, **trade payables** increased by EUR 42.7m to EUR 223.1m. Besides the first-time consolidation of the newly acquired companies, the increased investments in intangible assets and property plant and equipment also contributed to this increase.

The increase in **other liabilities** was equally significant, rising by EUR 27.2m to EUR 98.4m. This effect is almost entirely attributable to the newly acquired companies and is due, among other things, to the deferred income under the subscription models of these companies.

The Ströer Group's **equity** decreased by EUR 20.2m to EUR 659.7m in the reporting period. On the one hand it benefited from another increase in consolidated profit in the amount of EUR 71.9m (prior year: EUR 58.8m), however the dividend distribution of EUR 38.7m, the additional liabilities from the obligation to purchase own equity instruments and disadvantageous exchange rate effects from our foreign business operations dampened equity. Overall, the equity ratio decreased from 46.2% to 38.2%.

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.

Net assets

Consolidated statement of financial position		
In EUR m	**31.12.2016**	31.12.2015
Assets		
Non-current assets	1,441.1	1,228.5
Current assets	283.8	243.1
Total asstes	**1,724.9**	**1,471.6**
Equity and liabilities		
Equity	659.7	679.9
Non-current liabilities	591.2	433.8
Current liabilities	474.0	357.9
Total equity and liabilities	**1,724.9**	**1,471.6**

Analysis of the net asset structure
As a result of the ongoing expansion, the **total assets** of the Ströer Group increased to EUR 1,724.9m as of 31 December 2016 (prior year: EUR 1,471.6m).

The rise in total assets is attributable first and foremost to changes to **non-current assets** which, at EUR 1,441.1m in fiscal year 2016, were EUR 212.6m higher than in the prior year. Specifically, the increase, which largely stemmed from the numerous M&A transactions, related to intangible assets and the goodwill therein. In addition, the investments in property, plant and equipment, especially in new advertising media, contributed to the rise in non-current assets.

Current assets increased by EUR 40.7m, standing at EUR 283.8m as of the reporting date. This effect is primarily attributable to the notable increase in other assets (up EUR 24.6m) and higher trade receivables (up EUR 16.3m). Both items grew in the main as a result of the first-time inclusion of our newly acquired companies. The same also applies for the development of inventories (up EUR 14.2m), where EUR 8.2m of the increase alone stemmed from the first-time inclusion of the BHI group. By contrast, financial receivables were down EUR 21.2m, reflecting the settlement of receivables from purchase price adjustments (M&A) and contractual compensation claims, among other things.

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 1,028.0m as of 31 December 2016 (prior year: EUR 1,005.2m) 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. By contrast, as of the reporting date there were no obligations arising from acquisitions of shares in companies contractually agreed in 2016 and executed in 2017 (prior year: EUR 77.9m).

Results of operations of the segments

Ströer Digital

In EUR m	2016	2015		Change in %
Segment revenue, thereof	**514.8**	**243.5**	**271.4**	**>100%**
Display	249.1	123.2	125.8	>100%
Video	105.4	91.0	14.4	15.8%
Transactional	160.4	29.3	131.1	>100%
Operational EBITDA	**147.8**	**80.3**	**67.4**	**83.9%**
Operational EBITDA margin	**28.7%**	**33.0%**	**–4.3**	**percentage points**

The Ströer Digital segment was able to achieve a further significant increase in revenue across all product groups in the fiscal year. Our investments in other digital business models (e.g., subscription and e-commerce models), with the revenue contributions recorded under the new transactional product group, also contributed to strong revenue growth. 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	2016	2015		Change in %
Segment revenue, thereof	**501.2**	**464.0**	**37.2**	**8.0%**
Large formats	231.2	208.6	22.5	10.8%
Street furniture	141.5	137.6	3.8	2.8%
Transport	61.1	54.5	6.6	12.1%
Other	67.4	63.3	4.2	6.6%
Operational EBITDA	**137.1**	**124.5**	**12.6**	**10.1%**
Operational EBITDA margin	**27.4%**	**26.8%**	**0.5**	**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 2016 was characterized by an ongoing high level of momentum for the OOH Germany segment. The segment recorded a EUR 37.2m increase in revenue to EUR 501.2m in the reporting period thanks to this pleasing course of business.

With a view to the product groups, positive growth was recorded in all areas of the segment, although the increase was very disparate on an individual basis. Revenue from **large formats** developed particularly well. This product group, which targets both national and regional customer groups, benefited above all from the continued robust demand for traditional large-format out-of-home products and generated significant growth. On the one hand, a series of targeted national sales measures provided positive impetus, which was coupled with the expansion of our regional sales organization on the other. Overall, revenue improved from EUR 208.6m to EUR 231.2m. **Street furniture**, which focuses more on national and international customers, saw some temporary dips in demand due to variations in demand on the part of some major customers during the year. This applied in particular with regard to two major sporting events last summer (European football championship and the Olympic games), which traditionally cause subdued demand from national advertisers. On a full-year basis, street furniture nonetheless recorded a EUR 3.8m increase in revenue to EUR 141.5m. By contrast, the **transport** product group increased its revenue by EUR 6.6m to EUR 61.1m for the year as a whole, with the growth stemming largely from business with local customers. Due to the increasing business with many small, local customers, revenue in the **other** product group also climbed noticeably from EUR 63.3m to EUR 67.4m. These customer groups specifically are traditionally more interested in full-service solutions, including the production of advertising materials, than large cross-regional or national customers.

On the back of the expansion in business operations, the **cost of sales** also rose visibly in the segment. Specifically, the increase was due to higher revenue-based lease payments, higher running costs and higher production costs. Overall, **operational EBITDA** improved by a clear EUR 12.6m to EUR 137.1m. Despite the ongoing and substantial investments made to expand the local sales network, the **operational EBITDA margin** also remained at the prior year level (27.4%; prior year: 26.8%) thanks, among other things, to persistently strict cost management.

Out-of-Home International

In EUR m	**2016**	2015		Change in %
Segment revenue, thereof	**135.6**	**142.8**	**–7.2**	**–5.1%**
Large formats	110.2	114.5	–4.3	–3.7%
Street furniture	19.0	20.3	–1.4	–6.7%
Other	6.4	8.0	–1.6	–20.1%
Operational EBITDA	**21.2**	**25.0**	**–3.8**	**–15.1%**
Operational EBITDA margin	**15.7%**	**17.5%**	**–1.9**	**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.

Segment revenue decreased by EUR 7.2m in the reporting period to EUR 135.6m. The main reasons were in particular the tense political situation and terrorist attacks in Turkey, which put considerable pressure on both the Turkish lira and the Turkish advertising market. Both effects had a downward effect on our **revenue** shown in euro terms. Revenue in Poland was also slightly lower than in the prior year given the persistently challenging market environment. This development was only slightly compensated by revenue growth in the giant poster business of the BlowUP Group.

Due in particular to the weak Turkish lira, the **cost of sales** also decreased further. Overall, the segment generated **operational EBITDA** of EUR 21.2m (prior year: EUR 25.0m) and an **operational EBITDA margin** of 15.7% (prior year: 17.5%).

INFORMATION ON STRÖER SE & CO. KGAA

The management report of Ströer SE & Co. KGaA (formerly Ströer SE) and the group management report for fiscal year 2016 have been combined pursuant to Sec. 315 (3) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 298 (3) HGB. The separate financial statements and the combined management report of the Company and the Group are published at the same time in the Bundesanzeiger [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 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].

Results of operations

The financial statements of Ströer SE & Co. KGaA for fiscal year 2016 were largely shaped by two contrasting effects. While the operating business performed extremely well in most areas of the Ströer Group and the related income from intragroup profit and loss transfers grew considerably (EUR 122.0m; prior year: EUR 89.5m), impairments totaling EUR 39.7m regarding our Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey, had a noticeably negative impact. Furthermore, income taxes also increased noticeably to EUR 9.1m (prior year: EUR 0.6m), seeing **profit for the period** ultimately remain at a very high level at EUR 36.5m but unable to match the outstanding good level of the prior year (EUR 47.1m).

in EUR k	2016	2015
Revenue	19,725	0
Other own work capitalized	0	31
Other operating income	2,611	19,755
Cost of materials	–775	0
Personnel expenses	–24,381	–23,116
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	–6,382	–7,863
Other operating expenses	–23,034	–29,632
Income from equity investments	695	890
Income from profit and loss transfer agreements and expenses from loss absorption	122,038	89,531
Income from other securities and loans classified as non-current financial assets	3,592	1,395
Impairment of financial assets	–42,724	0
Other interest and similar income and interest and similiar expenses	–5,659	–3,263
Income taxes	–9,081	–561
Post-tax profit	**36,624**	**47,167**
Other taxes	–134	–27
Profit for the period	**36,490**	**47,140**
Profit carryforward from the prior year	20,000	20,000
Withdrawals from other retained earnings	10,000	0
Accumulated profit	**66,490**	**67,140**

In connection with the introduction of the BilRUG ["Bilanzrichtlinie-Umsetzungsgesetz": Accounting Directive Implementation Act], the definition of revenue was significantly expanded for the purposes of Sec. 275 HGB. As a result, the lion's share of the business transactions of Ströer SE & Co. KGaA previously disclosed as other operating income had to be reported as revenue for the first time in fiscal year 2016. In line with the legal requirements, the prior-year figures have not been adjusted.

Ströer SE & Co. KGaA generated **revenue** of EUR 19.7m in the reporting period. In the prior year, business transactions with a volume of EUR 17.6m were reported under other operating income which needs to be reported under revenue under the new definition. The main reason for the rise of EUR 2.1m was the ongoing expansion of the Group as a whole and the related rise in extensive intragroup services. The Company's **personnel expenses** only increased slightly by EUR 1.3m to EUR 24.4m by contrast. **Amortization, depreciation and impairment of intangible assets and property, plant and equipment** did not change noticeably either year on year, closing only slightly down on the prior year at EUR 6.4m (prior year: EUR 7.9m). **Other operating expenses**, which had been shaped by increased legal and consulting fees and restructuring costs in the prior year, were also down in fiscal year 2016 at EUR 23.0m (EUR 29.6m).

On the back of the improved result from ordinary activities and the further expansion of the Ströer Group, **profit and loss transfers** (income from profit and loss transfer agreements and expenses from loss absorption) rose noticeably from EUR 89.5m to EUR 122.0m.

Income from other securities and loans classified as non-current financial assets came to EUR 3.6m as of the reporting date (prior year: EUR 1.4m). The increase was chiefly due to the volume of intragroup loans which was considerably higher at times during the fiscal year in connection with the expansion of the Ströer Group. Correspondingly, the **interest** result (other interest and similar income and interest and similar expenses) also rose to EUR 5.7m year on year (prior year: EUR 3.3m), which reflects Ströer SE & Co. KGaA's refinancing costs for additional funds raised on the capital market. As regards **impairment losses on financial assets**, the Company reported a significant increase to EUR 42.7m (prior year: EUR 0.0m). These impairment losses related almost entirely to the carrying amount of the equity investment in the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey, as well as to a loan granted to this subsidiary. The write-down became necessary in view of the tense political situation and terrorist attacks in Turkey, which put considerable pressure on both the Turkish lira and the Turkish advertising market.

The considerable improvement in operating activities for the tax group as a whole had a corresponding impact on the Company's **income taxes**, causing them to rise substantially to EUR 9.1m (prior year: EUR 0.6m). For detailed information on deferred taxes, see section C. 7 in the notes to the financial statements of Ströer SE & Co. KGaA.

Net assets and financial position

Ströer SE & Co. KGaA's total assets increased by EUR 317.6m in the fiscal year to EUR 1,366.7m. EUR 344.7m of this rise relates to receivables from affiliates. On the one hand, additional liquidity granted to various subsidiaries as part of the expansion strategy played a role in this connection, as well as, on the other hand, shifts between Ströer SE & Co. KGaA and its subsidiary Ströer Media Deutschland GmbH, Cologne, due to the restructuring of the facility agreement. In terms of liabilities, these changes are mainly reflected in the liabilities to banks and liabilities to affiliates.

in EUR k	**2016**	2015
Assets		
Non-current assets		
Intangible assets and property, plant and equipment	18,605	13,247
Financial assets	860,531	886,205
	879,137	**899,451**
Current assets		
Receivables and other assets	478,818	143,941
Cash on hand and bank balances	1,813	1,050
	480,632	**144,991**
Prepaid expenses	**6,909**	**4,662**
Total assets	**1,366,678**	**1,049,105**
Equity and liabilities		
Equity	**848,449**	**850,657**
Provisions		
Provisions for pensions and similar obligations	14	20
Tax provisions	20,304	11,215
Other provisions	11,663	9,310
	31,981	**20,545**
Liabilities		
Liabilities to banks	360,374	64,485
Trade payables and other liabilities	8,911	8,385
Liabilities to affiliates	116,963	90,362
Liabilities to other investees	0	5,500
	486,248	**168,732**
Deferred tax liabilities	**0**	**9,171**
Total equity and liabilities	**1,366,678**	**1,049,105**

Analysis of the net asset structure
Amortization and depreciation charges on **intangible assets and property, plant and equipment** in fiscal year 2016 were more than offset by additions to concessions and licenses as well as furniture and fixtures. On balance, there was thus an increase by EUR 5.4m to EUR 18.6m.

By contrast, **shares in affiliates** recorded under financial assets were down EUR 27.5m against the prior-year figure to EUR 783.9m. The backdrop to this development was the tense political situation and terrorist attacks in Turkey, which put considerable pressure on both the Turkish lira and the Turkish advertising market, necessitating a write-down of EUR 26.7m on the carrying amount of the investment in Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

Loans to affiliates recorded under financial assets were roughly on a par with the prior year at EUR 74.1m (prior year: EUR 74.5m). The volume of loans granted increased significantly at times during the reporting period due to disbursements during the year as Ströer SE & Co. KGaA made funds available to its subsidiaries in line with its expansion strategy, however, these loans were then transferred to the group-wide cash pool and have been disclosed as receivables from affiliates ever since. In addition, the write-down of EUR 13.0m on the loan to our Turkish subsidiary described above had a compensating effect.

As regards **receivables and other assets**, the Company saw substantial increases from EUR 334.9m to EUR 478.8m. Of this increase, a major portion stemmed from the granting of additional liquidity to subsidiaries to keep financing the expansion of the group. In addition, Ströer Media Deutschland GmbH, Cologne, repaid its bank liabilities in full on the basis of the restructured facility agreement, receiving the required liquidity from the parent company, which in turn recorded a higher intercompany receivable (EUR 130m) and a lower intercompany liability (EUR 70m) respectively. At the same time, receivables from profit and loss transfers were considerably higher than in the prior year.

Bank balances were roughly on a par with the prior year at EUR 1.8m as of 31 December 2016 (prior year: EUR 1.1m).

Prepaid expenses came to EUR 6.9m as of the reporting date, up EUR 2.2m on prior year. The main reason for this increase were the costs incurred in December 2016 in connection with the amendment to the credit facility agreement, which are now being released over the term of the new refinancing.

Financial structure analysis
In fiscal year 2016, Ströer SE & Co. KGaA's **equity** was roughly on a par with that of the prior year despite the negative special effects from impairment losses (EUR 848.4m; prior year: EUR 850.7m). In this regard, the profit for the period of EUR 36.5m (prior year: EUR 47.2m) led to an increase in equity, while the dividend payment of EUR 38.7m had a reducing effect. Given the significantly higher total assets, the equity ratio declined from 81.1% to 62.1% but remains extremely comfortable.

The development of **provisions** was shaped in particular by a perceptible rise in tax provisions which increased by a significant EUR 9.1m to EUR 20.3m due to the noticeable improvement in operating activities within the tax group. By contrast, the other movements in provisions were insignificant such that they grew overall from EUR 20.5m to EUR 32.0m.

Liabilities to banks totaled EUR 360.4m as of fiscal year-end 2016 (prior year: EUR 64.5m). The year-end balance comprised the new note loan placed in June 2016 and the liabilities from the credit facility agreement. The assumption of a bank liability of EUR 200.0m previously reported by Ströer Media Deutschland GmbH, Cologne, was chiefly responsible for the increase of EUR 295.9m. The liability was settled by Ströer SE & Co. KGaA in the course of amending the credit facility agreement. For further information on the remaining increase of the liabilities to banks, see the liquidity analysis in the following section.

Trade payables and **other liabilities** only marginally increased by EUR 0.5m to EUR 8.9m year on year.

→ We refer to our explanations on receivables and other assets within the section on analysis of the net asset structure.

Liabilities to affiliates were also up on the prior year at EUR 117.0m (prior year: EUR 90.4m). 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 increase was also due to the losses absorbed under profit and loss transfer agreements. This was counteracted by the restructuring of the facility agreement.

In the prior year, **liabilities to other investees** exclusively comprised a liability of EUR 5.5m to X-City Marketing Hannover GmbH, Hanover. It has since been repaid.

Liquidity analysis

In EUR m	**2016**	2015
Cash flows from operating activities	51.9	17.5
Cash flows from investing activities	–57.2	–33.3
Free cash flow	**–5.4**	**–15.7**
Cash flows from financing activities	6.1	2.4
Change in cash	**0.8**	**–13.3**
Cash at the end of the period	1.8	1.1

In fiscal year 2016, Ströer SE & Co. KGaA generated **cash flows from operating activities** of EUR 51.9m (prior year: EUR 17.5m). The profit of EUR 92.7m transferred by Ströer Media Deutschland GmbH, Cologne, in 2016 for fiscal year 2015 had a particularly positive effect in this connection (prior year: EUR 46.9m). This increased contribution was however partially offset by several contrasting effects such that the rise in cash flow ultimately stood at EUR 34.4m.

In fiscal year 2016, **cash flows from investing activities** were still shaped by disbursements of intragroup loans for financing the Ströer Group's continued expansion. However, compared with the prior year, these cash outflows were matched by far lower inflows from the subsidiaries from repayment of intragroup loans such that cash flows from investing activities stood at EUR 57.2m (prior year: EUR 33.3m).

Besides the outflows for intragroup loans, Ströer SE & Co. KGaA provided its subsidiaries with the liquidity required for further growth from its group-wide cash pool. Furthermore, Ströer SE & Co. KGaA distributed a dividend totaling EUR 38.7m to its shareholders in fiscal year 2016. These payments were financed on the one hand through contributions by other subsidiaries via the cash pool, as well as through additional drawings on existing credit lines under the credit facility. Overall, **cash flows from financing activities** amounted to EUR 6.1m (prior year: EUR 2.4m).

At EUR 1.8m, **cash on hand and bank balances** was up EUR 0.8m year on year as of the reporting date.

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

In EUR m	**31.12.2016**	31.12.2015
(1) Receivables from affiliates	470.7	126.0
(2) Loans to affiliates	74.1	74.5
(3) Cash on hand, bank balances	1.8	1.1
(1)+(2)+(3) Total financial assets	**546.5**	**201.5**
(4) Liabilities to banks	360.4	64.5
(5) Liabilities to affiliates	117.0	90.4
(4)+(5) Total financial liabilities	**477.3**	**154.8**
(1)+(2)+(3)-(4)-(5) Net financial assets	**69.2**	**46.7**
Equity ratio (in %)	**62.1**	**81.1**

At the end of fiscal year 2016, Ströer SE & Co. KGaA had net financial assets of EUR 69.2m, recording another noticeable increase of EUR 22.5m on the prior year. This pleasing development was attributable to the persistent upwards trend in the Ströer Group's operating business and the related profit transfers by subsidiaries. Overall, the Company's net financial assets remain positive and the Company thus has an extremely stable financing structure.

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 comfortable equity ratio and the continued 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

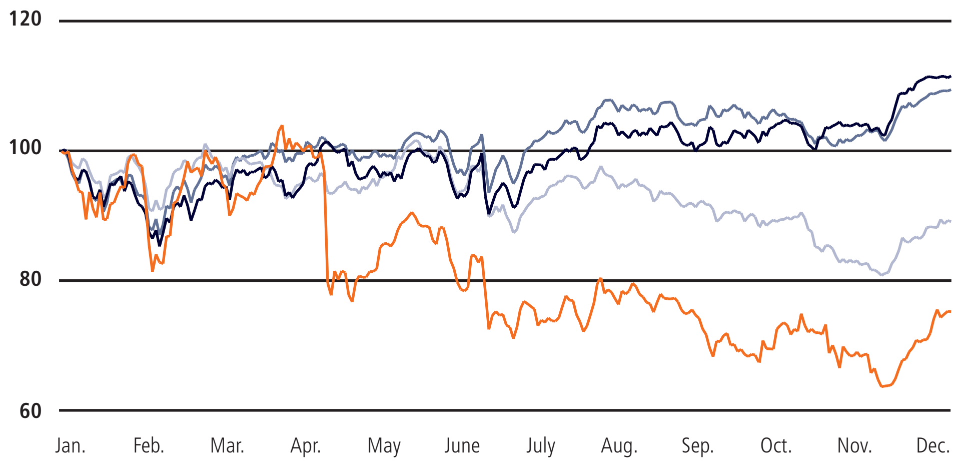
Due to its role as group parent, the anticipated development of Ströer SE & Co. KGaA depends on the development of the Group as a whole. Based on the Group's expected development of the results of operations for 2017 presented under "Forecast," we expect the subsidiaries to generate even higher earnings contributions overall and Ströer SE & Co. KGaA to achieve even higher results in the future.

INFORMATION ON THE SHARE

The German stock market was very volatile in 2016. Having started the year at 10,486 points, the DAX reached an annual low of 8,753 points in February. Disappointing economic data from China as well as the Brexit vote in the UK had a dampening effect on the German stock market. However, the stock market recovered considerably again by the end of the year. On the last trading day of the year, the DAX reached an annual high of 11,481 points (prior year: 10,743), which corresponds to an increase of approximately 6.9%.

However, the DAXsector All Media Index was unable to build on this positive performance and lost 12.4% overall during the course of the year. The Ströer share was also unable to escape this negative trend and posted an overall loss of 28% in 2016, although it recovered considerably again by the end of the year.

The Ströer share in an index comparison in 2016



Ströer SE & Co. KGaA
DAXsector All Media
MDAX
DAX

Source: Bloomberg

Targeted investor relations

We aim to ensure a trust-building and transparent dialog through continuous and personal contact with analysts, investors and interested capital market players. We provide information about current developments through roadshows, meetings at our group headquarters and regular telephone contact. Active dialog with capital market players also helps to optimize our investor relations work in order to guarantee sustainable shareholder value. We continuously assess our shareholder structure and adapt our roadshow destinations accordingly. The main venues for our presentations in the reporting year were Frankfurt am Main, London and New York. We also regularly visit Paris, Zurich, Scandinavia and the west coast of the US. In addition, we hold Capital Market Days, Analyst Days and Lender Days to address individual issues from different capital market perspectives. Furthermore, we place value on a personal dialog with private shareholders, to whom we also pay close attention by participating in public shareholder forums.

Another key communication channel is our website http://ir.stroeer.com, where we promptly publish capital market-related information and documents.

→ For further information see website http://ir.stroer.com

Shareholder meeting

Ströer SE & Co. KGaA's shareholder meeting was held at the Koelnmesse Congress Center on 23 June 2016 and was attended by approximately 170 shareholders, guests and representatives of the press. Overall, 42 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 0.70 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 30 December 2016, market capitalization came to around EUR 2.31b. The average daily volume of Ströer stock traded on German stock exchanges was just over 250,000 shares in 2016.

Analysts' coverage

The performance of Ströer SE & Co. KGaA is tracked by 13 teams of analysts. Based on the assessments at the end of the 12-month reporting period, 12 of the analysts are giving a "buy" recommendation and 1 says "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
Citigroup Global Markets	Buy
Commerzbank	Buy
Deutsche Bank	Buy
Hauck & Aufhäuser	Buy
Jefferies	Buy
J.P. Morgan	Buy
KeplerCheuvreux	Buy
Liberum	Buy
MainFirst	Buy
Morgan Stanley	Buy
NordLB	Buy
Oddo Seydler	Hold

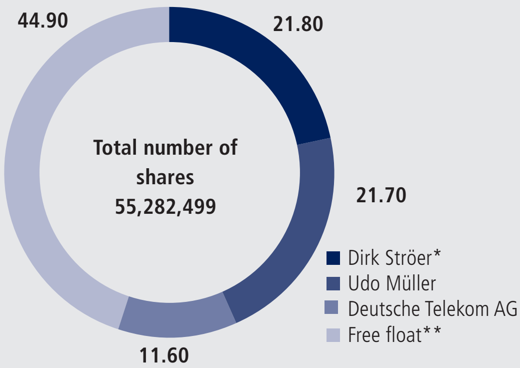
*As of 30 December 2016

Shareholder structure

CEO Udo Müller holds 21.70%, supervisory board member Dirk Ströer holds 21.80% and Christian Schmalzl (COO) 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 14 March 2017, the following parties reported to us that they hold more than 3% of the voting rights in Ströer SE & Co. KGaA: Deutsche Telekom AG (11.60%), Allianz Global Investors Europe (6.15%), Credit Suisse (4.63%).

Shareholder structure of Ströer SE & Co. KGaA

As of 30.12.2016, in %



* includes the voting rights held by Delphi Beteiligung mbH (shareholding: 100% Dirk Ströer) and Media Ventures GmbH in accordance with the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] (shareholdings: 51% Dirk Ströer, 49% Udo Müller) which are attributable.

** Free float, thereof:

Allianz Global Investors Europe[1]	6.15%
Credit Suisse[1, 2, 3], Switzerland	4.63%
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. 25 (1) WpHG

[3] 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 0.70 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 55,282,499
Number of shares	55,282,499
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	Oddo Seydler Bank AG
Opening price 2016 (4 January)	EUR 57.35
Closing price 2016 (30 December)*	EUR 41.71
Highest price 2016 (4 April)*	EUR 57.57
Lowest price 2016 (1 December)*	EUR 35.14

*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. Our people show an above-average degree of dedication. In the Ströer Group, our employees should be able to realize their potential as individuals to enable them to make the Company even more successful with their passion, responsibility and respect.

We are dedicated to achieving a balanced workforce. Women, like men, should be able to build on and pursue their professional goals in a culture of mutual respect. As such, we are a co-founding member of the Cologne-based “Women and Leadership” (“Mit Frauen in Führung”) network.

Demographic change and the various expectations of applicants and young graduates mean that requirements are constantly increasing for the recruitment and internal development of suitable employees, especially for future management roles. Ströer participates at various career fairs at which it continually identifies “doers” and strengthens its employer brand.

Ströer aims to ensure that its employees stay with the Company in the long term and identify themselves with it. Ströer therefore places great importance on being an attractive employer by pursuing a sustainable HR policy and offering flexible working time models. We believe that this will significantly increase employee efficiency and satisfaction. Keen use is also made of the company kindergarten for children under three at group headquarters as well as the canteen.

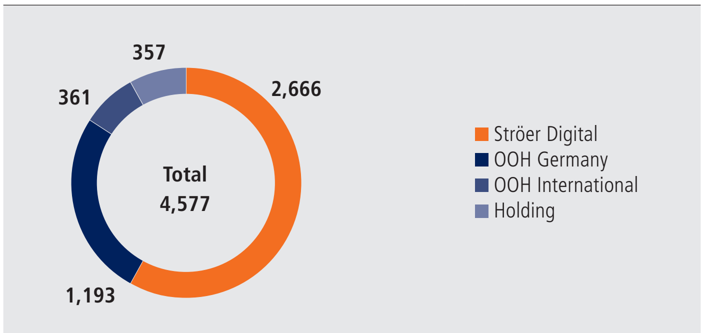
Employment situation

Headcount

As of year-end, the Ströer Group had 4,577 (prior year: 3,270) full and part-time employees. The increase of 1,307 is spread across almost all segments, but relates in particular to the digital business. 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 31.12.2016



Length of service

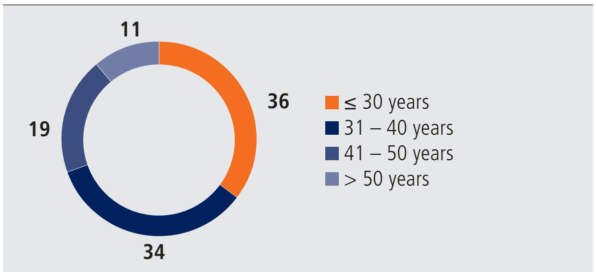
As of the reporting date, employees had been working for an average of 5.6 years (prior year: 6.5 years) for the Ströer Group. The decline is due to the increase in headcount in the digital segment which almost entirely comprises companies that were only established in the last few years.

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

2016 in %



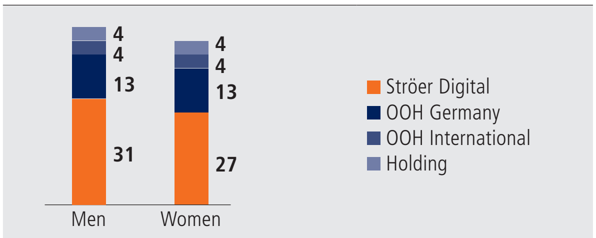
Gender structure

→ 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 http://ir.stroeer.com

The proportion of female employees increased 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: 53% male and 47% female). This 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

2016 in %



Training

Vocational training and education

We systematically pursued our vocational training strategy again in 2016. We offer a variety of ways for young staff to develop. We are particularly proud to have been recognized by the Chamber of Industry and Commerce for outstanding achievements in the area of training. Ströer provided a total of 90 young talents throughout Germany with vocational training, a substantial increase against the prior year. Our trainees receive practical training at our group headquarters and at large regional offices. Independently carrying out projects is one area of focus, such as the creation of their own advertising campaign "By trainees for trainees" ("Von Azubis für Azubis") in which our trainees posed on posters displayed in public places in order to attract new trainees.

In addition to traditional vocational training, Ströer offers places on cooperative study programs (BA degrees). We have been offering our students the opportunity to spend one semester abroad for some time and for the first time offered some of our trainees the opportunity to work abroad.

Ströer offers successful BA students and trainees good chances of being kept on. In 2016, we again hired a large number of young talents in a wide range of business areas.

Further development and qualification

The main instrument used to foster individual development is qualified on-the-job training. In the past year, we also significantly enhanced our national and regional sales structures in Germany. Targeted training programs for new hires and, at a later stage, on the job training and individual seminars have boosted the success of our sales organization.

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 15 December 2016, 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 the general partner 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 2016, 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 compensation for fiscal year 2016 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 2016 upon reaching the target in full is EUR 248k, which as of the reporting date corresponded to 4,312 phantom stock options each with a fair value of EUR 38.81. 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 year 2013 and in fiscal year 2015. 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 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 2016 (2015) is presented in the table below:

Benefits granted for 2016 (2015), in EUR

	2016				2015
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total
Fixed remuneration	2,240,000	1,300,000	540,000	400,000	3,120,000
Fringe benefits	411,000	382,000	17,000	12,000	293,400
Total	**2,651,000**	**1,682,000**	**557,000**	**412,000**	**3,413,400**
One-year variable compensation (target reached in full)	**833,960**	**490,000**	**218,960**	**125,000**	**968,200**
Multi-year variable remuneration (amount based on a probability scenario)					
LTI “ROCE” (3 years)	775,908	520,200	163,908	91,800	761,600
LTI “organic revenue growth” (3 years)	867,190	581,400	183,190	102,600	851,200
LTI “share price” (4 years)	248,091	142,800	67,491	37,800	627,200
LTI "other"	252,000	252,000	0	0	252,000
Share-based subscription rights (5 years)	0	0	0	0	0
Total	**2,143,189**	**1,496,400**	**414,589**	**232,200**	**2,492,000**
Total remuneration	**5,628,149**	**3,668,400**	**1,190,549**	**769,200**	**6,873,600**

Benefits granted for 2016 (2015), in EUR					
	2016 minimal achievable value				2016 maximum achievable value
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total
Fixed remuneration	2,240.000	1,300,000	540,000	400,000	2,240,000
Fringe benefits	411,000	382,000	17,000	12,000	411,000
Total	**2,651,000**	**1,682,000**	**557,000**	**412,000**	**2,651,000**
One-year variable compensati-on (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 “organic 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	0
Total	**0**	**0**	**0**	**0**	**2,534,080**
Total remuneration	**2,651,000**	**1,682,000**	**557,000**	**412,000**	**6,019,040**

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 and bylaws, 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 and bylaws, the remuneration of the members of the supervisory board of the general partner, Ströer Management SE, is approved by shareholder meeting of Ströer Management SE. The members of the supervisory board of Ströer Management SE 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 and bylaws of Ströer SE & Co. KGaA.

Total remuneration (excluding any VAT) of the supervisory board of Ströer SE & Co. KGaA for fiscal year 2016 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	60,000.00	3,500.00	63,500.00
Ulrich Voigt	40,000.00	3,500.00	43.500.00
Dirk Ströer	33,333.00	3,500.00	36,833.00
Vicente Vento Bosch	28,396.00	2,900.00	31,296.00
Martin Diederichs	20,833.00	2,700.00	23,533.00
Michael Hagspihl	20,833.00	2,000.00	22,833.00
Julia Flemmerer	0.00	600.00	600.00
Anette Bronder	0.00	400.00	400.00
Total	203,395.00	19,100.00	222,495.00

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.

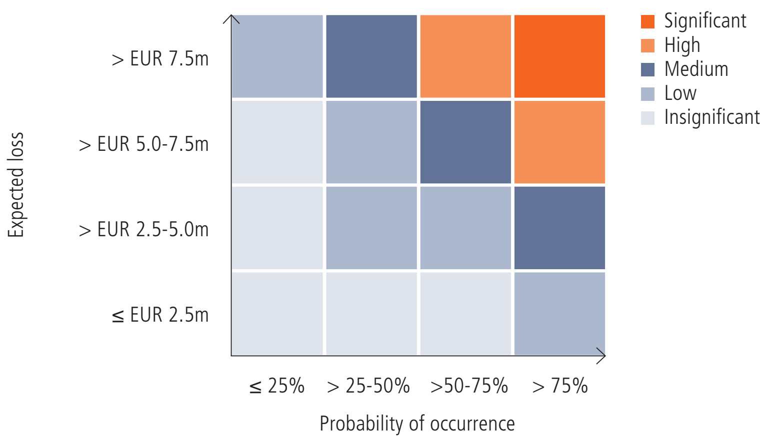
We believe that, as of the publication date of this report, the risks currently identified and described below are manageable. There are no recognizable individual risks that could jeopardize the Company's ability to continue as a going concern. We are also confident that Ströer is in a good strategic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

Opportunity and risk management system

Our Chief Financial Officer is responsible for opportunity and risk management, which is an integral part of corporate governance. Ströer's opportunity management is based on the success factors identified in the corporate strategy. 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 success factors 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.



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 requisite methodological and system expertise. It ensures the functionality and efficiency of the early warning system for the detection of risk and informs the board of management and the supervisory board 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 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 Chief Financial Officer 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 ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act].

Internal audit system

In addition, we reviewed the effectiveness of the internal control and risk management system on a sample basis during the fiscal year in the course of several internal audit projects. The findings of these audits are presented to the board of management and the audit committee of the supervisory board. Any improvement measures resulting from internal audits are 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 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 the expected EBITDA and/or 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.

We see particular economic risks for the Turkish advertising market but expect to see the market pick up slightly overall after an extremely difficult 2016. 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 2017.

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.

Procurement risks, 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.

In addition to the establishment of the content-based business models centered around Germany's online portal with the largest reach, t-online.de, the Ströer Group drove forward its diversification strategy in the digital segment. The Group's aim is to diversify its advertising-heavy revenue streams to include other revenue types in the area of subscription-based business models and e-commerce activities through to digital sales of own products. This will enable the Group to mitigate general market risks in the commercialization of advertising.

The fast-growing change in user surfing behavior away from stationary computers toward mobile devices is presenting challenges in particular for online display advertising. 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 digital business activities, for which data processing is a key element. Uncertainty here stems for example from the impacts of the EU General Data Protection Regulation which was adopted in the fiscal year. Central conditions, e.g., for cookie identifiers or similar technologies, have remained unclear or have not yet been redefined. Even though such legal changes only affect individual business models in our portfolio and we mainly use large volumes of data anonymously, we are working on technological measures aimed at limiting the risk of any 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 to 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.

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 banks as well as duties to provide information and obtain authorization. However, this risk has decreased significantly due to the refinancing carried out at the end of the reporting period with extended and improved conditions as well as the considerable improvement in the operating business.

→ For further information on financial risks, see note 34 in the consolidated financial statements.

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 significantly 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 results of operations and liquidity. Impairment of goodwill cannot be completely 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 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.

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. Compliance with antitrust and capital market regulations, regulations on upstanding business practices and data protection rules are permanently monitored. Furthermore, we mitigate legal risks by involving external business experts and law firms where appropriate. Ongoing legal disputes could result in litigation risks that 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 and Turkey 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 online advertising is more pronounced than anticipated.

The structural change in the advertising industry that is reflected in particular by the continuing digitization of media offerings could further accelerate the migration of advertising business from print media to digital media in fiscal year 2017. In this context, demand for multi-screen solutions (public video, desktop, mobile) only offered in this form by the Ströer Group could exceed forecasts. Given the continuing megatrends of digitization, urbanization and the increasing mobility of the population, our range of out-of-home and online media products puts us in a 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.

Equally, bookings for mobile advertising – including those linked to regional campaigns – could be higher than expected. Our strong positioning in performance technologies and in our core out-of-home business also offers us considerable growth potential.

In addition, strategic opportunities arise from the ongoing consolidation pressure in the online advertising market. The Ströer Group's credible positioning as a pioneer in this consolidation trend could lead to further specific opportunities for inorganic growth in the future. 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.

The high level of integration efforts currently being implemented at the numerous companies acquired in the reporting period may lead to unexpected synergies at the revenue/cost level. The increased exchange of technological know-how between the newly acquired operations provides us with additional opportunities to further improve our position in this area.

The quality of our portfolio of advertising spaces is a key success factor. 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. In Germany as well as in Turkey and Poland, the Ströer Group has a prominent position that allows it to actively shape the out-of-home and online advertising markets.

We also 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.

FORECAST[1]

Overall assessment by the board of management on the Group's expected performance in 2017

The media market continues to be shaped by structural change, with ever-increasing digitization and the increased use and personalization of mobile devices also having a significant influence on people's media consumption pattern. Out-of-home media, as a structurally growing medium, is also benefiting from these developments and can be effectively linked to digital media using new technologies. Cross-media advertising campaigns and the use of diverse technologies are the future drivers of interaction between advertisers and mobile consumers.

We can manage moving-picture content on online desktops, mobile and public video screens via our central ad server. We are therefore strengthening our position as the largest non-TV marketer for our advertising customers and our reputation as a provider of innovative communication solutions. The management of big data and performance publishing is also of particular interest, and the regional marketing of our out-of-home and digital portfolio is another major growth area.

To harness this potential, we plan to further drive forward the expansion of our regional sales organization in Germany in 2017. We will continue to work intensively to safeguard and further expand our marketable portfolio in both the out-of-home and digital segments.

Based on our excellent market position, we again expect significant organic growth in revenue for the entire Ströer Group in 2017. We forecast organic revenue growth in the mid to upper single-digit percentage range. We expect consolidated revenue of around EUR 1.3b and operational EBITDA of more than EUR 320m. We anticipate net income (adjusted) in excess of EUR 175m. Notwithstanding M&A transactions, we will also strive to further noticeably reduce the Ströer Group's leverage ratio (net debt to operational EBITDA). Factoring in investment requirements for the coming year, we anticipate (without M&A transactions) a free cash flow of around EUR 145m. We expect our return on capital employed (ROCE) to remain stable in 2017.

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 2017. Based on past experience, the Ströer Group's revenue and earnings development is dependent on 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. However, it is 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 advertising customers throughout the advertising industry is characterized by extremely short and increasingly shorter booking lead times. This is true for out-of-home marketing and, in particular, digital marketing, where campaigns can be booked at even shorter notice for technical reasons. The expansion of RTB platforms, which enable transactions to be processed in real time, has played a major role in this development. Short booking lead times restrict our ability to forecast revenue and therefore earnings development.

In addition, it should be noted that for the outlook on consolidated profit, it is almost impossible to forecast the development of the relevant external market parameters, such as yield curves and exchange rates. Uncertainties in the forecasting of 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 to generally remain largely unchanged compared with the end of the reporting period.

1 Comparisons with the forecast values for the next year are generally based on the actual 2016 values.

Future macroeconomic conditions

The German economy has proven to be very robust over the past few years. The German Federal Government is forecasting growth of 1.4%[2] for 2017 at a level similar to the prior year. A potential marginal rise in the price of oil and a slight increase in interest rates will thus only have a limited effect on the real economy. Germany, as an export nation, is expected to benefit particularly from the economic recovery of the emerging markets.

Although Turkey developed at a slower pace than predicted in long-term forecasts, the Turkish government and the OECD expect robust GDP growth of 3.3% in 2017.[3] Uncertainty may arise, however, in connection with the development of the internal political situation and due to the exchange rate volatility of the Turkish lira against the US dollar and the euro.

Future industry performance

Development of the German advertising market
According to ZenithOptimedia, the advertising market grew by 3.1% in Germany. Growth of 2.6% is forecast for 2017.[4] These positive forecasts for 2017 are consistent with the results of a survey conducted by the German Advertisers Association ["Organisation Werbungtreibende im Markenverband": OWM]. Owing to the stable economic outlook, advertising companies are cautiously optimistic about 2017. In the German Advertisers Association's survey, 50% of advertisers said that they expect advertising revenue to rise, just under half expect revenue to remain stable and only 8% expect a decline.[5]

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 PwC, advertising revenue will grow at a rate of 3.0% in 2017.[6] ZenithOptimedia forecasts slightly higher growth of 3.7%.[7] The main growth drivers are likely to be digital advertising media, which PwC expects to grow by an average rate of 18% in the coming five years.[8] 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 and near field communication (NFC), are opening up new successful 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, we expect revenue growth in the mid single-digit percentage range in the out-of-home segment.

The overall positive development in the online advertising market in 2016 is also expected to continue in 2017. Improved advertising efficiency through more precise targeting and performance-based offerings provides sustainable opportunities for growth. ZenithOptimedia and PwC predict growth in online advertising revenue of 8.2% and 6.4%, respectively, for 2017.[9] 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 5.4% is expected until 2020. Mobile online advertising offers greater growth potential. PwC expects this area to grow by an average of 16.1% by 2020.[10] This growth will be driven by the increasing penetration of internet-enabled mobile devices (smartphones and tablets) and the associated shift in media usage. We agree with these market assessments. Based on our excellent market position in the display, video and mobile advertising segments, we expect to gain further market share in these areas.

Development of the Turkish advertising market
Revenue development in the advertising market in Turkey also depends largely on the prevailing economic conditions. In this context, the Turkish advertising market is expected to recover

2 Source: Economic forecasts of the German Federal Government Autumn economic forecasts 2016
3 Source: OECD real GDP forecasts summary, Turkey, November 2016
4 Source: ZenithOptimedia Advertising Expenditure Forecast, December 2016
5 Source: Organisation Werbungtreibende im Markenverband (OWM), November 2016
6 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2015-2020
7 Source: ZenithOptimedia Advertising Expenditure Forecast, December 2016
8 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2015-2020
9 Source: ZenithOptimedia Advertising Expenditure Forecast, December 2015
10 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2015-2020

slightly in 2017 despite ongoing political tension. Following slow growth of only 3.5% in 2016, ZenithOptimedia expects the overall advertising market to grow by around 7% in 2017.

Anticipated revenue and earnings development

Ströer Group

We expect the Ströer Group to record organic consolidated revenue growth in the mid to upper single-digit percentage range in 2017. As well as strong growth impulses in the Ströer Digital segment, this will be driven by robust growth in the OOH Germany segment. We further combined public video infrastructure (digital out-of-home displays) with various online assets in both the desktop and the mobile sectors in the fiscal year. Customer feedback on this novel product combination in the moving-picture sector has been remarkably positive. We also enhanced our digital portfolio with numerous acquisitions, in particular with digital commerce and subscription-based business models. In terms of marketing product innovations and the associated growth of digital media in 2017, we expect digital revenue as a percentage of consolidated revenue to increase to up to 50%.

Revenue in Poland and Turkey and some BlowUP group and digital revenue is generated in foreign currency and therefore subject to exchange rate effects. Because it is almost impossible to predict the development of exchange rates, 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 advertising media costs in 2017. The increase is expected to be slightly higher than the increase in organic revenue. 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.

Based on the anticipated increase in business volume combined with a moderate rise in costs, we expect – provided there are no negative exchange rate effects – an increase in operational EBITDA to more than EUR 320m in 2017. Overall, we expect the Group's operational EBITDA margin to remain stable year on year in 2017. Notwithstanding significant M&A transactions, the Group's finance costs are expected to be slightly less year on year in 2017. Thanks to tax-efficient structures, we expect an effective tax rate of around 15% to 20%. In view of the higher anticipated consolidated profit, we expect a further marked rise in earnings per share over the course of 2017.

Ströer Digital segment
The Ströer Digital segment is benefiting greatly from 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 45 million unique users per month.[11] This ranking should further raise Ströer Digital's profile among customers and publishers, which will again improve our reputation as an advertising and marketing partner in 2017.

We are anticipating further marketing success in 2017 from the linking of 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.

In the area of performance-based digital products, technological advancement is 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 digital business.

Based on the above initiatives and revenue synergies between acquired operations, we expect organic revenue growth of around 10% in 2017. We expect this revenue growth to be driven by higher expenditure in the high-demand mobile and video segments as well as the newly established product segment Transactional.

Besides harnessing cost synergies in the area of marketing, we expect further investments, in particular in our existing Transactional product segment. On the back of investments in sustainable growth, we expect the operational EBITDA margin to be stable year on year in 2017.

OOH Germany segment
In Germany we are optimistic about 2017. The economic outlook and consumer sentiment are generally positive. We believe that the advertising sector will also benefit from this general mood, although there is no way to reliably predict the availability and distribution of actual advertising budgets or the development of discounts. Among other things, this is because of radical changes in the media landscape and the increasing diversity of advertising offerings, especially in digital media channels, and the growing importance of social networks for the advertising industry. In this market environment, we are carving out a position for ourselves with a portfolio of attractive out-of-home and digital media that is unrivaled in Germany.

In the OOH Germany segment, we expect organic revenue growth in the mid single-digit percentage range, which will be slightly higher than the market growth of 3.7%[12] predicted by ZenithOptimedia in the out-of-home advertising segment.

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

In Germany, we expect the operational EBITDA margin to remain stable year on year in 2017.

OOH International segment
The OOH International segment comprises our operating activities in Turkey and Poland as well as BlowUP media. In Turkey, a further increase in domestic and geopolitical instability could still negatively impact the economic environment, however, this is not assumed in our forecasts. We are seeing a relatively stable market environment in Poland despite challenging conditions. Overall, organic revenue growth is not expected to exceed the low single-digit percentage range in the OOH International segment.

Assuming exchange rates remain constant, operational EBITDA is expected to improve slightly in 2017 on the back of the projected slight increase in revenue and ongoing targeted cost management.

11 Extrapolation of marketer rankings following the merger of the offerings of Ströer Digital, InteractiveMedia and OMS based on the AGOF ranking digital facts 08-2015.
12 ZenithOptimedia Advertising Expenditure Forecast, December 2016

Planned investments

Our investments in the forecast period will focus primarily on the installation and exchange of out-of-home advertising media due mainly to the extension or acquisition of public advertising concessions and investments in the further digitization of our out-of-home media. Furthermore, we are planning to convert more lighting systems to LED technology in order to further reduce the energy consumption of our advertising media and also plan to invest in special technology. With regard to our digital operations, we are channeling investments into 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. We are also investing in the renewal and expansion of our public video inventory.

With regard to the OOH International segment, investments in portfolio improvements and the performance of municipal contracts will remain on a similar level to 2016 in 2017. Due to the demand for large-format digital advertising media, BlowUP media plans to continue to pursue its digital strategy and to install further digital advertising media at selected, highly frequented locations in European cities. 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 100m in fiscal year 2017. As a considerable proportion of these investments are 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 nature of such processes prevents us from making any forecast. We are constantly looking for suitable acquisition opportunities with a view to sustainably increasing the value of the Company. At present, possible options include further consolidation steps in the digital segment and strategic fill-in acquisitions in the out-of-home 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 results of operations, we also anticipate a further improvement in the Group's financial position. Specifically, the improved results of operations should lead to higher cash flows from operating activities. In view of this and based on our planned investments in 2017, we forecast free cash flow before M&A transactions of around EUR 145m.

Our return on capital employed (ROCE) should stay stable in 2017.

The Ströer Group's current credit financing is secured until the end of 2021. 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. The leverage ratio of 1.2 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 to improve on this slightly, notwithstanding further acquisitions.

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 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

On 2 November 2015, Ströer SE & Co. KGaA's capital stock was increased by EUR 6,412,715.00 from EUR 48,869,784.00 to EUR 55,282,499.00 due to the utilization of the authorized capital. There were no further adjustments in fiscal year 2016. Capital stock is divided into 55,282,499 bearer shares of no par value. Each share has a nominal value of EUR 1 in the capital stock.

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 21.70% and Dirk Ströer 21.80% of total stock. Both shareholders are resident in Germany. Furthermore, Deutsche Telekom AG, Bonn, also holds a total of 11.60% 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 2016). 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 in return for cash contributions as a result of the authorization granted by the shareholder meeting of 23 June 2016 based on item 12 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.

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 loan

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 a note loan with a volume of EUR 170m on the capital market in 2016.

The provisions in both the facility agreement and the note loan 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.

Ströer SE & Co. KGaA
Ströer Allee 1 . 50999 Cologne
Phone +49 (0) 2236 . 96 45-0
Fax +49 (0) 2236 . 96 45-299
www.stroeer.com

STRÖER SE & CO. KGAA, COLOGNE

FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT 2017

Ströer SE & Co. KGaA, Cologne
Balance Sheet as of 31 December 2017

ASSETS

	31 Dec 2017 EUR	31 Dec 2016 EUR
NON-CURRENT ASSETS		
Intangible assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	7,679,403.23	6,424,925.75
Prepayments	8,682,844.81	6,403,558.89
	16,362,248.04	**12,828,484.64**
Property, plant and equipment		
Other equipment, furniture and fixtures	7,981,556.75	5,662,505.41
Prepayments made and assets under construction	813,720.06	114,433.16
	8,795,276.81	**5,776,938.57**
Financial assets		
Shares in affiliates	716,290,314.81	783,896,047.56
Loans to affiliates	109,106,230.64	74,053,376.60
Equity investments	1,081,505.08	947,071.43
Loans to other investees and investors	1,600,000.00	1,585,000.00
Other loans	0.00	50,000.00
	828,078,050.53	**860,531,495.59**
	853,235,575.38	**879,136,918.80**
CURRENT ASSETS		
Receivables and other assets		
Trade receivables	8,341.86	841,457.31
Receivables from affiliates	637,212,534.29	470,677,008.59
Receivables from other investees and investors	2,540.78	32,535.53
Other assets	8,619,825.21	7,267,416.11
	645,843,242.14	**478,818,417.54**
Cash on hand and bank balances	4,914,668.02	1,813,346.94
	650,757,910.16	**480,631,764.48**
PREPAID EXPENSES	**5,871,902.57**	**6,909,131.72**
	1,509,865,388.11	**1,366,677,815.00**

EQUITY AND LIABILITIES

	31 Dec 2017 EUR	31 Dec 2016 EUR
EQUITY		
Subscribed capital	55,557,985.00	55,282,499.00
- Conditional capital: EUR 15,454,545.00 (prior year: EUR 15,454,545.00)		
Capital reserves	633,227,066.86	631,637,512.64
Retained earnings		
Other retained earnings	55,039,275.39	95,039,275.39
Accumulated profit	81,996,375.55	66,489,744.27
	825,820,702.80	**848,449,031.30**
PROVISIONS		
Provisions for pensions and similar obligations	7,302.00	13,975.00
Tax provisions	37,086,227.35	20,303,643.00
Other provisions	12,518,851.18	11,662,934.77
	49,612,380.53	**31,980,552.77**
LIABILITIES		
Liabilities to banks	496,184,045.10	360,373,939.39
- thereof due in up to one year: EUR 1,184,045.10 (prior year: EUR 5,373,939.39)		
- thereof due in more than one year: EUR 495,000,000.00 (prior year: EUR 355,000,000.00)		
Trade payables	6,403,448.09	8,011,575.95
- thereof due in up to one year: EUR 6,403,448.09 (prior year: EUR 8,011,575.95)		
Liabilities to affiliates	125,631,800.71	116,962,941.41
- thereof due in up to one year: EUR 125,631,800.71 (prior year: EUR 116,962,941.41)		
Liabilities to other investees and investors	56.98	0.00
- thereof due in up to one year: EUR 56.98 (prior year: EUR 0.00)		
Other liabilities	6,212,953.90	899,774.18
- thereof due in up to one year: EUR 6,212,953.90 (prior year: EUR 899,774.18)		
- thereof for taxes: EUR 6,154,827.01 (prior year: EUR 885,275.41)		
- thereof for social security: EUR 2,469.15 (prior year: EUR 3,081.09)		
	634,432,304.78	**486,248,230.93**
	1,509,865,388.11	**1,366,677,815.00**

Ströer SE & Co. KGaA, Cologne
Income statement for fiscal year 2017

	2017 EUR	2016 EUR
Revenue	22,967,694.70	19,724,854.04
Other operating income	4,144,465.88	2,611,332.65
- thereof income from currency translation: EUR 10,634.44 (prior year: EUR 1,014.86)		
Cost of materials		
Cost of purchased services	-1,875,396.37	-774,984.31
Personnel expenses		
Wages and salaries	-25,544,497.85	-21,557,386.42
Social security and pension costs	-3,177,938.74	-2,823,857.62
- thereof for old-age pensions: EUR 89,612.61 (prior year: EUR 85,302.59)		
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-5,620,123.88	-6,382,441.23
Other operating expenses	-27,986,912.92	-23,034,209.25
- thereof expenses from currency translation: EUR 43,623.66 (prior year: EUR 5,867.17)		
Income from equity investments	0.00	694,710.62
- thereof from affiliates: EUR 0.00 (prior year: EUR 694,710.62)		
Income from profit and loss transfer agreements	195,649,570.09	152,535,702.09
Income from other securities and loans classified as non-current financial assets	3,054,394.27	3,592,174.71
- thereof from affiliates: EUR 3,012,468.48 (prior year: EUR 3,559,501.78)		
Other interest and similar income	345,009.58	202,723.10
- thereof from affiliates: EUR 0.00 (prior year: EUR 69.94)		
Impairment losses on financial assets	-69,062,000.00	-42,724,000.00
Expenses from loss absorption	-22,626,337.58	-30,498,189.54
Interest and similar expenses	-7,905,106.03	-5,861,666.03
- thereof to affiliates: EUR 115,536.02 (prior year: EUR 245,032.61)		
- thereof expenses from unwinding the discount: EUR 684.91 (prior year: EUR 754.55)		
Income taxes	-26,003,104.90	-9,081,156.43
- thereof income/expenses from the change in deferred taxes: EUR 0.00 (prior year: EUR 9,170,791.68)		
Profit after taxes	**36,359,716.25**	**36,623,606.38**
Other taxes	-42,336.07	-133,862.11
Profit for the period	**36,317,380.18**	**36,489,744.27**
Profit carryforward from the prior year	5,678,995.37	20,000,000.00
Withdrawals from other retained earnings	40,000,000.00	10,000,000.00
Accumulated profit	**81,996,375.55**	**66,489,744.27**

Ströer SE & Co. KGaA, Cologne
Notes to the financial statements for fiscal year 2017

A. General

Ströer SE & Co. KGaA, Cologne (Ströer KGaA), was established by transforming Ströer SE, Cologne (Cologne Local Court, HRB no. 82548), by way of a change in legal form in accordance with the resolution adopted by the extraordinary shareholder meeting on 25 September 2015. Its articles of incorporation and bylaws are dated 23 June 2016. It was entered in the commercial register of Cologne Local Court on 1 March 2016 under HRB no. 86922.

These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the AktG ["Aktiengesetz": German Stock Corporation Act]. The Company is subject to the requirements for large corporations.

The income statement is classified using the nature of expense method.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Intangible assets and **property, plant and equipment** are recognized at acquisition or production cost and are written off on a straight-line basis over their useful lives if they have a limited life.

Amortization/depreciation is based on the following useful lives:

- Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets 3 to 5 Years
- Other equipment, furniture and fixtures 3 to 13 Years

The useful lives of IT hardware were adjusted in the fiscal year based on the results of a review of the useful lives applied by the IT department in 2017. The useful life adjustment led to a EUR 639k reduction in write-downs.

Low-value assets with an individual net value not exceeding EUR 150.00 are fully expensed in the year of acquisition, with their immediate disposal being assumed. For convenience, the collective item procedure applied for tax purposes to assets with an individual net value of more than EUR 150.00 but no greater than EUR 1,000.00 is also used in the statutory balance sheet. The collective item is depreciated by 20% in the year of acquisition and in each of the following four years. All other depreciation of additions to property, plant and equipment is charged pro rata temporis. Depreciation of the collective item amounted to EUR 221k (prior year: EUR 181k).

With regard to **financial assets**, equity investments are recognized at the lower of cost or net realizable value, while loans are disclosed at nominal value. Interest-free or low interest loans were discounted to their present value.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for foreseeable valuation risks, while the general credit risk is provided for by a general bad debt allowance. Non-interest or low-interest bearing receivables due in more than one year were discounted.

Payments made before the balance sheet date which constitute expenses for a certain period after this date are recognized as **prepaid expenses**.

Provisions for pensions and similar obligations are calculated in accordance with the projected unit credit method using the "2005 G mortality tables." The obligations were discounted at the average market interest rate of 3.68% (prior year: 4.01%) for a residual term of 15 years in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions] of 18 November 2009. As in the prior year, expected pension increases were taken into account at 1.0%.

Tax provisions and **other provisions** account for all uncertain liabilities and potential losses from pending transactions. They were recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases). Provisions with a residual term of more than one year were discounted.

Liabilities are recorded at the settlement value.

To determine **deferred taxes** arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, these differences are valued using the company-specific tax rate of 32% at the time they reverse; the amounts of any resulting tax charge and benefit are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

Foreign currency assets and liabilities are translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

All entities which are fully consolidated in Ströer KGaA's consolidated financial statements are classified as **affiliates**.

C. Notes to the balance sheet

1. Non-current assets

The development of the individual non-current asset items, including amortization, depreciation and impairment for the fiscal year, is shown in the statement of changes in non-current assets.

STATEMENT OF CHANGES IN NON-CURRENT ASSETS IN FISCAL YEAR 2017

	ACQUISITION AND PRODUCTION COST					ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES				NET BOOK VALUES	
	1 Jan 2017 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec 2017 EUR	1 Jan 2017 EUR	Additions EUR	Reversals EUR	31 Dec 2017 EUR	31 Dec 2017 EUR	31 Dec 2016 EUR
INTANGIBLE ASSETS											
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	14,093,356.20	2,207,873.84	666,158.19	2,416,302.19	18,051,374.04	7,668,430.45	3,369,324.61	665,784.25	10,371,970.81	7,679,403.23	6,424,925.75
Prepayments	18,672,631.89	4,701,531.88	12,275,016.77	-2,416,302.19	8,682,844.81	12,269,073.00	0.00	12,269,073.00	0.00	8,682,844.81	6,403,558.89
	32,765,988.09	**6,909,405.72**	**12,941,174.96**	**0.00**	**26,734,218.85**	**19,937,503.45**	**3,369,324.61**	**12,934,857.25**	**10,371,970.81**	**16,362,248.04**	**12,828,484.64**
PROPERTY, PLANT AND EQUIPMENT											
Other equipment, furniture and fixtures	13,121,534.42	4,573,469.62	556,598.82	0.00	17,138,405.22	7,459,029.01	2,250,799.27	552,979.81	9,156,848.47	7,981,556.75	5,662,505.41
Prepayments made and assets under construction	114,433.16	699,286.90	0.00	0.00	813,720.06	0.00	0.00	0.00	0.00	813,720.06	114,433.16
	13,235,967.58	**5,272,756.52**	**556,598.82**	**0.00**	**17,952,125.28**	**7,459,029.01**	**2,250,799.27**	**552,979.81**	**9,156,848.47**	**8,795,276.81**	**5,776,938.57**
FINANCIAL ASSETS											
Shares in affiliates	810,640,047.56	152,313.44	281,046.19	0.00	810,511,314.81	26,744,000.00	67,477,000.00	0.00	94,221,000.00	716,290,314.81	783,896,047.56
Loans to affiliates	90,033,376.60	161,527,683.22	125,564,829.18	0.00	125,996,230.64	15,980,000.00	910,000.00	0.00	16,890,000.00	109,106,230.64	74,053,376.60
Equity investments	947,071.43	134,433.65	0.00	0.00	1,081,505.08	0.00	0.00	0.00	0.00	1,081,505.08	947,071.43
Loans to other investees and investors	1,585,000.00	690,000.00	675,000.00	0.00	1,600,000.00	0.00	675,000.00	675,000.00	0.00	1,600,000.00	1,585,000.00
Other loans	50,000.00	0.00	50,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50,000.00
	903,255,495.59	**162,504,430.31**	**126,570,875.37**	**0.00**	**939,189,050.53**	**42,724,000.00**	**69,062,000.00**	**675,000.00**	**111,111,000.00**	**828,078,050.53**	**860,531,495.59**
	949,257,451.26	**174,686,592.55**	**140,068,649.15**	**0.00**	**983,875,394.66**	**70,120,532.46**	**74,682,123.88**	**14,162,837.06**	**130,639,819.28**	**853,235,575.38**	**879,136,918.80**

a) Intangible assets

The items "Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets" and "Prepayments" mainly comprise the cost of purchased software. Software which had already been fully amortized in prior fiscal years was disposed of fiscal year 2017.

b) Financial assets

Ströer KGaA h**olds a 90% stake in the Turkish** subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. In light of this subsidiary's persistently lackluster economic situation, the carrying amount of the equity investment was written down by EUR 67,477k in the reporting period.

Furthermore, impairment of EUR 1,585k was charged on intragroup loans.

2. Receivables and other assets

	31 Dec 2017 EUR k	31 Dec 2016 EUR k
Trade receivables	8	841
-thereof due in more than one year	0	0
Receivables from affiliates	637,212	470,677
-thereof due in more than one year	0	0
Receivables from other investees and investors	3	33
-thereof due in more than one year	0	0
Other assets	8,620	7,267
-thereof due in more than one year	474	456
	645,843	478,818

Receivables from affiliates relate to the profit and loss transfer agreement with Ströer Media Deutschland GmbH, Cologne (SMD) (EUR 141,650k; prior year: EUR 120,894k), as well as to the profit and loss transfer agreements in place with Ströer Digital Publishing GmbH, Cologne (SDP) (EUR 17,312k; prior year: EUR 28,407k), with Ströer Venture GmbH, Cologne (SVE) (EUR 13,587k; prior year: liability of EUR 1,494k), with Ströer Sales Group GmbH, Cologne (SSG) (EUR 6,550k; prior year: liability of EUR 4k), and with blowUP Media GmbH, Cologne (blowUP) (EUR 2,240k; prior year: EUR 3,234k). There are also receivables of EUR 14,311k from the profit and loss transfer agreement which has been in place with Ströer Digital Commerce GmbH, Cologne (SDC) since 1 January 2017, as well as trade receivables of EUR 6,990k (prior year: EUR 12,500k). In addition, there are receivables from cash pooling of EUR 143,312k (prior year: EUR 120,708k) with SMD, of EUR 122,223k (prior year:

EUR 101,898k) with SVE, of EUR 76,284k (prior year: EUR 73,450k) with Ströer Content Group GmbH, Cologne (SCG), of EUR 2,835k (prior year: EUR 448k) with blowUP and of EUR 1,615k (prior year: liability of EUR 482k) with Ströer Digital International GmbH, Cologne (SDInt). There are also receivables of EUR 88,232k from the new cash pooling agreement concluded with SSG in the fiscal year.

3. Equity

a) 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 of 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. Approved capital 2014 now amounts to EUR 12,525,780 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.

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 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 has been 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.

b) Capital reserves

As of the balance sheet date, the Company had capital reserves of EUR 633,227k (of which EUR 598,776k pursuant to Sec. 272 (2) No. 1 HGB and EUR 34,451k pursuant to Sec. 272 (2) No. 2 HGB), which exceeds 10% of subscribed capital.

In fiscal year 2017, the Company's capital reserves increased by EUR 1,590k as a result of stock options being exercised.

c) Accumulated profit

By resolution of the shareholder meeting on 14 June 2017, EUR 60,811k (EUR 1.10 per qualifying share) was distributed as a dividend and EUR 5,679k from the accumulated profit for 2016 was carried forward to new account.

4. Other provisions

Other provisions break down as follows:

	EUR k
Personnel provisions	9,665
Outstanding invoices	2,300
Financial statement and audit fees	422
Potential losses	131
Miscellaneous	1
Total	**12,519**

5. Liabilities

A breakdown of unsecured liabilities with their remaining terms is presented in the following statement of changes in liabilities:

		Thereof due in		
	Total amount EUR k	**up to one year EUR k**	**one to five years EUR k**	**more than five years EUR k**
Liabilities to banks	496,184 (prior year: 360,374)	1,184 *(prior year: 5,374)*	364,000 *(prior year: 127,000)*	131,000 *(prior year: 228,000)*
Trade payables	6,403 *(prior year: 8,011)*	6,403 *(prior year: 8,011)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Liabilities to affiliates	125,632 *(prior year: 116,963)*	125,632 (prior year: 116,963)	0 *(prior year: 0)*	0 *(prior year: 0)*
Other liabilities	6,213 *(prior year: 900)*	6,213 *(prior year: 900)*	0 *(prior year: 0)*	0 *(prior year: 0)*
	634,432 *(prior year: 486,248)*	139,432 *(prior year: 131,248)*	364,000 *(prior year: 127,000)*	131,000 *(prior year: 228,000)*

EUR 75,784k (prior year: EUR 64,207k) of liabilities to affiliates is attributable to cash pooling with companies in the Ströer Group. Once again, short-term loans were granted in the fiscal year by Permodo GmbH, Munich (EUR 8,827k; prior year: EUR 5,000k), StayFriends GmbH, Erlangen (EUR 6,000k; prior year: EUR 5,000k), Statista GmbH, Hamburg (EUR 3,390k; prior year: EUR 3,500k), and Business Advertising GmbH, Düsseldorf (EUR 2,500k; prior year: EUR 800k). For the first time, Yieldlove GmbH, Hamburg (EUR 1,300k; prior year: EUR 0k), and Ströer Netherlands C.V., Amsterdam, Netherlands (EUR 2,000k; prior year: EUR 0k) also granted short-term loans. This item also includes trade payables of EUR 3,204k (prior year: EUR 1,957k). In addition, liabilities include liabilities under profit and loss transfer agreements with SCG of EUR 16,612k (prior year: EUR 3,482k) and with SDInt of EUR 6,014k (prior year: EUR 5,512k).

7. Deferred taxes

Deferred taxes at the level of Ströer KGaA (tax group parent) are calculated based on a tax rate of 32.00% (prior year: 32.45%). This comprises corporate income tax of 15%, solidarity surcharge on corporate income tax of 5.5% (15.82% in total) and an average trade tax rate of 16.18%.

As in the past, deferred taxes are attributable to the consolidation of the tax bases of the subsidiaries in the tax group at the level of Ströer KGaA, the tax group parent.

Overall, the surplus of deferred tax assets in fiscal year 2017 amounts to EUR 7,490k. The option to recognize deferred tax assets afforded by Sec. 274 HGB was not exercised.

The deferred tax assets essentially arise from the different treatment of goodwill and the different recognition of provisions for tax purposes as of 31 December 2017.

The deferred tax liabilities mainly arise from the temporary differences on investments (that are subject to taxation pursuant to Sec. 8b KStG ["Körperschaftsteuergesetz": German Corporate Income Tax Act]). In this context, the deferred tax liabilities are offset against the deferred tax assets.

The following table shows details regarding deferred taxes and how they were offset:

In EUR k	**31 Dec 2017**		**31 Dec 2016**		**Change**	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	10,203	1,102	7,061	0	3,143	1,102
Property, plant and equipment	10	0	0	0	10	0
Financial assets	0	6,280	110	2,623	-110	3,657
Receivables	219	260	0	34	219	226
Pension provisions	2,148	0	1,333	0	815	0
Other provisions	3,620	1,724	3,027	1,747	593	-23
Liabilities	656	0	0	0	656	0
Deferred taxes	**16,856**	**9,366**	**11,532**	**4,404**	**5,326**	**4,962**
Interest carryforwards	0	0	0	0	0	0
Loss carryforwards	0	0	0	0	0	0
Total	**16,856**	**9,366**	**11,532**	**4,404**	**5,326**	**4,962**
Offsetting	-9,366	-9,366	-4,404	-4,404	-4,962	-4,962
No exercise of the option to recognize deferred tax assets	**-7,490**	**0**	**-7,127**	**0**	**363**	**0**
Carrying amount	**0**	**0**	**0**	**0**	**0**	**0**

D. Notes to the income statement

1. Revenue

In fiscal year 2017, revenue amounted to EUR 22,968k and was generated in Germany mainly from commercial and IT services rendered for subsidiaries of the Ströer Group (EUR 20,549k) and from rental income (EUR 2,419k).

2. Other operating income

Other operating income comprises out-of-period income of EUR 25k from cost reimbursements for prior years.

3. Sonstige betriebliche Aufwendungen

Other operating expenses comprise out-of-period expenses of EUR 141k relating to services received between 2010 and 2016 and billed in 2017.

In addition, extraordinary expenses were incurred in 2017 for legal and consulting fees associated with acquisitions (EUR 3,238k), for bad debt allowances (EUR 1,587k), for trade fair expenses (EUR 682k) and for expenses in connection with vacant leased premises (EUR 485k).

4. Income taxes

Due to the Company's function as tax group parent, all of the tax bases of the subsidiaries in the tax group are transferred to the Company. Trade tax add-backs, restrictions on the deduction of interest expenses and rules on minimum taxation result in taxable profit/trade earnings.

Income taxes comprise amounts of EUR 103k and EUR 25k for corporate income tax/solidarity surcharge and trade tax, respectively, that relate to prior years.

E. Other notes

1. Cash flow statement

	2017 EUR k	2016 EUR k
1. Cash flows from operating activities		
Profit or loss for the period	36.317	36.490
Amortization, depreciation and impairment losses (+)/write-ups (-) on non-current assets	74.682	49.106
Increase (+)/decrease (-) in provisions	18.099	11.608
Other non-cash expenses (+)/income (-)	-170.533	-131.274
Gains (-)/loss (+) on the disposal of non-current assets	97	1
Increase (-)/decrease (+) in trade receivables and other assets	158.271	99.619
Increase (+)/decrease (-) in trade payables and other liabilities	-25.588	-13.654
Cash flows from operating activities	91.345	51.896
2. Cash flows from investing activities		
Cash received (+) from the disposal of property, plant and equipment	28	-1
Cash paid (-) for investments in property, plant and equipment	-5.273	-3.847
Cash received (+) from the disposal of intangible assets	0	1
Cash paid (-) for investments in intangible assets	-6.909	-7.895
Cash received (+) from the disposal of non-current financial assets	36.410	30.811
Cash paid (-) for investments in non-current financial assets	-74.323	-76.316
Cash flows from investing activities	-50.067	-57.247
3. Cash flows from financing activities		
Dividends (-)	-60.811	-38.698
Cash received (+) from equity contributions	1.865	0
Cash received (+) from/cash paid (-) for cash pooling activities	-118.263	-236.771
Cash received (+) from the issue of bonds and borrowings	397.434	545.201
Cash repayments (-) of bonds and borrowings	-258.401	-263.618
Cash flows from financing activities	-38.176	6.114
4. Cash at the end of the period		
Change in cash		
Change in cash (subtotal 1 to 3)	3.102	763
Cash at the beginning of the period	1.813	1.050
Cash at the end of the period	4.915	1.813
5. Composition of cash		
Cash and cash equivalents	4.915	1.813
Cash at the end of the period	4.915	1.813

2. Contingent liabilities and other financial obligations

a) Contingent liabilities

In connection with the acquisition of Ströer DERG Media GmbH, Kassel, Ströer KGaA issued an indefinite guarantee to Deutsche Bahn AG for the obligations of Ströer DERG Media GmbH under the advertising space agreement. These relate particularly to expenses for advertising media intended for the installation and operation of digital real-time systems for information and entertainment and the upgrading of existing advertising media. Over the life of the long-term agreement, the investment volume comes to roughly EUR 20m plus ongoing operating and maintenance expenses and overheads. The volume of ongoing costs depends, on the one hand, on the scope and duration of implementation and, on the other, on the use of existing electronic media structures within the Ströer Group.

Under the contract for services for the Bremen city contract between Telekom Deutschland GmbH, Bonn, and DSM Deutsche Städte Medien GmbH, Frankfurt am Main (DSM), dated 18 December 2015, Ströer KGaA assumed an absolute guarantee for EUR 5,850k, which is limited until 31 December 2025.

Under the rental agreement concluded with Deka Immobilien Investment GmbH, Frankfurt am Main, as of 1 July 2015 for the building at Torstrasse 49, Berlin, Ströer KGaA assumed an indefinite guarantee for the tenant STRÖER media brands AG, Berlin, for EUR 107k.

Under the agreement on the exercise of advertising concessions for public faces between the city of Ravensburg and DSM dated 23 May 2015, Ströer KGaA assumed a guarantee of EUR 300k, which is limited until 31 December 2024.

With regard to an agreement concluded between SEM Internet Reklam Hiz. Ve Dan. A.S., Istanbul, Turkey, and Facebook Ireland Ltd., Dublin, Ireland, in January 2014, Ströer KGaA assumed an indefinite guarantee of USD 500k on 19 August 2015.

Under the agreement on the exercise of advertising concessions for public faces between the city of Ulm and DSM dated 21 July 2017, Ströer KGaA assumed a guarantee of EUR 1,500k, which is limited until 31 December 2033.

On 23 August 2017, Ströer KGaA assumed an absolute guarantee vis-à-vis Commerzbank AG for Foodist GmbH, Hamburg, of EUR 100k. The guarantee is indefinite.

Under the rental agreement concluded with FAKT RUHRTURM GmbH, Essen, as of 14 January 2014 for the building at Huttropstrasse 60, Essen, Ströer KGaA assumed an indefinite guarantee for the tenant vocando GmbH, Essen, on 22 November 2017 for EUR 55k.

Under the rental agreement dated 1 December 2017 between MS Immobilien Fonds-Objekt Leipzig GmbH & Co. KG, Stuttgart, and Avedo Leipzig West GmbH, Leipzig, Ströer KGaA assumed an indefinite guarantee of EUR 79k.

For an agreement on a corporate account concluded between Statista GmbH, Hamburg, and Max Planck Digital Library, Munich, in December 2017, Ströer KGaA assumed a guarantee of EUR 71k on 2 January 2018 which is limited until 31 December 2020.

Ströer KGaA has issued letters of comfort in favor of Statista GmbH, Hamburg (20 September 2017), Foodist GmbH, Hamburg (13 March 2017), and Ströer SSP GmbH, Munich (19 December 2017). The letter of comfort in favor of Statista GmbH is limited until midnight on 31 December 2019; the other letters of comfort are unlimited. In addition, the Company issued a letter of comfort dated 12 June 2017 to Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. The risk of a claim under the above guarantees and letters of comfort is currently deemed to be low.

b) Total amount of other off-balance sheet financial obligations

In addition to contingent liabilities, the Company has other financial obligations of EUR 89,939k (of which to affiliates EUR 0k and to associates EUR 9,203k). These obligations include the following items:

Lease payments:

- up to 1 year: EUR 1,985k
- 1 to 5 years: EUR 6,772k

The lease payments mainly relate to the administrative building in Cologne used by the Company. The building was leased to avoid cash outflows and financing which would have been required if the building had been purchased. These benefits are contrasted by fixed and contractually agreed payment obligations over the term of the lease.

The Company also has other financial obligations from the lease of storage and administrative buildings. The terms break down as follows:

- up to 1 year : EUR 8,866k
- 1 to 5 years: EUR 51,546k
- More than 5 years: EUR 20,385k

For supplies of advertising media in 2018 by Programm Contractors Ltd., Kowloon, Hong Kong, Ströer KGaA signed a letter of intent in 2017. It covers an amount of EUR 385k.

c) Finanzinstrumente im Sinne des § 285 Nr. 15a HGB

There are obligations to non-controlling interests from put options for which the vesting conditions had not been met as of 31 December 2017. The theoretical value of potential liabilities under these options came to EUR 1,471k as of the balance sheet date. It is not possible to say when these obligations will fall due as Ströer KGaA does not have any control over the exact date on which the options will be exercised by the holders. However, all option agreements are structured in such a way that the outflow of cash will not have a significant effect on the Company's financial position.

3. Related party transactions

The following significant transactions with related parties were conducted:

Type of relationship	Subsidiaries	Other related parties
Type of transaction	EUR k	EUR k
Performance of services	2,582	216
Provision of other services	1,929	1
Purchase of other services	123	805
Loans granted	55,939	690
Repayment of loans granted	550	0
Loans received	13,017	0
Repayment of loans received	12,300	0

Other related parties comprise companies that are not fully included in Ströer KGaA's consolidated financial statements and companies in which persons with Ströer KGaA board functions have an equity interest. Furthermore, other related parties also include companies which can exercise significant influence over Ströer KGaA, as well as members of management in key positions.

The Company provides product development services for advertising media, IT services, central procurement and personnel services.

In addition, the Company provides other services in the form of interest-bearing loans to subsidiaries (EUR 1,156k).

The purchase of other services mainly relates to allocated expenses from subsidiaries.

For information on further transactions with the board of management and the supervisory board, see our disclosures in E.5.

4. Audit and consulting fees

The total fee charged by the auditor for the fiscal year pursuant to Sec. 285 No. 17 HGB is included in the relevant disclosure made in the notes to the consolidated financial statements.

5. Board of management and supervisory board

The composition of the board of management of the general partner, Ströer Management SE, Düsseldorf (the board of management), and of the supervisory board of Ströer KGaA as well as membership of these members in statutory supervisory boards and other oversight bodies comparable with a supervisory board is shown in the table below:

Name	Membership in statutory supervisory boards	Membership in other oversight bodies comparable with a supervisory board
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, Conexus AS, Drammen, Norway
Supervisory board		
Christoph Vilanek Chairman of freenet AG, Büdelsdorf (Chairman)	eXaring AG, Munich MEDIA BROADCAST GmbH, Cologne mobilcom-debitel GmbH, Büdelsdorf Ströer Management SE, Düsseldorf	Sunrise Communications Group AG, Zurich / Switzerland
Dirk Ströer Managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne (Deputy chairman)	Ströer Management SE, Düsseldorf	
Ulrich Voigt Member of the management board of Sparkasse KölnBonn	Ströer Management SE, Düsseldorf	Finanz Informatik GmbH & Co. KG, Frankfurt modernes Köln GmbH, Cologne
Anette Bronder Managing director of T-Systems International GmbH, Frankfurt	elumeo SE, Berlin	Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern
Julia Flemmerer Managing director of Famosa Real Estate S.L., Ibiza, Spain		
Christian Sardina Gellesch Head of Portfolio Management at Ströer Deutsche Städte Medien GmbH, Cologne (since 3 April 2017)		
Rachel Marquardt Trade union secretary of ver.di federal administration, Berlin (since 3 April 2017)		
Tobias Meuser Rail Portfolio Manager at Ströer Deutsche Städte Medien GmbH, Cologne (since 3 April 2017)		
Dr. Thomas Müller Trade union secretary of ver.di Hessen, Frankfurt am Main (since 3 April 2017)		

Michael Noth Director of In-house Staff at Ströer Sales & Services GmbH, Cologne (since 3 April 2017)		
Sabine Hüttinger Employee in the Public Affairs division at Ströer Deutsche Städte Medien GmbH, Cologne (since 3 April 2017)		
Vicente Vento Bosch Managing director and CEO of Deutsche Telekom Capital Partners Management GmbH, Hamburg	Scout24 AG, Berlin (until 31 October 2017) Ströer Management SE, Düsseldorf	Deutsche Telekom Strategic Investments GmbH, Bonn Deutsche Telekom Venture Funds GmbH, Bonn eValue 2nd Fund GmbH, Berlin Telekom Innovation Pool GmbH, Bonn Swiss Towers AG, Zug, Switzerland Keepler Data Tech., S.L., Madrid, Spain

Mr. Müller, Dr. Metzner and Mr. Schmalzl exercised their board of management functions on a full-time basis.

The benefits granted under payment arrangements with the board of management and the supervisory board (excluding share-based payments) are presented below for the fiscal years 2017 and 2016:

	2017	**2016**
Board of management	**EUR k**	**EUR k**
Short-term benefits	3,723	3,485
Other long-term benefits	1,895	1,895
	5,618	**5,380**

	2017	**2016**
Supervisory board	**EUR k**	**EUR k**
Short-term benefits	264	222
	264	**222**

Short-term benefits comprise in particular salaries, remuneration in kind and performance-linked remuneration components which are only paid in later years. Long-term benefits comprise performance-based remuneration components granted to the board of management – excluding share-based payment – that are only paid in later years. A reference price for the shares in Ströer KGaA is determined at the end of each fiscal year for share-based 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 -0.60%.

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.

EUR 2,066k of all long-term benefits (LTI) is due for payment in 2018.

Stock option plan:

Under the stock option plan resolved by the shareholder meeting in 2013 (SOP 2013), the board of management was granted a total of 1,954,700 options. In 2015, another stock option plan (SOP 2015) was resolved by the shareholder meeting, under which the board of management was granted a total of 589,190 options (239,190 options in 2017).

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 a minimum operational EBITDA of the Group of EUR 150m (SOP 2013) or EUR 250m (SOP 2015). 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 weighted average fair value of all options granted under the SOP 2015 was EUR 11.94. The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.14.

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.

6. Employees

An average of 313 staff were employed in fiscal year 2017 (prior year: 286).

7. List of shareholdings

The disclosures pursuant to Sec. 285 No. 11 HGB on entities in which the Company holds an equity interest of at least 20% as well as the disclosures pursuant to Sec. 285 No. 11b HGB on investments in large corporations exceeding 5% of the voting rights are presented in the following list of shareholdings:

	Equity interest 31 Dec 2017 %	Equity interest 31 Dec 2017 EUR k	Profit or loss 2017 EUR k
Direct investments			
blowUP Media GmbH, Cologne	100	1,105	*2,240
eValue 2nd Fund GmbH, Berlin	33.3	2,431	-185
Ströer Content Group GmbH, Cologne	100	25	*-16,612
Ströer Digital Commerce GmbH, Cologne	100	25	1,766
Ströer Digital International GmbH, Cologne	100	10,343	*-6,014
Ströer Digital Publishing GmbH, Cologne	100	111,982	*17,312
Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey	90	29,746	-10,432
Ströer Media Deutschland GmbH, Cologne	100	121,245	*141,650
Ströer Polska Sp. z.o.o., Warsaw, Poland	100	18,624	492
Ströer Sales Group GmbH, Cologne	100	25	*6,550
Ströer Venture GmbH, Cologne	100	25	*13,587
Indirect investments			
4EVER YOUNG GmbH, Unterföhring	75	854	829
Adscale Laboratories Ltd., Christchurch, New Zealand	100	385	88
Ahuhu GmbH, Unterföhring	70	328	303
Ambient-TV Sales & Services GmbH, Hamburg	70	106	143
andré media Nord GmbH, Munich	100	-396	-137
ARGE Aussenwerbung Schönefeld GbR, Berlin	50	78	102
Asam GmbH, Beilngries	51	80	0
Asam Betriebs-GmbH, Beilngries (formerly Asam GmbH & Co. Betriebs-KG, Beilngries)	100	8,510	0
ASAMBEAUTY GmbH, Unterföhring	100	450	0
Avedo Essen GmbH, Essen (formerly vocando GmbH, Essen)	100	982	*1,731
Avedo Gelsenkirchen GmbH, Gelsenkirchen (formerly vocando Gelsenkirchen GmbH, Gelsenkirchen)	100	-379	*-529
Avedo Köln GmbH, Cologne	100	515	*1,680
Avedo Leipzig GmbH, Leipzig	100	965	*4,663
Avedo Leipzig West GmbH, Leipzig (formerly Avedo Leipzig II GmbH, Leipzig)	100	25	*-125
Avedo München GmbH, Munich	100	55	*-246
Avedo Rostock GmbH, Rostock	100	2,989	*2,862
B.A.B. Maxiposter Werbetürme GmbH, Hamburg	100	2,922	94
BHI Beauty & Health Investment Group Management GmbH, Unterföhring	51	36,841	0
blowUP Media Belgium BVBA, Antwerp, Belgium	80	565	19
blowUP Media Benelux B.V., Amsterdam, Netherlands	100	2,315	742
blowUP Media Espana S.A., Madrid, Spain	100	-1,072	-21
blowUP Media U.K. Ltd., London, UK	100	4,002	1,882
Boojum Kft., Budapest, Hungary	60	195	186
Business Advertising GmbH, Düsseldorf	65.7	1,598	858
Business Power GmbH, Düsseldorf	100	128	50
Conexus AS, Drammen, Norway	54.83	5,047	-550
Conexus Norge AS, Drammen, Norway	100	1,092	82
Content Fleet GmbH, Hamburg	92.52	-2,897	-194
DERG Vertriebs GmbH, Cologne	100	50	*1,008
Driv Inkubator AS, Drammen, Norway	100	18	1
DSA Schuldisplay GmbH, Hamburg	51	52	18
DSM Decaux GmbH, Munich	50	12,577	11,019
DSM Deutsche Städte Medien GmbH, Frankfurt am Main	100	12,611	*23,824
DSM Krefeld Aussenwerbung GmbH, Krefeld	51	1,762	293
DSM Rechtegesellschaft mbH, Cologne	100	25	*99,054
DSM Werbeträger GmbH & Co. KG, Cologne	100	30,826	409
DSM Zeit und Werbung GmbH, Cologne	100	1,453	*1,400
ECE flatmedia GmbH, Hamburg	75.1	5,944	3,515
Erdbeerlounge GmbH, Cologne	100	-553	375
European Web Video Academy GmbH, Düsseldorf	50.1	-1,408	-847
Fahrgastfernsehen Hamburg GmbH, Hamburg	100	596	202
Foodist GmbH, Hamburg	100	-1,514	-3,007
Graceland Sp. z.o.o., Warsaw, Poland	100	1	0
Grapevine Marketing GmbH, Munich	50.2	46	334
Hamburger Verkehrsmittel-Werbung GmbH, Hamburg	75.1	1,577	1,372
iBillBoard Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Turkey	96	-22	-35
iBillBoard Poland Sp. z.o.o., Warsaw, Poland	100	123	36

	Equity interest 31 Dec 2017 %	Equity interest 31 Dec 2017 EUR k	Profit or loss 2017 EUR k
IHM Innovatives Marketing an Hochschulen GmbH, Frankfurt am Main	49	-22	4
Indoor Media Deutschland GmbH, Hamburg	100	51	0
INFOSCREEN GmbH, Cologne	100	8,227	*44,795
InnoBeauty GmbH, Unterföhring	100	200	175
Instytut Badań Outdooru IBO Sp. z.o.o., Warsaw, Poland	33	80	285
InteractiveMedia CCSP GmbH, Cologne	94.2	100,334	*-26,092
Internet BillBoard a.s., Ostrava, Czech Republic	95	2,273	459
INTREN Informatikai Tanácsadó és Szolgáltató Kft., Budapest, Hungary	50.89	868	502
kajomi GmbH, Planegg	51	402	377
Klassenfreunde.ch GmbH, Bern, Switzerland	100	938	178
Klassträffen Sweden AB, Stockholm, Sweden	100	634	180
Konya Inter Tanitim ve Reklam Hizmetleri Anonim Sti., Istanbul, Turkey	100	114**	-5**
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen, Hamburg	51	299	224
Linkz Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Turkey	100	-230	-61
M.Asam GmbH, Unterföhring	100	5,764	5,739
MBR Targeting GmbH, Berlin	100	-6,669	-1,625
Media-Direktservice GmbH, Cologne	25.1	-2,503	-1,457
MediaSelect Media-Agentur GmbH, Baden-Baden	75.1	89	71
mediateam Werbeagentur GmbH / Ströer Media Deutschland GmbH - GbR, Cologne	50	118	118
Mercury Beteiligungs GmbH, Leipzig	75	643	-55
MT Mobile Ticketing j.d.o.o., Zagreb, Croatia	100	40	-41
mYouTime AS, Drammen, Norway	64.25	-184	4
Nachsendeauftrag DE Online GmbH, Berlin	60	-46	-96
Neo Advertising GmbH, Hamburg	79.87	26	186
Omnea GmbH, Berlin	80	-4,100	-1,003
OnlineFussballManager GmbH, Cologne	100	163	786
OSD Holding Pte. Ltd., Singapore, Singapore	36.46	756	-11
Outsite Media GmbH, Mönchengladbach	51	42	898
Permodo GmbH, Munich	76	1,031	621
Plakativ Media GmbH, Munich	100	57	-37
PosterSelect Media-Agentur für Aussenwerbung GmbH, Baden-Baden	75.1	1,727	898
Ranger Holding GmbH, Düsseldorf	100	36,107	*2,664
Ranger Holding France S.A.S.U., Bagneux, France	100	10,168	-3
Ranger Marketing & Vertriebs GmbH, Düsseldorf	100	24,781	*9,565
Ranger Marketing France S.A.S.U., Bagneux, France	100	4,838	841
RegioHelden GmbH, Stuttgart	90	-16,234	-6,286
RZV Digital Medya ve Reklam Hizmetleri A.S., Istanbul, Turkey	100	-9,630	-4,714
Retail Media GmbH, Cologne	100	25	*84
Sales Holding GmbH, Düsseldorf	100	26,607	*2,469
Seeding Alliance GmbH, Cologne	51	1,430	979
SEM Internet Reklam Hizmetleri ve Danismanlik A.S., Istanbul, Turkey	100	1,392	0
Service Planet GmbH, Düsseldorf	100	985	*226
SF Beteiligungs GmbH, Cologne	75.4	2,023	-4
SIGN YOU mediascreen GmbH, Oberhausen	100	221	134
Smartplace GmbH, Düsseldorf	100	23	*-10
SMD Rechtegesellschaft mbH, Cologne	100	25	*49,286
SMD Werbeträger GmbH & Co. KG, Cologne	100	9,630	165
Social Media Interactive GmbH, Munich	58.8	-749	-107
SRG Rechtegesellschaft mbH, Cologne	100	25	*52,301
SRG Werbeträger GmbH & Co. KG, Cologne	100	14,331	138
Statista GmbH, Hamburg	81.3	3,196	1,117
Statista Inc., New York, USA	100	-578	158
Statista Ltd., London, UK	100	-636	-622
StayFriends GmbH, Erlangen	100	8,643	4,093
Ströer DERG Media GmbH, Kassel	100	5,492	*27,979
Ströer Deutsche Städte Medien GmbH, Cologne	100	500	*13,184
Ströer Dialog Group GmbH, Leipzig (formerly Avedo GmbH, Leipzig)	100	2,580	*-3,242
Ströer Digital Group GmbH, Cologne	100	93,692	*-25,930
Ströer Digital Media GmbH, Hamburg	100	12,692	*-8,670
Ströer Digital Operations Sp. z.o.o., Warsaw, Poland	100	1,335	-38

	Equity interest 31 Dec 2017 %	Equity interest 31 Dec 2017 EUR k	Profit or loss 2017 EUR k
Ströer Digital Services Sp. z.o.o., Warsaw, Poland	100	-367	3
Ströer KAW GmbH, Cologne	100	1,538	*4,074
Ströer Kulturmedien GmbH, Cologne	100	180	*197
STRÖER media brands AG, Berlin	100	1,368	*-2,864
Ströer Media Sp. z.o.K., Warsaw, Poland	100	4,385	792
Ströer Media Sp. z.o.o., Warsaw, Poland	100	-2	1
Ströer Mobile Performance GmbH, Cologne	100	-183	383
Ströer Netherlands B.V., Amsterdam, Netherlands	100	-2	-6
Ströer Netherlands C.V., Amsterdam, Netherlands	100	1,599	578
Ströer News Publishing GmbH, Cologne (formerly Kinolo GmbH, Munich)	100	305	344
Ströer Next Publishing GmbH, Cologne	100	25	0
Ströer Products GmbH, Berlin	75	808	-1,418
Ströer Sales & Services GmbH, Cologne	100	272	*7,906
Ströer Social Publishing GmbH, Berlin (formerly FaceAdNet GmbH, Berlin)	62	1,998	1,787
Ströer SSP GmbH, Munich	100	7,984	159
Ströer Werbeträgerverwaltungs GmbH, Cologne	100	25	*4
stylefruits GmbH, Munich	100	-1,415	-2,031
T&E Net Services GmbH, Berlin	60	1,916	1,216
Trierer Gesellschaft für Stadtmöblierung mbH, Trier	50	1,267	186
Trombi Acquisition SARL, Paris, France	100	-1,390	-168
TUBE ONE Networks GmbH, Hamburg	74.99	799	157
Tubevertise GmbH, Cologne (formerly Tubevertise UG (haftungsbeschränkt), Düsseldorf)	100	293	-233
twiago GmbH, Cologne	51	1,090	202
UAM Digital GmbH, Hamburg	100	-5	0
UAM Experience GmbH, Hamburg	100	56	0
UAM Media Group GmbH, Hamburg	74.8	3,452	511
X-City Marketing Hannover GmbH, Hanover	50	7,975	1,937
Yieldlove GmbH, Hamburg	51	1,086	923

*Result before profit and loss transfer

**Prior-year figures

8. Consolidated financial statements

The Company prepares the consolidated financial statements for the largest and smallest group of entities. The consolidated financial statements are published in the Bundesanzeiger [German Federal Gazette].

9. General partner

Ströer Management SE, Düsseldorf, which is the general partner, reported subscribed capital of EUR 120k as of 31 December 2017.

10. Disclosures pursuant to Sec. 160 (1) No. 8 AktG

Dirk Ströer holds 21.69%, Udo Müller 21.59% and Christian Schmalzl 0.05% of the Company's shares. Moreover, according to the notifications made to the Company as of the date of preparation of these notes to the financial statements on 14 March 2018, the following parties reported to us that they hold more than 3% of the voting rights in the Company: Deutsche Telekom AG (11.54%), Allianz Global Investors Europe (6.12%) and Credit Suisse (4.61%).

11. Gewinnverwendungsvorschlag

The general partner and the supervisory board propose to the shareholder meeting of Ströer KGaA that the accumulated profit of EUR 81,996,375.55 disclosed in the annual financial statements as of 31 December 2017 be appropriated as follows:

- Distribution of a dividend of EUR 1.30 per qualifying share, which makes EUR 72,225,380.50 in total (with 55,557,985 shares); and
- Carryforward of the remainder of EUR 9,770,995.05 to new account

12. Subsequent events

There were no events after the close of the fiscal year which have a significant financial effect.

13. Declaration pursuant to Sec. 161 AktG on the Corporate Governance Code

The board of management of the general partner of Ströer SE & Co. KGaA, Ströer Management SE, Düsseldorf, 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 was made permanently available to shareholders on the Company's website (www.stroeer.com/investor-relations).

14. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company, 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 Company, together with a description of the principal opportunities and risks associated with the expected future development of the Company.

Cologne, 14 March 2018

Ströer SE & Co. KGaA represented by:
Ströer Management SE (general partner)

Udo Müller   Christian Schmalzl   Dr. Bernd Metzner

COMBINED MANAGEMENT REPORT

The references made in this combined management report of Ströer SE & Co. KGaA (hereinafter referred to as Ströer KGaA) to page numbers refer to the numbering in the annual report.

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

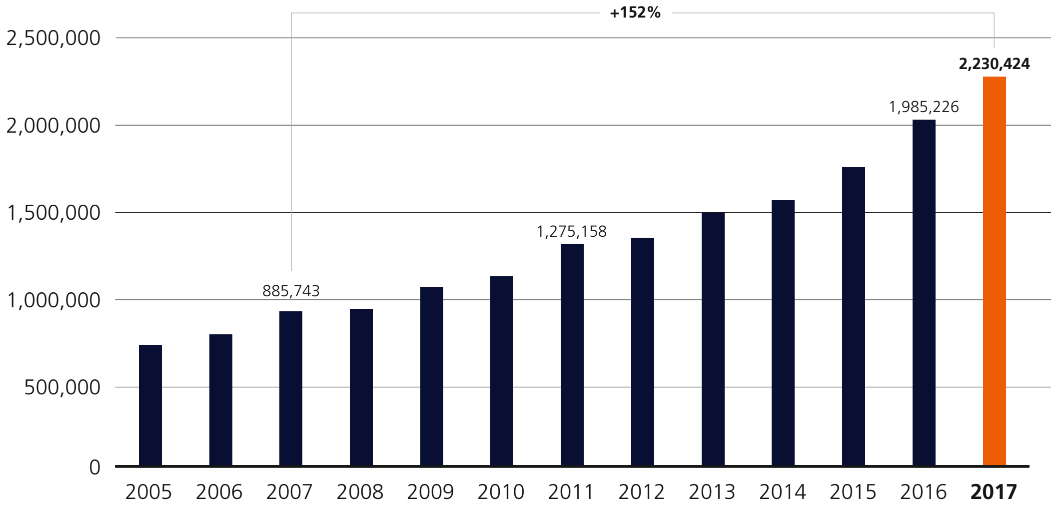
The German advertising market has been shaped by major changes over the past ten years.

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

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

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, 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

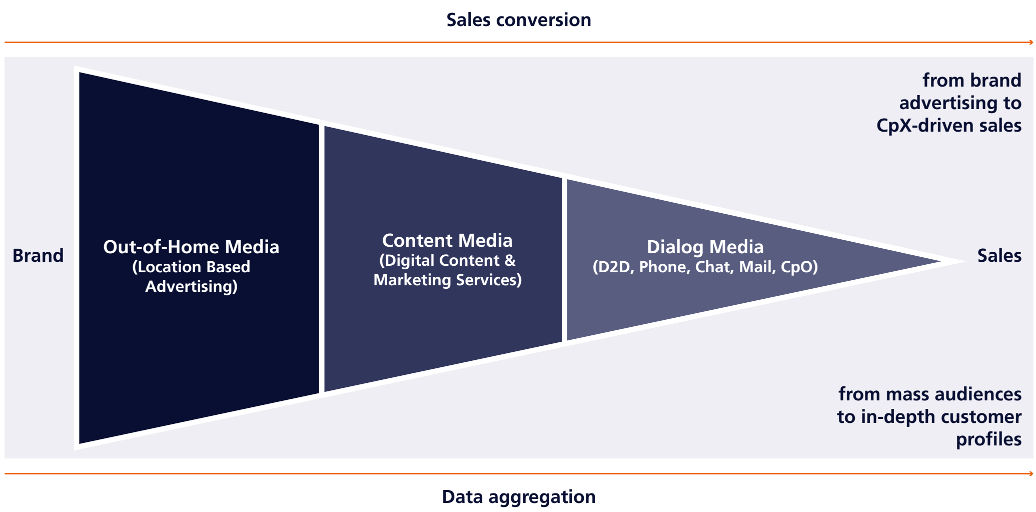
On the cost side, the Ströer Group thus leverages economies of scale arising in areas such as strategy and innovation, finance, procurement, design, legal affairs and human resources, as well as the many synergies arising from cooperation between the individual segments and entities.

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.

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

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.

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 Strategy
Dr. Bernd Metzner	June 2014	December 2020	Chief Financial Officer Group finance and tax Group HR Group IT Group legal Group M&A/corporate finance Group internal audit Group investor relations Group procurement Group risk management Group accounting Group controlling
Christian Schmalzl	November 2012	December 2020	Co-CEO Management and supervision of national and digital companies Group business development 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.

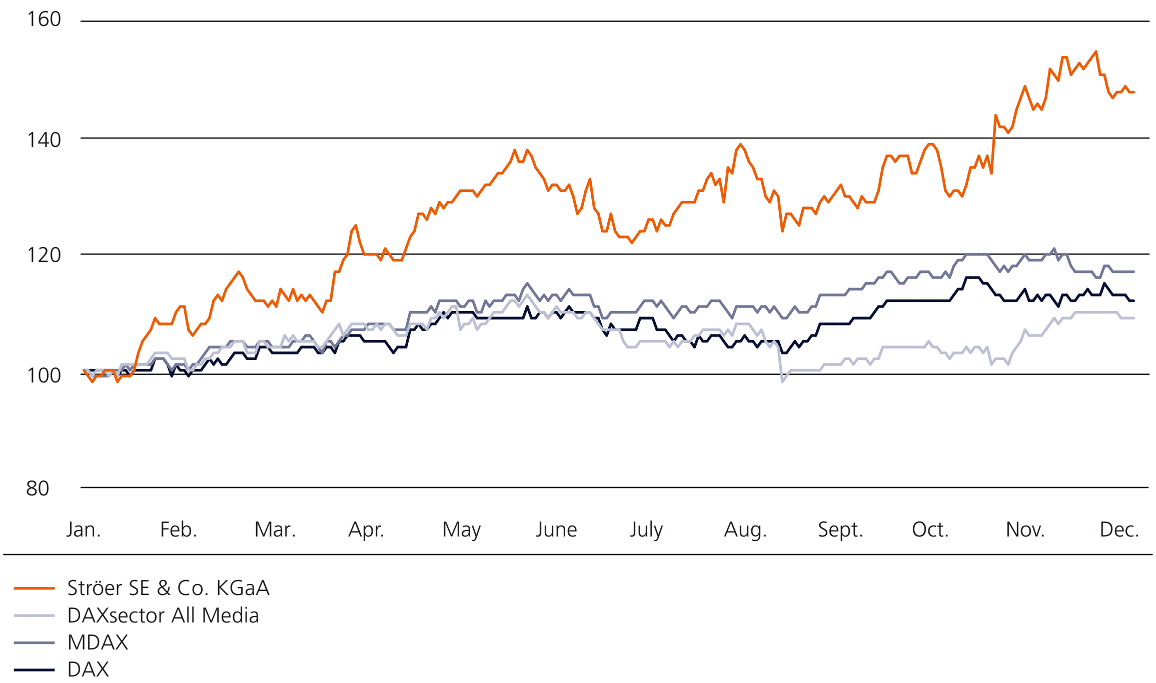
The DAXsector All Media Index was not quite able to match these positive performances, rising by just 10.3% on an annual basis from 290 points to 320 points at year end.

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

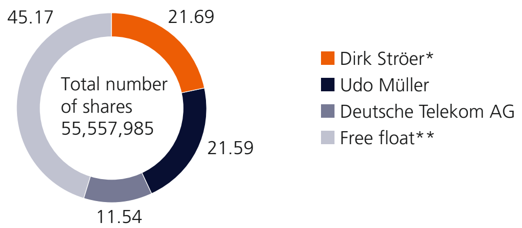
← For further information, see our website www.stroeer.com/investor-relations

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.

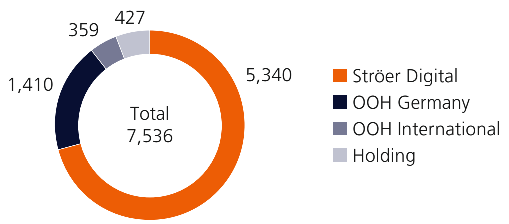
Employment situation

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

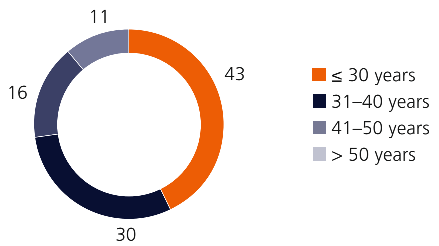
As of the reporting date, employees had been working for an average of 3.6 years (prior year: 5.6 years) for the Ströer Group. The decline is due to the increase in headcount in the digital segment which almost entirely comprises companies that were only established in the last few years.

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 %



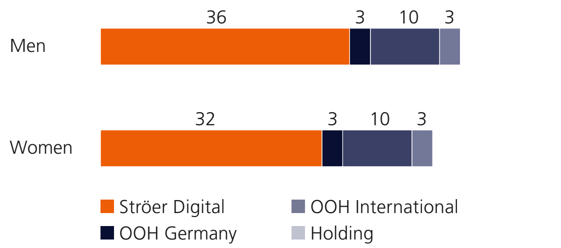
Gender structure

→ 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.

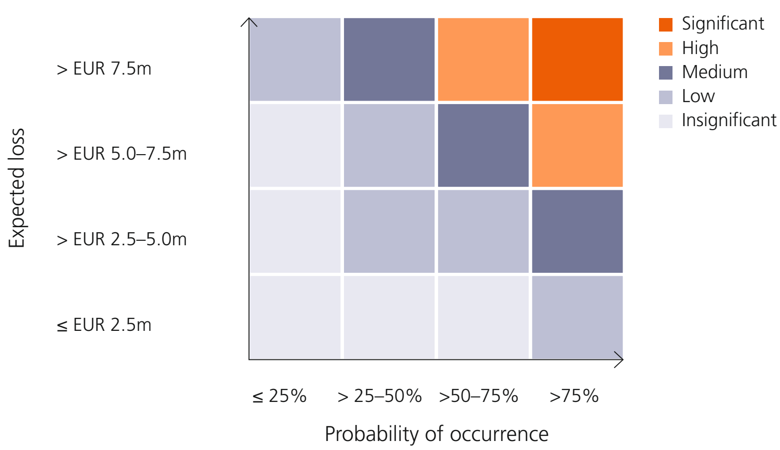
Opportunity and risk management system

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 ["Bilanzrechtsmodernisierungsgesetz": 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.

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

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.

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.

Ströer SE & Co. KGaA
Ströer-Allee 1 . 50999 Cologne
Phone +49 (0) 2236 . 96 45-0
Fax +49 (0) 2236 . 96 45-299
www.stroeer.com

Annual financial statements of Ströer Performance Group GmbH

Ströer Performance Group GmbH was founded in February 2018. The company's annual financial statements were therefore not yet required to be prepared.