

# STRÖER

## STRÖER SE & CO. KGAA, COLOGNE

FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT 2018

## Ströer SE & Co. KGaA, Cologne

### Balance sheet as of 31 December 2018

#### ASSETS

	31 Dec 2018 EUR	31 Dec 2017 EUR
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	20.598.499,50	7.679.403,23
Prepayments	7.938.968,03	8.682.844,81
	<b>28.537.467,53</b>	<b>16.362.248,04</b>
Property, plant and equipment		
Other equipment, furniture and fixtures	8.872.765,32	7.981.556,75
Prepayments made and assets under construction	91.164,76	813.720,06
	<b>8.963.930,08</b>	<b>8.795.276,81</b>
Financial assets		
Shares in affiliates	659.748.983,69	716.290.314,81
Loans to affiliates	142.333.704,02	109.106.230,64
Equity investments	1.515.370,45	1.081.505,08
Loans to other investees and investors	0,00	1.600.000,00
Other loans	8.000.002,00	0,00
	<b>811.598.060,16</b>	<b>828.078.050,53</b>
	<b>849.099.457,77</b>	<b>853.235.575,38</b>
<b>CURRENT ASSETS</b>		
Receivables and other assets		
Trade receivables	945.614,70	8.341,86
Receivables from affiliates	1.311.974.041,28	637.212.534,29
Receivables from other investees and investors	64.611,69	2.540,78
Other assets	11.661.556,96	8.619.825,21
	<b>1.324.645.824,63</b>	<b>645.843.242,14</b>
Cash on hand and bank balances	182.180,40	4.914.668,02
	<b>1.324.828.005,03</b>	<b>650.757.910,16</b>
PREPAID EXPENSES	<b>5.103.794,50</b>	<b>5.871.902,57</b>
	<b>2.179.031.257,30</b>	<b>1.509.865.388,11</b>

#### EQUITY AND LIABILITIES

	31 Dec 2018 EUR	31 Dec 2017 EUR
<b>EQUITY</b>		
Subscribed capital	56.171.871,00	55.557.985,00
– Conditional capital: EUR 15,179,059.00 (prior year: EUR 15,454,545.00)		
Capital reserves	638.101.212,92	633.227.066,86
Retained earnings		
Other retained earnings	55.039.275,39	55.039.275,39
Accumulated profit	653.459.790,74	81.996.375,55
	<b>1.402.772.150,05</b>	<b>825.820.702,80</b>
<b>PROVISIONS</b>		
Provisions for pensions and similar obligations	0,00	7.302,00
Tax provisions	20.460.711,44	37.086.227,35
Other provisions	12.299.334,06	12.518.851,18
	<b>32.760.045,50</b>	<b>49.612.380,53</b>
<b>LIABILITIES</b>		
Liabilities to banks	559.974.288,88	496.184.045,10
– thereof due in up to one year: EUR 64,974,288.88 (prior year: EUR 1,184,045.10)		
– thereof due in more than one year: EUR 495,000,000.00 (prior year: EUR 495,000,000.00)		
Trade payables	17.728.704,52	6.403.448,09
– thereof due in up to one year: EUR 13,568,456.90 (prior year: EUR 6,403,448.09)		
– thereof due in more than one year: EUR 4,160,247.62 (prior year: EUR 0.00)		
Liabilities to affiliates	164.289.653,12	125.631.800,71
– thereof due in up to one year: EUR 164,289,653.12 (prior year: EUR 125,631,800.71)		
Liabilities to other investees and investors	280,17	56,98
– thereof due in up to one year: EUR 280.17 (prior year: EUR 56.98)		
Other liabilities	1.506.135,06	6.212.953,90
– thereof due in up to one year: EUR 610,473.71 (prior year: EUR 6,212,953.90)		
– thereof due in more than one year: EUR 895,661.35 (prior year: EUR 0.00)		
– thereof for taxes: EUR 489,685.62 (prior year: EUR 6,154,827.01)		
– thereof for social security: EUR 0.00 (prior year: EUR 2,469.15)		
	<b>743.499.061,75</b>	<b>634.432.304,78</b>
	<b>2.179.031.257,30</b>	<b>1.509.865.388,11</b>

## Ströer SE & Co. KGaA, Cologne

### Income statement for fiscal year 2018

	2018 EUR	2017 EUR
Revenue	25.524.027,25	22.967.694,70
Other operating income	18.553.987,24	4.144.465,88
- thereof income from currency translation: EUR 11,492.50 (prior year: EUR 10,634.44)		
Cost of materials		
Cost of purchased services	-6.953.802,52	-1.875.396,37
Personnel expenses		
Wages and salaries	-27.729.052,98	-25.544.497,85
Social security and pension costs	-3.534.398,75	-3.177.938,74
- thereof for old-age pensions: EUR 91,948.15 (prior year: EUR 89,612.61)		
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-7.981.993,10	-5.620.123,88
Other operating expenses	-73.698.046,25	-27.986.912,92
- thereof expenses from currency translation: EUR 25,026.83 (prior year: EUR 43,623.66)		
Income from profit and loss transfer agreements	783.199.688,62	195.649.570,09
Income from other securities and loans classified as non-current financial assets	3.721.694,02	3.054.394,27
- thereof from affiliates: EUR 3,695,614.05 (prior year: EUR 3,012,468.48)		
Other interest and similar income	16.587,94	345.009,58
Impairment losses on financial assets	-28.375.090,92	-69.062.000,00
Expenses from loss absorption	-4.347.601,11	-22.626.337,58
Interest and similar expenses	-8.704.655,47	-7.905.106,03
- thereof to affiliates: EUR 176,071.17 (prior year: EUR 115,536.02)		
- thereof expenses from unwinding the discount: EUR 598.66 (prior year: EUR 684.91)		
Income taxes	-25.641.254,30	-26.003.104,90
<b>Post-tax profit</b>	<b>644.050.089,67</b>	<b>36.359.716,25</b>
Other taxes	-41.194,98	-42.336,07
<b>Profit for the period</b>	<b>644.008.894,69</b>	<b>36.317.380,18</b>
Profit carryforward from the prior year	9.450.896,05	5.678.995,37
Withdrawals from other retained earnings	0,00	40.000.000,00
<b>Accumulated profit</b>	<b>653.459.790,74</b>	<b>81.996.375,55</b>

## Ströer SE & Co. KGaA, Cologne

### Notes to the financial statements for fiscal year 2018

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#### 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

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. With a view to efficiency, a collective item is recognized for assets with an individual net value of more than EUR 150.00 but no greater than EUR 1,000.00 and depreciated at a flat rate of 20% p.a. 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 226k (prior year: EUR 221k).

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**.

**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 31,72% 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 2018

	ACQUISITION AND PRODUCTION COST					ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES					NET BOOK VALUES	
	01.01.2018	Additions	Disposals	Reclassifications	31 Dec 2018	1 Jan 2018	Additions	Disposals	Reclassifications	31 Dec 2018	31 Dec 2018	31 Dec 2017
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>INTANGIBLE ASSETS</b>												
Concessions, industrial and similar rights and assets, in such rights and assets	18.051.374,04	11.938.272,80	10.163,24	6.184.772,76	36.164.256,36	10.371.970,81	5.198.020,73	4.234,68	0,00	15.565.756,86	20.598.499,50	7.679.403,23
Prepayments on assets under construction	8.682.844,81	5.440.895,98	0,00	-6.184.772,76	7.938.968,03	0,00	0,00	0,00	0,00	0,00	7.938.968,03	8.682.844,81
	26.734.218,85	17.379.168,78	10.163,24	0,00	44.103.224,39	10.371.970,81	5.198.020,73	4.234,68	0,00	15.565.756,86	28.537.467,53	16.362.248,04
<b>PROPERTY, PLANT AND EQUIPMENT</b>												
Other equipment, furniture and fixtures	17.138.405,22	3.376.124,81	673.030,89	757.402,55	20.598.901,69	9.156.848,47	2.783.972,37	214.684,47	0,00	11.726.136,37	8.872.765,32	7.981.556,75
Prepayments and assets under construction	813.720,06	49.807,25	14.960,00	-757.402,55	91.164,76	0,00	0,00	0,00	0,00	0,00	91.164,76	813.720,06
	17.952.125,28	3.425.932,06	687.990,89	0,00	20.690.066,45	9.156.848,47	2.783.972,37	214.684,47	0,00	11.726.136,37	8.963.930,08	8.795.276,81
<b>FINANCIAL ASSETS</b>												
Shares in affiliates	810.511.314,81	25.000,00	135.287.237,20	0,00	675.249.077,61	94.221.000,00	15.500.093,92	94.221.000,00	0,00	15.500.093,92	659.748.983,69	716.290.314,81
Loans to affiliates	125.996.230,64	88.537.458,38	44.034.986,00	-17.290.000,00	153.208.703,02	16.890.000,00	6.984.999,00	0,00	-13.000.000,00	10.874.999,00	142.333.704,02	109.106.230,64
Equity investments	1.081.505,08	433.865,37	0,00	0,00	1.515.370,45	0,00	0,00	0,00	0,00	0,00	1.515.370,45	1.081.505,08
Loans to affiliates	1.600,000	0,00	0,00	-1.600.000,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1.600.000,00
Other loans	0,00	0,00	0,00	18.890.000,00	18.890.000,00	0,00	5.889.998,00	8.000.000,00	13.000.000,00	10.889.998,00	8.000.002,00	0,00
	939.189.050,53	88.996.323,75	179.322.223,20	0,00	848.863.151,08	111.111.000,00	28.375.090,92	102.221.000,00	0,00	37.265.090,92	811.598.060,16	828.078.050,53
	983.875.394,66	109.801.424,59	180.020.377,33	0,00	913.656.441,92	130.639.819,28	36.357.084,02	102.439.919,15	0,00	64.556.984,15	849.099.457,77	853.235.575,38

### 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.

### b) Financial assets

By agreement dated 4 October 2018, Ströer KGaA sold its entire 90% holding in the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey (SKV). The value of the transaction comprises all the shares in SKV previously held by Ströer KGaA as well as a loan Ströer KGaA granted to SKV. Furthermore, Ströer KGaA recognized impairment of EUR 15,500k on an equity investment relating to digital business in Eastern Europe. With a view to loans to affiliates, by contrast, the Company reported an addition of EUR 27,212k. The increase in loans was attributable to the additional financing requirements of several group entities in connection with stepped up investments in dialog marketing operations.

Furthermore, impairment of EUR 12,875k was charged on intragroup and other loans.

## 2. Receivables and other assets

	31 Dec 2018	31 Dec 2017
	EUR k	EUR k
Trade receivables	946	8
thereof due in more than one year	0	0
Receivables from affiliates	1,311,974	637,212
thereof due in more than one year	0	0
Receivables from other investees and investors	65	3
thereof due in more than one year	0	0
Other assets	11,661	8,620
thereof due in more than one year	497	474
	1,324,646	645,843

Receivables from affiliates relate to the profit and loss transfer agreement with Ströer Media Deutschland GmbH, Cologne (SMD) (EUR 736,963k; prior year: EUR 141,650k), as well as to the profit and loss transfer agreements in place with Ströer Digital Publishing GmbH, Cologne (SDP) (EUR 36,807k; prior year: EUR 17,312k), with Ströer Sales Group, Cologne (SSG) (EUR 4,725k; prior year: EUR 6,550k), with Ströer Digital Commerce GmbH, Cologne (SDC) (EUR 3,447k; prior year: EUR 14,311 k), with blowUP Media GmbH, Cologne (blowUP) (EUR 1,229k; prior year: EUR 2,240k) and with Ströer Digital International GmbH, Cologne (SDInt) (EUR 30k; prior year: liability of EUR 6,014k). There are also trade receivables of EUR 7,296k (prior year: EUR 6,990k). In addition, there are receivables from cash pooling of EUR 201,070k (prior year: EUR 143,312k) with SMD, of EUR 125,753k (prior year: EUR 122,223k) with Ströer Venture GmbH, Cologne (SVE), of

EUR 59,999k (prior year: EUR 76,284k) with Ströer Content Group GmbH, Cologne (SCG), of EUR 888k (prior year: EUR 2,835k) with blowUP and of EUR 99,749k (prior year: EUR 88,232k) with SSG. There are also receivables of EUR 34,019k from the new cash pooling agreement concluded with SDC in the fiscal year.

### 3. Equity

#### a) Subscribed capital

In fiscal year 2018, the Company's subscribed capital increased by 613,886 to 56,171,871 shares as a result of stock options being exercised. As of 31 December 2018 therefore, subscribed capital is split into 56,171,871 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 1,999,214.00 by issuing a maximum of 1,999,214 bearer shares of no par value (conditional capital 2013). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6A (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 8 August 2013, rights to bearers of stock options under the Stock Option Plan 2013. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 8 August 2013 and pursuant to the conversion resolution of the shareholder meeting on 25 September, exercise these stock options and that the Company does not settle the stock options in cash. The new shares participate in profit from the beginning of the fiscal year for which no resolution on the appropriation of the accumulated profit has been adopted by the shareholder meeting at the time of their issue.

The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase unless stock options and shares

are to be granted to members of the general partner's board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board 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 638,101k (of which EUR 603,650k 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 2018, the Company's capital reserves increased by EUR 4,874k as a result of stock options being exercised.

## c) Accumulated profit

By resolution of the shareholder meeting on 30 May 2018, EUR 72,545k (EUR 1.30 per qualifying share) was distributed as a dividend and EUR 9,451k from the accumulated profit for 2017 was carried forward to new account.

## 4. Other provisions

Other provisions break down as follows:

	EUR k
Personnel provisions	8,845
Outstanding invoices	2,999
Financial statement and audit fees	432
Potential losses	22
Miscellaneous	1
<b>Total</b>	<b>12,299</b>

## 5. Liabilities

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

	Total amount EUR k	Thereof due in		
		up to one year EUR k	one to five years EUR k	more than five years EUR k
	559,974	64,974	382,000	113,000
	(prior year: 496,184)	(prior year: 1,184)	(prior year: 364,000)	(prior year: 131,000)
Liabilities to banks	17,729	13,569	4,160	0
	(prior Year: 6,403)	(prior year: 6,403)	(prior year: 0)	(prior year: 0)
Trade payables	164,290	164,290	0	0
	(prior year: 125,632)	(prior year: 125,632)	(prior year: 0)	(prior year: 0)
Liabilities to affiliates	1,506	610	896	0
	(prior year: 6,213)	(prior year: 6,213)	(prior year: 0)	(prior year: 0)
Other liabilities	743,499	243,443	387,056	113,000
	(prior year: 634,432)	(prior year: 139,432)	(prior year: 364,000)	(prior year: 131,000)

Liabilities to banks of EUR 64,202k are secured by way of joint and several liability of entities of the Ströer KGaA Group (guarantors) as evidenced by an independent guarantee.

EUR 119,326k (prior year: EUR 75,784k) 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 10,658k; prior year: EUR 8,827k), StayFriends GmbH, Erlangen (EUR 5,007k; prior year: EUR 6,000k), Statista GmbH, Hamburg (EUR 5,000k; prior year: EUR 3,390k), Business Advertising GmbH, Düsseldorf (EUR 4,000k; prior year: EUR 2,500k), Yieldlove GmbH, Hamburg (EUR 3,700k; prior year: EUR 1,300k) and Ströer Netherlands C.V., Amsterdam, Netherlands (EUR 2,200k; prior year: EUR 2,000k). For the first time, Seeding Alliance GmbH, Cologne, also granted a short-term loan of EUR 2,600k (prior year: EUR 0k). This item also includes trade payables of EUR 7,450k (prior year: EUR 3,204k) as well as liabilities from profit and loss transfer agreements with SCG (EUR 3,137k; prior year: EUR 16,612k), SVE (EUR 1,209k; prior year: receivable of EUR 13,587k) and with Ströer Performance Group GmbH (SPG) since the inception of the profit and loss transfer agreement on 1 January 2018 (EUR 2k; prior year: EUR 0k).

## 6. Deferred taxes

Deferred taxes at the level of Ströer SE & Co. KGaA (tax group parent) are calculated based on the tax rate of 31.72% (prior year: 32%). This comprises corporate income tax of 15%, solidarity surcharge on corporate income tax of 5.5% (15.825% in total) and average trade tax of 15.895%.

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 SE & Co. KGaA, the tax group parent.

Overall, the surplus of deferred tax assets in fiscal year 2018 amounts to EUR 8,356k. 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, write-downs on loan receivables and the different recognition of provisions for tax purposes as of 31 December 2018.

The deferred tax liabilities mainly arise from the temporary differences in respect of investments.

The deferred tax liabilities are offset against the deferred tax assets. The following table shows details regarding deferred taxes and how they were offset:

In EUR k	31 Dec 2018		31 Dec 2017		Change	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Intangible assets	9,811	2,047	10,203	1,102	-392	945
Property, plant and equipment	0	0	10	0	-10	0
Financial assets	0	6,222	0	6,280	0	-58
Receivables	2,222	258	219	260	2,003	-2
Pension provisions	3,160	144	2,148	0	1,012	144
Other provisions	2,787	1,564	3,620	1,724	-833	-160
Liabilities	611	0	656	0	-45	0
<b>Deferred taxes</b>	<b>18,591</b>	<b>10,235</b>	<b>16,856</b>	<b>9,366</b>	<b>1,735</b>	<b>869</b>
Interest carryforwards	0	0	0	0	0	0
Loss carryforwards	0	0	0	0	0	0
<b>Total</b>	<b>18,591</b>	<b>10,235</b>	<b>16,856</b>	<b>9,366</b>	<b>1,735</b>	<b>869</b>
Offsetting	-10,235	-10,235	-9,366	-9,366	-869	-869
<b>No exercise of the option to recognize deferred tax assets</b>	<b>-8,356</b>	<b>0</b>	<b>-7,490</b>	<b>0</b>	<b>-866</b>	<b>0</b>
<b>Carrying amount</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## D. Notes to the income statement

### 1. Revenue

In fiscal year 2018, revenue amounted to EUR 25,524k and was generated in Germany mainly from commercial and IT services rendered for subsidiaries of the Ströer Group (EUR 18,547k) and from rental income (EUR 6,972k).

## 2. Other operating income

Other operating income comprises out-of-period income of EUR 1,679k largely from the derecognition of a liability following settlement procedures as well as cost reimbursements for prior years.

Furthermore, a loan of EUR 13,000k that was written down to a pro-memoria value in prior years was written up to EUR 8,000k on the basis of an improvement in the borrower's financial circumstances.

In addition, a final payment from the purchase of a subsidiary in 2015 was received in 2018, which resulted in other operating income of EUR 687k.

## 3. Other operating expenses

Other operating expenses comprise out-of-period expenses of EUR 2,260k relating to services received in prior years and billed in 2018. To a large extent they correspond in substance to the out-of-period income.

In addition, expenses of EUR 1,500k were incurred for compensation payments to a subsidiary in connection with the fulfilment of a contract for services.

In the fiscal year, extraordinary expenses were also incurred for legal and consulting fees

associated with acquisitions (EUR 1,209k) and for expenses in connection with the implementation of new data protection and accounting legislation (EUR 811k). Furthermore, receivables of EUR 3,699k were written off and expenses for vacant leased premises of EUR 607k were incurred. Furthermore, other operating expenses contained a loss of EUR 41,066k from the sale of SKV.

## 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 34k for corporate income tax/solidarity surcharge that relate to prior years.

## E. Other notes

### 1. Cash flow statement

The cash flow statement is prepared voluntarily due to provisions set out in a loan agreement and is not prepared in accordance with German Accounting Standard No. 21 (GAS No. 21).

	2018 EUR k	2017 EUR k
<b>1. Cash flows from operating activities</b>		
Profit or loss for the period before profit and loss transfer	644.009	36.317
Amortization, depreciation and impairment losses (+)/write-ups (-) on non-current assets	28.357	74.682
Increase (+)/decrease (-) in provisions	-16.201	18.099
Other non-cash expenses (+)/income (-)	-775.868	-170.533
Gain (-)/loss (+) on disposals of non-current assets	40.856	97
Increase (-)/decrease (+) in inventories, trade receivables and other assets	188.341	158.271
Increase (+)/decrease (-) in trade payables and other liabilities	-16.798	-25.588
<b>Cash flows from operating activities</b>	<b>92.696</b>	<b>91.345</b>
<b>2. Cash flows from investing activities</b>		
Cash received (+) from the disposal of property, plant and equipment	684	28
Cash paid (-) for investments in property, plant and equipment	-3.426	-5.273
Cash received (+) from the disposal of intangible assets	6	0
Cash paid (-) for investments in intangible assets	-13.219	-6.909
Cash received (+) from the disposal of non-current financial assets	11.685	36.410
Cash paid (-) for investments in non-current financial assets	-88.846	-74.323
<b>Cash flows from investing activities</b>	<b>-93.116</b>	<b>-50.067</b>
<b>3. Cash flows from financing activities</b>		
Dividends (-)	-72.545	-60.811
Cash received (+) from equity contributions	5.488	1.865
Cash received (+) from/cash paid (-) for cash pooling activities	-11.085	-118.263
Cash received (+) from the issue of bonds and borrowings	158.176	397.434
Cash repayments (-) of bonds and borrowings	-84.347	-258.401
<b>Cash flows from financing activities</b>	<b>-4.313</b>	<b>-38.176</b>
<b>4. Cash at the end of the period</b>		
Change in cash (subtotal of 1 to 3)	-4.733	3.102
Cash at the beginning of the period	4.915	1.813
<b>Cash at the end of the period</b>	<b>182</b>	<b>4.915</b>
<b>5. Composition of cash</b>		
Cash and cash equivalents	182	4.915
<b>Cash at the end of the period</b>	<b>182</b>	<b>4.915</b>



## 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. The contract for services was rescinded in 2018 under a rescission agreement effective 31 December 2018.

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 spaces 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 spaces 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 Avedo Essen GmbH (formerly 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.

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

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.

Under the rental agreement from 2012 and its addendum from 2016 between Blue Building Grundstücks GbR, Bonn, and Avedo Köln GmbH, Cologne, Ströer KGaA assumed an indefinite guarantee of EUR 114k.

On 5 June 2018, Ströer KGaA assumed an absolute guarantee vis-à-vis Deutsche Bank AG for Omnea GmbH, Berlin, of EUR 300k. The guarantee is indefinite.

For an agreement concluded between Ranger Marketing & Vertriebs GmbH, Düsseldorf, and Telekom Deutschland GmbH, Bonn, on campaign-based direct marketing, Ströer KGaA assumed an indefinite absolute guarantee for all of Telekom's existing and future claims under the data protection agreements.

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 up to EUR 25m until midnight on 31 December 2019; the other two letters of comfort are unlimited in terms of value and duration.

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

In addition to the contingent liabilities, there are other financial obligations amounting to EUR 92,199k. These obligations include the following items:

The Company has other financial obligations from the rental and lease of administrative and warehouse buildings at various locations, particularly Cologne, Hamburg and Munich. The terms break down as follows:

- Up to 1 year: EUR 11,965k
- 1 to 5 years: EUR 39,999k
- More than 5 years: EUR 39,506k

The buildings were rented or 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 contractual term.

Other financial obligations also arise in connection with leased cars.

Lease payments:

- Up to 1 year: EUR 260k
- 1 to 5 years: EUR 469k

## 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		4,142
		1,294
Provision of other services		4,853
		1
Purchase of other services		338
		2,140
Loans granted		82,537
		0
Repayment of loans granted		2,200
		0
Loans received		29,278
		0
Repayment of loans received		19,337
		0

The subsidiaries are fully included in Ströer KGaA's consolidated financial statements but are not directly or indirectly wholly owned.

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 2,899k) as well as subletting.

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 of other oversight bodies comparable with a supervisory board
<b>Board of management</b>		
Udo Müller (Co-CEO)		
Christian Schmalzl (Co-CEO)		Internet Billboard a.s., Ostrava, Czech Republic
Dr. Bernd Metzner	Döhler GmbH, Darmstadt STRÖER Dialog Verwaltung Hamburg GmbH, Hamburg Sixt Leasing SE, Pullach (since 16 February 2018)	Anavex Life Sciences Corp., New York, USA (until 28 February 2018) Conexus AS, Drammen (Norway)

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**Supervisory board**


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Christoph Vilanek Chairman of the executive board of freenet AG, Büdelsdorf (Chairman)	eXaring AG, Munich MEDIA BROADCAST GmbH, Cologne (until 31 December 2018) mobilcom-debitel GmbH, Büdelsdorf (until 31 December 2018) gamigo AG, Hamburg (until 31 January 2018) Ströer Management SE, Düsseldorf	Sunrise Communications Group AG, Zurich, Switzerland
Dirk Ströer Managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne (Deputy Chairman)	Ströer Management SE, Düsseldorf	
Ulrich Voigt Member of the management board of Sparkasse KölnBonn	Ströer Management SE, Düsseldorf	Finanz Informatik GmbH & Co. KG, Frankfurt modernes Köln GmbH, Cologne
Anette Bronder Managing director of T-Systems International GmbH, Frankfurt (until 31 December 2018)	Deutsche Telekom IT GmbH, Bonn T-Systems Multimedia Solutions GmbH, Dresden	Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern
Martin Diederichs Lawyer (since 9 August 2018)	Pison Montage AG, Dillingen Ströer Management SE, Düsseldorf	DSD Steel Group GmbH, Saarlouis
Julia Flemmerer Managing director of Famosa Real Estate S.L., Ibiza, Spain		
Christian Sardiña Gellesch Head of portfolio management at Ströer Deutsche Städte Medien GmbH, Cologne		
Rachel Marquardt Trade union secretary of ver.di federal administration, Berlin		
Tobias Meuser Rail Portfolio Manager at Ströer Deutsche Städte Medien GmbH, Cologne		
Dr. Thomas Müller Trade union secretary of ver.di Hessen, Frankfurt am Main		
Michael Noth Director of in-house staff at Ströer Sales & Services GmbH, Cologne		

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Sabine Hüttinger

Employee in the public affairs division at Ströer  
Deutsche Städte Medien GmbH, Cologne

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Andreas Huster

Chairman of the works council at Avedo Gera  
GmbH, Gera

(since 30 August 2018)

STRÖER Dialog Verwaltung Hamburg  
GmbH, Hamburg

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Nadine Reichel

Commercial Manager Controlling and Accounting  
at Infoscreen GmbH, Cologne

(since 30 August 2018)

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Petra Sontheimer

Management consultant and business coach at  
cidpartners GmbH, Bonn

(since 9 August 2018)

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Vicente Vento Bosch

Managing director and CEO of Deutsche Telekom  
Capital Partners Management GmbH, Hamburg

Ströer Management SE, Düsseldorf

Cellwize Wireless Technologies Pte. Ltd.,  
Singapore  
Cloudreach Europe Ltd, London, UK  
Deutsche Telekom Strategic Investments  
GmbH, Bonn  
Deutsche Telekom Venture Funds GmbH, Bonn  
eValue 2nd Fund GmbH, Berlin  
Telekom Innovation Pool GmbH, Bonn  
Swiss Towers AG, Zug, Switzerland  
Keeper Data Tech. S.L., Madrid, Spain

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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 2018 and 2017:

	2018	2017
<b>Board of management</b>	<b>EUR k</b>	<b>EUR k</b>
Short-term benefits	3,686	3,723
Other long-term benefits	2,010	1,895
	<b>5,696</b>	<b>5,618</b>

	2018	2017
<b>Supervisory board</b>	<b>EUR k</b>	<b>EUR k</b>
Short-term benefits	281	264
	<b>281</b>	<b>264</b>

Short-term benefits comprise in particular salaries, remuneration in kind and performance-linked remuneration components which are only paid out in the fiscal year following the relevant reporting period. 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 29% and a dividend yield of 2.5% as of 31 December 2018. The interest rates used for the model are -0.30%.

For the share-based payment attributable to 2018, we currently assume that the share price at the end of the vesting period will be 100% of the reference price. The 4,588 phantom stock options granted in 2018 each have a fair value of EUR 40.32.

EUR 2,001k of all long-term benefits (LTI) are due for payment in 2019.

#### **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 698,920 options (199,460 options in 2018).

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 11.23. The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.14.

As of 31 December 2018, a total of EUR 6,872k (prior year: EUR 7,681k) was recognized as provisions for all potential future short and long-term bonus entitlements of the board of management, EUR 1,431k (prior year: EUR 1,948k) of which is attributable to current entitlements from share-based payments.

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

## 6. Employees

An average of 339 staff were employed in fiscal year 2018 (prior year: 313).

## 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 2018 %	Equity interest 31 Dec 2018 EUR k	Profit or loss 2018 EUR k
<b>Direct Investments</b>			
BlowUP Media GmbH, Köln	100,0	1.105	*1.229
eValue 2nd Fund GmbH, Berlin (i.L.)	33,3	3.216	-105
Ströer Content Group GmbH, Köln	100,0	25	*-3.137
Ströer Digital Commerce GmbH, Köln	100,0	25	*3447
Ströer Digital International GmbH, Köln	100,0	10.343	*30
Ströer Digital Publishing GmbH, Köln	100,0	111.982	*41.260
Ströer Media Deutschland GmbH, Köln	100,0	121.245	*732.510
Ströer Polska Sp. z.o.o., Warschau, Polen	100,0	17.716	-4.541
Ströer Sales Group GmbH, Köln	100,0	25	*4.725
Ströer Venture GmbH, Köln	100,0	25	1.209
<b>Indirect Investments</b>			
4EVER YOUNG GmbH, Unterföhring	75,0	735	710
Adscale Laboratories Ltd., Christchurch, Neuseeland	100,0	500	119
ahuhu GmbH, Unterföhring	70,0	217	192
Ambient-TV Sales & Services GmbH, Hamburg	70,0	203	97
andré media Nord GmbH, München	100,0	76	472
ARGE Außenwerbung Schönefeld GbR, Berlin	50,0	73	103
Asam Betriebs-GmbH, Beilngries (vormals: Asam GmbH & Co. Betriebs-KG, Beilngries)	100,0	8.510	0
Asam GmbH, Beilngries	51,0	81	1
ASAMBEAUTY GmbH, Unterföhring	100,0	450	0
Avedo Augsburg GmbH, Augsburg (vormals: D+S communication center Augsburg GmbH, Augsburg)	100,0	1.173	774
Avedo Bremerhaven GmbH, Bremerhaven (vormals: D+S communication center Bremerhaven GmbH, B)	100,0	406	846
AVEDO Essen GmbH, Essen (vormals: vocando GmbH, Essen)	100,0	982	24
Avedo Frankfurt Oder GmbH, Frankfurt/Oder (vormals: D+S communication center Frankfurt/Oder Gmt)	100,0	561	137
AVEDO Gelsenkirchen GmbH, Gelsenkirchen (vormals: vocando Gelsenkirchen GmbH, Gelsenkirchen)	100,0	-379	-1.371
Avedo Gera GmbH, Gera (vormals: D+S communication center Gera GmbH, Gera)	100,0	25	1.533
Avedo Hamburg GmbH, Hamburg (vormals: D+S communication center Hamburg GmbH, Hamburg)	100,0	179	66
Avedo Hof GmbH, Hof (vormals: D+S communication center Hof GmbH, Hof)	100,0	1.255	403
Avedo II GmbH, Pforzheim (vormals: DV-COM GmbH, Pforzheim)	100,0	622	-610
Avedo Itzehoe GmbH, Itzehoe (vormals: D+S communication center Itzehoe GmbH, Itzehoe)	100,0	428	-47
Avedo Jena GmbH, Jena (vormals: D+S communication center Jena GmbH, Jena)	100,0	-1.736	-632
Avedo Köln GmbH, Köln	100,0	515	55
Avedo Leipzig GmbH, Leipzig	100,0	965	13
AVEDO Leipzig West GmbH, Leipzig (vormals: Avedo Leipzig II GmbH, Leipzig)	100,0	25	-60
Avedo München GmbH, München	100,0	55	-296
Avedo Münster GmbH, Münster (vormals: D+S communication center Münster GmbH, Münster)	100,0	389	-200
Avedo Neubrandenburg GmbH, Neubrandenburg (vormals: D+S communication center Neubrandenburg)	100,0	-588	-48
Avedo Rostock GmbH, Rostock	100,0	2.989	*1.194
Avedo Rügen GmbH, Rügen (vormals: D+S communication center Rügen GmbH, Rügen)	100,0	101	156
B.A.B. MaxiPoster Werbetürme GmbH, Hamburg	100,0	2.922	*465
BHI Beauty & Health Investment Group Management GmbH, Unterföhring	51,0	36.841	*13.429
BIG Poster GmbH, Stuttgart	100,0	81	5
blowUP Media Belgium BVBA, Antwerpen, Belgien	80,0	582	16
blowUP Media Benelux B.V., Amsterdam, Niederlande	100,0	3.179	863
blowUP Media Espana S.A., Madrid, Spanien	100,0	-1.500	-428
blowUP Media U.K. Ltd., London, Großbritannien	100,0	6.078	2.126
Boojum Kft., Budapest, Ungarn	60,0	248	239
Business Advertising GmbH, Düsseldorf	65,7	1.765	1.025
Business Power GmbH, Düsseldorf	100,0	22	-106
C2E Est S.A.S.U., Metz, Frankreich	100,0	174	2
C2E Ile de France S.A.S.U., Metz, Frankreich	100,0	7	-2
C2E Nord S.A.S.U., Metz, Frankreich	100,0	87	-49
C2E Ouest S.A.S.U., Metz, Frankreich	100,0	189	-32
C2E Pas-de-Calais S.A.S.U., Metz, Frankreich	100,0	68	-31
C2E Sud-Ouest S.A.S.U., Metz, Frankreich	100,0	-66	-15
Conexus AS, Drammen, Norwegen	54,8	5.309	94
Conexus Norge AS, Drammen, Norwegen	100,0	1.140	67
Conexus Vietnam Company Limited, Ho Chi Minh, Vietnam	100,0	-11	-28
Content Fleet GmbH, Hamburg	100,0	-3.173	-276
Courtier en Economie d'Énergie S.A.S.U., Metz, Frankreich	100,0	1.203	628
D+S 360° Webservice GmbH, Hamburg	100,0	-37	-1

Delta Concept S.a.r.l., Sassenage, Frankreich	55,0	-202	-123
DERG Vertriebs GmbH, Köln	100,0	50	*862
DSA Schuldisplay GmbH, Hamburg	51,0	104	52
DSMDecaux GmbH, München	50,0	12.447	10.888
DSM Deutsche Städte Medien GmbH, Frankfurt am Main	100,0	607.512	*32.882
DSM Krefeld Außenwerbung GmbH, Krefeld	51,0	1.671	202
DSM Rechtsgesellschaft mbH, Köln	100,0	25	*91.545
DSM Werbeträger GmbH & Co. KG, Köln	100,0	30.826	405
DSM Zeit und Werbung GmbH, Köln	100,0	1.453	*1.447
AVEDO PALMA S.A, Palma de Mallorca, Spanien	100,0	512	214
ECE flatmedia GmbH, Hamburg	75,1	3.565	*3.292
Erdbeerlounge GmbH, Köln	100,0	-105	448
FA Business Solutions GmbH, Würzburg	50,0	31	389
Fahrgastfernsehen Hamburg GmbH, Hamburg	100,0	740	144
Foodist GmbH, Hamburg	100,0	-3.708	-2.194
grapevine marketing GmbH, München	50,2	393	347
Hamburger Verkehrsmittel-Werbung GmbH, Hamburg	75,1	1.427	1.222
iBillBoard Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Türkei	96,0	-26	-15
iBillBoard Poland Sp. z.o.o., Warschau, Polen	100,0	75	-45
Indoor Media Deutschland GmbH, Hamburg	100,0	51	13
INFOSCREEN GmbH, Köln	100,0	8.227	*51.567
InnoBeauty GmbH, Unterföhring	100,0	200	*192
Instytut Badań Outdooru IBO Sp. z.o.o., Warschau, Polen	50,0	19	-60
Interactive Media CCSP GmbH, Köln	94,2	100.334	*-1.878
Internet BillBoard a.s., Ostrau, Tschechien	100,0	2.304	48
INTREN Informatikai Tanácsadó és Szolgáltató Kft., Budapest, Ungarn	50,9	1.111	632
kajomi GmbH, Planegg	51,0	25	*379
Klassenfreunde.ch GmbH, Alpnach, Schweiz	100,0	1.090	114
Klassträffen Sweden AB, Stockholm, Schweden	100,0	709	101
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen, Hamburg	100,0	368	293
Linkz Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Türkei	100,0	-253	-83
Lunenburg und Partner Media-Service GmbH, Berlin	100,0	235	123
MBR Targeting GmbH, Berlin	100,0	-6.438	-1.733
M.Asam GmbH, Unterföhring	100,0	5.764	5.739
Media-Direktservice GmbH, Köln	25,1	-3.079	-576
MediaSelect Media-Agentur GmbH, Baden-Baden	75,1	133	43
mediateam Werbeagentur GmbH / Ströer Media Deutschland GmbH - GbR, Köln	50,0	94	94
Mercury Beteiligungs GmbH, Leipzig	75,0	643	5.572
MT Mobile Ticketing j.d.o.o., Zagreb, Kroatien	100,0	97	57
mYouTime AS, Drammen, Norwegen	64,3	-181	2
Nachsendeauftrag DE Online GmbH, Köln	60,0	-105	-59
Neo Advertising GmbH, Hamburg	79,9	645	619
Omnea GmbH, Berlin	80,0	-4.634	-534
optimise-it GmbH, Hamburg	100,0	514	172
OSD Holding Pte. Ltd., Singapur, Singapur	36,5	**756	**11
Outsite Media GmbH, Mönchengladbach	51,0	497	455
P.O.S. MEDIA GmbH Gesellschaft für Außenwerbung und Plakatservice, Baden-Baden	100,0	117	91
Permodo GmbH, München	76,0	1.833	*15.179
Plakativ Media GmbH, München	100,0	100	196
PosterSelect Media-Agentur für Außenwerbung GmbH, Baden-Baden	75,1	1.689	861
STRÖER SALES France S.A.S.U., Bagnaux/Frankreich	100,0	10.528	361
Ranger Marketing & Vertriebs GmbH, Düsseldorf	100,0	24.781	12.921
Ranger Marketing France S.A.S.U., Bagnaux, Frankreich	100,0	7.492	2.654
RegioHelden GmbH, Stuttgart	100,0	-21.833	-5.599
Retail Media GmbH, Köln	100,0	25	*553
RZV Digital Medya ve Reklam Hizmetleri A.S., Istanbul, Türkei	100,0	-9.820	-2.883
Sales Holding GmbH, Düsseldorf	100,0	26.607	9.304
Seeding Alliance GmbH, Köln	70,0	876	425
SEM Internet Reklam Hizmetleri ve Danismanlik A.S., Istanbul, Türkei	100,0	1.599	601
Service Planet GmbH, Düsseldorf	100,0	985	-63
SF Beteiligungs GmbH, Köln	87,7	1.846	-177
SIGN YOU mediascreen GmbH, Oberhausen	100,0	293	73
Smartplace GmbH, Düsseldorf	100,0	23	-2
SMD Rechtsgesellschaft mbH, Köln	100,0	25	*51.665
SMD Werbeträger GmbH & Co. KG, Köln	100,0	18.425	177
SRG Rechtsgesellschaft mbH, Köln	100,0	25	*47.857

SRG Werbeträger GmbH & Co. KG, Köln	100,0	14.331	135
Statista GmbH, Hamburg	81,3	4.036	1.144
Statista Inc., New York, USA	100,0	-534	24
Statista Ltd., London, Großbritannien	100,0	-984	-354
Statista S.a.r.l., Paris, Frankreich	100,0	-110	-111
StayFriends GmbH, Erlangen	100,0	4.550	3.526
Ströer DERG Media GmbH, Kassel	100,0	5.492	*16.631
Ströer Deutsche Städte Medien GmbH, Köln	100,0	500	*11.959
Ströer Dialog Group GmbH, Leipzig (vormals: Avedo GmbH, Leipzig)	100,0	2.580	6.022
STRÖER Dialog Solutions GmbH, Hamburg (vormals: D+S 360° media world GmbH, Hamburg)	100,0	586	101
STRÖER Dialog Verwaltung Hamburg GmbH, Hamburg (vormals: D+S communication center manager)	100,0	779	-620
Ströer Digital Group GmbH, Köln	100,0	93.692	*-4.353
Ströer Digital Media GmbH, Hamburg	100,0	12.692	*-4.739
Ströer Digital Operations Sp. z.o.o., Warschau, Polen	100,0	796	-519
Ströer Digital Services Sp. z.o.o., Warschau, Polen	100,0	-326	28
Ströer Kulturmedien GmbH, Köln	100,0	180	*195
Ströer media brands GmbH, Berlin (vormals: Ströer media brands AG, Berlin)	100,0	1.228	*3.398
Ströer Media Sp. z.o.K., Warschau, Polen	100,0	4.536	276
Ströer Media Sp. z.o.o., Warschau, Polen	100,0	1	-4
Ströer Mobile Performance GmbH, Köln	100,0	-696	-513
Ströer Netherlands B.V., Amsterdam, Niederlande	100,0	-10	-8
Ströer Netherlands C.V., Amsterdam, Niederlande	100,0	2.171	573
Ströer News Publishing GmbH, Köln (vormals: Kinolo GmbH, München)	100,0	305	*891
Ströer Next Publishing GmbH, Köln	100,0	25	0
Ströer Performance Group GmbH, Köln	100,0	25	-2
Ströer Products GmbH, Berlin	75,0	1.120	-1.929
Ströer Sales & Services GmbH, Köln	100,0	272	*10.297
Ströer Social Publishing GmbH, Berlin (vormals: FaceAdNet GmbH, Berlin)	72,0	25	*1.656
Ströer SSP GmbH, München	100,0	7.371	-613
Ströer Werbeträgerverwaltungs GmbH, Köln	100,0	25	*4
stylefruits GmbH, München	100,0	-1.313	102
SuperM&N UG, Köln	51,0	70	67
T&E Net Services GmbH, Berlin	60,0	1.152	*2.776
Trierer Gesellschaft für Stadtmöblierung mbH, Trier	50,0	1.430	162
Trombi Acquisition SARL, Paris, Frankreich	100,0	-1.265	125
TUBE ONE Networks GmbH, Köln	75,0	1.100	300
Tubevertise GmbH, Köln (vormals: Tubevertise UG (haftungsbeschränkt), Düsseldorf)	100,0	43	-250
UAM Digital GmbH, Hamburg	100,0	-7	-2
UAM Experience GmbH, Hamburg	100,0	56	79
UAM Media Group GmbH, Hamburg	87,0	2.897	-549
Vendi S.A.S.U., Paris, Frankreich	100,0	107	97
X-City Marketing Hannover GmbH, Hannover	50,0	8.373	1.398
Yieldlove GmbH, Hamburg	51,0	25	6.392
*Ergebnis vor Ergebnisabführung			
**Vorjahreszahlen			

## 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 2018.

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

As of the date of preparation of these notes to the financial statements on 13 March 2019, Dirk Ströer held 21.46%, Udo Müller 21.55% and Christian Schmalzl 0.05% of the Company's shares. Moreover, according to the notifications made to the Company at that date, the following parties reported to us that they hold more than 3% of the voting rights in the Company: Deutsche Telekom AG (11.42%), Allianz Global Investors Europe (6.05%) and Credit Suisse (3.47%).

## 11. Proposal for the appropriation of profit

The general partner proposes, subject to the approval of and discussion with the supervisory board, that the accumulated profit of EUR 653,459,790.74 disclosed in the annual financial statements as of 31 December 2018 be appropriated as follows:

- Distribution of a dividend of EUR 1.30 per qualifying share, which makes EUR 73,023,432.30 in total (with 56,171,871 shares of no par value)
- Allocation of EUR 326,729,895.37 to retained earnings
- Carryforward of the remainder of EUR 253,706,463.07 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 13 December 2018. The declaration was made permanently available to shareholders on the Company's website ([www.stroeer.com/investor-relations](http://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, 13 March 2019

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 objective of Ströer SE & Co. KGaA (Ströer or the Ströer Group) is to be “customer centric” – reflected by the unwavering focus of its entire offering on the requirements and needs of its advertising customers. In this context, Ströer covers the entire customer spectrum, from large national advertisers through to small local advertisers.

The results for 2018 demonstrate once more that Ströer is successfully applying

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

Ströer 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 right offerings for all customer segments and reliably making these ready for operation. Having the broadest range of local offerings, Ströer can efficiently target the specific customer groups of its advertising customers during all phases of their purchase decision-making process and in the after-sales process almost everywhere in Germany using various communication channels.

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

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

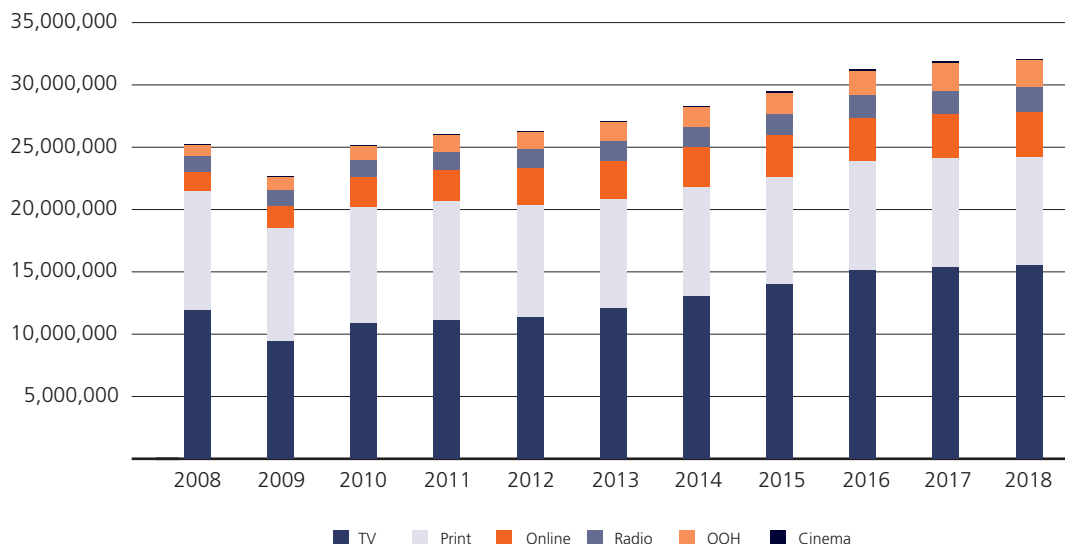
### Context

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 media (OOH) have continually risen over the last ten years in particular, now reaching just under 7%. This is a doubling of the market share in a market that is no longer growing structurally.

The print segment comprising general interest magazines and newspapers has lost considerable market share in recent years. The daily length of use, particularly by the younger age segments which are especially important for the advertising business, has declined continually and the offerings have also decreased accordingly. The readership is shifting its focus to online and mobile media.

### Development of the advertising market 2008 to 2018



The radio advertising market remains stable. Its user reach is also relatively stable, however the amount of use, particularly by younger target groups, is continually declining in favor of streaming portals such as Spotify, Apple Music, Amazon Music, etc.

In an international comparison, the advertising market share of TV is still relatively high in Germany. There are no signs of any significant erosion to date, even if user behavior increasingly tells a different tale. As with radio, instead of linear TV consumption, more and more users are tending to use streaming services such as Amazon Prime or Netflix. It is likely that the very high level of average TV consumption of more than 220 minutes reported by TV researchers across all target groups will in future primarily be achieved by more traditional target groups rather than young, mobile target groups.

The only structurally growing advertising segments in the German advertising market are out-of-home and online advertising – the segments in which Ströer has consistently built up a strong market position.

The dimensions of the online segment can only be approximated as google, facebook and amazon do not report their German advertising market revenues for advertising statistics purposes and they therefore have to be estimated. Ströer divides this market into segments which are primarily dominated by google and facebook and 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 balanced combination of own websites and portals, such as t-online.de or watson, and the exclusive long-term marketing of premium content for a number of other partners, such as the portfolio of websites of Bauer, OMS, Kicker or Motor Presse, 350 of the top 700 German-language websites in total, the Ströer Group also considers itself to be in a strategically good base position to capitalize on any further market consolidation thanks to its high-performance technology and marketing skills.

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, who both control prices and gain detailed knowledge of product-impact mechanisms and are able to use them for their own purposes (e.g., Amazon Basics products). Providers that wish to market their product on platforms other than these have to find new scalable ways to do so. Ströer offers direct communication and sales paths between providers and consumers in all phases of the purchase process, from initial contact and direct transactions through to after-sales service.

For Ströer, it is thus vitally important to focus on optimal and efficient solutions for national, regional as well as local advertising customers rather than attempting to establish an internationally scalable platform business.

### Business model

Ströer 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.

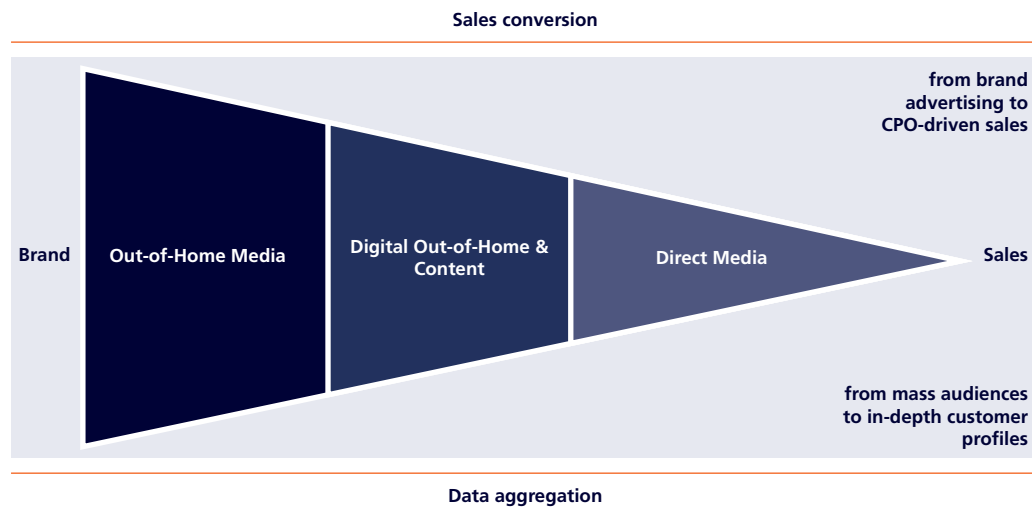
It focuses on customers from the segment of large national advertisers and their agencies, for which the Ströer Group can provide the relevant reach and range of advertising possibilities, as well as the segment of small to medium-sized regional, local and even hyper-local advertisers through to individual local retailers. The Ströer Group can provide these with the product and also service infrastructure to allow to configure and efficiently provide the best local customized solution. Ströer is the only advertising company in Germany with the requisite sales infrastructure with branches in more than 100 localities and over 13,000 employees in its organization.

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, research and development, finance, procurement, design, legal affairs, communications and human resources, as well as the many synergies arising from cooperation between the individual segments and entities.

### Complementing integrated brand-performance sales funnel



### Segments and organizational structure

The Ströer Group's reporting segments comprise the Out-of-Home Media, Digital OOH & Content and Direct Media segments. In order to reflect the convergence of our segments in the context of our OOH+ strategy, the Content Media segment was renamed Digital OOH & Content.

The 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 ← Ströer Group's central strategic focus and enables a targeted transfer of expertise between the different segments.

The Ströer 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.

In terms of sales, the three segments are monetized through a national sales organization, a regional/local sales organization and through their own special sales organizations. The sales organizations are connected via a central system (Salesforce). Salesforce was successfully launched in 2018, replacing the previous in-house sales system.

The national sales organization primarily serves customers that mostly advertise through national campaigns and use media and creative agency network support.

→ For further information on strategy and management see page 18.



In addition, the national sales organization has direct access to all major advertisers and their agencies, providing integrated support in the areas of out-of-home media and digital OOH and content. It develops tailored solutions for a specific campaign purpose and can access the entire inventory of the Out-of-Home Media and Digital OOH & Content segments. The national sales organization directly serves the 1,000 largest German advertisers via locations and own consultants in Cologne, Düsseldorf, Berlin, Hamburg, Munich and Frankfurt/Main.

The regional sales organization mostly serves customers with an annual advertising volume of less than EUR 500,000 and a strong regional or local advertising objective, which is more than 78,000 customers in total from a population of over 2.5 million SMEs. The regional sales organization is in a position to offer local wrap-around support by its own specialists to all customers in every major German city and strategically and above all sustainably develop and implement the optimal strategy for each customer. Customers are thus also successively developed and remain committed to Ströer during this development.

Furthermore, Ströer also provides the local infrastructure partners, municipalities, companies and private lessees of areas for advertising installations with direct contact partners and can respond swiftly to specific requirements.

In terms of sales, dialog media is supported both by national and regional sales but also has its own specialists for dialog business at each central location meaning it can initiate new orders.

### Out-of-Home Media

The out-of-home advertising business has an attractive portfolio of contracts with private and public-sector owners of land and buildings, which furnish Ströer with advertising concessions for high-reach sites. Of particular importance are the contracts with municipalities, for which Ströer, as a system provider, develops smart and tailored infrastructure solutions that enhance cityscapes or pave the way for additional services. The contracts 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 OOH & Content segment due to the similarity of its business and the technology used.

The portfolio currently comprises almost 300,000 marketable advertising spaces in Europe, mainly in Germany. 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.

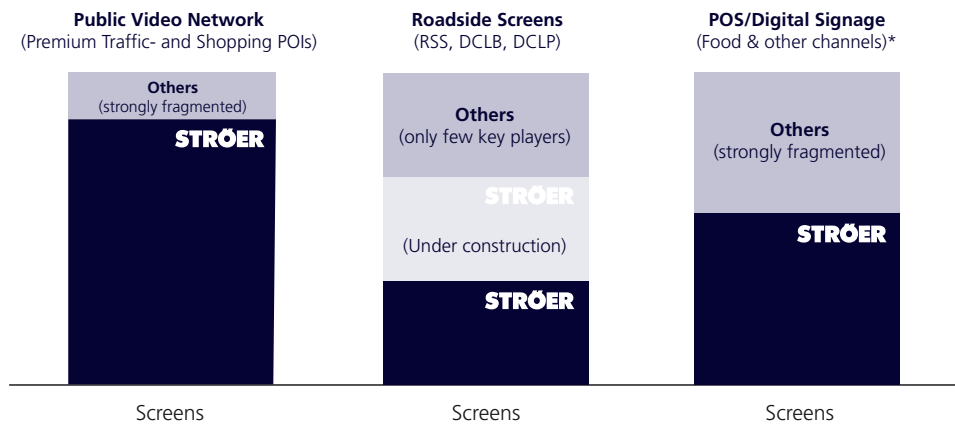
Municipal and private advertising concessions were expanded in 2018. With regard to the old and new advertising concession contracts, focus was placed in particular on the digitalization of existing and new advertising locations.

The increasing digitalization of all formats of advertising is a notable trend. Digitalized advertising installations offer a range of advantages and are therefore of strategic importance for the concession providers and for Ströer.

The digital and therefore flexible use of advertising spaces makes it possible to market them across all sales channels and also, given the fully digitalized logistics, offer very flexible and granular solutions, from bundles and networks to individual spaces, from campaigns spanning a longer period to specific timed campaigns. At the same time, any yields can be marketed at very short notice thanks to direct links from the customer's systems (demand-side systems, DSP) to Ströer's systems (supply-side platform, SSP). The technical basis required for this was successfully implemented at all sales levels in 2018. This gives digital OOH enormous flexibility and speed paired with the ability to very rapidly reach many target audiences at central locations and quickly anchor advertising campaigns in their minds.

Ströer is by far the largest provider of digital OOH advertising in Germany thanks to its multitude of different products such as roadside screens, Mega Vision, Public Video, Digital CLP, Edgar Art Net, POS Media or on-board TV.

### Digital OOH Portfolio Strategy



Source: In-house, DMI – Digital Out of Home locations Screens 2018-02-15.1.pdf; \*excluding rights of promotion

Key partners in the OOH business are cities and municipalities in Germany. Ströer receives advertising concessions from these partners and maintains the infrastructure in close consultation with them. With the aim of driving the smart digitalization of cities forward, Ströer is involved in the BCSD [German Federal Association for City and Town Marketing] and is the only advertising company to be a member of the Morgenstadt initiative of the Fraunhofer Institute for Industrial Engineering. The objective is to use Ströer's infrastructure and possibilities to simplify the management of cities and provide smart services to help citizens going about their daily lives. To this end, additional elements can be added to the infrastructure established by Ströer, such as environmental sensor systems or parking guidance systems. The digital installations are now also used by Civil Protection and the police as digital city information systems. This means that, besides

content and advertising, the installations are also used for municipal services and information. The programs can be interrupted and used for warnings and ad hoc reports in connection with safety issues in specific areas of a city. This brings considerable added value for municipalities and citizens. Ströer's systems can thus be directly linked to all common systems (Katwarn app (Fraunhofer), Nina app (German Federal Office of Civil Protection and Disaster Assistance, based on its MoWaS modular warning system) and the BiWAPP citizen's information and warning app) as well as most local systems and police and fire service situation centers.

Ströer's city information systems won a European innovation award at the distinguished Nordic Edge Expo 2018 in Stavanger, Norway.

Ströer engages in intensive dialog with many German municipalities on the future and the development of German cities, with background presentations, publication series and a continuously updated internet presence, along with trade fair participations and charitable projects that are being driven forward, often in close cooperation with universities and Fraunhofer.

Ströer has its own research and development department with offices in Cologne and Shanghai. It maintains and enhances product lines and develops innovations. In 2018, for example, considerable progress was made in the use of advertising media with solar cells which can cover at least a portion of their power requirement.

In addition, a number of investees are allocated to the OOH business which round off Ströer's customer-centric offering, for example United Ambient Media Group GmbH (UAM) or blowUP media.

- Ströer acquired a majority holding in UAM in 2017. In 2018, UAM's products were integrated in the national and regional sales organizations. Revenue was grown sustainably thanks to the additional sales performance and enriches Ströer's product portfolio in all facets of ambient media. Noteworthy product innovations include the UAM local cinema network, ambient TV through Edgar Art Screens (more than 1,000 installations planned by the end of 2019) in restaurants and the offerings of Andre Media Nord (advertising in supermarkets).
- blowUP media is a strong western European provider of giant posters with formats of up to more than 1,000m<sup>2</sup> 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. Around 50% of giant poster business is generated in Germany.

## Digital OOH & Content<sup>1</sup>

As a multichannel media company, Ströer offers scalable products from branding and storytelling through to performance, native advertising<sup>2</sup> and social media.

### Display and mobile advertising

With a reach of more than 50.35 million unique users per month, Ströer Digital Media GmbH (Ströer Digital Media) was ranked the number one 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.<sup>3</sup>

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, for example, t-online.de and leading special interest portals such as Giga.de or Kino.de. In terms of direct customers, Ströer has bundled its advertising capacity over the past years and now has exclusive marketing rights for more than 1,000 websites.

Ströer is able to intelligently link Rich Media<sup>4</sup> and Native Advertising with traditional display advertising formats and new moving-picture products while developing innovative advertising formats for automatic trading. In the area of social ads, Ströer provides its customers with a unique marketing portfolio of renowned media brands and apps as well as thematic verticals.

<sup>1</sup> Formerly Content Media

<sup>2</sup> Native Advertising is a method wherein various forms of advertising can be placed in an editorial environment.

<sup>3</sup> Source: Extrapolation of marketer rankings following the merger of the offerings of Ströer Digital, InteractiveMedia and OMS based on the AGOF ranking digital facts 09-2016.

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

All advertising formats and products adhere to the Better Ads Standards promoted by the Coalition for Better Ads and therefore meet the latest standards of quality.

Programmatic marketing options were expanded considerably through the provision of interfaces from popular booking platforms to Ströer public video inventory, as well as through the roll-out of an integrated header bidding setup with the Ströer Yieldlove acquisition and Ströer's own supply-side platform (Ströer SSP). Moreover, the new IAB Standard Flexible Ads was implemented and targeting options significantly expanded. This allows Ströer to make much more inventory available programmatically and therefore market it at extremely short notice at an optimal price.

In this connection, major new clients were won (such as ariva.de, Computec/Gamesworld, Computec/Golem, DER-Touristik) or engagements extended, such as for Bauer Media Group and Motor Presse.

### Owned content

Within one year, t-online.de managed to become a leading political medium and is being consistently grown as one of the leading journalistic media brands in Germany. Angela Merkel, Annegret Kramp-Karrenbauer, Christian Lindner and Anton Hofreiter gave t-online.de exclusive interviews. This had a positive impact on its reach which grew by approx. 7% based on visits. t-online.de was quoted more than 500 times in other media in 2018. The "Tagesanbruch" news summary, which has been running for 16 months, is the first real multi-channel-platform product (internet, app, newsletter, voice/Alexa, public video, podcast) with up to 120,000 users daily, including many prominent politicians and business leaders. The investigative research on Russian propaganda being disseminated in Berlin made international headlines in November 2018. The t-online.de editors put together a diverse program from the central newsroom in Berlin. Besides news from politics and sport, celebrities such as Moritz Bleibtreu, Howard Carpendale or Otto Waalkes are interviewed in the t-online.de newsroom. The t-online.de columnist program garners national recognition. In August, the t-online.de app was relaunched and a dedicated specialized marketing team has been enhancing affiliate and online advice marketing since October.

At the start of 2018, the watson media brand was launched in Germany as a portal for generation Y/Z with a broad-based advertising campaign across all of the Ströer Group's media. watson attracted attention as early as August 2018 with its live reporting from the demonstrations in Chemnitz. Watson thrives on a high level of authenticity and editorial independence.

Directly following watson's launch, the third portal, desired.de, was relaunched. desired is aimed primarily at younger women interested in lifestyle and fashion. It is operated by Ströer Media Brands (SMB), which had renowned figures join its management team in 2018. In July, the purchase of the familie.de portal strengthened its competencies further. At SMB, facebook portals are run on a wide range of topics and provide news and entertainment to more than 70 million own facebook fans and followers in Germany.

TUBE ONE Networks is a social media agency specializing in influencer marketing for the Ströer Group. It develops and implements concepts for and with social media influencers and leading brand companies. Another of TUBE ONE's key focuses is on curating new trends and developing the next generation of social influencers. To this end, the Tubevertise influencer marketing platform was launched in September, which facilitates data-driven and automated planning and execution of influencer marketing campaigns with even more precise targeting of audiences. The Contour & Confidence book written together with the influencer Mrs. Bella in August was a number one bestseller on Amazon for a long time.

Statista GmbH continued on its perennial growth course. The growth stems in particular from the dynamic development of international activities with the opening of new sales offices in Paris and Singapore. In addition, further progress was made with the development of proprietary content and the core Statista brand. In 2018 the Statista Consumer Survey was rolled out around the world, in addition to the Statista European Football Benchmark, the prestigious Mobility Outlook and other special luxury goods reports. We won another two renowned partners for projects, namely LePoint and The Times.

The majority holding in Bodychange was sold in line with the aim of focusing on core business.

### Direct Media

The Avedo group and Ranger GmbH were acquired by Ströer back in 2017.

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 12 sectors, in particular in the telecommunications, energy, IT, tourism, multimedia and e-commerce sectors.

The acquisition of the Ranger group that operates in performance-based direct sales creates an additional channel alongside the Avedo group's performance marketing business. The Ranger 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.

These acquisitions were supplemented by further purchases in 2018: DV-COM and STRÖER Dialog Verwaltung Hamburg GmbH (D+S communication center management GmbH) (D+S 360). This saw the resultant Ströer Dialog Group, which is part of the Direct Media segment in the annual report, rising to become one of the top three providers of call center capacities in Germany and one of the leading players in Europe. Ranger's strong positioning in the French market, thanks to the customer Envie, was reinforced by the purchase of C2E in June 2018.

In order to not only offer the most reasonably priced but also the most technologically advanced product, Ströer made a significant technology investment by acquiring the Hamburg-based optimise-it GmbH (optimise-it) in July 2018. optimise-it specializes in online chat and messaging services and uses, among others, its own technology to automate certain elements of those services using artificial intelligence. This is technology that does not yet replace human intelligence in operations but rather knows how to support the latter and improves the level of service as a result.

In December 2018, the Vodafone online branch went into operation, a product that Ströer developed and implemented jointly with Vodafone and that intelligently links various chat services and technologies.

## Strategy and management

Ströer focuses on the following strategic topics:

Its 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

- an inventory that has a highly diversified portfolio of rights
- demands on local operational excellence that are particularly high
- 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. Ströer's traditional core segment, out-of-home media, in particular is seeing sustainable growth on the back of the development of digital business in connection with German content (Digital OOH & Content) and additional services in the Direct Media segment. As a result, Ströer offers its customers a unique variety of products at national, regional and local level. The business is thus set up for long-term structural growth.

The high level of quality required in local execution 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 and at the same time international economies of scale such as in product design and procurement do not play a major role.

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

- "Proprietary detailed knowledge in breadth and depth" meaning the deep knowledge of the very different local conditions, e.g., each advertising location or every individual website or call center.
- "Individual quality in management and execution" meaning the will to ensure maximum precision, also in the regional and local environment, and not work with too unspecific standard solutions. Consequently Ströer sells over 200 different product variations in the area of OOH media alone.
- "Proprietary 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 depth in the market, in particular also in the segment of small to medium-sized businesses which other providers cannot comprehensively serve.

Thus, the portfolio can be tailored, both in the real world (Out-of-Home Media advertising faces) as well as in the digital world (Digital OOH & Content) or in direct customer contact (Direct Media), 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. Temporarily non-monetized advertising spaces or existing marketing infrastructures increase the value of strategically targeted and profitable investments and additional business acquired in prior years.

In organizational terms, this means considerable elasticity and an extensive spectrum which is centrally supported by the new CRM and ERP systems introduced

- 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 advise on-site on all aspects of its single-source offering, and whose solutions can be scaled from an organizational rather than technical perspective.

On this basis, Ströer is optimally set up for long-term success on the German advertising market.

### 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.

### 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 management systems but are not covered by IFRSs. The main key indicators are organic revenue growth and operational EBITDA. The other indicators include adjusted consolidated profit, ROCE (return on capital employed), the leverage ratio and free cash flow (before M&A transactions).

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.

Operational EBITDA (consolidated earnings before interest, taxes and depreciation and amortization, impairment losses and adjusted for exceptional items) 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, 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 used as an indicator for determining our dividend payment. We plan to pay out a percentage – within a specified range – of our adjusted consolidated profit in dividends, to the extent permitted under German commercial law.

← For further information on the determination of organic revenue growth, see page 20.

← For further information on the calculation of operational EBITDA and adjusted consolidated profit, see page 21.

→ For further information on the calculation of free cash flow (before M&A transactions), see page 33.

→ For the section on employees, see page 47.

Free cash flow  $\leftarrow$  (before M&A transactions) is a key performance 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.

Our aim is also to sustainably increase our return on capital employed (ROCE). To achieve this, we enhance our management and financial control systems on an ongoing basis. ROCE is calculated as adjusted EBIT divided by capital employed. Adjusted EBIT is defined as follows: consolidated earnings before interest and taxes, write-downs arising from purchase price allocations, impairment losses and adjusted for exceptional items. 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 these values at the start of the year and the respective year-end. ROCE provides us with a tool that enables value-based management of the Group and its segments. Positive value added and thus an increase in the Company's value are achieved when ROCE exceeds the cost of capital of the respective cash-generating units (CGUs).

→ For further information on net debt, see page 35.

Net debt  $\leftarrow$  and the leverage ratio are also performance indicators for the Group. Our debt financing costs within the scope of the facility agreement and the note loans 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.

In terms of non-financial indicators, we take into account key figures on the employment situation  $\leftarrow$ , such as headcount at group level on a certain day.

### Reconciliation: organic revenue growth

The following table presents the reconciliation to organic revenue growth. For 2018, it shows that with an increase in revenue (without foreign exchange effects) of EUR 112.2m and adjusted revenue of EUR 1,476.7m for the prior year, the organic growth rate comes to 7.6%.

In EUR k	2018	2017
<b>Revenue prior year (reported)</b>	<b>1,283,047</b>	<b>1,049,189</b>
IFRS 11 (equity method reconciliation)	0	11,891
<b>Revenue prior year (management approach)</b>	<b>1,283,047</b>	<b>1,061,080</b>
Disposals and discontinued units	-61,115	-1,373
Acquisitions	254,767	131,155
<b>Revenue prior year (management approach (adjusted))</b>	<b>1,476,699</b>	<b>1,190,861</b>
Foreign currency effects	-6,441	-3,652
Organic revenue growth	112,200	109,859
<b>Revenue current year (management approach)</b>	<b>1,582,459</b>	<b>1,297,068</b>
IFRS 11 (equity method reconciliation)	0	-14,021
<b>Revenue current year (reported)</b>	<b>1,582,459</b>	<b>1,283,047</b>



## Reconciliation: operational EBITDA

The segment performance indicator operational EBITDA is adjusted for certain adjustment effects. The Group has defined gains and losses from changes in the investment portfolio (e.g., due diligence transaction costs, legal advice, notarial certifications, purchase price allocations), reorganization and restructuring measures (e.g., costs for integrating entities and operations, adjustments for exceptional items from material restructuring and from performance improvement programs), capital measures (e.g., material fees for amending and adjusting loan agreements including external consulting fees) and other effects (e.g., costs for potential legal disputes, currency effects) as adjustment effects.

Adjustment effects are broken down into individual classes in the table below:

In EUR k	2018	2017
Gains and losses from changes in the investment portfolio	898	-4,691
Gains and losses from capital measures	-5	25
Reorganization and restructuring expenses	15,564	18,747
Other adjustment effects	12,467	1,054
<b>Total</b>	<b>28,923</b>	<b>15,135</b>

Gains and losses from changes in the investment portfolio comprise income from the reversal of earn-out liabilities of EUR 6,715k (prior year: EUR 5,341k) and expenses from M&A activities of EUR 3,613k. The decline in income from changes in the investment portfolio is mainly due to income of EUR 12,046k disclosed in the prior year from the sale of ApDG Handels- und Dienstleistungsgesellschaft mbH (Vitalsana). The reorganization expenses in various areas as a result of the growth strategy remained roughly at the prior-year level.

The reconciliation from segment to group values contains information on group units that do not meet the definition of a segment ("reconciliation items"). They mainly relate to all costs for central functions such as the board of management, corporate communications, accounting, controlling, less their income from services rendered.

The following table shows the reconciliation of the segment performance indicator to the figures included in the consolidated financial statements:

In EUR k	2018	2017
<b>Total segment results (operational EBITDA)</b>	<b>559,063</b>	<b>350,118</b>
Reconciliation items	-15,697	-23,382
<b>Group operational EBITDA</b>	<b>543,366</b>	<b>326,737</b>
Adjustment effects (exceptional items)	-28,923	-15,135
Adjustment effects (IFRS 11)	-	-5,096
<b>EBITDA</b>	<b>514,442</b>	<b>306,506</b>
Depreciation (right-of-use assets under leases (IFRS 16))	-170,903	-
Amortization and depreciation (other non-current assets)	-165,565	-156,614
Impairment (including goodwill impairment)	-7,680	-6,157
Financial result	-34,126	-7,897
<b>Profit or loss before taxes</b>	<b>136,170</b>	<b>135,837</b>

## Reconciliation of the consolidated income statement to the management figures

In EUR m	Income statement in accordance with IFRSs 2018	Reclassification of amortization, depreciation and impairment losses	Reclassification of adjustment items	Income statement for management accounting purposes
<b>Revenue</b>	<b>1,582.5</b>			<b>1,582.5</b>
Cost of sales	-1,032.9	297.5	0.9	-734.5
Selling expenses	-224.7			
Administrative expenses	-186.0			
Total selling and administrative expenses	-410.7	46.6	27.8	-336.2
Other operating income	43.3			
Other operating expenses	-16.9			
Total other operating income and other operating expenses	26.3	0.0	0.1	26.5
Share in profit or loss of equity method investees	5.1			5.1
<b>Operational EBITDA</b>				<b>543.4</b>
Amortization, depreciation and impairment losses		-344.1		-344.1
<b>Adjusted EBIT</b>				<b>199.3</b>
Adjustment effects <sup>1</sup>			-28.9	-28.9
Financial result	-34.1			-34.1
Income taxes	-22.0			-22.0
<b>Consolidated profit or loss from continuing operations</b>	<b>114.2</b>	<b>0.0</b>	<b>0.0</b>	<b>114.2</b>

<sup>1</sup> For further information on adjustment effects we refer to the section "Reconciliation: operational EBITDA" on page 21.

	Amortization from purchase price allocations	Exchange rate effects from intragroup loans	Tax normalization	Elimination of exceptional items and impairment losses	Adjusted income statement 2018	Adjusted income statement 2017
					<b>1,582.5</b>	<b>1,297.1</b>
					-734.5	-695.7
					-336.2	-287.8
					26.5	13.2
					5.1	-0.1
					<b>543.4</b>	<b>326.7</b>
	61.1			7.7	-275.4	-99.2
	<b>61.1</b>			<b>7.7</b>	<b>268.0</b>	<b>227.5</b>
				28.9	0.0	0.0
		0.2		3.0	-30.9	-6.9
			-15.6		-37.5	-34.9
	<b>61.1</b>	<b>0.2</b>	<b>-15.6</b>	<b>39.6</b>	<b>199.6</b>	<b>185.7</b>

## Management and control

The board of management of the general partner Ströer Management SE, Düsseldorf, as of 31 December 2018 comprises three members: Udo Müller (Co-CEO), Christian Schmalzl (Co-CEO) and Dr. Bernd Metzner (CFO). The following overview shows the responsibilities of each member of the board of management in the Group:

Name	Member since	Appointed until	Responsibility
Udo Müller	July 2002	December 2020	Co-CEO Strategy
Dr. Bernd Metzner	June 2014	June 2019	Chief Financial Officer Group finance and tax Group HR Group IT Group legal Group M&A/corporate finance Group internal audit Group investor relations Group procurement Group risk management Group accounting Group controlling
Christian Schmalzl	November 2012	December 2020	Co-CEO Management and supervision of national and digital companies Group business development Group corporate communications

The members of the board of management collectively bear responsibility for management. As of the end of the second quarter of 2019, Dr. Bernd Metzner, Chief Financial Officer of Ströer SE & Co. KGaA, will leave the Company at his own request.

In addition to the board of management, there is an executive committee, as an extended governing body, to professionalize governance and to embed key topics within the Ströer Group. Regular in-person 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 8 August 2018: Christoph Vilanek as chairman, Dirk Ströer as his deputy, Anette Bronder, Julia Flemmerer, Ulrich Voigt and Vicente Vento Bosch. It also comprised six employee representatives: Sabine Hüttinger, Rachel Marquardt, Tobias Meuser,

Dr. Thomas Müller, Michael Noth, and Christian Sardiña Gellesch. Due to the operations acquired, headcount at the Ströer Group increased and is currently more than 10,000, but less than 20,000. Pursuant to Sec. 278 (3) and (97) et seq. AktG [“Aktengesetz”: German Stock Corporation Act] in conjunction with Sec. 7 (1) No. 2 MitbestG [“Mitbestimmungsgesetz”: German Co-Determination Act], the number of supervisory board members was increased from the previous 12 to a total of 16. At the shareholder meeting on 30 May 2018, eight shareholder representatives were elected. In addition to the six acting supervisory board members, Martin Diederichs and Petra Sontheimer were elected as shareholder representatives. The new supervisory board members took office with effect from 9 August 2018. Eight employee representatives were elected by court appointment to the supervisory board with effect as of 30 August 2018. In addition to the six acting supervisory board members, Andreas Huster and Nadine Reichel were elected as employee representatives.

Since then, the supervisory board has comprised the 16 members Christoph Vilanek as chairman of the supervisory board, Dirk Ströer as his deputy, Anette Bronder, Martin Diederichs, Julia Flemmerer, Andreas Huster, Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Petra Sontheimer, Dr. Thomas Müller, Michael Noth, Nadine Reichel, Christian Sardiña Gellesch, Ulrich Voigt and Vicente Vento Bosch. Anette Bronder stepped down as member of the supervisory board effective 31 December 2018.

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. 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 the website of Ströer ([www.stroeer.com/investor-relations](http://www.stroeer.com/investor-relations)).

For fiscal year 2018, Ströer SE & Co. KGaA has again prepared a group non-financial report pursuant to Sec. 315b HGB. It will be available on our website from 26 April 2019 [http://ir.stroeer.com/download/companies/stroeer/Annual%20Reports/stroeer\\_NFGreport\\_2018\\_en.pdf](http://ir.stroeer.com/download/companies/stroeer/Annual%20Reports/stroeer_NFGreport_2018_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 direct 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. A distinction should be made between the behavior of national (often also international) advertisers and the behavior of regional or local advertisers. International advertisers’ investments often respond to global economic fluctuations. Earnings are occasionally optimized by means of short-term cuts in advertising spending. National,

regional and local advertisers primarily align their activities to domestic economic developments, making these customers’ advertising budgets significantly less volatile. Ströer’s product and sales strategy is to increase the proportion of national, regional and local customers which we have continuously successfully achieved over the last few years.

Out-of-home advertising is affected in particular by the conditions relating to the advertising concessions granted by municipalities. Factors affecting online advertising and direct marketing are regulatory frameworks, especially the General Data Protection Regulation (GDPR).

In the out-of-home advertising industry, customers are still increasingly placing bookings with shorter lead times. Thanks to the increasing digitalization of its out-of-home inventory, Ströer is more and more improving its position to offer yields more precisely and at much shorter notice. Order intake develops in line with the seasonal fluctuations seen on the media market at large. There is generally a concentration of out-of-home activities in the second and fourth quarters, around Easter and Christmas. However, sports events, such as the 2018 Football World Cup, rarely tend to stimulate out-of-home advertising, and often even negatively impact this segment. In terms of costs, the development of lease payments, personnel expenses and other overheads (including electricity, building and maintenance costs) 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 (computer centers, security systems, etc.).

Direct marketing is less seasonal, however the second half of the fiscal 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 (recruiting, training, development). 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. If regulatory amendments are made in the area of tobacco and alcohol advertising, Ströer will be able to soften the impact on its business volume through appropriate marketing and sales activities thanks to the usual lead times applicable to changes in legislation.

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 e-Privacy Regulation (Regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications), considerable changes are expected in this regard in the year ahead, some of which were already felt in 2018 due to the uncertainty prevailing around the handling of data, but have not had an impact on business.

The use of ad blockers has become less prominent. They allow users to prevent advertising from 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 involves more media consumption via mobile devices in the private, professional and public environments.

There remains substantial potential for regional online advertising campaigns and increasing digitalization of out-of-home advertising inventory.

## ECONOMIC REPORT

### Business environment

#### General economic developments in 2018

Based on a revenue contribution of more than 90%, Germany is our core market with international business playing only a secondary role. The strong growth in the German market as well as the declining significance of the international business, due in particular to the sale of the Turkey business in fiscal year 2018, have resulted in a noticeable reduction in the relevance of the international business for the Group, as characterized in the development of Turkey. The markets of Germany and Turkey once again turned in a mixed performance in the fiscal year. Due to factors such as high foreign debt and the general political situation, the Turkish economy's reported growth level for 2018 was only just over half of that reported in the prior year in percentage terms. Moreover, the Turkish lira again 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 slightly as a result.

#### Germany

In 2018, the German economy continued on its positive trajectory of the last few years. Despite some weak signals in the past few months, the mood amongst German companies remained good even at the close of the year according to the German Institute for Economic Research (DIW). According to DIW estimates, the economic situation developed favorably despite growth being lower than initially expected at the beginning of the year, as this is assessed as a normalization of the above-average growth over the past years.<sup>1</sup>

According to the German Federal Statistical Office ["Statistisches Bundesamt"], inflation-adjusted GDP saw less growth in the fiscal year than expected at the beginning of the year, coming in at 1.5%,<sup>2</sup> with the German economy expanding for the ninth year in a row. From a long-term perspective, GDP is slightly above the average seen during the last 10 years (1.2%).<sup>3</sup> While private consumer spending rose by merely 1.0% adjusted for inflation, public-sector spending also only saw below-average growth of 1.1%. In addition, the 4.8% growth in gross investment contributed to the overall growth in GDP.<sup>4</sup>

The number of people in employment reached 44.8 million in 2018,<sup>5</sup> another new record since German reunification, thereby exceeding the prior-year record of 44.3 million by a slight margin. Households' real disposable income increased by 3.2%.<sup>6</sup> Household spending on the basis of current prices was noticeably lower with growth of 1.0%.<sup>7</sup> The private household savings ratio for 2018 stood at 10.3% and was thus slightly up on the prior-year figure of 9.9%.<sup>8</sup> The rate of inflation (Harmonised Index of Consumer Prices) was up year on year in 2018 and stood at approximately 1.7%.<sup>9</sup>

#### Turkey

While the Turkish economy experienced significant growth of 7.4% in 2017,<sup>10</sup> driven in particular by public spending and exports, 2018 saw domestic demand, inflation and the current account deficit continue to rise until the middle of the year, in particular due to political impetus. The strong decrease in domestic demand in the second half of the year was only partly compensated for by an increase in exports. Compared to the prior year, the country saw growth of just 3.3%.<sup>11</sup> The rate of inflation (Harmonised Index of Consumer Prices) stood at a high 20.3% compared with 11.2% in 2017.<sup>12</sup>

#### Development of the out-of-home and online advertising industry in 2018

The Western European advertising market has been recovering consistently since 2014. For 2018, Zenith expects a 3.4% increase in the (price-adjusted) net advertising spend.<sup>13</sup> Once again, online advertising in particular reported rigorous growth of 11.3%.<sup>14</sup> whereas print media are still struggling with growing losses (down 7.1%<sup>15</sup>). By contrast, the advertising spend in television increased by 0.5%<sup>16</sup> In the western European market out-of-home advertising rose by 2.4%.<sup>17</sup>

#### Germany

According to data collected by Nielsen on gross advertising spending, the advertising market grew by a mere 0.03%<sup>18</sup> year on year in 2018. In our view, however, the gross advertising data provided by Nielsen only indicate trends and can only be used to a limited extent to draw conclusions about net figures due to differing definitions and market territories. The forecast by Zenith is somewhat

#### Quellen:

<sup>1</sup> Source: DIW Berlin – Economic Barometer, December 2018  
<sup>2</sup> Source: German Federal Statistical Office – GDP 2018, January 2019  
<sup>3</sup> Source: German Federal Statistical Office – GDP 2018, January 2019  
<sup>4</sup> Source: German Federal Statistical Office – GDP 2018, January 2019  
<sup>5</sup> Source: German Federal Statistical Office – GDP 2018, January 2019  
<sup>6</sup> Source: German Federal Statistical Office – GDP 2018, January 2019  
<sup>7</sup> Source: German Federal Statistical Office – GDP 2018, January 2019  
<sup>8</sup> Source: German Federal Statistical Office – Domestic output calculation, January 2019  
<sup>9</sup> Source: Global Rates – Inflation

<sup>10</sup> Source: OECD Economic Outlook, Volume 2018 Issue 2: Preliminary version  
<sup>11</sup> Source: OECD Economic Outlook, Volume 2018 Issue 2: Preliminary version  
<sup>12</sup> Source: Global Rates – Inflation  
<sup>13</sup> Source: Zenith Advertising Expenditure Forecast, December 2018  
<sup>14</sup> Source: Zenith Advertising Expenditure Forecast, December 2018  
<sup>15</sup> Source: Zenith Advertising Expenditure Forecast, December 2018  
<sup>16</sup> Source: Zenith Advertising Expenditure Forecast, December 2018  
<sup>17</sup> Source: Zenith Advertising Expenditure Forecast, December 2018  
<sup>18</sup> Source: Nielsen Brutto Werbemarkt (Gross Advertising Market), December 2017

higher, with the agency's current estimate for 2018 indicating stronger growth of 2.0% in the net advertising spend compared with the prior year.<sup>19</sup>

According to Zenith, digital media is the growth driver, with its net advertising spend growing 8.8%<sup>20</sup>. As the biggest loser once again, the print segment recorded a loss of 5.5%<sup>21</sup> in the fiscal year. 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 6.2%,<sup>22</sup> with the out-of-home segment growing by 2.0% according to the agency's forecast.<sup>23</sup>

#### **Development of exchange rates in 2018<sup>24</sup>**

In 2018, 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 4.55 TRY/EUR in January 2018. The exchange rate trend emulated that of prior years with the currency massively losing further ground. Having bottomed out at 7.87 TRY/EUR in August, the Turkish lira recovered slightly but was still once again considerably weaker at year-end than at the beginning of the year at 6.07 TRY/EUR. On an annual average, the Turkish lira thus lost around 28% overall compared with the prior-year average due to the high inflation rate and deficits in the Turkish current account as well as the low key interest rate, which the Turkish government kept unchanged for a long time despite the high inflation rate.

As of the end of 2018, the pound sterling was nearly on a par with the level at the beginning of the year. Having been quoted at 0.89 GBP/EUR at the start of the year, the pound was at 0.90 GBP/EUR following a few

fluctuations. The annual average was at 0.88 GBP/EUR. The fundamentals of UK economic development support the course of the pound sterling, although the uncertain effects of the Brexit vote caused some volatility.

### **Financial performance of the Group**

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

Fiscal year 2018 saw a continuation of the excellent performance of the last few years and was very successful overall for the Ströer Group with all three Ströer segments contributing to the pleasing result. The performance indicators key to us, namely revenue and operational EBITDA, as well as all the other performance indicators very clearly reflect the consistent positive development, underscored by the substantial rise in business activities. Ströer also divested itself of its Turkish OOH business in the past fiscal year, choosing to focus more keenly on its core business instead.

At the same time, assets, liabilities and the financial position remained extremely stable and sound. The leverage ratio remained at a consistently low level despite extensive M&A activities and in spite of other considerable growth investments. Despite extensive one-off payments in the fiscal year, the free cash flow (before M&A transactions) is also testimony to a further increase in operating activities and is once again indicative of the Group's overall net earnings power. The financial position is well balanced and very comfortable with a consistently robust equity ratio.

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

<sup>19</sup> Source: Zenith Advertising Expenditure Forecast, December 2018

<sup>20</sup> Source: Zenith Advertising Expenditure Forecast, December 2018

<sup>21</sup> Source: Zenith Advertising Expenditure Forecast, December 2018

<sup>22</sup> Source: Zenith Advertising Expenditure Forecast, December 2018

<sup>23</sup> Source: Zenith Advertising Expenditure Forecast, December 2018

<sup>24</sup> Source: European Central Bank (ECB), Bloomberg



## Comparison of forecast and actual business development

The forecasts we made for fiscal year 2018 were based at the time 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 as expected. We view the targets set for 2018 financial year all as achieved.

	Projected earnings for fiscal year 2018	Actual earnings in fiscal year 2018
Organic growth	Growth in the mid to upper single-digit percentage range	7.6%
Operational EBITDA	Increase to EUR 375m	EUR 367.8m
Operational EBITDA margin	Almost unchanged (2017: 25.5%)	23.2%
ROCE	Almost unchanged (2017: 18.2%)	19.3%
Adjusted consolidated profit	Increase to EUR 215m	EUR 213.0m
Free cash flow (before M&A transactions)	Increase to EUR 150m <sup>28</sup>	EUR 151.0m
Leverage ratio	Consistently low (excluding M&A transactions) (2017: 1.44)	1.43 (with extensive M&A transactions)

The forecast values, as well as the results actually achieved, refer to accounting before IFRS 16.

## Financial performance of the Group

### Consolidated income statement<sup>25</sup>

In EUR m	2018	2017
Revenue	1,582.5	1,283.0
EBITDA	514.4	306.5
Operational EBITDA <sup>26</sup>	543.4	326.7
EBIT	170.3	143.7
Financial result	-34.1	-7.9
Profit or loss before taxes	136.2	135.8
Income taxes	-22.0	-19.8
Post-tax profit or loss from continuing operations	114.2	116.0
Post-tax profit or loss from discontinued operations	-120.0	-17.6
Consolidated profit or loss	-5.8	98.5

On the back of the Ströer Group's renewed growth, **revenue** swelled by EUR 299.5m to EUR 1,582.5m in the fiscal year (prior year: EUR 1,283.0m). Besides positive effects from the newly acquired entities, this increase was also attributable to the substantial growth in organic revenue that was generated across all segments. As a result, this development more than made up for the revenue lost from the sale of the Vitalsana and Bodychange business and the discontinuance of several units in the e-commerce business (t-online shop, stylefruits). Overall, reported revenue growth stood at 23.3% and organic revenue growth at 7.6%.<sup>27</sup>

<sup>25</sup> With a view to the introduction of IFRS 16, the Ströer Group applied the modified retrospective method, under which the comparative figures for 2017 presented in the financial performance were not restated retrospectively to account for IFRS 16.

<sup>26</sup> The Ströer Group adjusted its internal reporting structure as of 1 January 2018 to reflect the provisions of IFRS 11 for the accounting of joint ventures. By aligning the internal and external reporting, the four joint ventures in the Ströer Group are now also consolidated using the equity method in the internal reporting and no longer at 50% applying the proportionate method. This change mainly affected several non-GAAP KPIs (operational EBITDA, operational EBITDA margin, adjusted EBIT, net income (adjusted), net debt, the leverage ratio, ROCE) and the segment revenue for the OOH Media segment. Operational EBITDA for 2018 is therefore EUR 5.3m lower. The comparative figures for 2017 were not restated.

<sup>27</sup> The Ströer Group sold its Turkish OOH business in the fourth quarter of 2018. As the Turkish OOH business, unlike the other discontinued operations such as Vitalsana, t-online shop, etc., constituted a discontinued operation within the meaning of IFRS 5, all items of the consolidated income statement for both fiscal year 2018 and 2017 were adjusted for the Turkish OOH business. The adjusted amounts were reclassified to profit or loss from discontinued operations.

<sup>28</sup> The original forecast of EUR 175m was reduced to EUR 150m on account of tax payments which were payable earlier than expected.

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

In EUR m	2018	2017
Out-of-Home Media	647.4	593.0
Direct Media	377.5	182.7
Digital OOH & Content	557.6	521.3
Equity method reconciliation (IFRS 11)	0	-14.0
<b>Total</b>	<b>1,582.5</b>	<b>1,283.0</b>

Due in particular to the expansion of dialog marketing, there was a further marked shift in the composition of consolidated revenue toward domestic activities. While domestic revenue increased from EUR 1,156.8m to EUR 1,442.9m, foreign revenue, at EUR 139.6m, was slightly lower than in the prior year (prior year: EUR 140.3m). Expressed as a percentage, foreign revenue therefore accounted for 8.8% (prior year: 10.9%).

The Ströer Group's revenue is subject to considerable seasonal fluctuations, as is revenue from the rest of the overall media industry. This impacts the development of both revenue and earnings during the course of the year for the Ströer Group. 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		329.1
Q2		396.8
Q3		386.8
Q4		469.8
<b>Q1-Q4</b>		<b>1,582.5</b>

#### Operational EBITDA development by quarter

In EUR m		
Q1		107.6
Q2		129.2
Q3		127.1
Q4		179.4
<b>Q1-Q4</b>		<b>543.4</b>

In view of the significant growth in the volume of the Ströer Group's operations, **cost of sales**, by analogy to revenue, also rose once again. While EUR 845.6m was recorded in the prior year, cost of sales came to EUR 1,032.9m in the fiscal year, with a considerable portion of that increase stemming from the first-time inclusion of newly acquired entities in the consolidated financial statements. At the same time, additional costs from higher revenue-induced publisher fees (digital marketing) and investments in growth projects such as watson.de and Statista also played their part. Conversion to the new IFRS 16 had, by contrast, a positive effect on cost of sales, as the prior-year figures were not adjusted for the positive IFRS 16 effect of EUR 15.1m. Overall, gross profit came to EUR 549.5m, up EUR 112.1m on the prior year. The gross profit margin stood at 34.7% (prior year: 34.1%).

The growth course also manifested itself in its **selling and administrative expenses**, with EUR 329.3m incurred in the prior year whereas EUR 410.7m recognized by the Group in the reporting period. This increase was primarily attributable to the additional costs from the newly acquired entities, the further expansion of the local sales force in Germany, targeted investments in the Digital OOH & Content segment, high integration and reorganization expenses as well as cost adjustments due to inflation. The first-time application of IFRS 16 to selling and administrative expenses played only a secondary role in this regard. Overall, at 26.0%, selling and administrative expenses as a percentage of revenue were only marginally higher than in the prior year (25.7%) due to the strong revenue growth. In terms of **other operating income** (EUR 43.3m), the Group saw a decrease of EUR 4.2m year on year as the prior-year figure had benefited in particular from the gain on disposal of the Vitalsana business (prior year: EUR 47.5m). In other regards, **other operating expenses** inched a slight EUR 0.8m downwards to EUR 16.9m (prior year: EUR 17.7m). The Group's share in **profit or loss of equity method investees** was also down slightly at EUR 5.1m, not quite able to match the excellent prior-year result of EUR 5.9m.

Thanks to the continuation of the profitable growth course, **operational EBITDA**, excluding IFRS effects, was boosted by EUR 41.1m. Together with the effects from IFRS 16 (EUR 180.8m) and IFRS 11 (EUR -5.3m), operational EBITDA increased to EUR 543.4m. **EBIT** also

improved by EUR 26.6m, with the increase to EUR 170.3m attributable to both the further increase in operating activities (EUR 16.1m) and first-time application of IFRS 16 (EUR 10.4m). The return on capital employed (ROCE) stood at 19.3% and was once again slightly higher than in the prior year (prior year: 18.2%).

As a result of the introduction of IFRS 16, the Ströer Group's **financial result** was weighed down by EUR –21.4m as the lease liabilities to be reported for the first time have to be compounded up until their maturity. Taking other effects into account, the financial result came to a total of EUR –34.1m (prior year: EUR –7.9m).

The improvement in the Group's operating activities was dampened by negative effects from the introduction of IFRS 16, resulting in only a slight increase in profit or loss before taxes. As a result, the **tax expense** only increased marginally year on year, from EUR 19.8m to EUR 22.0m.

**Consolidated profit or loss from discontinued operations** (EUR –120.0m; prior year: EUR –17.6m) contains both the operating result of the Turkish OOH business until its sale as well as the loss on disposal from the sale in October 2018.<sup>1</sup> The loss on disposal includes in particular the exchange losses of recent years from converting the Turkish lira to the euro. These exchange losses were of a non-cash nature in 2018 and did not reduce equity of the Ströer Group at the date of the company's sale.

With regard to the continuing operations, the Ströer Group forged ahead on its profitable growth path once again in fiscal year 2018 and achieved **consolidated profit from continuing operations** of EUR 114.2m, just short of the record prior-year result of EUR 116.0m. Had it not been for the introduction of IFRS 16 and the related negative upfront effect,<sup>2</sup> the result would have been EUR 7.8m higher. **Consolidated profit or loss** came to EUR –5.8m (prior year: EUR 98.5m). By contrast, **adjusted consolidated profit** grew strongly once more by EUR 13.9m to EUR 199.6m.

The Ströer Group continued on its profitable growth course in the fiscal year and can look back on a very successful year in 2018.

## Assets, liabilities and financial position

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

The Ströer Group's assets, liabilities and financial position are extremely sound and very well balanced. The Group has undrawn committed credit lines within the scope of the existing credit facilities of EUR 520.3m (prior year: EUR 585.5m) which are available until December 2023. Including a cash balance, the Group had unutilized financing facilities of EUR 624.0m (prior year: EUR 670.5m) at its disposal as of the reporting date. Besides external financing, which is secured for the long term, the Group also has strong internal financing power. Particular mention should be made in this regard of cash flows from operating activities of EUR 419.0m (prior year: EUR 245.6m (before IFRS 16)) and free cash flow (before M&A transactions) of EUR 306.4m (prior year: EUR 145.5m (before IFRS 16))<sup>3</sup>. At the same time, the leverage ratio (defined as the ratio between net debt and operational EBITDA) remains at a pleasingly low level of 1.43 (prior year: 1.44) despite extensive M&A investments. Together with a robust equity ratio, the overall position is very strong and sound.

### 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

<sup>1</sup> We refer to our comments on consolidated profit or loss from discontinued operations in section 6.2 of the notes to the consolidated financial statements.

<sup>2</sup> We refer to our comments on the upfront effect in section 4 of the notes to the consolidated financial statements.

<sup>3</sup> The amounts relate to continuing operations.

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

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

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 2018. 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 negotiated facility, the documentation was also adjusted to reflect the investment grade status of the Ströer Group. The term of this 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. An extension until December 2023 has since been agreed with the participating banks. The total volume of EUR 600.0m is structured as a flexible revolving facility, which grants the Ströer Group tremendous financial flexibility.

For both financing components the loans were granted without collateral. The financial covenants reflect customary market conditions in all 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 624.0m (prior year: EUR 670.5m) available to it as of 31 December 2018 from unutilized credit lines under the credit facility agreement including a cash balance (EUR 103.7m).

As of the reporting date, no single bank accounted for more than 20% 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 2018. 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 remained at the prior-year level (1.43; prior year: 1.44) 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 2018, 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.

### Financial position<sup>1</sup>

#### Liquidity and investment analysis

In connection with the adoption of IFRS 16<sup>2</sup>, a number of advertising concession contracts in the Ströer Group's OOH business had to be reclassified as leases within the meaning of the new standard. In this connection, a significant portion of lease payments have been classed as payment of the principal portion of a lease liability since 1 January 2018 and no longer treated as an operating lease payment. Against this backdrop, the Ströer Group's statement of cash flows has seen a corresponding shift between cash flows from operating activities and cash flows from financing activities. In addition, some cash payments are no longer presented under cash flows from investing activities but under cash flows from financing activities instead, such that there has been slight shifts here as well. The following reconciliation shows the cash flows before and after IFRS 16, whereby the amounts relate exclusively to the continuing operations.

In EUR m		2018	2017
<b>(1)</b>	<b>Cash flows from operating activities (before IFRS 16)</b>	<b>259.1</b>	<b>245.6</b>
(2)	Reclassification of cash payments for the principal portion of lease liabilities (IFRS 16 effect)	159.9	144.1
<b>(3)</b>	<b>Cash flows from operating activities</b>	<b>419.0</b>	<b>389.7</b>
(4)	Cash received from the disposal of intangible assets and property, plant and equipment (before IFRS 16)	7.4	9.1
(5)	Cash paid for investments in intangible assets and property, plant and equipment (before IFRS 16)	-115.5	-109.1
(6)	Cash paid for investments in equity method investees and financial assets	-2.3	-1.9
(7)	Cash received from and cash paid for the acquisition of consolidated entities	-71.6	-130.4
<b>(8)</b>	<b>Cash flows from investing activities (before IFRS 16)</b>	<b>-181.9</b>	<b>-232.3</b>
(9)	Reclassification of cash paid for and cash received from investments and divestments (IFRS 16 effect)	-4.5	-4.0
<b>(10)</b>	<b>Cash flows from investing activities</b>	<b>-186.5</b>	<b>-236.4</b>
<b>(11)</b>	<b>Cash flows from financing activities (before IFRS 16)</b>	<b>-57.6</b>	<b>6.9</b>
(12)	Reclassification of cash payments for the principal portion of lease liabilities and cash paid for and cash received from investments/divestments (IFRS 16 effect)	-155.4	-140.1
<b>(13)</b>	<b>Cash flows from financing activities</b>	<b>-213.0</b>	<b>-133.2</b>
(14)	Change in cash (continuing operations)	19.5	20.1
<b>(15)</b>	<b>Cash at the end of the period</b>	<b>103.7</b>	<b>84.2</b>
(1)+(4)+(5)	Free cash flow before M&A transactions (before IFRS 16)	151.0	145.5
<b>(3)+(4)+(5)+(9)</b>	<b>Free cash flow before M&amp;A transactions</b>	<b>306.4</b>	<b>285.7</b>

<sup>1</sup> The Ströer Group sold its Turkish OOH business in the fourth quarter of 2018. The figures in this section have therefore been adjusted for the discontinued operations in line with the provisions of IFRS 5. The prior-year figures in the statement of cash flows were adjusted accordingly.

<sup>2</sup> For more details, see our explanations in section 4.

The Ströer Group closed fiscal year 2018 with **cash flows from operating activities** of EUR 419.0m (prior year: EUR 245.6m). Adjusted for the effects of the new IFRS 16, cash flows from operating activities came to a total of EUR 259.1m, marking a new record for Ströer and growth of EUR 13.5m against the already excellent prior-year figure. While the positive effect stemmed mainly from the Group's operating activities, considerably higher tax payments in particular (up EUR 32.0m) had a downward effect. The increased cash payments stemmed mainly from advance tax payments for 2017 and 2018, whose payment, based on the tax authorities' practice to date, was originally not expected until 2019 and 2020. Working capital was slightly improved by contrast, having had an adverse effect in the prior year.

The Group's continued growth course also had a noticeable impact on **cash flows from investing activities**, despite net investments in business acquisitions being significantly lower than in the prior year (EUR 71.6m; prior year: EUR 130.4m). Our growth investments continued to focus on dialog marketing, namely the acquisitions of the DV-COM group, the D+S 360 group and the C2E group. By contrast, cash paid for investments in intangible assets and property, plant and equipment only increased moderately year on year. Overall, **free cash flow before M&A transactions**, excluding IFRS 16 effects, came to a considerable EUR 151.0m and was thus once again up EUR 5.4m against the record prior-year figure of EUR 145.5m. Taking IFRS 16 into account, by contrast, the year-end figure came to EUR 306.4m.

In terms of the Group's financing, the development of net cash raised (EUR 39.8m; prior year: EUR 99.4m) reflects the reduced volume of our M&A activities year on year. At the same time, higher dividend payments were largely offset by lower cash outflows for increasing shareholdings in group entities. Overall, **cash flows from financing activities**, adjusted for IFRS 16 effects, therefore largely reflected the development of M&A activities as described above (EUR -57.6m; prior year: EUR 6.9m). Taking into account the cash payments for the principal portion of

lease liabilities to be included for the first time in accordance with IFRS 16, cash flows from financing activities came to EUR -213.0m in total.

The Ströer Group had **cash** of EUR 103.7m at the end of fiscal year 2018.

#### Financial structure analysis

At year-end 2018, 77.2% (prior year: 75.3%) of the Ströer Group's **financing** was covered by equity and non-current debt. Well over 100.0% of the current liabilities of EUR 672.9m (prior year: EUR 464.0m) are financed at matching maturities by current assets of EUR 340.8m (prior year: EUR 331.3m) as well as available, long-term secured credit lines under the credit facility of EUR 520.3m (prior year: EUR 585.5m).

In terms of **financial liabilities**, Ströer reported the strongest year-on-year change by far in lease liabilities, which increased by EUR 1,055.3m for the year as a whole solely due to the introduction of IFRS 16. Furthermore, the increase in liabilities to banks was also notable, with all other developments of marginal significance.

**Net debt**, operational EBITDA and the leverage ratio are calculated in accordance with the Ströer Group's internal reporting structure. Against this background, the four entities accounted for using the equity method in which Ströer holds 50.0% of shares have been included in these KPIs on a proportionate basis until 31 December 2017 in line with the internal reporting structure.

As of 1 January 2018, Ströer adjusted its internal reporting structure such that, in line with **IFRS 11**, these four entities are now only included with their pro rata "equity-method value" in these non-GAAP figures. Due to this change, the internal reporting structure now reflects the Ströer Group's external reporting structure such that the previous reconciling item "IFRS 11 adjustment" is not applicable any longer and net debt has increased by this adjustment amount (EUR 6.2m).

With a view to the adoption of **IFRS 16** and the related recognition of additional lease liabilities, the Ströer Group bases the calculation of its net debt on its existing loan agreements with lending banks. The lease liabilities under IFRS 16 were excluded specifically from the calculation of net debt in both the facility agreement and the contractual documentation on the note loans as in the opinion of the contracting parties the economic situation of the Ströer Group does not change as a result of the adoption of IFRS 16. Against this background and for the sake of consistency, the effects of IFRS 16 on operational EBITDA are also not reflected in the calculation of the leverage ratio.

In EUR m		31 Dec 2018	31 Dec 2017
(1)	Lease liabilities (IFRS 16)	1,055.3	–
(2)	Liabilities from the facility agreement	64.2	–
(3)	Liabilities from note loans	494.1	493.9
(4)	Liabilities from the obligation to purchase own equity instruments	75.4	96.5
(5)	Liabilities from dividends to non-controlling interests	9.6	5.3
(6)	Other financial liabilities	53.4	49.1
(1)+(2)+(3)+(4)+(5)+(6)	Total financial liabilities	1,752.1	644.8
(2)+(3)+(5)+(6)	Total financial liabilities excluding lease liabilities (IFRS 16) and liabilities from the obligation to purchase own equity instruments	621.4	548.3
(7)	Cash	103.7	85.0
(8)	IFRS 11 adjustment	–	6.2
<b>(2)+(3)+(5)+(6)–(7)–(8)</b>	<b>Net debt</b>	<b>517.7</b>	<b>457.1</b>
<b>Leverage ratio</b>		<b>1.4</b>	<b>1.4</b>

The growth investments made in the fiscal year also entailed a moderate increase in net debt. A EUR 6.2m portion of the increase also stems from the IFRS 11 adjustments. Net debt therefore rose by EUR 60.5m overall to EUR 517.7m. At the same time, the leverage ratio (defined as the ratio between net debt and operational EBITDA) remains at a pleasingly low level of 1.43 as of year-end.

As a result of the continuous growth of the Ströer Group, current and non-current **trade payables** increased from EUR 215.2m to EUR 261.8m. This increase was offset in particular by **deferred tax liabilities** and **current income tax liabilities**. In addition to considerably higher tax payments, the ongoing reversal of deferred tax liabilities recognized in connection with purchase price allocations also had an effect here.

At EUR 669.0m (prior year: EUR 669.7m), the Group's **equity** was slightly down year on year. Consolidated profit from continuing operations of EUR 114.2m (prior year: EUR 116.0m) was contrasted by the payment of a dividend of EUR 72.5m (prior year: EUR 60.8m). Furthermore, the sale of the Turkish OOH business had an adverse effect on equity (overall effect of EUR 20.2m). The equity ratio, adjusted for IFRS 16, was only marginally lower than in the prior year at 34.5% (prior year: 35.6%). Taking IFRS 16 into account, the ratio stood at 22.3%.

### Capital 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 areas.

### Assets and liabilities

#### Consolidated statement of financial position

In EUR m	31 Dec 2018	31 Dec 2017
<b>Assets</b>		
Non-current assets	2,640.5	1,550.2
Current assets	340.8	331.3
Held for sale <sup>2</sup>	15.0	–
<b>Total assets</b>	<b>2,996.3</b>	<b>1,881.5</b>
<b>Equity and liabilities</b>		
Equity	669.0	669.7
Non-current liabilities	1,645.1	747.8
Current liabilities	672.9	464.0
Held for sale <sup>2</sup>	9.3	–
<b>Total equity and liabilities</b>	<b>2,996.3</b>	<b>1,881.5</b>

#### Analysis of the structure of assets and liabilities

**Non-current** assets swelled by EUR 1,090.3m to EUR 2,640.5m in the reporting period. The new IFRS 16, Leases, was largely responsible for this increase with its introduction seeing the recognition of additional right-of-use assets from leases of EUR 1,041.0m. In addition, the business acquisitions in particular in dialog marketing led to the recognition of additional intangible assets.

By contrast, **current assets** only increased by EUR 9.5m to EUR 340.8m. In this context, notable changes were at most from the increase in cash. Furthermore, the assets of two entities up for sale were reclassified as “Assets held for sale.”

Thanks to its strong market position, **off-balance sheet assets** of the Ströer Group include in particular a broad-based portfolio of sustainable customer relationships. Only the small portion of these customer relationships that arose from business combinations is recognized as an asset. Furthermore, until 31 December 2017, off-balance sheet assets also comprised a considerable portfolio of internally generated advertising concessions with municipalities and private landlords. These assets were largely recognized for the first time as of 1 January 2018 with the introduction of IFRS 16.

### Financial performance of the segments

As of 1 January 2018, the Ströer Group consolidated its OOH Germany and OOH International segments in a new segment, OOH Media. At the same time, the previous segment Ströer Digital was split into two new segments, namely Digital OOH & Content<sup>1</sup> and Direct Media. The new segmentation reflects the diminished significance of the international OOH business as well as the ongoing expansion of digital business, particularly in the area of dialog marketing. The prior-year figures were restated accordingly. In addition, the Ströer Group sold its Turkish OOH business in the fourth quarter of 2018. The figures in this section have therefore been adjusted for the discontinued operations of the Turkish OOH business in line with the provisions of IFRS 5. The prior-year figures were restated retrospectively.

In addition, as of 1 January 2018, Ströer no longer includes its four joint ventures on a proportionate basis in its segment reporting. The prior-year figures were adjusted retrospectively, reducing revenue from the OOH Media segment in fiscal year 2017 by EUR 14.0m and operational EBITDA by EUR 5.0m.

<sup>1</sup> The new segment as of 1 January 2018 was referred to in the interim quarters Q1 to Q3 2018 as Content Media and was renamed Digital OOH & Content as of 31 December 2018. In substance, the Content Media and the Digital OOH & Content segment are identical. The segment was renamed at the end of 2018 in order to better reflect the core business of the segment.

<sup>2</sup> The item “Held for sale” includes assets held for sale and the associated liabilities.



## Out-of-Home Media

In EUR m	2018	2017	Change	
<b>Segment revenue, thereof</b>	<b>663.7</b>	<b>590.0</b>	<b>73.7</b>	<b>12.5%</b>
Large formats	316.6	296.2	20.3	6.9%
Street furniture	149.7	143.9	5.8	4.0%
Transport	61.1	61.1	0.0	0.0%
Other	136.3	88.7	47.6	53.6%
Operational EBITDA (before IFRS 16 and IFRS 11)	168.3	163.4	4.9	3.0%
IFRS 16 effect	146.8	136.1	10.7	–
IFRS 11 effect	–5.2	–5.0	–0.2	–
<b>Operational EBITDA</b>	<b>309.9</b>	<b>294.5</b>	<b>15.4</b>	<b>5.2%</b>
<b>Operational EBITDA margin</b>	<b>46.7%</b>	<b>49.9%</b>	<b>–3.2 percentage points</b>	

**Revenue** in the OOH Media segment, of which around 90% is accounted for by the former OOH Germany segment in terms of revenue, grew strongly by EUR 73.7m to EUR 663.7m in fiscal year 2018 despite an overall challenging market environment.

In terms of the individual product groups, performance was also positive. The **large formats** business recorded significant growth (up EUR 20.3m to EUR 316.6m) on the back of robust demand for traditional out-of-home products and as a result of our stepped-up local sales activities. The **street furniture** product group, which mainly serves national and international customer groups in the German OOH market, reported a slight increase in revenue to EUR 149.7m in fiscal year 2018 over the relatively strong prior year (prior year: EUR 143.9m). Revenue in the **transport** product group, which operates almost exclusively in the German OOH market, was on a par with the prior year at EUR 61.1m (prior year: EUR 61.1m). The **other** product group gained significant ground, growing EUR 47.6m to EUR 136.3m. There were a number of different factors

responsible for this positive development. Firstly, most of the Ambient Media business of United Ambient Media GmbH acquired at the end of 2017 is reported in this group along with other smaller complementary acquisitions. Also, full-service solutions (including the production of advertising materials) are traditionally in higher demand from our growth field of local and regional customers than from large national customers. These additional services are reported in the other product group. Thirdly, business with our roadside screen product also made a positive contribution to the performance of this product group.

Overall, the segment generated an operational EBITDA increase of EUR 15.4m to 309.9m (prior year: EUR 294.5m (adjusted for IFRS 11 and IFRS 16)) and an operational EBITDA margin of 46.7% (prior year: 49.9% (adjusted for IFRS 11 and IFRS 16)) in fiscal year 2018. Our core OOH business maintained or in some cases slightly increased its margins while the most recent acquisitions contributed to lower margins due to business conditions.

## Digital OOH & Content<sup>2</sup>

In EUR m	2018	2017	Change	
<b>Segment revenue, thereof</b>	<b>567.0</b>	<b>528.1</b>	<b>38.9</b>	<b>7.4%</b>
Display	297.2	278.4	18.9	6.8%
Video	130.3	119.6	10.7	9.0%
Digital marketing services	139.4	130.1	9.3	7.1%
Operational EBITDA (before IFRS 16)	180.8	167.9	12.9	7.7%
IFRS 16 effect	13.1	11.1	1.9	–
<b>Operational EBITDA</b>	<b>193.8</b>	<b>179.0</b>	<b>14.8</b>	<b>8.3%</b>
<b>Operational EBITDA margin</b>	<b>34.2%</b>	<b>33.9%</b>	<b>0.3 percentage points</b>	

<sup>2</sup> For information on the change in segment name, we refer to the explanations at the beginning of the section "Financial performance of the segments" and the corresponding footnotes

**Revenue** in the Digital & OOH Content segment increased significantly from EUR 528.1m to EUR 567.0m in fiscal year 2018, with all product groups contributing appreciably to this positive performance. The **display** product group generated significant growth of EUR 18.9m to EUR 297.2m. The product group clearly escaped the general market pressure on desktop display marketing in particular through the marketing of advertising formats on mobile devices and investments in automated forms of marketing. The **video** product group grew by a sizeable 9.0% to EUR 130.3m due to robust demand for moving-image formats in public spaces (public video), increased demand over the course of the year for our programmatic public video offering as well as heightened demand for new online video formats such as in-text video. In the **digital marketing services** product group, the rapidly growing business with subscription models (Statista) and local digital product marketing business with small and medium-sized customers (RegioHelden) were very positive in particular and resulted in revenue growth of 7.1% to EUR 139.4m for this product group in spite of some portfolio adjustments.

Overall, the segment's results were up significantly again on the excellent prior-year figure, with operational EBITDA of EUR 193.8m (prior year: EUR 179.0m (adjusted for IFRS 16)). At 34.2%, the operational EBITDA margin is slightly higher than in the prior year (prior year: 33.9% (adjusted for IFRS 16)).

The new segment Direct Media comprises the dialog marketing and transactional product groups. As the dialog marketing operations were newly acquired and some operations in the transactional product group were sold or discontinued, the prior-year figures are currently only of limited comparative information for these two product groups.<sup>3</sup>

The integration of the newly acquired operations was advanced significantly in **dialog marketing** in fiscal year 2018. The **transactional** product group recorded a decline in revenue (down EUR 23.9m to EUR 115.2m) in the face of the adjustments made to the portfolio. However, adjusted for the sale of the Vitalsana business and the discontinuation of e-commerce business (t-online shop and stylefruits) in December 2017, the product group generated strong revenue growth of 23.8% compared with the prior year, with own-product business in particular posting substantial e-commerce growth (AsamBeauty and Ströer Products).

All in all, the segment generated operational EBITDA of EUR 55.3m (prior year: EUR 20.8m (adjusted for IFRS 16)) and a considerably higher operational EBITDA margin of 14.6% in fiscal year 2018 (prior year: 11.0% (adjusted for IFRS 16)).

## Direct Media

In EUR m	2018	2017	Change	
<b>Segment revenue, thereof</b>	<b>377.7</b>	<b>190.1</b>	<b>187.6</b>	<b>98.7%</b>
Dialog marketing	262.5	51.0	211.5	>+100%
Transactional	115.2	139.1	-23.9	-17.2%
Operational EBITDA (before IFRS 16)	45.2	18.8	26.4	>+100%
IFRS 16 effect	10.1	2.0	8.1	-
<b>Operational EBITDA</b>	<b>55.3</b>	<b>20.8</b>	<b>34.4</b>	<b>&gt;+100%</b>
<b>Operational EBITDA margin</b>	<b>14.6%</b>	<b>11.0%</b>	<b>3.6 percentage points</b>	

<sup>3</sup>Unlike the Turkish OOH business, these businesses sold were not defined as cash-generating units within the meaning of IFRS 5 such that the prior-year figures were not restated

## INFORMATION ON STRÖER SE & CO. KGAA

The management report of Ströer SE & Co. KGaA and the group management report for fiscal year 2018 have been combined pursuant to Sec. 315 (5) 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 communications, 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 [“Aktengesetz”: German Stock Corporation Act].

### Financial performance

Ströer SE & Co. KGaA generated profit for the period of EUR 644.0m (prior year: EUR 36.3m) on the back of the Ströer Group’s consistently sound performance and the extraordinary earnings contribution from the intra-group restructuring (contribution of the shares of a group entity into another group entity). The Company clearly benefited from these two positive developments at group level with intragroup profit and loss transfers increasing by EUR 605.8m to EUR 778.9m year on year. At the same time, impairment of financial assets decreased by EUR 40.7m. This was contrasted by an increase in other operating expenses by EUR 45.7m, in particular in connection with the sale of the Turkish subsidiary Stroer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

In EUR k	2018	2017
Revenue	25,524	22,968
Other operating income	18,554	4,144
Cost of materials	-6,954	-1,875
Personnel expenses	-31,263	-28,722
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-7,982	-5,620
Other operating expenses	-73,698	-27,987
Income from profit and loss transfer agreements and expenses from loss absorption	778,852	173,023
Income from other securities and loans classified as non-current financial assets	3,722	3,054
Impairment of financial assets	-28,375	-69,062
Other interest and similar income and interest and similar expenses	-8,688	-7,560
Income taxes	-25,641	-26,003
<b>Post-tax profit</b>	<b>644,050</b>	<b>36,360</b>
Other taxes	-41	-42
<b>Profit for the period</b>	<b>644,009</b>	<b>36,317</b>
Profit carryforward from the prior year	9,451	5,679
Withdrawals from other retained earnings	0	40,000
<b>Accumulated profit</b>	<b>653,460</b>	<b>81,996</b>

In line with the Group's steady overall growth, Ströer SE & Co. KGaA generated a **revenue** increase of EUR 2.6m to EUR 25.5m in fiscal year 2018. This was attributable in particular to higher intragroup rental income, whereas income from intragroup services was down on the prior year. The Company also generated a further increase in **other operating income**, benefiting not only from write-ups of financial assets but also from other out-of-period income and income from cost allocations. **Cost of materials** increased by EUR 5.1m to EUR 7.0m as higher rental income, recognized under revenue, was accompanied by another rise in rental expenses. At EUR 31.3m, **personnel expenses** were also up slightly on the prior-year amount of EUR 28.7m and **amortization, depreciation and impairment of intangible assets and property, plant and equipment** came to EUR 8.0m after EUR 5.6m in the prior year. In stark contrast, **other operating expenses** rose by EUR 45.7m. After EUR 28.0m in 2017, they came to EUR 73.7m in the reporting year, with most of the increase (EUR 41.1m) attributable to the loss on sale of the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

Ströer SE & Co. KGaA benefited enormously from intragroup **profit and loss transfers** (income from profit and loss transfer agreements and expenses from loss absorption) which came to a total of EUR 778.9m (prior year: EUR 173.0m). In addition to the further improvement of the subsidiaries' operating activities, the intragroup restructuring described above proved extremely advantageous for the Group. By contrast, **income from other securities and loans classified as non-current financial assets** as well as the **interest result** (other interest and similar income and interest and similar expenses) remained virtually unchanged at the prior year's

level. In the fiscal year, **impairment of financial assets** (EUR 28.4m) mainly related to write-downs of intragroup loans in connection with the liquidation of minor entities, whereas, in the prior year (prior year: EUR 69.1m), impairment was primarily attributable to significant impairment losses recognized for the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

In the fiscal year, **income taxes** were down slightly on the prior-year figure at EUR 25.6m (prior year: EUR 26.0m) despite the substantial rise in earnings before taxes. This mainly reflects the fact that the intragroup restructuring described above was performed in a tax-neutral way. For detailed information on deferred taxes, see section C. 6 in the notes to the financial statements of Ströer SE & Co. KGaA.

### Assets, liabilities and financial position

Due to the continuing expansion and the intragroup restructuring described above, Ströer SE & Co. KGaA's total assets increased by EUR 669.2m to EUR 2,179.0m in the reporting period. The EUR 678.8m increase in receivables and other assets in particular, which relates almost exclusively to higher receivables from affiliates (including profit and loss transfers), very clearly reflects this development. By contrast, the decrease in shares in affiliates under financial assets (down EUR 16.5m) – particularly as a result of the sale of the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey – was largely offset by higher loans to affiliates. On the equity and liabilities side of the balance sheet, the Group reported significant increases in equity (up EUR 577.0m), liabilities to banks (up EUR 63.8m) and liabilities to affiliates (up EUR 38.7m).

In EUR k	2018	2017
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment	37,501	25,158
Financial assets	811,598	828,078
	<b>849,099</b>	<b>853,236</b>
<b>Current assets</b>		
Receivables and other assets	1,324,646	645,843
Cash on hand and bank balances	182	4,915
	<b>1,324,828</b>	<b>650,758</b>
<b>Prepaid expenses</b>	<b>5,104</b>	<b>5,872</b>
<b>Total assets</b>	<b>2,179,031</b>	<b>1,509,865</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>1,402,772</b>	<b>825,821</b>
<b>Provisions</b>		
Provisions for pensions and similar obligations	0	7
Tax provisions	20,461	37,086
Other provisions	12,299	12,519
	<b>32,760</b>	<b>49,612</b>
<b>Liabilities</b>		
Liabilities to banks	559,974	496,184
Trade payables and other liabilities	19,235	12,616
Liabilities to affiliates	164,290	125,632
	<b>743,499</b>	<b>634,432</b>
<b>Total equity and liabilities</b>	<b>2,179,031</b>	<b>1,509,865</b>

### Analysis of the asset structure

In the fiscal year, Ströer SE & Co. KGaA reported a EUR 12.3m increase in **intangible assets and property, plant and equipment**, largely due to the acquisition of new IT software and the purchase of rights of use and licenses for the further expansion of its IT landscape. These additions were only partly offset by regular amortization and depreciation.

The EUR 16.5m decrease in **financial assets** primarily relates to the reduction in shares in affiliates, particularly in connection with the sale of Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. Taking into account further write-downs of other equity investments, shares in affiliates decreased by a total of EUR 56.5m, which contrasted with higher intragroup loans (up EUR 33.2m), with higher loans primarily being granted to finance additional business acquisitions in the area of dialog marketing. This increase was only counteracted by the inclusion of additional borrowers in the group-wide cash pool, resulting in a concurrent shift towards receivables and other assets.

There was a further EUR 678.8m increase in **receivables and other assets**, largely as a result of receivables from affiliates (up EUR 674.8m), for which the strong increase in profit and loss transfers and the liquidity required by individual subsidiaries to finance growth investments through the cash pool were responsible. The noticeable increase in profit and loss transfers was primarily attributable to the continuation of the profitable growth course and in particular the earnings effect from the intragroup restructuring described above. The abovementioned transfer of intragroup loans to Ströer SE & Co. KGaA's cash pool also resulted in an increase in receivables and other assets.

At EUR 0.2m, **bank balances** were EUR 4.7m lower than the prior year's EUR 4.9m.

**Prepaid expenses** were also down, at EUR 5.1m compared to EUR 5.9m in the prior year. This item chiefly includes capitalized borrowing costs incurred in prior years in connection with several adjustments of the credit facility. These costs have been deferred and are being released to expenses pro rata temporis over the term of the financing.

### Financial structure analysis

As of the end of fiscal year 2018, the Company reported a clear increase in **equity** by EUR 577.0m to EUR 1,402.8m, primarily as a result of the considerable increase in profit for the period to EUR 644.0m (prior year: EUR 36.3m). In addition, the exercise of existing stock options of EUR 5.5m under a stock option plan (prior year: EUR 1.9m) had a positive impact, whereas the dividend distribution of EUR 72.5m to the shareholders of Ströer SE & Co. KGaA had a negative effect (prior year: EUR 60.8m). The equity ratio improved markedly to 64.4% (prior year: 54.7%), thus remaining at a very comfortable level.

The development of **provisions** was mainly influenced by the Company's significant tax payments in the fiscal year. Taking into account all other changes, provisions came to a total of EUR 32.8m, almost EUR 16.9m below the prior year's level.

By contrast, the Company recognized a EUR 63.8m increase in **liabilities to banks** to EUR 560.0m, reflecting the overall Group's additional liquidity needs under its growth strategy as the Ströer Group's external financing is almost exclusively arranged via the holding company. As of 31 December 2018, a total of EUR 495.0m of the liabilities related to note loans placed on the capital market (prior year: EUR 495.0m). The remaining amount related to borrowings under the existing credit facility. For further information on the increase in liabilities to banks, see the liquidity analysis in the following section.

**Trade payables** increased by EUR 11.3m year on year to EUR 17.7m.

At EUR 164.3m, the rise in **liabilities to affiliates** was even more pronounced (prior year: EUR 125.6m). For the most part, this was due to the subsidiaries' transferring cash funds to Ströer SE & Co. KGaA as part of the further optimization of the Group's refinancing.

As of the reporting date, **other liabilities** came to EUR 1.5m, down EUR 4.7m on the prior year, mainly due to a decrease in liabilities from wage and church taxes.

### Liquidity analysis

In EUR m	2018	2017
Cash flows from operating activities	92.7	91.3
Cash flows from investing activities	-93.1	-50.1
<b>Free cash flow</b>	<b>-0.4</b>	<b>41.3</b>
Cash flows from financing activities	-4.3	-38.2
<b>Change in cash</b>	<b>-4.7</b>	<b>3.1</b>
Cash at the end of the period	0.2	4.9

In fiscal year 2018, Ströer SE & Co. KGaA achieved another slight increase in its **cash flows from operating activities** to EUR 92.7m, up from the already very positive prior-year level of EUR 91.3m. Cash flows were boosted in particular by the profit and loss transfers received in 2018 for 2017, which, at a net amount of EUR 173.0m, were noticeably higher than the prior year's EUR 122.0m. At the same time, significantly higher tax payments had an adverse effect in the fiscal year.

As in the prior year, the **cash flows from investing activities** continued to be shaped by growth investments in the area of dialog marketing in fiscal year 2018, with the bulk of net intragroup loan payments relating to these investments. In addition, Ströer SE & Co. KGaA stepped up its investments in intangible assets to EUR 13.2m (prior year: EUR 6.9m). Overall, cash flows from investing activities of EUR 93.1m were clearly up on the prior year's outflows of EUR 50.1m.

In contrast to intragroup loans, payments stemming from the group-wide cash pool are presented under **cash flows from financing activities**. As the overall liquidity requirements of the subsidiaries decreased in fiscal year 2018 and a larger portion was financed via intragroup loans (cash flows from investing activities), net payments from the group-wide cash pool only came to EUR 11.1m, down significantly on the prior year's EUR 118.3m. By contrast, payments for the dividend distribution to the shareholders of Ströer SE & Co. KGaA increased by EUR 11.7m to EUR 72.5m (prior year: EUR 60.8m). As a result of lower levels of liquidity required throughout the Group, net borrowings on the capital market also decreased year on year. While the Group had to raise EUR 139.0m in the prior year, net borrowings only came to EUR 73.8m in the fiscal year. Overall, cash outflows from financing activities amounted to EUR 4.3m (prior year: EUR 38.2m).

**Cash on hand and bank balances** stood at EUR 0.2m as of the reporting date (prior year: EUR 4.9m).

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

In EUR m	31 Dec 2018	31 Dec 2017
(1) Receivables from affiliates	1,312.0	637.2
(2) Loans to affiliates	142.3	109.1
(3) Cash on hand and bank balances	0.2	4.9
<b>(1)+(2)+(3) Total financial assets</b>	<b>1,454.5</b>	<b>751.2</b>
(4) Liabilities to banks	560.0	496.2
(5) Liabilities to affiliates	164.3	125.6
<b>(4)+(5) Total financial liabilities</b>	<b>724.3</b>	<b>621.8</b>
<b>(1)+(2)+(3)-(4)-(5) Net financial assets</b>	<b>730.2</b>	<b>129.4</b>
<b>Equity ratio (in %)</b>	<b>64.4%</b>	<b>54.7%</b>

The Company's net financial assets amounted to EUR 730.2m as of 31 December 2018 (prior year: EUR 129.4m). This considerable increase was mainly attributable to unusually high 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 for 2019 presented under "Forecast," we expect the subsidiaries to generate even higher earnings contributions overall than in 2017 and Ströer SE & Co. KGaA to achieve even higher results in the future than in 2017. 2018 was an exceptional year due to the intragroup restructuring described above and not a benchmark for the future development of earnings.

## INFORMATION ON THE SHARE

After six consecutive years of gains, the German stock market showed significant weakness in 2018. With the stock market trend having been generally positive in the prior years, 2018 saw the DAX record its poorest development at  $-18.3\%$  (prior year:  $+12.5\%$ ) since the outbreak of the financial crisis in 2008. The SDAX, in which Ströer SE & Co. KGaA stock has been listed since 24 September 2018 following the update of Germany's benchmark index, fell by  $20.0\%$  (prior year:  $+24.9\%$ ).

Given the subdued mood on the stock market over the course of the year and the growing uncertainty about the wider economic outlook, 2018 was a comparatively weak year for the share price performance of Ströer SE & Co. KGaA stock. After the stock closed at a near-record level of EUR 61.60 in December of the preceding fiscal year and achieved a new all-time record of EUR 66.40 on 21 February 2018, it closed fiscal year 2018 considerably lower at EUR 42.18.

The DAXsector All Media Index saw a similar development and closed the year down  $23.7\%$ .

### The Ströer share in comparison in 2018 (in percent)



Source: Bloomberg



### Ströer's dialog with the capital market

In particular in times of stock market difficulty, active communication with the capital market is of great importance and represents 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 potential through continuous and personal contact with private and institutional investors, analysts and other interested capital market players. Ströer therefore promptly provided information about current developments in the Group through roadshows, conferences and meetings at our group headquarters.

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. The main venues for our presentations in the reporting year were once again Frankfurt am Main, London, Paris 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 Markets Day in London in the fiscal year.

Another key communication channel is our website [www.stroeer.com](http://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 30 May 2018 and was attended by approximately 160 shareholders, guests and representatives of the press. Overall, 47 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 1.30 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 has been listed in the SDAX since 24 September 2018. Based on the closing share price on 28 December 2018, market capitalization came to around EUR 2.37b. The average daily volume of Ströer stock traded on Xetra was a good 91,000 shares in 2018.

### Analysts' coverage

The performance of Ströer SE & Co. KGaA is analyzed by 16 national and international banks. Based on the assessments at the end of the 12-month reporting period, twelve of the analysts are giving a "buy" recommendation and four say "hold."

The latest broker assessments are available at [www.stroeer.com/investor-relations](http://www.stroeer.com/investor-relations) and are presented in the following table:

Investment Bank	Recommendation*
Bankhaus Lampe	Buy
Barclays	Buy
Citi	Buy
Commerzbank	Hold
Deutsche Bank	Buy
Goldman Sachs	Buy
Hauck & Aufhäuser	Buy
HSBC	Buy
J.P. Morgan	Buy
KeplerCheuvreux	Hold
LBBW	Buy
Liberum	Buy
MainFirst	Buy
Morgan Stanley	Hold
Oddo BHF	Hold
Warburg Research	Buy

\*As of 9 January 2019

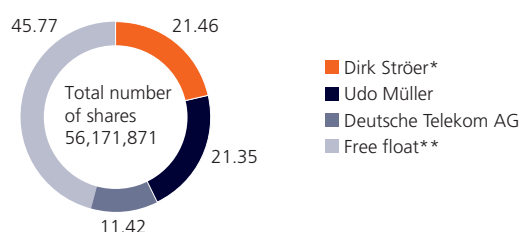
← For further information, see our website [www.stroeer.com/investor-relations](http://www.stroeer.com/investor-relations)

## Shareholder structure

Founder and Co-CEO Udo Müller holds 21.35%, supervisory board member Dirk Ströer holds 21.46% and Christian Schmalzl (Co-CEO) holds around 0.05% of Ströer SE & Co. KGaA shares. The free float comes to around 46%. According to the notifications made to the Company as of 31 December 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 (11.42%), Allianz Global Investors Europe (6.05%), Credit Suisse (3.47%).

## Shareholder structure of Ströer SE & Co. KGaA

As of 31 Dec 2018, in %



\* Includes shares attributable to Dirk Ströer in accordance with WpHG.

\*\* Free float, thereof:

Allianz Global Investors Europe <sup>1</sup>	6.05%
Credit Suisse, <sup>2</sup> Switzerland	3.47%
Christian Schmalzl	0.05%

<sup>1</sup> According to voting right notifications in accordance with Sec. 41 (4f) WpHG

<sup>2</sup> According to voting right notifications in accordance with Sec. 25 (1) WpHG

## Dividend policy

In the reporting year, Ströer SE & Co. KGaA paid a dividend of EUR 1.30 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 56,171,871
Number of shares	56,171,871
Class	Bearer shares of no par value (share in capital stock of EUR 1.00 per share)
First listing	15 July 2010
ISIN	DE0007493991
SIN	749399
Stock ticker	SAX
Reuters	SAXG.DE
Bloomberg	SAX/DE
Market segment	Prime Standard
Index	SDAX
Designated sponsor	Otto Seydler Bank AG
Opening price 2018 *	EUR 61.25
Closing price 2018 *	EUR 42.18
Highest price 2018 *	EUR 66.40
Lowest price 2018 *	EUR 41.60

\*Price in XETRA in EUR

## EMPLOYEES

Digital disruption in the media industry has placed high demands on the creativity and innovative ability of our employees. Our ambition is to lead these changes proactively and forge ahead as pioneers. We target employees who enjoy exciting and diverse tasks and who see them as a means to nurture personal growth. In 2018, we set up a digital employee referral program, because our employees know best who is a good match for us.

By encouraging new ways of working and open communication, we foster an environment in which novel ideas can be expressed and realized. We have lifted internal advancement to a new level with the launch of the digital blended learning platform "Jump 'n train." This allows us to provide further training opportunities for all of our employees at any time, systematically, by topic or by interest.

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.

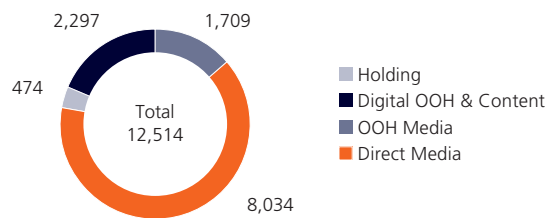
### Employment situation

#### Headcount

As of year-end, the Ströer Group had 12,514 (prior year: 7,536) full and part-time employees. The increase of 4,978 employees is spread across almost all segments, but relates in particular to the Direct Media segment. The strong gain in headcount is a result of the acquisition of D+S 360 and the DV-COM group in 2018, both of which belong to the Direct Media segment. Our headcount has also grown in the out-of-home business due to the further expansion of our regional sales structure.

#### Employees by segment

As of 31 Dec 2018



#### Length of service

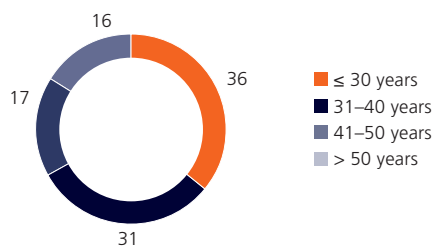
As of the reporting date, employees had been working for an average of 4.1 years (prior year: 3.6 years) for the Ströer Group. The increase is due to the rise in headcount in the Direct Media segment which almost entirely comprises companies that have been active on the market for a long time.

### 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. Colleagues with extensive professional experience support them in their careers. At times this also enables us to connect generations.

#### Age structure in the Group

2018 in %

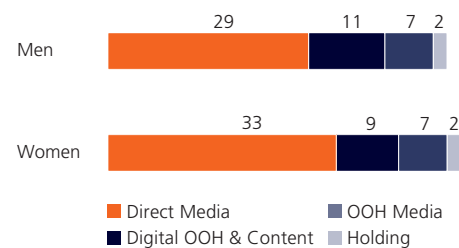


### Gender structure

← The gender ratio at our Company was already very balanced. The proportion of female employees rose marginally during the course of the year. As of year-end, 49% of the Ströer Group's employees were male and 51% 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

2018 in %



→ 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](http://www.stroeer.com/investor-relations)

### Training and development

#### Vocational training and education

Ströer provided a total of 186 young talents throughout Germany with vocational training, thereby again raising this number considerably in 2018. In addition to traditional vocational training, Ströer expanded the scope of its cooperative study program; along with BA degrees, we began offering MA degrees in cooperation with Steinbeiss University in 2018.

Ströer naturally offers successful BA students and trainees the opportunity 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. Over the past few years, we have expanded our trainee programs so as to offer career starters diversified training and orientation opportunities. Entry as a trainee is now possible in four areas: General management, HR, finance and also sales.

Our talent program has paid off. In 2018, we launched the second phase of our internal development program "Jump 'n Grow" to promote the advancement of selected employees. It includes workshops, training, involvement in joint projects and support by mentors from top-level management.

## 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 [“Aktengesetz“: German Stock Corporation Act] on 13 December 2018, 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.

As in prior years, the board of management’s remuneration again comprised two key components in fiscal year 2018, namely a fixed component and a variable component, broken down into (i) an annual short-term incentive (STI) and (ii) 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. 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.

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 2018 is based on the following key performance indicators and business targets: (i) Short-term incentives (STI): cash flows from

operating activities and (ii) Long-term incentives (LTI): return on capital employed, organic revenue growth and 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 343k. 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 0.00.

### 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 384k. 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 0.00.

### 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 fiscal year 2018 upon reaching the target in full is EUR 283k, which as of the reporting date corresponds to 4,588 phantom stock options each with a fair value of EUR 40.32. 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 0.00. The members of the board of management can also decide to have the remuneration paid out in shares in the Company.

### Share-based payment

The Company's supervisory board granted the members of the board of management stock options under stock option plans in fiscal years 2013, 2014, 2015, 2017 and 2018. 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 service 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 for fiscal year 2018 (2017) is presented in the table below:

### Benefits granted for 2018 (2017)

In EUR	2018				2017
	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	376,000	346,000	18,000	12,000	369,000
<b>Total</b>	<b>2,896,000</b>	<b>1,646,000</b>	<b>718,000</b>	<b>532,000</b>	<b>2,889,000</b>
Severance payments	0	0	0	0	0
<b>One-year variable compensation (target reached in full)</b>	<b>790,000</b>	<b>490,000</b>	<b>300,000</b>	<b>0</b>	<b>833,960</b>
Multi-year variable compensation (amount based on a probability scenario)					
LTI "ROCE" (3 years)	860,200	520,200	340,000	0	775,908
LTI "revenue growth" (3 years)	961,400	581,400	380,000	0	867,190
LTI "share price" (4 years)	282,800	142,800	140,000	0	496,182
LTI "other"	189,000	189,000	0	0	252,000
Share-based subscription rights (5 years)					
<b>Total</b>	<b>2,293,400</b>	<b>1,433,400</b>	<b>860,000</b>	<b>0</b>	<b>2,391,280</b>
Benefit cost	0	0	0	0	0
<b>Total</b>	<b>5,979,400</b>	<b>3,569,400</b>	<b>1,878,000</b>	<b>532,000</b>	<b>6,114,240</b>

**Benefits granted for 2018**

In EUR	2018 Minimal achievable value				2018 Maximal achievable value			
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner
Fixed remuneration	2,520,000	1,300,000	700,000	520,000	2,520,000	1,300,000	700,000	520,000
Fringe benefits	369,000	346,000	12,000	11,000	369,000	346,000	12,000	11,000
<b>Total</b>	<b>2,889,000</b>	<b>1,646,000</b>	<b>712,000</b>	<b>531,000</b>	<b>2,889,000</b>	<b>1,646,000</b>	<b>712,000</b>	<b>531,000</b>
Severance payments	0	0	0	0	0	0	0	0
<b>One-year variable compensation (target reached in full)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>950,000</b>	<b>490,000</b>	<b>300,000</b>	<b>160,000</b>
Multi-year variable compensation (amount based on a probability scenario)								
LTI "ROCE" (3 years)	0	0	0	0	860,200	520,200	340,000	0
LTI "revenue growth" (3 years)	0	0	0	0	961,400	581,400	380,000	0
LTI "share price" (4 years)	0	0	0	0	708,400	428,400	280,000	0
LTI "other"	0	0	0	0	189,000	189,000	0	0
Share-based subscription rights (5 years)	0	0	0	0	N/A	N/A	N/A	N/A
<b>Total</b>					<b>2,719,000</b>	<b>1,719,000</b>	<b>1,000,000</b>	<b>0</b>
Benefit cost	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2,889,000</b>	<b>1,646,000</b>	<b>712,000</b>	<b>531,000</b>	<b>6,558,000</b>	<b>3,855,000</b>	<b>2,012,000</b>	<b>691,000</b>

Re LTI "other":

The remuneration of EUR 189k (prior year: EUR 252k) is contingent on remaining with the Company for four years. The amount is fully repayable in the event of early termination.

Re "share-based subscription rights":

2017: 239,190 options;  
EUR 11.20 weighted value per option  
2018: 199,460 options;  
EUR 9.43 weighted value per option

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

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

There are no retirement benefit plans or other pension commitments. 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 2018 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	Total
Christoph Vilanek	74,200.00	800.00	75,000.00
Ulrich Voigt	50,000.00	800.00	50,800.00
Dirk Ströer	50,000.00	800.00	50,800.00
Martin Diederichs	32,000.00	400.00	32,400.00
Vicente Vento Bosch	31,500.00	600.00	32,100.00
Dr. Raphael Kübler	25,750.00	0.00	25,750.00
Michael Hagspühl (resigned in 2018)	7,500.00	0.00	7,500.00
Julia Flemmerer	0.00	200.00	200.00
Anette Bronder	0.00	800.00	800.00
Tobias Meuser	0.00	800.00	800.00
Dr. Thomas Müller	0.00	800.00	800.00
Christian Sardiña Gellesch	0.00	600.00	600.00
Michael Noth	0.00	400.00	400.00
Sabine Hüttinger	0.00	800.00	800.00
Rachel Marquardt	0.00	800.00	800.00
Andreas Huster	0.00	400.00	400.00
Nadine Reichel	0.00	400.00	400.00
Petra Sontheimer	0.00	400.00	400.00
<b>Total</b>	<b>270,950.00</b>	<b>9,800.00</b>	<b>280,750.00</b>



## 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 centered 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 some uncertainties in the economic environment of our active markets, the board of management of Ströer Management SE expects market conditions to remain stable overall in the current fiscal year 2019. 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.

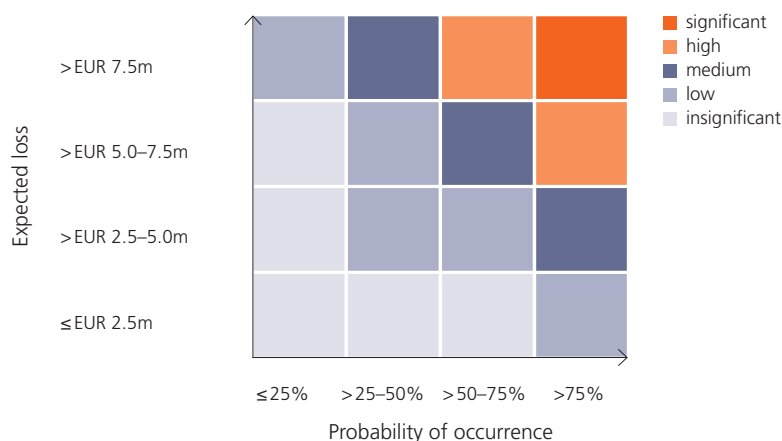
### Opportunity and risk management system

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. It 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. The external auditors 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 of the Ströer Group.

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

- The Chief Financial Officer is responsible for the internal control and risk management system with regard to the group financial reporting process.
- All fully consolidated 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 fully consolidated entities.
- Preventative control measures in the finance and accounting functions of the Group and the entities fully consolidated 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.

### 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 of selected equity investees and corporate areas. Some areas of audit focus include:

- Audit of the financial position and assets and liabilities, 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 IT systems and 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 presented to the board of management of Ströer Management SE and the audit committee of the supervisory board of Ströer SE & Co. KGaA in the course the year. 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 performance in the forecast period. The following risks are classified according to their expected loss value based on the above evaluation of the expected loss value in terms of the expected EBITDA and/or cash flows and probability of occurrence (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 renewed 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 overall, but slightly increased high-level uncertainties as a result of developments such as looming world trade conflicts, Brexit and financial crises in certain eurozone member states.

By contrast, our market risk exposure has improved due to the sale of our out-of-home advertising activities in Turkey, since we are now only exposed to a limited extent to the ongoing internal and external political uncertainties in Turkey.

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 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.

In dialog marketing, revenue is chiefly generated with national key accounts. A change in the demand pattern of individual key accounts could in theory also give rise to short-term income risks.

Following the establishment (a) of content-based business models centered around Germany's online portal with the largest reach, t-online.de, (b) transactional business models and (c) the expansion of the dialog marketing business in the fiscal year, the Ströer Group has successfully diversified its revenue streams by adding other transactional and direct sales-oriented revenue to its dominant advertising 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 regulatory 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. In this context, there is uncertainty in particular in relation to the ramifications of the EU General Data Protection Regulation (GDPR) effective May 2018 and how these legal provisions should be fleshed out in practice. The proposed ePrivacy Regulation of the EU, which like data protection addresses online

marketing, also casts additional uncertainty. The specific rules on certain aspects of data protection which could be of relevance for some of our business, e.g., for the use of 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 2019. 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 on a continuous basis. Our response includes a uniform group-wide data protection policy. As new laws always require a certain amount of interpretation as to how they should be put into practice after their entry into force, we are aiming to continually enhance our data protection process to make it best practice within the industry.

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 forecast period. 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 failure of one or more systems 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.

Generally, disruptions to the proper handling of quote and proposal preparation, order processing and complaints and receivables management can also not be ruled out.

In our operating process, we focus in particular on potential quality risks to ensure the high quality and best management of our out-of-home advertising media as well as interruption-free presentation of digital advertisements. A very small number of business models in the Ströer Group whose revenue streams are also impacted by internet search engines are exposed to general risks arising from changes in algorithms of search engine operators.

**Employee risks (ELV: low)**

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 business models.

Ströer's exposure to employee risks increased in the reporting year 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 currently very low due to the Company's very solid cash position at the end of the reporting year and a strong operating cash flow.

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 and liquidity. Impairment of goodwill cannot be ruled out at present or in the future if the business performance of individual companies or cash-generating units (CGUs) 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 – corporate communications and investor relations – that make the relevant information available to recipients in good time and enable us to take appropriate action.

The numerous business acquisitions across all our segments 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 and future 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, particularly in our core market Germany, 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 2019. In this context, demand for multi-screen solutions (public video, road side screens, desktop, tablets, mobile) only offered in this combination by the Ströer Group could exceed forecasts. Opportunities also arise from the programmatic linking of our digital out-of-home media, that is, through the fully automated real-time purchase and sale of advertising space in the public video segment which was successfully implemented in the reporting year. 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. Ongoing digitalization of our out-of-home media will also support these opportunities.

The quality of the analog and digital 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 forecast.

The unwavering high level of integration efforts currently being implemented at the numerous companies acquired over the past few 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 recently acquired operations will also open up opportunities for sales and marketing synergies in the area of dialog marketing. In a very short space of time, Ströer has become one of the leading German providers in this area. Sales staff can also be specifically tasked in this area in the future with placing our media products and transactional business with our customer groups.

## FORECAST<sup>1</sup>

### Overall assessment by the board of management of the Group's expected performance in 2019

Structural changes will continue to shape the media market in 2019. The increased use and personalization of mobile devices along with the expansion of the networks are the key factors influencing people's media consumption pattern. Media content is available everywhere, at all times and on all devices, with the use of linear media becoming increasingly less relevant. By contrast, out-of-home media is omnipresent, it cannot be clicked away and does not contain any fake news or bad content. The websites commercialized by Ströer are generally based on editorial content and geared toward the needs of their target groups and are 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.

Ströer is able to use its own ad servers to centrally manage moving-picture content on online desktops, mobile and public video screens and our solutions are available on all standard demand-side platforms (DSP). As the largest non-TV marketer, Ströer thus has a very strong positioning with its 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 integration and targeted expansion of our dialog marketing activities.

We will further expand the local and regional sales organization again in Germany in 2019 and remain committed to safeguarding and selectively expanding our marketable inventory in all areas of growth. Furthermore, we will drive forward the integration of the dialog group acquired in the last two years.

The key performance indicators for the management of the Group are organic revenue growth and operational EBITDA. For fiscal year 2019, the board of management expects organic revenue growth in the mid-single digit percentage range for the entire Ströer Group. Operational EBITDA is also expected to increase by a mid-single digit percentage figure.

In addition, the board of management expects the adjusted consolidated result to grow at a comparable pace to operational EBITDA. Excluding M&A transactions, the leverage ratio (net debt to operational EBITDA) should

remain on a par with the prior-year level. Taking IFRS 16 into account, the board of management expects the free cash flow to develop in line with operational EBITDA. ROCE is expected to remain on the level (before application of IFRS 16) of the prior year (fiscal year 2018: 19%).

### 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 2019. The Ströer Group's revenue and earnings development can be influenced in particular by the economic developments in our markets and developments in the relevant advertising markets. Revenue development is also influenced by the 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 short 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.

Fluctuations in external market parameters, such as the yield curve, make forecasting the exact consolidated result possible only to a limited extent. Uncertainties relating to these parameters can also impact non-cash items in the financial result. In this forecast, we expect the parameters in the financial result to remain largely unchanged compared with the end of the reporting period.

<sup>1</sup> Comparisons with the forecast values for the next year are generally based on the actual 2018 values.

## Future macroeconomic conditions

The German government forecasts growth of 1.8% for 2019.<sup>2</sup> Estimates by the Kiel Institute for the World Economy (IfW) indicate that the boom in Germany is increasingly losing momentum.<sup>3</sup> The reason for this development is that companies are finding it increasingly difficult to increase the high pace of production due to already high capacity utilization. The noticeable bottlenecks on the labor market are also likely to persist. Like the federal government, the IfW is also forecasting a growth rate of 1.8%. Economic experts are expecting the economic impetus to weaken noticeably in 2020.<sup>4</sup>

## Future industry performance

### Development of the German advertising market

Based on preliminary figures taken from Nielsen's advertising statistics, the German gross advertising market stagnated at the level of the prior year in 2018.<sup>5</sup> The agency Zenith is forecasting growth of around 1.7% for 2019.<sup>6</sup> Based on the results of a survey conducted by the German Advertisers Association ["Organisation Werbungtreibende im Markenverband": OWM], the expectations of advertisers for the coming year remain optimistic. More than half of those surveyed (56%) expect revenue to increase, 38% expect revenue to remain unchanged and only 6% anticipate declining revenue.<sup>7</sup>

Established studies forecast stronger growth in advertising revenue for the out-of-home segment compared with the advertising market as a whole. According to estimates by PricewaterhouseCoopers GmbH (PwC), advertising revenue in the OOH industry, including digital out-of-home advertising, is set to grow again at a rate of 5.2% in 2019.<sup>8</sup> Zenith forecasts growth of 2.6%.<sup>9</sup> Estimates by PwC indicate that ongoing economic growth, increasing digitalization, urbanization and higher mobility will have

a positive impact on performance in the area of out-of-home advertising. PwC sees OOH on a clear growth course for the forecast period 2018 to 2022. Experts forecast average annual revenue growth of 4.6%, with the out-of-home advertising market in Germany reaching a total volume of EUR 1.4b by 2022.<sup>10</sup> New technological solutions that allow for more effective management and invoicing of advertising campaigns are, for example, making in particular digital out-of-home advertising more attractive.

The overall positive development in the online advertising market in 2018 is also expected to continue in 2019. Higher advertising efficiency through precise targeting and performance-based solutions continues to provide long-term opportunities for growth. Zenith and PwC predict growth in online advertising revenue of 7.0%<sup>11</sup> and 6.5%,<sup>12</sup> respectively, for 2019. PwC expects annual growth in the stationary online advertising market to gradually slow in light of the growing maturity of the market. Average growth of 3.5% is expected until 2022.<sup>13</sup>

Mobile online advertising offers greater growth potential. PwC expects this area to grow by an average of 18.5% per year until 2022.<sup>14</sup> This growth will continue to be driven by the increasing penetration of internet-enabled mobile devices (smart phones and tablets) and the associated shift in media usage. We agree with these market assessments.

Estimates by PwC indicate that the German contact center and CRM services market will continue to develop positively. Experts expect average growth (compound annual growth rate (CAGR)) of 8.5% per year,<sup>15</sup> primarily driven by strong growth in service-oriented business models, such as e-commerce and digitalization of public administration functions, along with increased outsourcing due to growing profitability pressure on traditional service providers.

<sup>2</sup> Source: Autumn projection of the German Federal Government, October 2018

<sup>3</sup> Source: IfW, Kieler Konjunkturberichte Deutschland, no. 50 (2018/Q4)

<sup>4</sup> Source: IfW, Kieler Konjunkturberichte Deutschland, no. 50 (2018/Q4)

<sup>5</sup> Source: Nielsen Media Research, revised Media trend, 12/2018

<sup>6</sup> Source: Zenith, Advertising Expenditure Forecast, December 2018

<sup>7</sup> Source: German Advertisers Association ["Organisation Werbungtreibende im Markenverband": OWM], November 2018

<sup>8</sup> Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2018-2022

<sup>9</sup> Source: Zenith, Advertising Expenditure Forecast, December 2018

<sup>10</sup> Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2017-2021

<sup>11</sup> Source: Zenith, Advertising Expenditure Forecast, December 2018

<sup>12</sup> Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2018-2022

<sup>13</sup> Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2018-2022

<sup>14</sup> Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2018-2022

<sup>15</sup> Source: PricewaterhouseCoopers, Der deutsche Contact-Center- und CRM-Service-Markt (The German contact center and CRM services market), June 2018



## Anticipated revenue and earnings development

### Ströer Group

As outlined above, the Ströer Group's board of management expects organic revenue growth in the mid-single digit percentage range in 2019. Operational EBITDA is also expected to increase by a mid-single digit percentage figure. All three segments out-of-home media, digital OOH & content and direct media will contribute to this development.

In the reporting year, Ströer enhanced its portfolio through further acquisitions. Acquiring DV-COM and D+S 360 allowed it to further expand and strengthen its dialog marketing business. Through the acquisition of optimise-it, a leading provider of live-chat and messaging services in Europe in July 2018, Ströer can also offer its customers technologically flexible chat solutions. With the successful sale of the Turkey business, the media company will focus more intensively on the German domestic market in order to more effectively harness potential.

Following the sale of the Turkey business, revenue from foreign transactions in foreign currency is no longer of any material significance. Where considered in planning processes, Ströer assumes virtually unchanged parameters.

We expect a single-digit percentage volume-related increase in direct costs in 2019. We anticipate a slight increase in overheads, such as IT costs, for the Group as a whole, which is expected to be lower than the increase in organic revenue. In this regard, inflation-related salary and other cost adjustments, the strengthening of regional sales and dialog marketing structures in Germany and the significant increase in business volume in the Group will result in higher selling and administrative expenses overall.

As regards economic development in Germany and the rest of the world, despite some potentially dampening effects such as the impending Brexit and a broadening of the trade dispute between the US and the People's Republic of China, the board of management does not see any signs of a material impact on our business development. 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, Ströer expects its portfolio of

attractive out-of-home and digital media that is unrivaled in Germany to enable it to continue to successfully and sustainably maintain its market position.

### Planned investments

The 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. In the Digital OOH & Content segment, investments will be channeled into upgrading and expanding public video inventory and the IT infrastructure as well as creating internally developed intangible assets such as, in particular, software and data management platforms. In the Direct Media segment, investments are centering on integrating and optimizing the newly acquired operations.

For the Ströer Group, the board of management anticipates the volume of total investments – excluding M&A activities – to again amount to around EUR 115m in fiscal year 2019. As a considerable proportion of these investments are not backed by binding investment commitments, the investments can be scaled back if so required by market developments or the Company's situation.

The process involved in M&A transactions makes it impossible to make any forecasts for investments in business acquisitions. The Company continually assesses suitable acquisition opportunities with a view to sustainably increasing its business value.

### Expected financial position

As the Ströer Group's financial performance is again stronger year on year, we also anticipate a further improvement in the financial position.

The return on capital employed (ROCE) is expected to remain at the prior-year level in fiscal year 2019 (19%).

The Ströer Group's current credit financing is secured until the end of 2023. Our borrowing terms and conditions were further improved during the last refinancing rounds. The covenants are designed to provide sufficient headroom, even during economic and seasonal fluctuations, and also in particular in consideration of our 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 the Group is in a very comfortable zone. We are expecting – excluding further acquisitions – the leverage ratio to remain at the low level of the prior year in 2019.

## SUBSEQUENT EVENTS

The board of management maintains its view that the current financing provides sufficient leeway to carry out planned investments and also capitalize on any business opportunities that may arise during the forecast period. The terms of our financing arrangements are continually assessed with a view to current developments on the debt capital markets and economically favorable opportunities to adjust those terms are pursued, as appropriate.

See the disclosures made in the notes to the consolidated financial statement 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. 315a (1) HGB [“Handelsgesetzbuch“: German Commercial Code].

### 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 years 2017 and 2018, the Company’s subscribed capital increased by 275,486 and by 613,886 to a total of 56,171,871 shares as a result of stock options being exercised. As of 31 December 2018 therefore, subscribed capital is split into 56,171,871 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, Cologne, 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 21.35% and Dirk Ströer 21.46% of total stock. Both shareholders are resident in Germany. Furthermore, Deutsche Telekom AG, Bonn, also holds a total of 11.42% 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 [“Aktengesetz“: German Stock Corporation Act], 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 1,999,214.00 by issuing a maximum of 1,999,214 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 under a put option in the event of a change in control. Ströer SE & Co. KGaA sold all of its shares in the Turkish subsidiary on 4 October 2018. The put option also expired with the sale of these shares.

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