# 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<br>EUR | 2016<br>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<br>EUR k | 2016<br>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<br>(Chairman) | STRÖER media brands AG, Berlin | |
| Christian Schmalzl | STRÖER media brands AG, Berlin | Internet BillBoard a.s., Ostrava, Czech Republic |
| Dr. Bernd Metzner | Döhler GmbH, Darmstadt | Anavex Life Sciences Corp., New York, USA,<br>Conexus AS, Drammen, Norway |
| **Supervisory board** | | |
| Christoph Vilanek<br>Chairman of freenet AG, Büdelsdorf<br>(Chairman) | eXaring AG, Munich<br>MEDIA BROADCAST GmbH, Cologne<br>mobilcom-debitel GmbH, Büdelsdorf<br>Ströer Management SE, Düsseldorf | Sunrise Communications Group AG,<br>Zurich / Switzerland |
| Dirk Ströer<br>Managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne<br>(Deputy chairman) | Ströer Management SE, Düsseldorf | |
| Ulrich Voigt<br>Member of the management board of Sparkasse KölnBonn | Ströer Management SE, Düsseldorf | Finanz Informatik GmbH & Co. KG, Frankfurt<br>modernes Köln GmbH, Cologne |
| Anette Bronder<br>Managing director of T-Systems International GmbH, Frankfurt | elumeo SE, Berlin | Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern |
| Julia Flemmerer<br>Managing director of Famosa Real Estate S.L., Ibiza, Spain | | |
| Christian Sardina Gellesch<br>Head of Portfolio Management at Ströer Deutsche Städte Medien GmbH, Cologne (since 3 April 2017) | | |
| Rachel Marquardt<br>Trade union secretary of ver.di federal administration, Berlin (since 3 April 2017) | | |
| Tobias Meuser<br>Rail Portfolio Manager at Ströer Deutsche Städte Medien GmbH, Cologne (since 3 April 2017) | | |
| Dr. Thomas Müller<br>Trade union secretary of ver.di Hessen, Frankfurt am Main (since 3 April 2017) | | |

| | | |
|---|---|---|
| Michael Noth<br>Director of In-house Staff at Ströer Sales & Services GmbH, Cologne (since 3 April 2017) | | |
| Sabine Hüttinger<br>Employee in the Public Affairs division at Ströer Deutsche Städte Medien GmbH, Cologne (since 3 April 2017) | | |
| Vicente Vento Bosch<br>Managing director and CEO of Deutsche Telekom Capital Partners Management GmbH, Hamburg | Scout24 AG, Berlin<br>(until 31 October 2017)<br>Ströer Management SE, Düsseldorf | Deutsche Telekom Strategic Investments GmbH, Bonn<br>Deutsche Telekom Venture Funds GmbH, Bonn<br>eValue 2nd Fund GmbH, Berlin<br>Telekom Innovation Pool GmbH, Bonn<br>Swiss Towers AG, Zug, Switzerland<br>Keepler Data Tech., S.L., Madrid, Spain |

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

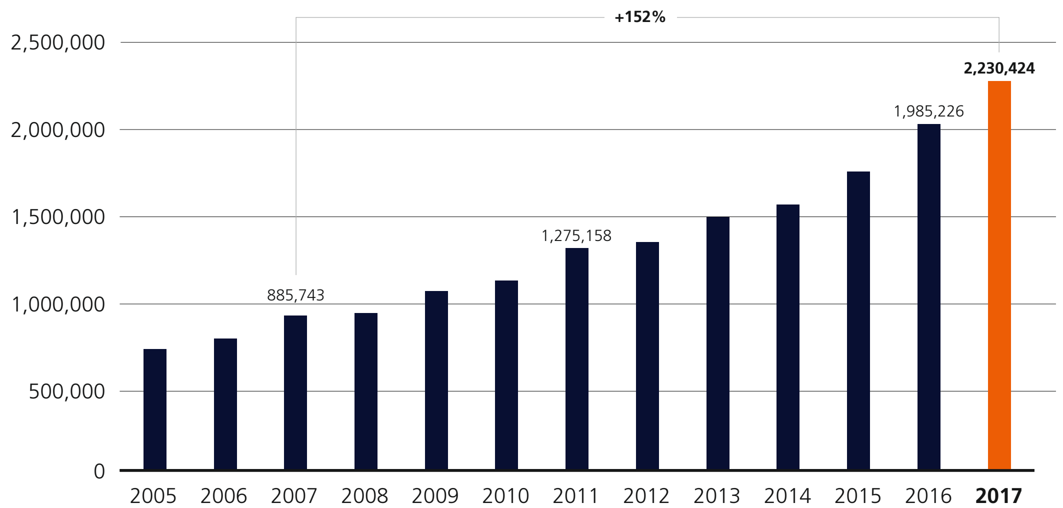
The German advertising market has been shaped by major changes over the past ten years.

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

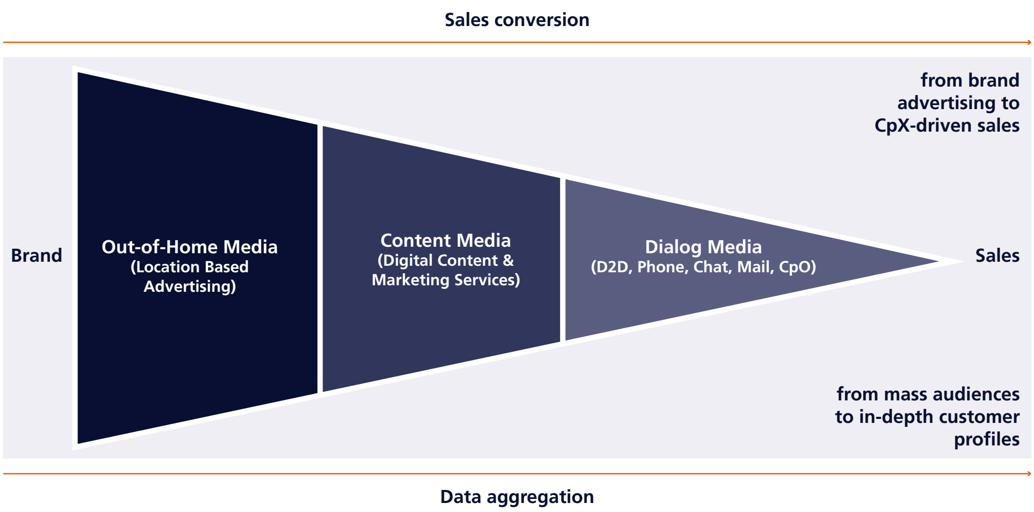
On the cost side, the Ströer Group thus leverages economies of scale arising in areas such as strategy and innovation, finance, procurement, design, legal affairs and human resources, as well as the many synergies arising from cooperation between the individual segments and entities.

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

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

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

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

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

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

## Markets and factors

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

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

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

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

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

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

There remains substantial potential for regional online advertising campaigns.

# ECONOMIC REPORT

## Business environment

### General economic developments in 2017

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

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

Germany

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

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

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

Turkey

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

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

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

Germany

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

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

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

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

Turkey

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

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

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

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

## Financial performance of the Group

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

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

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

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

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

### Comparison of forecast and actual business development

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

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

### Financial performance of the Group

**Consolidated income statement**

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

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

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

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

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

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

**Revenue development by quarter**

In EUR m

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

**Operational EBITDA development by quarter**

In EUR m

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

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

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

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

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

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

## Assets, liabilities and financial position

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

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

### Main features of the financing strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

## Financial position

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

Liquidity and investment analysis

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

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

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

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

Financial structure analysis

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

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

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

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

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

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

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

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

Capital structure costs

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

### Assets and liabilities

**Consolidated statement of financial position**

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

Analysis of the structure of assets and liabilities

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

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

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

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

## Financial performance of the segments

### Ströer Digital

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

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

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

### Out-of-Home Germany

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

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

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

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

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

### Out-of-Home International

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

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

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

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

# INFORMATION ON STRÖER SE & CO. KGAA

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

## Description of the Company

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

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

## Financial performance

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

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

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

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

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

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

## Assets, liabilities and financial position

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

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

### Analysis of the structure of assets and liabilities

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

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

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

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

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

### Financial structure analysis

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

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

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

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

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

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

## Liquidity analysis

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

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

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

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

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

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

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

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

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

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

## Anticipated development of the Company

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

# INFORMATION ON THE SHARE

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

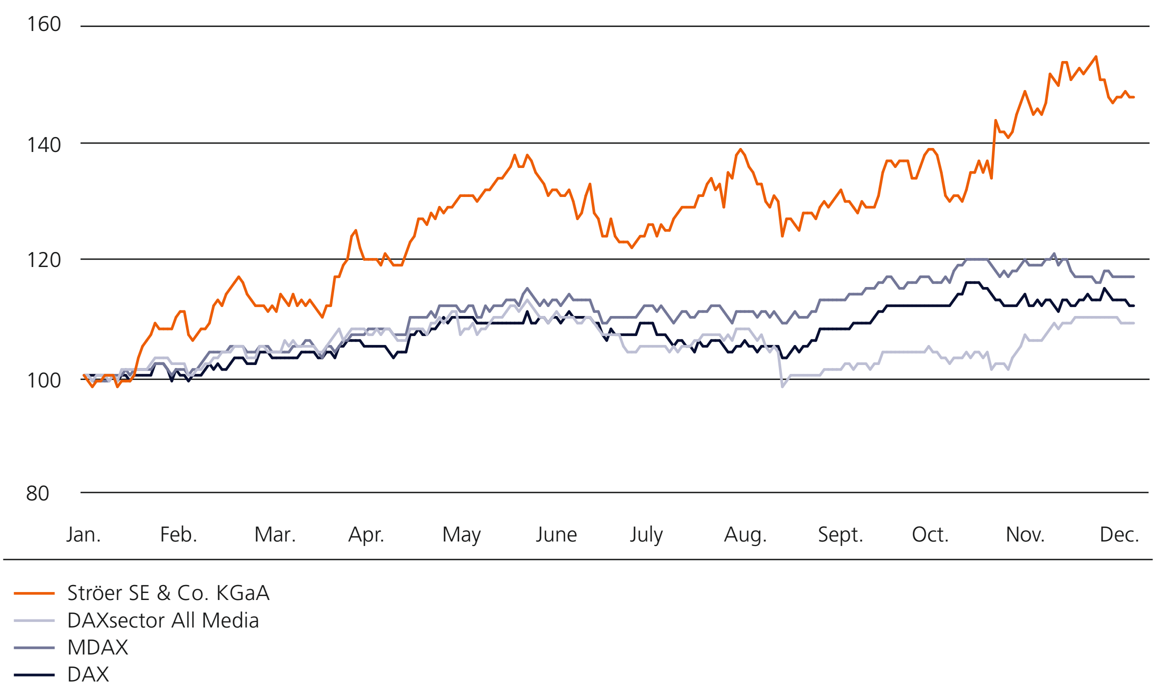
The DAXsector All Media Index was not quite able to match these positive performances, rising by just 10.3% on an annual basis from 290 points to 320 points at year end.

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

### Ströer's dialog with the capital market

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

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




Source: Bloomberg

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

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

## Shareholder meeting

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

## Stock exchange listing, market capitalization and trading volume

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

## Analysts' coverage

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

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

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

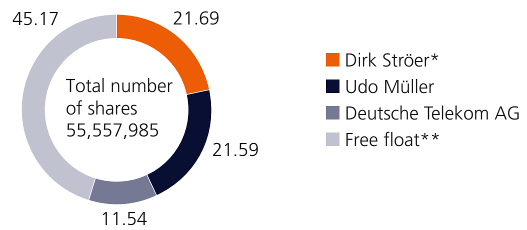
← For further information, see our website www.stroeer.com/investor-relations

## Shareholder structure

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

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

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




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

** Free float, thereof:

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

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

## Dividend policy

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

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

| | |
|---|---|
| Capital stock | EUR 55,557,985 |
| Number of shares | 55,557,985 |
| Class | Bearer shares of no par value<br>(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.

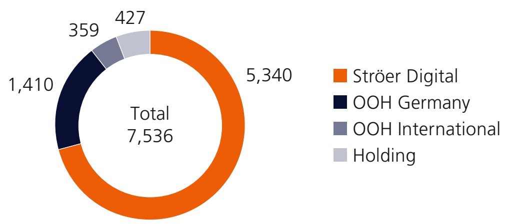
## Employment situation

### 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

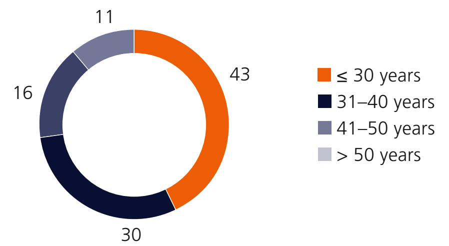
As of the reporting date, employees had been working for an average of 3.6 years (prior year: 5.6 years) for the Ströer Group. The decline is due to the increase in headcount in the digital segment which almost entirely comprises companies that were only established in the last few years.

### 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 %



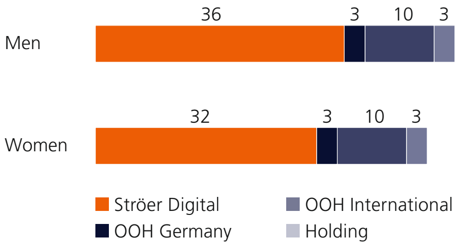

### Gender structure

→ 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.

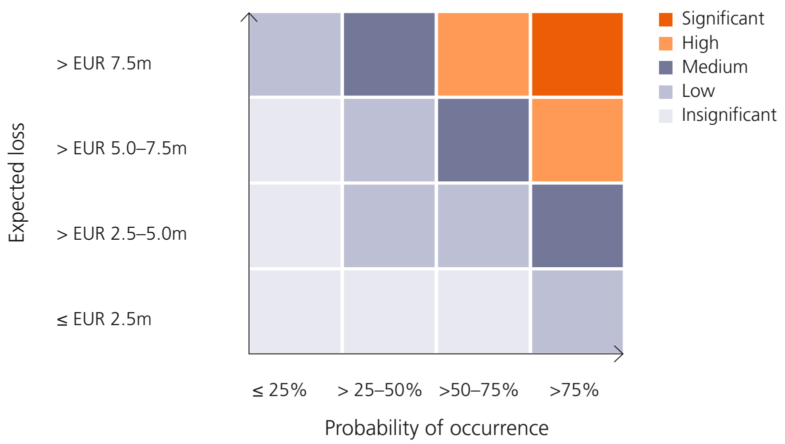
## Opportunity and risk management system

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.

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

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

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

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

**Other risks (ELV: insignificant)**

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

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

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

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

## Opportunities

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

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

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

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

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

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

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

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

# FORECAST[1]

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

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

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

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

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

## Forward-looking statements

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

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

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

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

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

## Future macroeconomic conditions

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

## Future industry performance

### Development of the German advertising markets

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

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

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

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

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

## Anticipated revenue and earnings development

### Ströer Group

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

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

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

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

### Ströer Digital segment

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

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

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

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

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

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

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

### OOH Germany segment

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

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

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

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

### OOH International segment

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

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

## Planned investments

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

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

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

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

## Expected financial position

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

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

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

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

# SUBSEQUENT EVENTS

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

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

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

## Composition of subscribed capital

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

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

## Restrictions concerning voting rights or the transfer of shares

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

## Investments in capital exceeding 10% of voting rights

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

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

## Special rights granting control authority

There are no shares with special rights granting control authority.

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

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

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

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

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

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

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

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

### Facility agreement/note loans

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

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

### Put option

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

**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