STRÖER MEDIA AG

OUTDOOR **MEDIA IMPACT** IN MIND

ANNUAL REPORT 2012

Ströer Media AG (formerly “Ströer Out-of-Home Media AG”, in the following “Ströer AG”)

The role of out-of-home advertising in the media mix is changing. The continuing trend toward the digitalization of the media landscape and the ever closer integration of traditional business and digital services are driving the development of new activities. In the field of digital media, Ströer is setting new standards for innovation and quality in Europe and is thus opening up new opportunities for advertisers and the Company.

OUTDOOR **MEDIA IMPACT** IN MIND

Out-of-home advertising works because of its unconscious and inescapable impact. It has a major effect on implicit memory and therefore on consumers' spontaneous brand preferences. Today, advertisers and agencies are also aware that their target groups not only use screens at home, but increasingly on the move as well. This makes out-of-home advertising the perfect complementary medium. Ströer's digital screens extend campaigns from TV and the internet into public areas. As a result, advertisers are shifting their focus to out-of-home media – a trend that will also have a long-term effect on shareholder value.

KEY PERFORMANCE INDICATORS

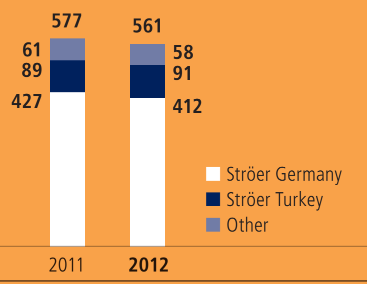
		2008	2009	2010	2011	**2012**	Change
Revenue	EUR m	**493.4**	**469.8**	**531.3**	**577.1**	**560.6**	–2.9%
Revenue by segment							
Ströer Germany	EUR m	394.5	393.3	409.9	427.3	411.7	–3.7%
Ströer Turkey	EUR m	37.2	33.5	68.6	89.0	91.3	2.6%
Other (Ströer Poland and blowUP)	EUR m	62.2	43.1	52.9	61.4	57.9	–5.6%
Revenue by product group							
Billboard	EUR m	256.8	238.5	274.7	302.0	286.6	–5.1%
Street furniture	EUR m	121.7	118.1	134.6	150.8	147.2	–2.4%
Transport	EUR m	68.5	69.4	73.8	89.2	91.5	2.6%
Other	EUR m	46.3	43.8	48.1	35.1	35.3	0.5%
Organic growth[1]	%	–3.2	–2.5	7.5	4.8	–4.0	
Gross profit[2]	EUR m	193.2	169.1	198.6	205.0	174.1	–15.1%
Operational EBITDA[3]	EUR m	**102.5**	**100.0**	**127.3**	**132.3**	**107.0**	–19.1%
Operational EBITDA[3] margin	%	20.8	21.3	24.0	22.9	19.1	
Adjusted EBIT[4]	EUR m	73.3	71.1	97.4	96.3	67.4	–30.1%
Adjusted EBIT[4] margin	%	14.9	15.1	18.3	16.7	12.0	
Adjusted profit or loss for the period[5]	EUR m	17.5	16.8	33.2	40.3	24.0	–40.4%
Adjusted earnings per share[6]	€	0.38	0.36	0.74	0.96	0.54	–43.5%
Profit or loss for the period[7]	EUR m	–14.5	1.1	58.1	–3.6	–1.8	49.6%
Earnings per share[8]	€	–0.38	–0.01	1.34	–0.08	–0.07	12.7%
Investments[9]	EUR m	58.5	22.4	28.5	52.0	42.6	–18.1%
Free cash flow[10]	EUR m	–41.4	16.6	–68.2	38.0	10.8	–71.5%

		31.12.2008	31.12.2009	31.12.2010	31.12.2011	**31.12.2012**	Change
Total equity and liabilities	EUR m	753.1	748.6	987.1	982.6	863.7	–12.1%
Equity	EUR m	–42.7	–48.1	294.4	273.5	279.6	2.2%
Equity ratio	%	–5.7	–6.4	29.8	27.8	32.4	
Net debt[11]	EUR m	525.5	495.4	320.1	304.3	302.1	–0.7%
Employees[12]	number	1,701	1,587	1,731	1,730	1,750	1.2%

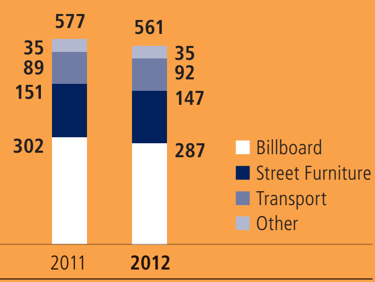
1) Excluding exchange rate effects and effects from the (de-)consolidation and discontinuation of operations
2) Revenue less cost of sales
3) Earnings before interest, taxes, depreciation and amortization adjusted for exceptional items
4) Earnings before interest and taxes adjusted for exceptional items, amortization of acquired advertising concessions and impairment losses on intangible assets
5) Adjusted EBIT before non-controlling interest net of the financial result adjusted for exceptional items and the normalized tax expense
6) Adjusted profit or loss for the period net of non-controlling interests divided by the number of shares outstanding after the IPO (42,098,238)
7) Profit or loss for the period before non-controlling interest
8) Actual profit or loss for the period net of non-controlling interests divided by the number of shares outstanding after the IPO (42,098,238)
9) Including cash paid for investments in property, plant and equipment and in intangible assets
10) Cash flows from operating activities less cash flows from investing activities
11) Financial liabilities less derivative financial instruments and cash
12) Headcount (full and part-time employees)

2012 AT A GLANCE [1]

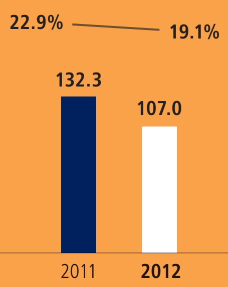
Revenue by segment
In EUR m



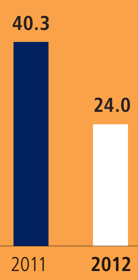
Revenue by product group
In EUR m



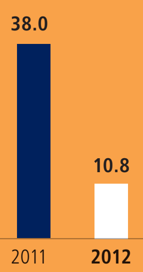
Operational EBITDA and EBITDA margin in %
In EUR m



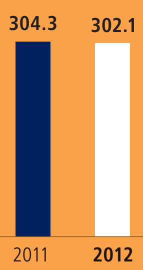
Adjusted profit for the period
In EUR m



Free cash flow
In EUR m



Net debt
In EUR m



[1] The footnotes to the Group's financial figures at a glance apply to all figures presented.

HIGHLIGHTS 2012

RESEARCH FINDINGS CONFIRM THE HIGH IMPACT OF OUT-OF-HOME ADVERTISING MEDIA

Out-of-home advertising works because it is the only medium that delivers large images – and with them ideas and visions, emotions and information that millions of people see every day. Various studies by well-known independent institutions demonstrate how out-of-home media work and what Ströer's product portfolio achieves. They have shown that information presented using out-of-home media has a major effect on implicit memory and therefore on consumers' spontaneous brand preferences. Digital out-of-home advertising is also a real reach booster and helps significantly increase the efficiency of moving-picture campaigns.

→ from page 18

STRÖER BEGINS MARKETING OC MALL IN 60 SHOPPING MALLS

In 2012, Ströer started marketing its Out-of-Home Channel in the largest shopping malls in the ECE group's portfolio (OC Mall). Alongside train stations, shopping malls are among the busiest public places, which makes them ideal for addressing mobile target groups using digital and networked advertising media. OC Mall reaches around 4 million people every day through more than 1,400 vertical and horizontal flat screens in a total of 60 shopping malls. This has enabled Ströer to considerably expand its market position in this key growth segment.

→ page 41

STRÖER ENTERS THE ONLINE ADVERTISING BUSINESS

Ströer enters the online advertising business by signing agreements to acquire a total of four German online marketers in December 2012. The Group is expected to obtain control of the companies in the second quarter of 2013. This move will catapult Ströer into a strong position in online display advertising. Ströer will position itself as an independent provider offering the complete online advertising value chain from a single source based on a competitive technology platform. The planned addition of online services to the Group's product portfolio will create an attractive proposition for advertisers at both regional and national level. Ströer AG's entry into the online advertising business will enable it to drive forward the consolidation of this market segment and to play a defining role in this area in the future – as it has done in the out-of-home market.

→ page 42

STRENGTHENED CONTRACT PORTFOLIO IN GERMANY AND ABROAD

Ströer won all eight tenders for public advertising concessions in the relevant cities in Germany in 2012. This enabled us to strengthen our portfolio, among other things, in Ingolstadt, Braunschweig, Salzgitter and Bamberg. In Turkey, Ströer Kentvizyon acquired new marketing rights in Istanbul and, under this contract, expanded its advertising capacity to over 5,000 faces. High-quality billboards with scrolling technologies play a major role there.

→ page 41

LONG-TERM GROUP FINANCING OF EUR 500M AGREED

The group financing agreed in July 2012 allows Ströer to lay the foundation for stable long-term funding ahead of time. The financing package, which totals EUR 500m and has a five-year term, was provided by an international banking syndicate and refinances the previous syndicated loan agreement and subordinated loans. The timing and terms of the syndicated loan reflect the financial market's confidence in the strength of Ströer's business model. The integrated revolving credit facility enables the Group to flexibly implement growth projects and the interest rate advantages of the new funding arrangements will lead to further improvements in the financial result and cash flows.

→ page 57

MORE FLEXIBILITY IN THE BOOKING SYSTEM FOR 5,000 PREMIUM BILLBOARDS

From the beginning of 2013, the Ströer Group will market its backlit premium billboards in Germany under the name Mega-Light Select, thereby underlining that these advertising media meet the high quality standards of the Mega-Light networks which are also glass-encased and backlit. Mega-Light Select will be individually bookable in the future and therefore meets customers' wishes to build customized networks and take into account geotargeting aspects. For the first time in the German out-of-home advertising sector, more than 5,000 backlit premium billboards will be available for booking as single-channel campaigns on a weekly basis. This is testimony to Ströer's ability to also develop compelling new ideas in traditional out-of-home advertising.

→ page 7

PROFILE OF STRÖER 2012

THE NUMBER ONE

- Germany's **largest out-of-home advertiser** [1)]
- number 1 in the **Turkish** out-of-home advertiser [1)]
- one of the leading out-of-home advertisers in **Poland** [1)]
- operates the **largest giant poster network** in Europe through blowUP media, with locations in Germany, the UK, Spain, Belgium and the Netherlands
- generated **total revenue of EUR 561m** in 2012

STRÖER GERMANY

- **23** companies [2)]
- **34** offices
- **1.317** employees [3)]
- Markets **around 230,000** advertising faces [4)] in **more than 600** cities and municipalities
- **Approximately 11,000** contracts with municipal and private landlords
- Revenue of **EUR 412m** in 2012

STRÖER POLAND

- **4** companies
- **7** offices
- **141** employees [3)]
- Markets **around 17,000** advertising faces [5)] in **195** cities and municipalities
- **Approximately 9,000** contracts with municipal and private landlords
- Revenue of **EUR 36m** in 2012

BLOWUP*

- **9** companies
- **12** offices
- **65** employees [3)]
- Markets **around 200** advertising faces in **47** cities and municipalities
- **Approximately 170** contracts with private landlords
- Revenue of **EUR 22m** in 2012

*) Germany, Great Britain, Belgium, the Netherlands, Spain

STRÖER TURKEY

- **9** companies
- **21** offices
- **227** employees [3)]
- Markets **around 43,000** advertising faces [6)] in **25** provinces or cities
- **Approximately 160** contracts with municipal and private landlords
- Revenue of **EUR 91m** in 2012

1) In terms of revenue
2) Thereof six companies consolidated on a proportionate basis
3) Headcount (full and part-time employees), including Ströer AG, as of 31 December 2012
4) Source: FAW February 2012 and company data
5) Source: Polish Chamber of Commerce for Out-of-Home Advertising (IGRZ), Dec 2012
6) Source: company data

INNOVATIVE PRODUCTS

- **Billboards:** Out-of-home media offer a variety of advertising solutions outside of people's homes such as at bus stops, in pedestrian zones, traffic hubs and urban areas. The Ströer Group develops customized, innovative communications solutions for public areas. Our billboards reach mobile target groups at all of these locations. Glass-encased and backlit Mega-Lights, traditional billboards, big banners and attention-grabbing directional media and advertising on bridges are the most important media in this product group. Thanks to their sheer size, they grab the attention of passersby and arouse their emotions.
  Revenue 2012: EUR 287m

- **Transport:** Transport media carry advertisements across cities and regions. The messages displayed on buses and trams reach all major traffic hubs, even those that cannot be reached by stationary media. They are seen by drivers, passengers getting on and off public transport and people passing by. In addition, Ströer's Out-of-Home Channel provides extensive digital moving-picture networks in Germany's largest train stations, in many underground and suburban railway stations and in the country's largest shopping malls. The Company already has a total of 4,000 digital and networked advertising media in Germany.
  Revenue 2012: EUR 92m

- **Street Furniture:** Today, people demand much more of their urban living space in terms of information, mobility and orientation. Cities and municipalities must embrace this trend. For many years, Ströer has worked in partnership with cities to develop communications and infrastructure solutions for municipal areas. Its offering includes traditional street furniture such as bus and tram stop shelters, public toilets and information columns, as well as electronic city guides. Street furniture blends into cityscapes and creates a high utility value and contributes to the improvement of urban living conditions.
  Revenue 2012: EUR 147m

FOREWORD BY THE BOARD OF MANAGEMENT

Alfried Bührdel
Chief Financial Officer (CFO)

Alfried Bührdel, born in 1962 in Bielefeld, was initially trained in banking, before going on to study business administration in Münster. In 1988 he joined Bertelsmann AG where, after working in Gütersloh and New York, he held various managerial positions including Deputy Managing Director and Finance Director in different entities of the group in Vienna and Munich. He joined Ströer in 1998 and has been CFO for the whole group of companies since then. In 2010 Alfried Bührdel was named "CFO of the Year" by Finance magazine.

Udo Müller
Chief Executive Officer (CEO)

Udo Müller, born in 1962 in Rüdesheim, entered the field of out-of-home advertising in 1987 marketing his handball team, the Reinickendorfer Füchse, in Berlin. In 1990, he teamed up with Heiner W. Ströer to establish Ströer City Marketing GmbH, which was reorganized as an Aktiengesellschaft (German stock corporation) in 2002. With the takeover of Deutsche Städte Medien (2004) and Deutsche Eisenbahn Reklame (2005), he advanced the growth of the company, which he took public in 2010. In 2011, he was awarded the title of Senator h.c. by the German Association for Small and Medium-sized Businesses in recognition of his exceptional entrepreneurial achievements.

Christian Schmalzl
Chief Operating Officer (COO)

Christian Schmalzl, born in 1973 in Passau, studied politics, philosophy, literature and sociology at the Universities of Passau, Munich and Cardiff. After his studies, he joined MediaCom in Munich in 1999 and became the youngest managing director of the agency group in 2002. In 2007, he assumed responsibility for the entire Germany business, before being appointed Worldwide Chief Operations & Investment Director (COO) of the international media group in 2009. As of 15 November 2012, Christian Schmalzl was appointed to the board of management of Ströer Media AG and, as COO, is responsible for international operational management.

Dear shareholders,
ladies and gentlemen,

2012 was a year of transition in which we enhanced our business model through targeted growth investments in Germany and abroad in view of the continuing digitalization of the media landscape. In addition to significantly expanding our network of digitally networked advertising media, we drove forward the roll-out of advertising media that primarily use scrolling technologies. As planned, we continued to install our Out-of-Home Channel in affiliated train stations and shopping malls. Since August, we have been able to fully market our entire network and have already received a great deal of positive feedback from our customers. Despite a challenging environment dominated by the uncertainty on the financial markets, we performed well in the market overall and put ourselves in an attractive position for the coming years.

The Group was unable to match the growth of prior years, recording revenue of EUR 560.6m, operational EBITDA of EUR 107.0m and organic growth of −4%. However, these developments can be largely attributed to temporary effects: the cautious approach to bookings taken by major advertisers, the shifts in budgets caused by the major sporting events in 2012 – the European football championship and the Olympics – and the start-up expenses for our new advertising concession in Istanbul.

The slogan we have adopted for this year's annual report is "Outdoor media – Impact in mind." Although there is no doubt about the potential of out-of-home media for major advertising campaigns, no conclusive proof of its explicit and implicit impact had been available up to now. Comprehensive studies initiated and completed by Ströer in 2012 have now produced validated findings by renowned market research institutions that impressively underscore the significance of out-of-home advertising in the media mix and demonstrate in detail the impact and reach of our out-of-home media. The results show how much attention the public give to our advertising media as well as the level of awareness measured after a poster campaign. On this basis, the studies identified a concrete change in behavior and attitude toward the advertised products. In 2012, we also patented the "Deep Impact" testing technique, which analyzes how individual poster campaigns run by our customers are perceived and how effective they are.

To further enhance the competitiveness of our medium in the cross-media environment, we supported an industry-wide initiative to standardize performance measurement in out-of-home advertising. In fiscal year 2013, a new standard performance measure known as PpS ("Plakatseher pro Stelle": audience per site) will be launched in Germany to replace the previous "G-Wert" used by the market research company GfK (Gesellschaft für Konsumforschung). PpS will be calculated transparently and independently using a standardized method, allowing performance to be directly benchmarked with other media for the first time through the total number of contacts.

From the beginning of 2013, we will market around 5,000 backlit premium billboards on a single and weekly basis for the first time. This underlines Ströer's goal of establishing innovative services and products in its industry and focusing systematically on individual customer needs. We expect the trend toward the digitalization of the media landscape and the closer integration of traditional business and digital solutions to continue and to remain the driving force for the development of

Ströer's new activities. This is why, at the proposal of the board of management, the supervisory board resolved to strengthen the helm of the Group by appointing the media expert Christian Schmalzl to the newly established role of Chief Operating Officer. Since November 2012, he has been responsible for leveraging strategic potential in an even more focused and sustainable manner, while ensuring efficient operations.

In view of increasing digital integration in the media industry, we laid important foundations for expanding our corporate strategy in the last days of 2012. Following the approval granted by the Federal Cartel Office at the end of February, we expect to acquire four online marketers at the beginning of the second quarter of 2013, a move that will catapult us into a strong position in the German online advertising market. This new business segment will complement our predominantly brand-based out-of-home advertising activities (branding products) with more transaction-oriented audience and reach-based advertising on the internet (performance products). We will run our new operations as a separate fourth reporting segment alongside our core out-of-home business comprising the Ströer Germany, Ströer Turkey and "Other" segments. Transferring professional marketing strategies and using existing customer contacts from the out-of-home business will help us achieve attractive, above-average growth in our online advertising activities and add value for our shareholders.

Ströer's principal banks share our optimistic view of the Company's growth opportunities. The new loan agreement we concluded in July 2012 totaling EUR 500m over five years has allowed us to lay the foundation for stable long-term financing ahead of time in a volatile banking market. This means we can flexibly implement growth projects and reduce our borrowing costs. In addition to improving the covenants, we achieved the full release of collateral – an important signal for the capital markets.

The economic situation in the eurozone will remain uncertain in 2013. Against this background, the advertising environment remains volatile and will be shaped by short-term bookings by our customers. For the first quarter 2013, we expect to see a continuation of the positive momentum already witnessed in the last quarter in Turkey and Germany and thus anticipate an increase of the organic group revenue of +5%. In the second quarter we expect to see – due to currently reluctant client bookings – a temporary halt in the slight upward trend estimated for the full-year.

We would like to thank our business partners, investors and employees for the trust they have placed in us and wish you all a successful year in business and on the markets in 2013.

Udo Müller	Alfried Bührdel	Christian Schmalzl
CEO	CFO	COO

Cologne, March 2013

»WE ARE RIDING THE MOMENTUM«

Ströer Media AG's board of management, Udo Müller, Alfried Bührdel and Christian Schmalzl, talk about strategic developments in 2012, the Company's core out-of-home advertising business, its entry into the online advertising business and its future goals and opportunities.

Fiscal year 2012 was shaped by major challenges in the media markets and the cautious allocation of advertising budgets. You yourselves described 2012 as a transition year. Nevertheless – or indeed because of this – you have decided to set out on a new path. What were your motives?

Udo Müller: Conditions were certainly not easy. We are in a fairly competitive environment where advertising budgets are highly sought after. The general economic situation prompted a number of customers to cut their advertising budgets and, in our case, withdraw orders to differing degrees. However, compared with the industry as a whole, we are satisfied with our performance in the past year. We used 2012 to invest in growth projects in our key countries – Germany and Turkey. This also includes the planned addition of online advertising to our business model. Entering this high-potential market segment is a logical step for Ströer because the ongoing process of digitalization is increasingly blurring the boundaries between media formats. Ströer is therefore living up to its role as a pioneer and is laying foundations for profitable growth ahead of time.

Does your move into the online business mark a fundamental strategic change?

Udo Müller: No. Out-of-home advertising remains Ströer's core business. We will continue pursuing our strategy of expanding our portfolio of premium advertising media as planned, focusing in particular on digital out-of-home media. We are convinced that these premium out-of-home formats will grow faster than TV, radio and print in the coming years. At the same time, the move into online display advertising will give Ströer additional growth potential and a leading position in this market segment. It will immediately make us one of the top ranked online marketers in the industry.

To what extent will online advertising boost the out-of-home business?

Christian Schmalzl: Adding independent online advertising to our business will make Ströer AG an even more important partner in the market. By integrating online business into our offering, we can offer our customers many more options for campaign planning and execution. We will show online advertising in a seperate reporting segment because we see it as an important pillar in a new growth market.

What role will Ströer play in the online advertising market in the future?

Udo Müller: We want to ride the momentum because we see ourselves – like when we stepped into the out-of-home advertising market – as a driving force of market consolidation in a process that is only just starting in the online market. This move will allow us to repeat our successful consolidation history and we aim to be a strong player in the online advertising market in 2013.

> »We see ourselves as a driving force of market consolidation in a process that is only just starting in the online market. This move will allow us to be successful in the consolidation process as we have been before.« Udo Müller

Why are you buying four companies at once?

Christian Schmalzl: First of all, acquisitions are not only dictated by the wishes of the buyer, but also by the available targets. We were given the opportunity at short notice to immediately achieve a critical size by acquiring four companies simultaneously and to become one of the top marketers in Germany in terms of revenue in the display segment – a good position from which to continue our growth. By purchasing the four assets, we have united different but, in our view, key elements of online advertising under one roof: a technology-driven platform business, high-margin but specialist vertical marketing, high-reach coverage in the mid and long-tail segments and marketing of premium sites. We aim to act, as we have been in the out-of-home advertising business, as a kind of full-line provider for customers and agencies, offering bespoke solutions to any specific customer problem from a pool of products and services.

What effects will the adscale transaction have on Ströer's financial position and net assets?

Alfried Bührdel: The acquisition of a majority interest in adscale and the settlement of the purchase price in cash are expected to lead to a cash outflow in the low double-digit million range in Q2/2013, which we will finance primarily from the

»Thanks to the measures we have initiated, we expect to outperform the market in 2013 as a whole. Our performance will also be boosted by the new online advertising business.« Alfried Bührdel

credit lines available to us. The less capital-intensive online advertising business will have a positive overall effect on our free cash flow profile, which has previously been largely shaped by infrastructure measures in the out-of-home advertising business.

What effects will there be from your acquisition of the Ströer Interactive Group through a capital increase in return for a non-cash contribution?

Alfried Bührdel: Ströer Media AG does not have to pay cash to acquire these companies in 2013, as it is settling the transaction by issuing shares from its authorized capital. This means that when the entire online transaction is closed, it will have an almost neutral effect on our financial leverage ratio. In addition, we have engaged an independent audit firm to prepare impartial valuation reports for the online companies that we are acquiring. The valuation reports showed that fair value ratios and adequate purchase price measurements were used.

Mr. Müller, don't you see any conflict of interest in the fact that you and Dirk Ströer are board members of the buyer, Ströer AG, as well as being the seller of the three companies via an investment company?

Udo Müller: This transaction between related parties was based on the strategic decision by the board of management and the supervisory board to establish another high-growth business segment with a size that is relevant from the start. We were aware of the sensitivity of a possible conflict of interest among the board members, which is why Dirk Ströer and I did not attend and were not consulted on any negotiations or decisions regarding this matter. When measuring the purchase price, we used various mechanisms to ensure that the three companies were fairly valued in comparison with Ströer AG and the adscale transaction, while adhering to corporate governance requirements. The purchase prices for the different transactions are determined on the basis of the respective projected EBITDA using single-digit valuation multiples and are therefore below the level of similar past transactions.

How will the deals affect earnings in 2012 and 2013?

Alfried Bührdel: Apart from the transaction costs incurred, the acquisitions will not affect the consolidated financial statements for 2012 as they are not expected to be closed until the second quarter of 2013. If the transactions are successfully executed, we expect positive effects on revenue and earnings from these operations in 2013.

Four specialists with combined market strength

Ströer AG entered into acquisition agreements for a total of four companies at the end of fiscal year 2012. In the case of adscale GmbH, 91% of the shares will be acquired initially, option rights were agreed for the other remaining shares held by management. All transactions have since been approved by the Federal Cartel Office. The transactions are expected to be closed in the second quarter of 2013. This deal with catapult Ströer into a leading provider of online display advertising.

Ströer Interactive Group (SIG)

adscale 91%

- Strong trading platform in Germany since 2007
  - Covers >80% of the top 100 publishers
  - Markets around 5,000 websites
- Flexible technology platform
- 4 sales offices
- Around 80 employees

ströer interactive 100%

- Largest publisher-independent display marketer in Germany since 2000
  - 100% third-party advertising
  - Markets >475 websites
- Exclusive advertising
  - Mainly with media agencies
  - > 20 "topic channels"
- Around 50 employees

freeXmedia 100%

- Marketer of own and third-party websites
  - Markets around 100 websites, including freenet.de
- Exclusive marketing with five main topic channels
- Around 60 employees

businessAD 50.4%

- Marketer of B2B online media since 2003
  - 100% third-party advertising
  - Markets > 60 websites
- Exclusive marketing with two main topic channels
- Focus on Business and finance
- Around 20 employees

Up to now, Ströer's business model has been based on European expansion. Are you now shelving your plan to buy your way into other European markets?

Udo Müller: No, not at all. We will thoroughly examine any suitable opportunities to expand our established core business in other European countries. Our move into the online business has not changed this.

With regard to the online segment, we can see international prospects for adscale's marketplace technology. After the transactions are successfully closed, we will be busy enough integrating the four German companies and leveraging their strength in the German online market.

How does the online business fit with Ströer's core operations in out-of-home advertising?

Christian Schmalzl: Sometimes, concrete examples are the best way of explaining abstract relationships: We are currently working on linking our out-of-Home Channel's digital outdoor advertising network to an ad server in the coming months so that we can control our digital advertising faces individually. This means we can combine out-of-home advertising with online advertising to fuel organic growth by transferring either static or moving pictures to our screens. We will control each screen individually using a centralized system and precisely configured performance data. Media are converging – and we are ready to serve our customers at the interfaces.

How will the online business profit from Ströer's expertise in out-of-home advertising?

Christian Schmalzl: We see valuable parallels as the mechanisms are virtually identical. We have developed longstanding and trusting relationships with all the key players in the advertising market – on both the customer and the agency side. Our expertise and experience in national marketing methodologies for digital out-of-home advertising can be applied to the online business. Our some 40,000 regional customers will enable us to develop the local online advertising market – a business area that is so far virtually untapped in Germany.

What proportion of revenue will online advertising generate?

Alfried Bührdel: If the acquisitions go ahead, online advertising will account for between 10% and 15% of consolidated revenue. Going forward, we expect this proportion to increase due to the higher growth rates anticipated in the online business.

»In two years, we want Ströer to think and be positioned more digitally. In structural terms, we will have established out-of-home advertising even more strongly in the market and we will be equipped to meet the challenges facing our customers.« **Christian Schmalzl**

When do you aim to return to growth?

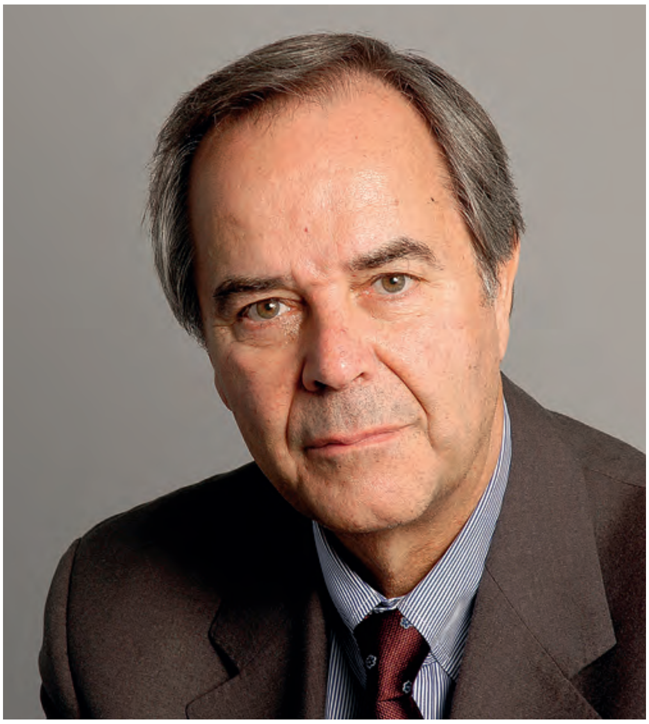
Alfried Bührdel: As a company, Ströer is focused on growth. In the past year, we were unable to achieve this objective to the desired extent due to adverse market conditions. However, thanks to the measures we have initiated, we expect to outperform the market in 2013 as a whole. Our performance will also be boosted by the new online advertising business.

Going forward, how will Ströer look in two years?

Christian Schmalzl: If we knew the answer to that, our job of developing the Company every day would be nowhere near as exciting. That said, in two years we want Ströer to think and be positioned with a much stronger digital focus, in structural terms we will have established out-of-home advertising even more strongly in the market and we will offer better and more convergent solutions to the challenges facing our customers.

Udo Müller: If we succeed in doing this, we will be a key player not only in the out-of-home advertising and online markets, but also in the advertising market as a whole. This is our aim and ambition.

SUPERVISORY BOARD REPORT



Prof. Dr. h.c. Dieter Stolte
Chairman of the supervisory board

Ladies and gentlemen,

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

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

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

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

Focus of deliberations and review by the supervisory board plenum

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

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

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

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

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

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

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

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

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

At its meeting on 13 December 2012, the supervisory board again dealt with the Group's entry into the online advertising business and continued to extensively examine issues relating to the valuation of the four online companies and the measurement of the purchase prices, as well as details of the planned capital increase and governance aspects. Furthermore, it resolved to terminate Dirk Wiedenmann's employment contract as a member of the board of management by mutual consent, approximately 1¼ years before his contract was due to expire.

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

Deliberations of the supervisory board's audit committee

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

Separate and consolidated financial statements

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

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

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

Changes to the composition of the supervisory board

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

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

Thanks

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

On behalf of the supervisory board

Dieter Stolte

Prof. Dr. h.c. Dieter Stolte
Chairman of the Supervisory Board

Cologne, 22 March 2013

BIG, MODERN, MOVING AND EMOTIONAL …

… that's out-of-home advertising today. People on the move don't see the prominent, eye-catching advertising faces as intrusive. There's no hint of them wanting to change channel. Advertising works – and out-of-home advertising works even better because of its unconscious and unavoidable impact. According to neuromarketing studies, people are positively tuned towards the messages they see on out-of-home media and are therefore much better able to recall them. They involuntarily look at and absorb large-format pictures, which the human brain can retain by far the best and the longest. Why? Because our brains are built to remember them.

In 2012, Ströer examined the effect and performance of out-of-home advertising in a range of different studies and the outcome was confirmed by marketing experts: Whether analog or digital, out-of-home media can't be overlooked in advertising or communication planning.


KLEID
119.95

MULTI-SCREEN PLANNING ENSURES MORE EFFICIENCY AND REAL IMPACT

Ströer commissioned the renowned market research group Enigma GfK to conduct a representative research study into the reach and contact levels achieved by the Out-of-Home Channel at train stations (OC Station), the different target groups at these locations and the resulting distribution of contacts throughout the day. The study's key finding was that train stations are a highly relevant means of advertising communication because they can very quickly bring millions of people into contact with a large number of advertise-ments.

In fact, Germany's 200 largest train stations welcome around 3.6 billion visitors each year – an impressive figure. The frequency at the busiest stations exceeds 300,000 people a day. No other places in a city can attract so many people or provide contact with local commuters and long-distance travelers, school children, students and professionals as well as the growing numbers who come to cities to go shopping.

A high-potential touchpoint

The potential reach offered by these locations is underlined by the fact that, in the last three months, around 45% of the adult German-speaking population visited a train station, spending an average of 15 minutes there each time. This should not be underestimated because it works out at up to an hour a day for a commuter traveling to and from work. Enough time to stroll through the station and be inspired by skillful advertising – which people are generally open to if they are not running late or rushing to make a connection.

These people represent the potential reach and target groups provided by Ströer's digital advertising network: OC Station.

The best way for advertising customers to leverage this potential in a powerful and cost-effective media strategy is to adopt a multi-screen planning approach, which is designed to ensure visibility across various channels. Why take this approach? Today, advertisers and agencies are aware that their target groups not only use screens at home, but increasingly on the move as well. The popularity of tablets, smartphones and laptops is soaring, especially for playing moving pictures – a trend that is on the rise. Advertisers can significantly improve the efficiency of their campaigns by extending them from TV and internet into public places. This makes out-of-home advertising the perfect complementary medium – because consumers who are not watching TV can be reached when they are out and about.

Efficient use of resources to increase campaign reach

This is where the results of the GfK study come in. They prove that the Out-of-Home Channel is a very useful addition to a campaign that uses moving pictures and can sustainably increase its efficiency. The research combined information on campaign-related TV usage and the online behavior of 5,000 households with data from the OC Station performance study. The overall results show the number of contacts achieved by the advertisers during the campaign period using the three moving-picture channels (TV, online and OC Station). The findings were broken down by brand and clearly speak for themselves.

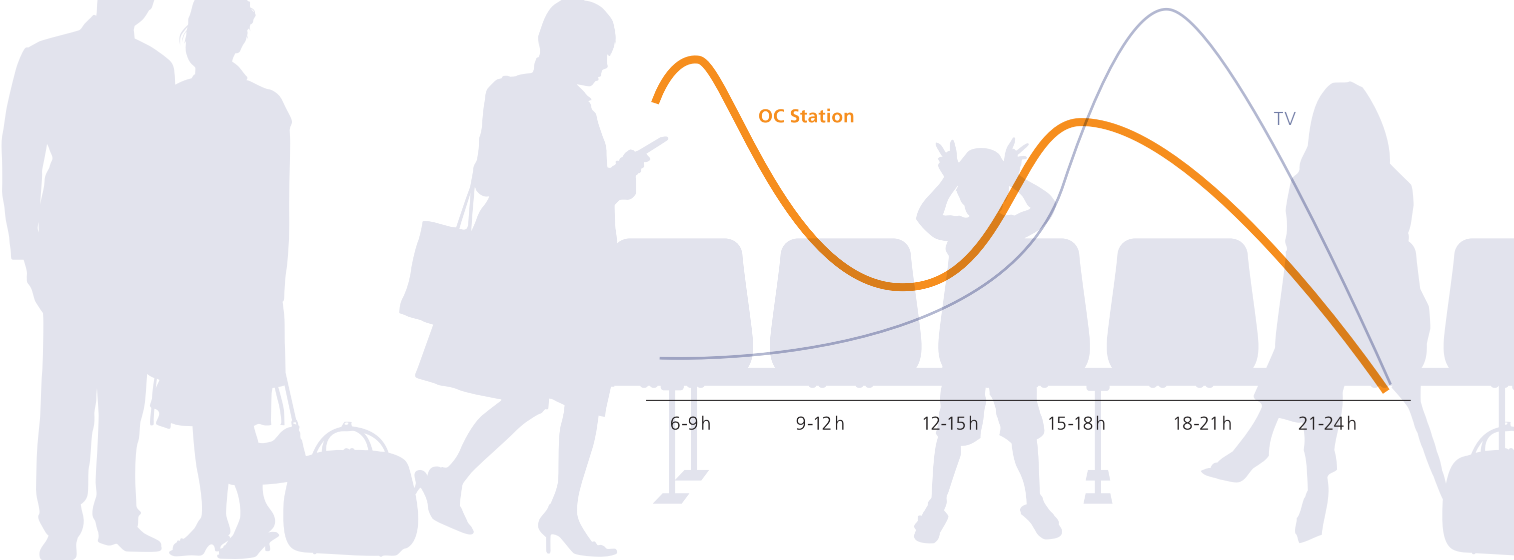
Thanks to the OC Station, one brand immediately achieved around an 11% additional net reach among people who had not seen it on TV at all. 3% had seen the same advertisement on TV, on the OC Station and online, while 27% had encountered it on TV or online, which is a better indication that these two channels share the same group of users.

The OC Station enabled a product from the financial services sector to increase its net reach by 5%, compared with 2% from online advertising. Achieving this 5% additional reach on TV would have made the TV campaign around 30% more expensive, which is substantially higher than the additional cost of an OC campaign. The cost and reach advantages offered by the OC Station are therefore plain to see – not to mention the additional contact quality.

From a planning perspective, the key benefit of the OC Station is that it can show moving-picture advertisements to target groups who, because of their mobility, previously could only be reached in expensive primetime TV slots. This makes the OC Station the ideal complement to TV. The Out-of-Home Channel allows advertisers to take a practical approach to planning by booking slots so that advertisements are timed to precisely reflect the movements of the relevant target groups, thereby increasing a campaign's impact, at comparatively lower costs than TV.

For Ströer, this means focusing its sales activities more strongly on the individual needs of advertisers and highlighting the reach and cost advantages of the Out-of-Home Channel compared with TV.

Comparing OC Station and TV usage: Most people come into contact with the OC Station in the morning or afternoon/early evening, which are precisely the times when TV usage is at its lowest.



OUT-OF-HOME ADVERTISING: A HIGHLY RELEVANT TOOL FOR CAMPAIGN PLANNING

Growing competition for advertising budgets means that the efficiency and interaction of individual media channels is becoming more and more important. To maximize impact, advertising and communication strategies must be more attuned than ever to the needs of the target groups. Marketing experts Prof. Marc Drüner and Prof. Christoph Burmann talk about the tremendous potential of out-of-home advertising and why it is not just what you advertise, but also the technology and types of media you use that count.

Prof. Marc Drüner is Professor of Marketing and Innovation Management at Steinbeis University Berlin and managing partner of trommsdorff + drüner. He has advised companies in a wide variety of industries for 20 years.

Prof. Christoph Burmann's professional career included working for the US advertising agency Ogilvy & Mather in Cape Town. Since 2002, he has held the newly established professorship of innovative brand management and marketing at the Excellence University of Bremen.

How much has digitalization been a game changer for advertisers?

Prof. Dr. Marc Drüner: Digitalization has shifted the balance of power. Consumers now have transparency at their fingertips – anytime, anywhere and on any device. But every consumer is different, which means that mass customization at one end of the scale, and segment-of-one marketing at the other, are now a reality. And advertisers are expected to master all channels and use the right technology and the right content. This is the challenge for everyone involved in advertising. Not all channels are the same and can be used for every purpose and target group.

Prof. Dr. Christoph Burmann: Digitalization has of course led to a large number of new communication channels, which is making media planning much harder than before. However, it also offers new opportunities. In other words, how can you create brand appeal? In my opinion, out-of-home media play a vital role here. They can stimulate curiosity in people and prompt them to find out more about a brand. This happens when people are on the move and aren't expecting to see advertisements – a completely different situation to when they're doing an internet search and their screen is awash with advertising. Out-of-home media can provide an emotional stimulus that other media can pick up on.

What does this mean for the marketing strategies of advertisers? Many new ideas, technologies, products and services are already gaining ground.

Prof. Dr. Marc Drüner: "Technology is the new creative!" This means that communication is seen as innovative and creative if it creates an attractive link between analog and digital touch-points and makes compelling interactive offerings to consumers. Creative communication – and not just the good old creative core message – will be highly technology-driven.

At the same time, continuous benchmarking is required to measure the success of different campaigns on a daily basis and immediately make any adjustments.

Prof. Dr. Christoph Burmann: I agree. Media strategies need to be reviewed and modified on an ongoing basis. The furious pace of technological development in the media and changes in how consumers use the media are creating more and more new opportunities to address target groups effectively and efficiently. Interestingly, these changes are by no means confined to very young target groups – as shown in particular by the widespread use of the internet and social media among the over 50s.

What do you see as the key factor that triggers purchases?

Prof. Dr. Marc Drüner: Customers are faced with a never-ending variety of products; convincing them to buy a particular one is not getting easier. The secret is in the overall package, rather than just the product. It's about the service you offer – from online customer care to personalization options. The product alone isn't the clincher, it's the world around the product that makes you want to buy it.

Prof. Dr. Christoph Burmann: Some advertisers are now almost exclusively using online media. However, we are seeing that online advertising needs to be coordinated with other communication channels to be effective and efficient. This is mainly because the situation in which people encounter online advertising prevents this medium from having maximum impact on its own. Emotional content is overlooked and the audience reached is more or less engaged in a search and usually about to make a purchase. Today, marketing and brand managers are increasingly interested in how to create new purchasing opportunities despite saturated markets and high levels of affluence. To do this, the consumer needs to be exposed to emotional triggers.

What synergies do you see between online and out-of-home advertising, what kind of potential is there?

Prof. Dr. Christoph Burmann: There are enormous synergies. In most cases, the two communication channels need to be used in tandem to be effective because they both satisfy different needs: On the one hand, out-of-home media stimulate people's interest by surprising them in unusual situations. On the other, online media satisfy a greater demand for information and lead to a purchase.

Prof. Dr. Marc Drüner: When addressing the same target group, it's a good idea to pursue an end-to-end strategy in order to produce a recognition effect among customers. Cross-media marketing – such as the offline promotion of online campaigns – is particularly effective here and creates a simple relationship between the channels, as well as forging a closer bond between the customer and the product. Out-of-home advertising is also highly relevant in combination with internet search engines. When planning a campaign, advertisers shouldn't just focus on one channel, but should keep an eye on the big picture to ensure future success.

What developments do you expect in the out-of-home advertising market in the future?

Prof. Dr. Marc Drüner: It will be possible to develop advertising and communication strategies for ever narrower target groups. "One-size-fits-all" strategies will give way to targeted communication with different segments. Measuring the success of a campaign while it's live will also become more and more important to enable measures that aren't working to be dropped more quickly and campaigns to be honed to perfection.

Prof. Dr. Christoph Burmann: We will see much closer integration of online advertising and out-of-home media – precisely because we haven't yet exhausted the potential synergies. This is inevitable.

A QUICK GLANCE WITH A LASTING EFFECT

Alongside its research into the significance and variety of media channels (multi screen planning), Ströer AG commissioned a study of the visual perception and impact of advertising posters in public places. In a nutshell, the analysis aimed to find out whether consumers can actually remember images just by glancing at them and whether they can recall what they saw and will ultimately decide to buy the advertised product.

Advertisers have one goal in mind when they develop a brand and image policy: They want consumers to build up a mental image that sticks in their memory and has a positive influence on their behavior towards a brand – ideally leading to a decision to buy the product. Out-of-home advertising can help achieve this goal by unleashing its full impact in the form of big, eye-catching pictures that attract people's attention while they're waiting for a train, or walking or driving past. Posters that are noticed by drivers on the move are enough to activate a mental brand image that stays in their memory. People absorb, filter and memorize images subconsciously within seconds – and out-of-home advertising makes the most of this phenomenon. A new study conducted by Ströer and the Berlin-based international market research institute eye square demonstrates the visual perception and impact of roadside advertising posters.

About the study

The Atlas study sums up the visual perception and impact of roadside out-of-home media. It is based on a trip around a virtual city in a driving simulator using an eye tracking system followed by a computerized survey. The participants drove the same route in thirteen separate groups under real-life test conditions. The study used a total of five different advertisements from actual campaigns for well-known brands. Combining the following variables prevented creative influences and ensured reliable information on the impact of the individual advertising media:

- Traffic density
- Frequency of contact
- Motifs
- Advertising media

The participants were also asked about a brand that did not appear during their virtual trip and therefore served as a control/ zero measurement.

Ströer used a driving simulator that was originally designed for driving schools. Drivers got behind the wheel of a manual transmission and made their way through the 3D model of a city full of buildings, people, traffic signs, out-of-home advertising and other traffic.

In the first part of the study, more than 1,000 participants took the wheel of a driving simulator for a trip through a virtual city to gain insights into the visual perception and impact of roadside posters. An eye tracking system, which records everything seen by the iris, revealed how much attention the drivers paid to the roadside out-of-home media. The striking thing is that they looked at an advertisement on a Mega-Light for an average of 1.6 seconds during their journey through the city. This means that the most sought-after $9m^2$ of advertising space in a city not only attracts as much notice as a print advertisement (1.7 seconds*), but is also more memorable because out-of-home advertising is inevitably encountered more often.

Out-of-home advertising catches almost everyone's eye

Human beings are known to be visual creatures with an ability to remember pictorial representations much more readily, which is why 1.6 seconds are enough to convey for example the image of a car or a drink using a picture. In a process that is completely involuntary, people look at, absorb and memorize large-format images longer than any others. The impact of a brand is intensified with each new visual contact and an association is triggered that influences purchasing decisions in the long term.

In addition to providing basic findings, the driving simulator was used to analyze how individual poster campaigns run by Ströer's customers are perceived and how effective they are. The structure of the analysis makes it an ideal pre-test for optimizing campaigns prior to their launch.

The study was also designed to assess specific factors such as implicit brand image and awareness. The contact that the participants had with the posters during the test led to a positive and lasting change in the implicit brand image of the advertised products. Researchers have now developed a way of measuring this change, known as the "mere exposure effect" – a phenomenon whereby consumers are more likely to choose a product they have seen on a poster than another one they are not familiar with. This is because – like most other things in everyday life – advertisements or brands are learned implicitly. Nevertheless, campaigns can only have the desired effect on their target groups if they are actually seen, which requires a creative and attention-grabbing advertisement.

ONE MEASURE FOR ALL

A new industry-wide performance measure known as PpS ("Plakatseher pro Stelle": audience per site) was launched at the beginning of fiscal year 2013. It is the first standardized measure for the entire process from planning through to purchase and replaces the old familiar "G-Wert" used by the market research company Gesellschaft für Konsumforschung (GfK).

The G-Wert merely assessed individual sites and was not suited to comparing posters with other media, nor was it calculated in a transparent manner. PpS overcomes these problems by reporting the performance of an advertising medium during a booked unit of time (a week or a 10 to 11-day period) in the form of total contacts and does not have to be extrapolated any further. According to the industry group Arbeitsgemeinschaft Mediaanalyse (agma), this means that PpS can be classed as an advertising contact opportunity and is directly comparable with figures from other media. PpS is an enormous step forward in the area of standardized performance measurement and intermedia comparability.

Research findings used in sales activities

Today, it is not just the content, but also the technology, the right media mix and the ability to measure success that are playing a more and more important role. Thanks to the studies completed in 2012, Ströer can provide reliable proof of the effectiveness of out-of-home advertising and its significance in the media mix and will use the findings in its day-to-day sales activities.

*) Source: Christian Scheier: Wie wirken Plakate? [How do posters work?], Fokus Jahrbuch [Focus Yearbook] 2005, p. 265; Kröber-Riel: Bildkommunikation [Image Communication], Vahlen Verlag 1996, p.15 et seq.

DIGITAL, INTEGRATED, FAST AND FUTURE-PROOF …

… many aspects of analog life can seem slow. The answer is to try out analog things in a digital way: "Digilogization" allows you to check out a shoe, a car or even a house in advance.

How? Using new drive-to-mobile technologies such as QR code readers, image recognition apps or – coming soon – the contactless exchange of local data.

Cross-media integration is vital for Ströer's future growth story: In 2013, the Company will continue the closer integration of its traditional business with digital out-of-home advertising. In the coming years, our goal is to use the structural growth in the sector to increase the market share of out-of-home advertising in Germany initially from 4% to 6%, and thereafter significantly beyond – thus further strengthening the strategic importance of out-of-home advertising in the communications mix. Although the out-of-home advertising markets continue to be affected by the uncertainty on the economic and financial markets, Ströer is shaping the future and remains on a growth trajectory.


STRÖER
KLEID
119,95
Besuchen Sie uns
in unserer Filiale
gleich gegenüber
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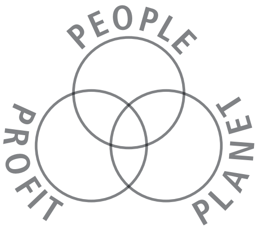
CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility

TAKING RESPONSIBILITY – ACTING SUSTAINABLY



Ströer's corporate Social responsibility concept supports management's values and reflects external expectations in all areas.

Ströer AG has always been committed to taking a socio-political role and demonstrates its corporate social responsibility in numerous small and large-scale projects. We support social and cultural initiatives directly by providing funds or by leasing advertising media at generous terms, enabling issues and messages to be communicated to the public. In cooperation with our contracting partners in cities and municipalities, Ströer provided a large number of regional and non-profit organizations with advertising faces nationwide with a media value of several million euros in 2012. Ströer's commitment is based on a clearly structured concept that it adopted in the prior year, under which the Company divides its social responsibility into three internationally applicable areas: **social commitment** (PEOPLE), **handling of resources** (PLANET) and **sustainable business practices** (PROFIT). Ströer has developed a separate concept for the social aspect, which is of special importance to the two main shareholders, Dirk Ströer and Udo Müller, in keeping with the tradition of the family-run business. The concept divides the PEOPLE area into the three pillars of "Children and Young People," "Sport" and "Culture." This ensures a uniform approach as well as targeted and long-term support for charitable initiatives and projects.

The following section outlines the developments in the three areas of PEOPLE, PLANET and PROFIT in 2012.

PEOPLE: Social commitment

Ströer's social commitment means helping charitable initiatives and projects on the one hand, and closely supporting the training and professional development of its staff on the other.

Ströer's support begins at local and regional level in all the areas where it operates. Its commitment is extremely varied and ranges from design concepts for suburban trains to providing billboard faces and sponsoring charity events.

For each of the three pillars in the PEOPLE area, we have defined one lighthouse project that particularly embodies Ströer's ideas and receives the Company's long-term backing. The individual lighthouse projects are outlined below. Although Ströer is equally committed to all its social projects, in 2012 it focused in particular on "Initiative Vermisste Kinder" (Initiative for Missing Children).

In 2012, the non-profit organization was named a "Selected Landmark 2012" in the "365 Landmarks in the Land of Ideas" competition. Every year the initiative "Germany – Land of Ideas," which was launched jointly by the government and business in 2005, honors innovative, unusual and pioneering projects that make a sustainable contribution to Germany's future.

Germany

Children and Young People: "Initiative Vermisste Kinder" (Initiative for Missing Children)

"Initiative Vermisste Kinder" (Initiative for Missing Children) was established in Hamburg in 2008. Then, as today, parents face a difficult time when their child goes missing. The initiative helps them with their search and guides them through this distressing period. It also provides information on how they can take preventive measures and increase the safety of their children.

"Initiative Vermisste Kinder" was recognized for its sustainable and forward-looking commitment: Its office in Ströer's Hamburg branch was voted a "Selected Landmark in Germany 2012" in the "Society" category. The interactive search platform "Deutschland findet euch" (Germany will find you) on Facebook helps in the search for missing girls and boys.

As a partner over the past five years, Ströer has ensured that reports of missing children are seen by a wide audience beyond the reach of the internet. Ströer offers immediate and targeted help by providing advertising media and publishing missing child alerts on digital advertising media. Our digital media, such as our Infoscreens at underground and suburban stations as well as on-board TV, are ideally suited to raising awareness at short notice. We can also draw people's attention to educational campaigns such as "Wer hat mich gesehen?" (Has anyone seen me?), a nationwide project designed to raise awareness of this topic among all age groups. With its support, Ströer also contributes to the growing strategic focus and professionalization of the initiative.

In addition to the "Children and Young People" pillar, Ströer continues to demonstrate its major commitment through its long-standing lighthouse projects.

Initiative Vermisste Kinder was named a "Selected Landmark in Germany 2012" for helping find missing boys and girls. The cause was symbolized by 100 balloons bearing pictures of missing children.

Sport: Deutsche Sporthilfe foundation

Ströer's cooperation with the "Deutsche Sporthilfe" (German Sport Aid) foundation covers two areas. Firstly, as a media partner, the Company raises awareness of the foundation with regular billboard campaigns in a large number of German cities – such as the "Dein Name für Deutschland" (Your Name for Germany) fundraising appeal in 2012. Secondly, Ströer sponsors six elite young talents on their way to becoming top athletes. In addition, we give all 4,000 athletes supported by Deutsche Sporthilfe the opportunity to get on the career ladder with a special application procedure. In 2012, the first sportsmen and women completed internships at the Company lasting several months. Ströer offers flexible working models for athletes doing internships and those who are subsequently given permanent positions to ensure that they can combine their work with their sporting careers.

Culture: Kunstpreis START Bonn

In the area of culture, Ströer is a sponsor of the "Kunstpreis START Bonn" (START Bonn art award). Launched in 2011, the award combines architecture, art and society and offers a platform for young upcoming German-speaking artists. The winning entry for 2012 by Andreas Schmitten, a graduate of the Kunstakademie Düsseldorf (Arts Academy Düsseldorf), is entitled "Requisite in Weiss und Rot. Das Treppenhaus im Museum" (Props in White and Red. The Museum Staircase) and is on display in the Kunstmuseum Bonn (Bonn Museum of Modern Art) until May 2013.

Other charitable commitments

Alongside its lighthouse projects, Ströer supports various social organizations nationwide, including "Deutsche Krebshilfe" (German Cancer Aid), "Jugend gegen Aids" (Youth Against Aids) and "Deutschland rundet auf" (Germany rounds up). In 2012, Ströer provided "Stiftung UNESCO – Bildung für Kinder in Not" (foundation supporting UNESCO's Program for the Education of Children in Need) with advertising media with a total media volume of EUR 1m.

Turkey

Large number of charitable initiatives

For many years, Ströer has supported several organizations in Turkey by providing usage of advertising media. Our activities include a long-term cooperation with the LÖSEV foundation, which ensures that children with leukemia receive schooling while they are being treated. In 2012, Ströer was also the principal sponsor of the final of the IWBF Champions Cup, an international wheelchair basketball competition that was held in Istanbul in the run-up to the Paralympics in London.

Poland

Plenty number of charitable projects

In Poland, Ströer supports the Red Cross and Warsaw Children's Hospital, among other causes. Its commitment to the "Wielka Orkiestra Świątecznej Pomocy" (the "Christmas Charity Orchestra") stretches back more than 10 years. In 2012, the Company provided this charity campaign – the largest in Poland – with more than 1,000 billboards, Infoscreens and Metroboards for out-of-home advertising. Each year, the foundation invites Polish citizens to organize concerts, parties, auctions and shows as part of a nationwide campaign day and to collect donations. The money raised in 2012 was used to treat pregnant women and premature babies suffering from diabetes.

Commitment to employees
Ströer has aligned its human resources department with its drive for sustainable growth by establishing dedicated specialist teams and introducing talent management.

As a dynamic and fast-paced media company, Ströer is primarily a people's business. The commitment and qualifications of its employees and their networking with customers are vital for the Company's success. Rather than designing standardized solutions, we adapt our offerings to reflect Company-specific requirements and employees' needs.

After implementing human resources tools that allow Ströer to identify development potential across the Group, we gradually expanded our talent management activities. As a result, Ströer is ideally positioned to individually develop employees and executives.

Since December 2012, Ströer's junior program "Starter Pro" has offered vocational training tailored to the needs of career starters and young professionals. The goal of the program is to develop career starters' expertise in out-of-home advertising in a targeted and hands-on manner with the support of mentors.

"Starter Pro" is an attractive development program in which Ströer offers career starters vocational training tailored to the specific requirements of the out-of-home advertising sector.

Since 2006, Ströer's company kindergarten, the "Ströer Strolche" (Ströer's Little Rascals), has enabled our staff to better balance their work and family life.

PLANET: Handling of resources

A responsible approach to the environment and the efficient use of resources are key elements of Ströer's operations. This is reflected both in our product development, in which we consider environmental factors at an early stage, and in our choice of suppliers and service providers. We also avoid any unnecessary environmental impact when cleaning our products and limit our CO_2 emissions.

A vital question for us is how and to what extent within our portfolio we can reduce our consumption of natural resources. Ströer's experts in our group research and development department help us find the answers.

Ströer's product development activities endeavor to sensibly combine benefit, safety and longevity.

Sustainable use of materials

When developing and enhancing advertising media and street furniture, we endeavor to minimize material consumption and weight in order to save resources. As a rule, we only select materials that can easily be reused or recycled. The construction groups that we use are also pieced together so as to ensure their easy mechanical separation.

Environmentally friendly cleaning

For some time, we have cleaned our products using an innovative system based on demineralized water rather than normal tap water and cleaning agents. The increased solubility and therefore cleaning power of this special type of water means that no cleaning agents need to be added, preventing any pollution caused by these agents seeping into groundwater. Unlike conventional biodegradable cleaning agents that promote plant growth, demineralized water inhibits weeds from growing in between paving stones.

CO_2 savings

To reduce CO_2 emissions, Ströer regularly tests all its advertising media and street furniture for efficient energy usage and uses state-of-the-art technologies. Energy consumption is cut significantly by using highly efficient, long-life and high-intensity LEDs and by switching off lights or reducing their intensity at night.

We are also implementing our goals internally. For example, we are dramatically reducing CO_2 emissions and electricity consumption throughout the Group by replacing old printers with more modern ones. The switch to high-quality, environmentally friendly multi-functional devices has meant that around 200 fewer desktop printers are in use, and our general policy of printing in black and white is saving paper and toner cartridges. This approach is also contributing to the health of our employees by reducing odor and noise.

Use of renewable energies

Promoting the use of renewable forms of energy is a high priority for Ströer. Our research department is continuously working on developing and using innovative technologies. In cooperation with Rheinische Fachhochschule Köln (Cologne University of Applied Sciences), we have tested a wide variety of systems for generating renewable energies. Self-sufficient bus and tram stop shelters powered by solar modules are already an integral part of our street furniture portfolio. We are a driving force in the market in the development of solar-powered advertising media and, among other projects, are researching advertising columns with a self-sufficient energy supply from photovoltaic technology.

PROFIT: Sustainable business practices

Sustainability is one of Ströer's core values and is firmly anchored in its corporate philosophy. Our goal is to achieve long-term profitable growth to sustainably increase the value of the Company. This is reflected in the focus of our corporate strategy and our operating business. Ströer's good reputation with business partners and employees is the cornerstone for profitable growth and shareholder value.

The Ströer Group conducts its business according to the highest legal and ethical standards and in accordance with all applicable laws and provisions. For more information, see our compliance report on our website at www.stroeer.de/investor-relations under the "Corporate Governance" section.

As an attractive partner for advertisers and municipalities, Ströer aims to continuously increase the relevance of its offering and is therefore investing some of its profits in systematically expanding its reach.

To sustainably leverage additional earnings potential and to provide the scope to structure its value-based internal and external growth, Ströer concluded a new long-term group financing arrangement in 2012 – almost two years before its current agreement ends. In particular, the timing and terms of the new syndicated loan reflect the financial market's confidence in the strength of Ströer's business model.

The future-proof expansion of our IT landscape is a key requirement for the Company's sustainable business practices and growth going forward. This is why, in 2012, Ströer began migrating its server systems to an external data center so that it can meet the latest IT requirements in the long term. The Company chose Europe's most modern data center NBG6 operated by noris network AG in Nuremberg due to its high energy efficiency, among other factors. The data center not only offers Ströer a green IT solution, but also maximum security and data availability.

COMBINED MANAGEMENT REPORT

The references made in this combined management report of Ströer Media AG (formerly "Ströer Out-of-Home Media AG", hereinafter "Ströer AG") and of the Group to page numbers refer to the numbering in the annual report.

Combined management report

SIGNIFICANT DEVELOPMENTS

The economic conditions and the state of the media markets in our core countries deteriorated further compared with the prior year. The trend on the financial markets has also not helped to build confidence. Against this background, the results of operations in our segments in Germany and abroad were weaker than in the prior year, although our net assets and financial positions remained stable.

Consolidated revenue decreased by 2.9% from EUR 577.1m in the prior year to EUR 560.6m. Slight growth in Turkey was contrasted by declining revenue in other segments.

→ For more information on the development of revenue, see page 51

Operational EBITDA[1], which is a central indicator of the Group's sustainable earnings development, fell short of the prior-year level, mainly due to a decrease in gross profit (revenue minus direct costs), which was not fully offset by savings in other cost items. Thus operational EBITDA declined by EUR 25.3m to EUR 107.0m in the reporting year.

→ For more information on the development of operational EBITDA, see pages 44 and 52

The Ströer Group's **profit or loss** for 2012 improved by EUR 1.8m to a loss of EUR 1.8m. The decrease in the operating result was more than offset by positive effects in the financial and tax result.

→ For more information on the development of consolidated profit for the period, see page 53

At EUR 54.9m, **cash flows from operating activities** did not match the high prior-year level (EUR 95.0m). The drop is primarily attributable to the decrease in the operating result. The positive effects from the working capital also declined in comparison to the prior year. By contrast, interest payments recorded further improvements.

→ For more information on the development of operating cash flows, see page 59

Net debt, which is another key performance indicator for the Group, fell slightly in the reporting year by EUR 2.1m to EUR 302.1m, largely due to a cautious investment policy. The leverage ratio (the ratio between net debt and operational EBITDA) amounted to 2.8 as of the reporting date.

→ For more information on the development of net debt, see page 60

Key performance indicators

EUR m	**2012**	2011	Change (%)
Revenue	560.6	577.1	−2.9
Operational EBITDA	107.0	132.3	−19.1
Consolidated profit or loss for the period	−1.8	−3.6	49.6
Cash flows from operating activities	54.9	95.0	−42.2
Net debt	302.1	304.3	−0.7

[1] Earnings before interest, taxes, depreciation and amortization adjusted for exceptional items

GROUP STRUCTURE AND BUSINESS ACTIVITIES

Business model

The Ströer Group is a leading provider of out-of-home advertising in its core markets and aims to play a leading role in online display advertising in Germany. The out-of-home advertising business is based on an attractive portfolio of agreements with private and public-sector owners of land and buildings, which furnish us with advertising concessions for high-reach sites. Of particular importance are the agreements with municipalities, for which we, as a system provider, develop smart and tailored infrastructure solutions that also enhance cityscapes. The long-term agreements with Deutsche Bahn, the ECE group and local public transport providers are also highly significant.

Our portfolio currently comprises more than 290,000 marketable advertising faces in Europe. Agreements with private owners of land and buildings generally provide for the payment of a fixed lease, whereas the majority of the concession contracts with municipalities entail revenue-based rent payments. We currently have more than 20,000 advertising concession contracts for public and private land.

The agreements to acquire adscale and the Ströer Interactive group, which are scheduled to be executed in the second quarter of 2013, will give us marketing rights for around 5,000 websites in Germany's online segment, some of which we will have exclusive access to under multi-year agreements. Our online activities will then be built around a transparent, high-reach marketplace for the exchange of online display advertising, complemented by a broad range of online advertising services which will catapult the new business segment into the top three providers in the industry.

Our more than 70 offices across Europe maintain close relationships with our contracting partners, while offering our advertising customers a wide range of communication opportunities. Our product portfolio for out-of-home advertising covers all forms of outdoor advertising media, from traditional posters and advertisements at bus and tram stop shelters and on public transport through to digital and interactive offerings. When we begin our online activities, our business will be divided into five product groups: billboard, street furniture, transport, online and other. The sales organizations in each country manage the sales and marketing activities that are flanked by target group analyses and market research, and serve regional and national advertisers, media agencies and media specialists.

Segments and organizational structure

In accordance with International Financial Reporting Standards (IFRS 8), the Ströer Group has bundled its business into three reportable segments, which are expected to increase to four from the second quarter of 2013. Our segments operate independently on the market in close cooperation with the group holding company Ströer AG. This cooperation relates in particular to the Group's central strategic focus and enables a targeted transfer of expertise between the different segments.

→ For more information on the strategy and the group internal management, see page 40

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

The Ströer Group is represented with its soon-to-be four segments in important key European regions. To ensure long-term market success, the Ströer Group systematically leverages its economies of scale. On the sales side, unlike many of its competitors, Ströer has the market presence needed to offer national customers nationwide out-of-home advertising. On the cost side, the Group leverages positive economies of scale arising in areas such as procurement, development, information technology, legal advice and human resources.

Ströer Germany segment

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

Ströer Turkey segment

The Ströer Turkey segment is operationally managed by Ströer Kentvizyon Reklam Pazarlama A.S., in which the Ströer Group holds a 90% interest. Ströer Turkey has a presence in 7 of the 10 largest Turkish cities and operates in all product groups. With some 43,000 marketable advertising faces in more than 25 cities and provinces, we also generate the highest revenue in our sector in Turkey and thus have a much larger share of the Turkish market than any other competitor.

Our national company Ströer Kentvizyon is also the only provider that can carry out nationwide poster campaigns. In 2012, the company substantially expanded its portfolio by signing a new agreement to set up and market billboards on public land in Istanbul.

Other segment

The "Other" segment comprises the Ströer Poland and blowUP Media sub-segments.

The Ströer Poland sub-segment is managed by Ströer Polska Sp. z.o.o., with Ströer City Marketing as its main subsidiary. In terms of like-for-like revenue, Ströer is the joint leader of the Polish market with a similar-sized competitor. Our national company has a presence in approximately 195 cities and municipalities with some 17,000 marketable advertising faces and operates in all of the Group's product groups.

The blowUP Media sub-segment is the leading western European provider of giant posters of more than 1,000m² positioned on building façades. The company currently markets around 200 sites, some of which are digitalized, 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.

Online segment

Once the transfer of online activities to the Ströer Group becomes legally effective in 2013, we will expand our segment reporting accordingly. The operations of the new online segment will be managed by an intermediate holding company, which will hold the equity investments in adscale GmbH and the Ströer Interactive group. On adscale, advertisers can filter out target groups for their campaigns from a portfolio of around 5,000 websites: Overall, adscale records around 43 million unique visitors per month and some 12 billion ad impressions. The Ströer Interactive group counts approximately 28 million unique visitors per month and more than 500 websites in a wide range of areas, most of which it markets exclusively. Ströer Interactive's service offering covers banner advertising as well as moving-picture marketing and mobile advertising.

Shareholdings and activities

The following overview outlines the main investment structure and its allocation to the Group's core markets as of 31 December 2012.

Ströer Media AG

	100%	90%	99%	75%
	Ströer Germany	**Ströer Turkey**	**Ströer Poland**	**blowUP**
Management company	Ströer Media Deutschland GmbH	Ströer Kentvizyon Reklam Pazarlama A.S.	Ströer Polska Sp. z.o.o.	blowUP Media GmbH
Geographical activity				
Subsidiaries [1]	23	9	4	9
Revenue in 2012 broken down by product group	EUR 412m: 40%, 30%, 22%, 8%	EUR 91m: 74%, 25%	EUR 36m: 92%, 2%, 2%, 5%	EUR 22m: 98%, 2%

Billboard ■ Street Furniture ■ Transport ■ Other

[1] Number of fully and proportionately consolidated companies

Management and control

Board of management and supervisory board

The board of management of Ströer AG currently comprises three members: Udo Müller (CEO), Alfried Bührdel (CFO) and Christian Schmalzl (COO). Dirk Wiedenmann left the board of management effective 31 December 2012. The following overview shows the responsibilities of each member of the board of management in the Group:

Name	Member since	Appointed until	Responsibilities
Udo Müller	July 2002	March 2015	Chairman Strategy R&D
Alfried Bührdel	July 2002	March 2015	Chief Financial Officer Group finance Group organization Group HR Group IT Group procurement Group legal
Christian Schmalzl	November 2012	November 2015	Management and supervision of national and international subsidiaries

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

The supervisory board of Ströer AG currently comprises five members elected by the shareholders at the shareholder meeting. A sixth seat is unoccupied at present since Dietmar Binkowska resigned from the supervisory board as of 6 January 2013. Resolutions require a simple majority. In the event of a tied vote, the chairman of the supervisory board casts the deciding vote. In order to increase efficiency, three members of the supervisory board also form the audit committee and three the executive committee.

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 report pursuant to Sec. 289 HGB ["Handelsgesetzbuch": German Commercial Code], which also includes the declaration of compliance with the German Corporate Governance Code pursuant to Sec. 16 AktG ["Aktiengesetz": German Stock Corporation Act]. In addition, the board of management and supervisory board issue a joint corporate governance report each year in accordance with 3.10 of the German Corporate Governance Code. All documents are published on the website of Ströer AG (www.stroeer.de/investor-relations).

Significant factors

The Ströer Group's business performance is mainly determined by the extent to which it commercializes its advertising inventory. In turn, this depends heavily on economic conditions and general market sentiment. The attractiveness of out-of-home advertising compared with other forms of advertising is also an important factor. In the last 10 years, out-of-home advertising has improved its position in relation to other traditional media, especially in Germany, although it has not matched the momentum of online advertising. Outside of the long-term positive trend for out-of-home advertising, external events can cause negative special effects. In 2012, for example, advertising budgets were partially diverted to television due to major sporting events.

→ For more information on the business performance see page 54

Customers in the out-of-home advertising industry currently place bookings with a lead time of not much more than eight weeks, thereby underlining the trend toward ever shorter advance booking times. Seasonal fluctuations in the order intake are in line with the trend on the rest of the media market. There is generally a concentration of out-of-home activities in the second and fourth quarters. In terms of costs, the development of rental and lease payments, personnel expenses and other overheads are key factors. In the online segment, advance booking times by customers are much shorter due to the high degree of automation compared with out-of-home advertising. In the online industry, the highest revenue activity generally falls in the fourth quarter. A key factor for online advertising is the further penetration of the market using targeting / re-targeting, real-time bidding (RTB) and moving-picture offerings. Apart from the commissions paid to website owners, the main cost drivers are personnel and IT operating expenses.

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

In 2012, the out-of-home advertising industry in Turkey still felt the effects of the tighter regulation in the TV advertising market imposed in the prior year. Despite the resulting price increases in this segment, advertisers have shifted media expenditure from other forms of advertising to TV in order to achieve their original TV media objectives on the same budget.

In France, legislation regulating out-of-home advertising in relation to cityscapes came into force in February 2012. This primarily provides for a reduction in the size of billboards from $16m^2$ to $12m^2$ in cities with more than 100,000 inhabitants. A similar development in Germany with potentially negative effects for out-of-home advertising is not expected, since a smaller billboard size ($9m^2$) has already been established there.

Ströer essentially takes a positive view of the high level of regulation in the out-of-home advertising industry as it ensures planning security in our core markets and the prevailing technical and administrative standards also act as barriers to entry for competitors.

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

STRATEGY AND MANAGEMENT

Value-based strategy

The Ströer Group's strategy is aimed at growth and increasing value. Our entire value chain aims to profit from the megatrends of digitalization, mobility and urbanization, to further increase the reach of our media among attractive consumer groups, and to improve our relevance for media agencies. Since digitalization is increasingly blurring the boundaries between different media types, we want to offer our customers not only products to support branding campaigns, but also solutions in the area of performance campaigns. While media procurement is primarily still following old paradigms, in the future it will be based on criteria such as moving vs. static pictures and indoor vs. outdoor. In view of increasing digitalization, it is vital that media companies expand their business models at the right time and to a sufficient extent. We believe that the planned launch of our dedicated segment for marketing online display advertising means that we are well positioned for this. We have summarized our strategic focus in "Ströer 3.0".

In out-of-home advertising, we are focusing on organic growth in our three core markets of Germany, Turkey and Poland. The size we have already achieved enables us to actively shape those markets and to advance their professionalization on the basis of our strong presence. In addition, we aim to achieve a leading market position as an independent provider of online display advertising in Germany.

The key elements of our value-based strategy are as follows:

- Active management of our international portfolio of advertising concessions with regard to term, quality and profitability.
- Further development of our product range with a focus on digitalization and other premium advertising media as well as the expansion of systems for audience measurement.
- Entry into the online advertising business on the basis of the aforementioned transactions.
- Expansion of our market position among the leading advertisers via active national and regional sales management.
- Leveraging of economies of scale and synergies within the Group as well as the advantages of group-wide financing.

International portfolio management

Our extensive, actively managed portfolio of advertising concessions constitutes a stable platform for further growth. The objective is to secure our portfolio of first-class advertising faces for the long term, exploit the existing potential to the greatest possible extent, and increase our volume of advertising concessions on an international scale. This provides us with a firm, secure platform to continue developing our business. However, we are not only building on our close partnerships with cities and operators of train stations and shopping malls, but also on our cooperation with private land owners with whom we conclude long-term advertising concessions.

From a geographical perspective, we are concentrating at present on three core regions of Europe: Germany, Turkey and Poland. In all three countries, our goal is to permanently maintain our portfolio of long-term advertising concessions through tenders for existing contracts and to expand the acquisition of new contracts. In addition, we evaluate strategic opportunities in other high-potential European markets. At the same time, we aim to be one of the leading providers of out-of-home advertising in each of our markets.

In **Germany**, the largest advertising market in Europe, we want to consolidate our leading market position in out-of-home advertising and, in the future, also in online advertising. In the reporting year, we bolstered and strengthened our contract portfolio in part by winning eight tenders, among other things, in Ingolstadt, Braunschweig, Salzgitter and Bamberg. As a result, our tender performance is significantly above our internal targets. The expansion of our digital moving-picture network also contributes to our growth. The number of high-quality HD screens at the most frequented train stations (OC Station) in Germany increased by around 200 to approximately 1.000. At the same time, the Group began marketing screens and digital columns in 60 shopping malls (OC Mall) in 2012 through the subsidiary ECE flatmedia, which it acquired at the end of 2011. Ströer has therefore created one of the world's largest digital product offerings with a national reach and established a third pillar in the moving-picture market (video) for customers.

In **Turkey**, Ströer is continuing to work on expanding its leading position in the Turkish out-of-home advertising market, primarily by increasing the utilization of existing capacities. We will continue to prudently expand our advertising media portfolio in key cities. In terms of sales, we are not only focusing our efforts on our national advertising customers, but are also pressing ahead with regional business. Another central component of our strategic focus is the marketing of advertising concessions in shopping malls, where we increasingly use digital products in addition to traditional advertising media.

In the **Polish market**, we want to further strengthen the prominent position of our national company Ströer Polska. To do this, we are actively driving forward the professionalization of the out-of-home advertising market through new product formats and sales initiatives. This is supported by the tendency towards awarding urban advertising concessions, which are beginning to approach the regulations in our other core markets in terms of quality standards and the list of services, provided they are awarded on reasonable commercial terms. Due to the still unbalanced market structures, we see ourselves as a potential consolidator in the Polish market and are essentially positive about economically viable takeover opportunities.

Outside of its three core markets, the Ströer Group primarily operates through its subsidiary **blowUP**, which is actively involved in the increasing digitalization of the media landscape and is also vigorously driving forward the expansion of digital giant posters in Germany and abroad.

Product development

The Ströer Group sees itself in particular as an innovation leader in digital out-of-home media business. In addition, our targeted investments in innovative premium formats, market research, audience measurement and sales capacities make a key contribution to establishing out-of-home advertising as an attractive format for advertising customers and agency partners and to continuously increasing its share of advertising budgets.

Overall, 33 people are employed in the Company's internal product development department. Our developers work continuously on extremely powerful, functional and maintenance-friendly solutions that win over customers with their modern design. In 2012, our activities in product development were dominated by the enhancement and network expansion of the Out-of-Home Channel (OC). Product development also focused on optimizing our premium billboards as well as existing product ranges in the street furniture segment.

In the past year, Ströer again invested a double-digit million figure in the Out-of-Home Channel. The focus was on fitting shopping malls (OC Mall) with around 1,400 screens by the end of 2012. Crucial to the attractiveness of the OC for advertising and media agencies is the synchronization of the screens, which ensures an attention-grabbing brand presence and visually dominant video advertising messages. All German campaigns featured on Ströer's digital advertising media are coordinated and operated centrally by the Ströer Digital segment at our Munich office.

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

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

Entry into the online advertising business

In December 2012, Ströer announced its entry into the independent marketing of display and video advertising on the internet. In this context, following approval from the supervisory board, agreements were concluded to acquire adscale GmbH (91%), a leading trading platform for digital advertising faces, as well as an agreement with Media Ventures GmbH to acquire three online marketers: Ströer Interactive GmbH (100%), freeXmedia GmbH (100%) and Business Advertising GmbH (50.4%). In case of adscale GmbH, 91% of the shares will be aquired initially, option rights were agreed for the other remaining shares held by management. Now that the Federal Cartel Office has granted its approval, the agreements are expected to be executed in the second quarter of 2013.

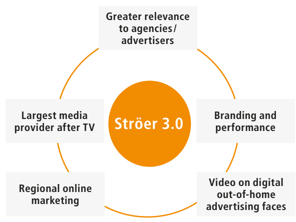
The transactions will catapult Ströer into a relevant position in Germany's online advertising market, complementing its core business of out-of-home advertising. In this way, we are entering the online advertising segment and, building on this, will develop attractive online offerings based on integrated booking and sales platforms. This makes us the first major provider to offer the complete value chain within the online advertising business, from inventory and technology through to audience targeting. All the companies will be managed in a dedicated fourth reporting segment. While the purchase price for the adscale booking platform is to be paid in cash, the basic purchase price for Media Ventures' three shareholdings will be settled in return for a non-cash contribution by means of a capital increase from authorized capital. For the purpose of this transaction, Ströer AG will exclude the subscription rights of the other shareholders. Any variable purchase price components from subsequent earn-out arrangements in relation to adscale or Ströer Interactive will be settled in cash. Ströer AG and Media Ventures have agreed that the valuation of the three share packages will be reviewed on the basis of valuation reports pursuant to valuation standard IDW S1. This will ensure a fair valuation in the interests of the shareholders of Ströer AG.

Expanding our market position as an independent marketer

Until now, we have acted exclusively as an independent marketer of advertising faces in the out-of-home advertising sector. In the future, we will expand these activities to include a broad service offering centered on the independent marketing of websites. Our new online operations will draw on our existing contacts and marketing strategies in out-of-home advertising. In this way, we will create an attractive and high-growth product and service portfolio for nationwide and regionally positioned customers in Germany.

In addition to further increasing revenue from major customers, our online activities will concentrate in particular on our more than 40,000 regional customers in Germany, mainly focusing on the development of regional products with attractive growth potential. Central arguments for national key accounts and regional customers are more than ever our attractive contact figures together with our high reach, both online and offline, and high contact quality in the advertising-relevant target groups.

Key objectives of out-of-home plus online



Source: company information

Capitalizing on the Group's advantages

As central group functions, procurement, product development, IT and logistics make a key contribution to the ongoing competitiveness of the Ströer Group.

Our group-wide supply chain management allows us to shape the set-up and ongoing operation of our efficient advertising media networks, including the service organization, in an efficient way. The central procurement group function pools procurement responsibility for activities in the three core markets. The central management of supplier selection and procurement brings with it tangible cost synergies and economies of scale. A key component is an internationally focused sourcing strategy, including a representative and development office in Shanghai, China.

Leveraging economies of scale also requires the cross-product standardization of advertising media components via intelligent platform concepts, which is driven forward by product development. In doing so, it is our express aim both to meet the individual needs of our largely municipal contracting partners and to reduce the associated complexity. The modular design of components means we achieve substantial savings in material consumption and weight.

An organization with a greater focus on standardized processes aims to help lower our process and IT system costs, reduce our throughput times and increase flexibility. The Group's information technologies will be adapted accordingly. The group-wide IT project ONE aims to develop standardized cross-regional IT processes and to improve the effectiveness of cooperation between the international entities. One of the first steps taken here in 2012 was to relocate the server landscape to a state-of-the-art data center.

→ For more information on the financing strategy, see page 57

Financing, which is managed on a group-wide basis, also makes a decisive contribution to the competitiveness of the Ströer Group. During the reporting year, Ströer laid the foundation for stable, long-term financing with a new loan agreement totaling EUR 500m over five years. This enables us to flexibly implement growth projects and limit our borrowing costs for the long term. Along with the improvement of the covenants, we were able to release all collateral and secure additional interest savings.

Value-based management

We manage our Group using internally defined financial and non-financial key performance ratios in the interests of sustainable development. Our group-wide reporting structure that is implemented at all subsidiaries ensures that we keep abreast of the value added of all group entities and of the Group. Our objective is sustainable value creation over the entire economic cycle. At the same time, this ensures that we observe the covenants set by our lenders. Our value-based management system is also reflected in the performance-related remuneration of the board of management.

As a value driver, we understand the main internal and external factors affecting business development. The key financial indicators for the Group compared with prior-year and target figures are as follows:

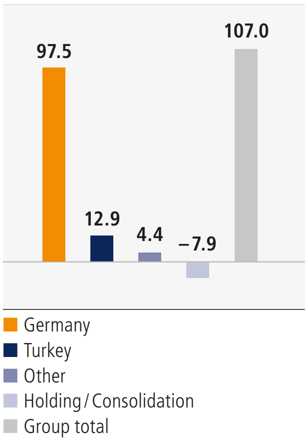
- Development of order intake during the year
- Revenue
- Operating result (operational EBITDA or operational EBITA)
- Cash flows from operating activities
- Net debt and the leverage ratio derived from it
- Return on capital employed (Ströer value added or ROCE)

The above indicators are based on the following considerations: Order intake is an indicator for the Company's future revenue based on orders already recorded. During the year, revenue for the next two to three months is estimated based on the orders booked by each reporting segment and product group. The volume of revenue for subsequent quarters can be derived from comparisons with seasonal booking patterns from prior years, although accuracy falls substantially for periods of more than two months. Revenue adjusted for consolidation effects and currency fluctuations is the main basis for more detailed analyses of sales controlling. In addition to operational EBITDA, revenue is an important input for determining return on sales as well as an indicator for the Ströer Group's corporate strategy, which is focused on profitable growth.

We believe that operational EBITDA gives the best insight into the sustainable development of earnings of our Group as it excludes one-time effects in expenses and income. The main one-time effects, which we eliminate to determine operational EBITDA, primarily result from reorganization and restructuring measures, changes in the investment portfolio (including M&A measures), and capital measures (including debt and equity capital market transactions). Furthermore, operational EBITDA is a key input for determining the leverage ratio to be reported to the syndicate of banks on a quarterly basis as one of several covenants. In addition, sustainable operational EBITDA is used on the capital market as part of the multiplier process for simplifying the determination of business value.

Operational EBITDA 2012

In EUR m



The Ströer Group also uses operational EBITA as an indicator for management and incentivization purposes because it reflects the degree of investment activity through the amortization charges incurred. This metric mainly serves as a comparison for companies that have grown both organically and via acquisitions. The latter often have – as in the case of the Ströer Group – a large volume of intangible assets that are taken into account when an acquired entity is consolidated for the first time and normally entail significant regular amortization charges.

Cash flows from operating activities show the surplus cash flows generated from ongoing operations and thus serve as a key indicator of the financial strength and debt repayment capacity of the Ströer Group. This also enables Ströer to determine the level of its cash flow return on revenue.

The Company's net debt and net debt ratio are also key performance indicators for the Group, since ongoing growth in earnings and revenue is only possible if there is an adequate capital structure. It is measured as the ratio of net debt to operational EBITDA.

Our aim is to sustainably increase our return on capital employed. To achieve this, we have systematically enhanced our management and financial control systems. Ströer value added and return on capital employed (ROCE) provide us with tools that enable value-based management of the Group and its segments. Ströer value added and ROCE are the key indicators for the return on capital. Positive value added and thus an increase in the Company's value are achieved when ROCE exceeds the cost of capital. To ensure a value-based focus, ROCE has been a key component of the board of management's performance-related remuneration since 2012.

As non-financial, external indicators, we take into account the change in GDP in our core markets due to correlations with the development of the overall advertising market. In addition, we track out-of-home advertising market shares and monitor gross advertising spending of the largest advertisers. In terms of internal, non-financial indicators, we include digital business as a percentage of total revenue and the capacity utilization of the advertising media park in our analyses. As non-financial key performance indicators, we also monitor certain key figures on the employment situation, such as turnover rates, the percentage of male and female employees, and absences due to illness.

BUSINESS ENVIRONMENT

General economic developments in 2012

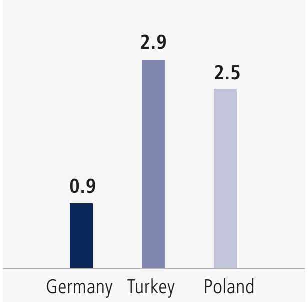
In fiscal year 2012, Ströer AG's economic environment was marked by major uncertainties. The global economy was overshadowed by the euro crisis, high sovereign debt both within and outside of the eurozone, and a slowdown in key Asian and European emerging markets. As a result, the markets were unable to provide any growth momentum.

In Europe, the sovereign debt crisis led to substantial turbulence on the financial markets and in the real economy. The necessary adjustment processes in the debtor countries had a negative impact on domestic demand and caused the eurozone to slide into a mild recession in the reporting year. According to a joint report by 10 of the most prominent European economic research institutes (EUROFRAME), European gross domestic product fell by 0.5%, mainly due to the negative economic trends in the southern European countries of Spain, Italy, Portugal and Greece.

Our three key markets of Germany, Poland and Turkey also saw economic growth weaken substantially year on year. Nevertheless, all three core markets recorded GDP growth on average for the year, and therefore outperformed the European average. However, the difficult macroeconomic environment also had an adverse effect on the advertising climate in these markets.

Economic development

Anticipated real change in GDP in the key regional markets of the Ströer Group (2012)
In %



Source: OECD Economic outlook 92, Dec. 2012

Germany

In 2012, the German economy proved itself robust in a challenging economic environment. After getting off to a good start, however, it lost more and more momentum as the year progressed. According to the German Federal Statistical Office ["Statistisches Bundesamt"], GDP declined by 0.6% in the fourth quarter compared with Q3, after increasing by 1.7% year on year in the first quarter. Following strong GDP growth of 3.0% in 2011, economic output grew by just 0.7% in full-year 2012. Apart from consumer and public spending, this trend is mainly attributable to foreign trade, despite the slowdown in the rate of growth toward the end of the year. Consumer spending profited from the continued recovery in the labor market and rising real incomes. Unemployment averaged 5.3% for the year, its lowest rate for many years, accompanied by a record number of employed people. However, the increase in net wages and salaries was offset by a rise of 2.0% in consumer prices.

Turkey

In Turkey, the economic upturn slowed significantly in the reporting period. According to OECD estimates, GDP growth stood at only around 2.9% in 2012, compared with 8.5% in 2011. The lower growth in 2012 was largely due to domestic demand, which was flat at first, before declining as the year went on. Consumer spending in particular was much more muted than in the prior years. This was partly attributable to a more restrictive monetary policy by the Turkish central bank, which aimed to lower the rate of inflation and restrict lending. By contrast, exports recorded double-digit growth. Although the percentage of exports to the European Union declined, according to the Turkish Statistical Institute (TÜIK) this still accounted for more than a third of Turkey's exports (38.8%) in the first 11 months of 2012. Nevertheless, the weaker demand from EU countries was more than offset by exports to other regions. The current account deficit fell sharply in 2012 as a result of reduced import activities and the continued strength of exports.

The rise in consumer prices slowed considerably in the course of the year following the high prior-year level, standing at only 6.2% as of year-end.

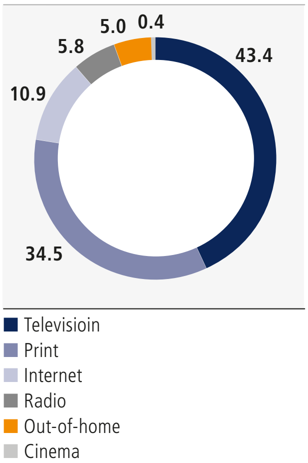
Poland

Poland was also unable to escape the weakening trend in the global economy and the EU in the reporting year. Following an increase of 4.3% in 2011, the country's real GDP growth rate fell to 2.5% in 2012. This trend is due in part to a decline in foreign trade, but also to ever weaker domestic demand. In the prior year, substantial government projects and infrastructure measures in the run-up to the European football championship contributed to an economic recovery. In 2012, however, the government took steps to reduce the country's budget deficit by cutting public spending. After a strong spring, growth slowed over the course of the year, as also seen in falling business climate indexes. The rate of inflation is expected to have averaged at 3.7% for the year, which was higher than the government target of 2.8%.

Development of the out-of-home advertising industry in 2012

Market share of advertising media in Germany (2012)

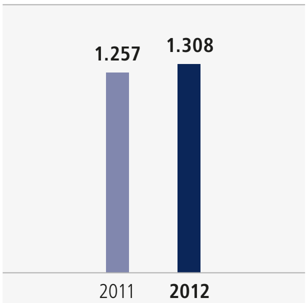
In %



Source: Nielsen Media Research

Germany: Gross advertising expenditure in the out-of-home segment[1)]

In EUR m



[1)] Out-of-home = Poster + Transport + At-Retail-Media
Source: Nielsen Media Research

In western Europe, the effects of the crisis in public finances and fears about the future of the euro-zone fed through to the advertising market in 2012. ZenithOptimedia, for example, estimates that net advertising spending on the main media declined by 2.2% in this region, primarily driven by the clear double-digit drop on the advertising markets of the PIIGS countries (Portugal, Ireland, Italy, Greece, Spain), while in other countries in northern and central Europe[1)], the advertising industry remained flat (up 0.2%).

Germany

In Germany, the momentum seen on the advertising market in the last two years slowed in 2012. An initial indicator of this is the rise in gross advertising spending identified by Nielsen Media Research, which was just 0.9% in 2012 (prior year: 3.5%). Gross advertising spending in the out-of-home segment was up slightly by 2.6%. In our view, the gross advertising data provided by Nielsen indicate trends but can only be used to a limited extent to draw conclusions about net figures due to differing definitions and market territories. We currently expect net advertising investments to have fallen slightly in 2012 – in line with the most recently announced forecasts of the Central Association of the German Advertising Industry ["Zentralverband der deutschen Werbewirtschaft e.V.": ZAW]. ZAW is scheduled to publish the official net media spending figures in May 2013. We anticipate that the market share of the TV segment will have increased slightly, not least thanks to the televised sporting events of 2012 (European football championship in Poland and Ukraine as well as the Summer Olympics in London). The internet segment is also expected to have kept up its substantial growth, while the biggest loser in the past year was most likely the print segment once again. Reliable estimates of any shifts in market share in out-of-home, radio and cinema advertising cannot be made until the net market figures are published. We anticipate that a rising share of digital revenue in out-of-home advertising will have had a stabilizing effect.

Turkey

The Turkish advertising market also lost a great deal of momentum in 2012 due to macroeconomic uncertainties. The ZenithOptimedia report published in December 2012 forecasts growth of only 3.5% in the overall advertising market in 2012. Similar indications can be gleaned from intra-year publications by the Turkish Association of Advertising Agencies (TAAA). Although the association has not yet published its statement on the performance of the media market in 2012 as a whole, growth in this market is only expected to be in the low single-digit range, significantly lower than the double-digit rate of the prior year. Consistent information on the net development of the Turkish out-of-home media market is not available. Based on ZenithOptimedia's data, the internet segment is also expected to have gained further market share in 2012, mainly at the expense of the print segment, whose decline in market share in recent years looks set to continue.

[1)] Includes the remaining countries of western Europe as well as selected central European countries with a moderate growth profile and strong economic connections to western Europe, such as the Czech Republic, Hungary and Poland.

Poland

The economic slowdown in the course of the reporting year also had a negative impact on the Polish advertising industry. According to the ZenithOptimedia report from December 2012, a 5.5% drop in advertising spending is expected in the reporting year. Even the European football championship in July 2012 could not prevent this weak performance. ZenithOptimedia forecasts a shift in market share from print media to online media in 2012, although it believes that the market share of the other relevant media, including out-of-home advertising, is likely to have remained largely stable despite a fall in industry revenue. Following a good start to the year, the performance of out-of-home advertising deteriorated in the course of 2012, reaching a low in the third quarter, which was followed by a slight market recovery in the fourth quarter. Budgets for out-of-home advertising were reduced in particular by the major televised sporting events (UEFA European football championship and Olympics). In the prior year, out-of-home advertising also profited from poster campaigns by political parties in the run-up to the parliamentary elections. The total number of available advertising media is expected to have fallen again slightly in 2012 and shifted in favor of higher-quality products.

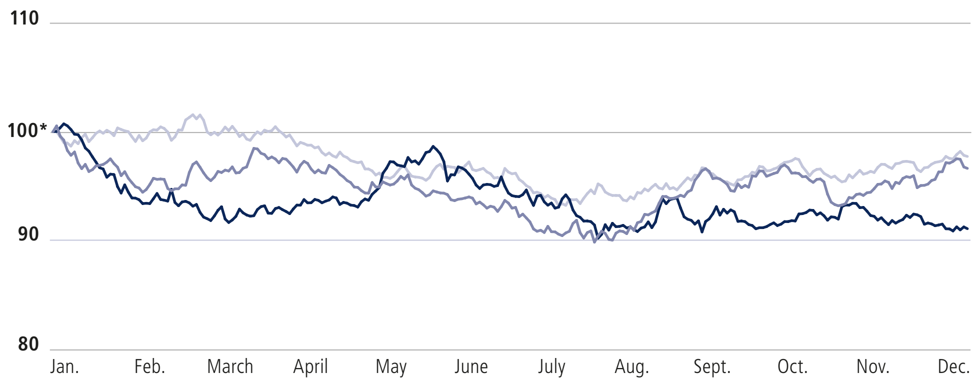
Development of the exchange rate

The development of the euro exchange rate against the Turkish lira, the Polish zloty and the pound sterling are primarily relevant for our business. After depreciating sharply in 2011, the Turkish lira remained stable in the reporting year. In a comparison to year-end values, the currency even appreciated slightly by 4% to 2.36 TRY/EUR in 2012, bolstered by the stabilizing monetary policy of the Turkish central bank. The Polish zloty was largely characterized by an upward trend in the reporting period. In the first six months of 2012, the currency was quoted at an average rate of 4.24 PLN/EUR, which was down on the prior-year level. By the end of the year, however, it increased to 4.07 PLN/EUR, thus gaining a good 9% over the course of 2012.

Despite the weak economic situation and an expansive monetary policy in the UK, the pound sterling proved relatively stable against the euro over the year. This was due more to the weakness of the euro as a result of the financial crisis than to the strength of the pound sterling. The average exchange rate for 2012 of 0.81 GBP/EUR is 7% up on the prior-year level. As of year-end, the currency was quoted at 0.82 GBP/EUR, which was still slightly higher than its initial level at the start of the year.

Development of the exchange rate in 2012

Indexed



— PLN/EUR
— TRY/EUR
— GBP/EUR

* 2 January 2012 = 100, exchange rate indexed
Source: German Central Bank

BUSINESS PERFOMANCE AND RESULTS OF OPERATIONS OF THE GROUP AND THE SEGMENTS

Overall assessment of the board of management on the economic situation

In view of the difficult economic environment, our Group performed well in fiscal year 2012. We deem it a success that we were able to implement the key measures we planned at the start of the fiscal year. They include not only the major roll-out of digital infrastructure in German train stations and shopping malls, but also the increase in capacities in Istanbul and putting the Group's financing on a long-term footing. The last of these measures not only gives Ströer financial security until 2017, but at the same time simplifies the credit documentation, eases the covenants and saves interest costs. We assess the development of our net assets and financial position as positive overall. The volume of replacement and expansion investments in the reporting year was again financed completely from cash flows from operating activities. With an improved equity ratio of 32.4% and net debt at its lowest level in five years (EUR 302.1m), we can present a sound financial position as of the end of 2012.

By contrast, our results of operations remained well below our expectations in all segments, due in particular to the cautious approach to bookings taken by our major national customers in Germany and abroad, while business with our regional customers remained stable. The decrease in revenue combined with a less profitable sales mix and various start-up costs from the initiation of capacity increases resulted in a substantial contraction in operational EBITDA and downstream earnings indicators at group level. Overall, we believe that the Ströer Group is well positioned both operationally and financially to make appropriate use of the opportunities arising from the structural changes in the media market in the future, despite the economic uncertainty.

Comparison of forecast and actual business development

The Ströer Group had drawn up its targets for fiscal year 2012 as presented in its prior-year forecast on the basis of a mainly positive assessment of the economic conditions. In particular, we shared the view taken by market research institutes that net advertising spending would rise in our core markets of Germany, Turkey and Poland. However, annual forecasts in our industry are naturally subject to major uncertainties due to extremely short-term bookings by our customers, volatile market sentiment and economic fluctuations. According to preliminary figures, net advertising spending in the specified markets fell sharply overall, contrary to expectations. This trend also affected out-of-home advertising. Because conditions did not develop as expected over the year, Ströer largely fell short of its targets. In light of the difficult environment, the economic development was nevertheless satisfactory.

In terms of the Group's **organic revenue growth**, we expected an increase in the low to mid-single-digit range in fiscal year 2012. In fact, the Ströer Group ended the year with organic revenue down by 4.0%. A significant share of this decrease was attributable to a major customer in Germany, which substantially reduced and in some cases completely discontinued its advertising activities, including its out-of-home campaigns, from April 2012.

In our forecast, we also anticipated an increase in operational earnings before interest, taxes, depreciation and amortization **(operational EBITDA)**. Operational EBITDA also fell considerably short of expectations at EUR 107.0m (prior year: EUR 132.3m) due to the decrease in revenue combined with a higher cost of sales, which in Turkey was primarily attributable to our expansion measures and inflation, and resulted from a less advantageous product mix in Germany.

We had forecast that the **operational EBITDA margin** for 2012 would be at a similar level to the prior year. Due to the effects described above, the operational EBITDA margin actually achieved by our operating segments did not match the prior-year level.

In addition, our prior-year forecast assumed an improved **consolidated result** for fiscal year 2012. Despite the contraction in the operating business, the loss for the year improved by EUR 1.8m. Nevertheless, the Group closed fiscal year 2012 with a loss of EUR 1.8m, compared with a loss of EUR 3.6m in the prior year.

The economic situation in our segments is explained in detail below. An overview of the development of the Group in the last five years can be found in the presentations under the financial ratios and the five-year overview.

Results of operations of the Group

Consolidated income statement					
In EUR m	**2012**	2011	2010	2009	2008
Continuing operations					
Revenue	560.6	577.1	531.3	469.8	493.4
Cost of sales	−386.5	−372.1	−332.7	−300.7	−300.1
Gross profit	**174.1**	**205.0**	**198.6**	**169.1**	**193.2**
Selling expenses	−75.4	−74.5	−70.7	−67.3	−74.5
Administrative expenses	−71.8	−75.1	−88.0	−64.6	−70.0
Other operating income	16.5	15.9	79.5	13.7	20.1
Other operating expenses	−9.6	−14.3	−8.3	−11.9	−10.8
Share in profit or loss of associates	0.0	0.0	0.0	0.0	−4.1
EBIT	**33.7**	**56.9**	**111.2**	**38.9**	**53.9**
EBITDA	**100.4**	**121.1**	**165.2**	**93.3**	**91.6**
Operational EBITDA	**107.0**	**132.3**	**127.3**	**100.0**	**102.5**
Financial result	−31.9	−49.8	−52.8	−47.3	−54.8
EBT	**1.8**	**7.1**	**58.3**	**−8.3**	**−0.8**
Income taxes	−3.6	−10.7	−0.2	9.6	−13.7
Post-tax profit or loss from continuing operations	**−1.8**	**−3.6**	**58.1**	**1.2**	**−14.5**
Post-tax profit or loss from discontinued operations	**0.0**	**0.0**	**0.0**	**−0.1**	**0.0**
Consolidated profit or loss for the period	**−1.8**	**−3.6**	**58.1**	**1.1**	**−14.5**

Development of revenue

The Ströer Group's **revenue** fell by EUR 16.5m in fiscal year 2012 from EUR 577.1m to EUR 560.6m. This decrease relates to the uncertain economic situation and the uneven development of the advertising markets in our core countries. The following table presents the development of external revenue by segment:

In EUR m	**2012**	2011
Ströer Germany	411.4	427.1
Ströer Turkey	91.3	88.8
Other	57.9	61.2
Total	**560.6**	**577.1**

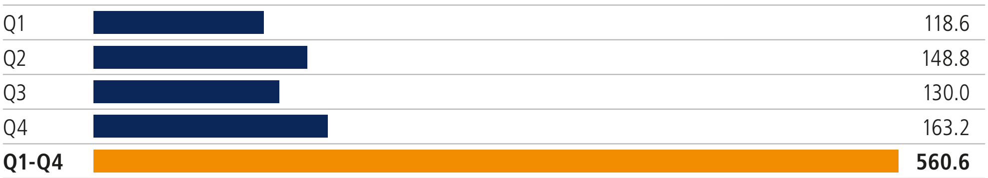
While domestic revenue declined by 3.6% to EUR 418.9m (prior year: EUR 434.7m), the percentage decrease in external revenue was more moderate at 0.4%, thanks to slightly higher revenue in Turkey, falling to EUR 141.7m (prior year: EUR 142.3m). Thus the percentage of revenue attributable to foreign operations increased to 25.3% (prior year: 24.7%).

Our major national customers in particular displayed a cautious approach to bookings. They include an important customer from the mobile communications sector in Germany, which temporarily suspended its out-of-home activities from April 2012, but became active again at the start of fiscal year 2013. The decline in revenue from this major customer accounted for a low double-digit million euro figure in the reporting year. These adverse effects were only partially compensated by increased revenue from the Out-of-Home Channel growth project and the regional business. In addition, our segments were hit by special effects from the shifting of budgets to coincide with the European football championship and the Olympics, at a time when Ströer Poland in particular was facing ongoing competitive pressure in a market that remained fragmented.

Revenue development in the out-of-home advertising industry as well as in our Company is subject to similar seasonal fluctuations as the rest of the media industry. 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.

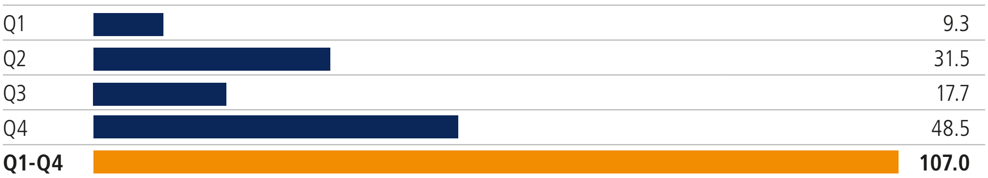
Revenue development 2012 by quarter

In EUR m



Operational EBITDA development 2012 by quarter

In EUR m



Earnings development

Gross profit decreased by EUR 30.9m year on year to EUR 174.1m. This is due to the drop in revenue combined with the increase in cost of sales by 3.9% to EUR 386.5m (prior year: EUR 372.1m). The gross profit margin fell accordingly by 4.5 percentage points to 31.1%. The increase in cost of sales was mainly attributable to higher lease payments in Germany and Turkey, some of which related to new capacities.

→ For more information on the cost of sales, see page 53

The decrease in gross profit also had a negative impact on the Ströer Group's **profit or loss** for 2012. However, this was more than offset by lower administrative expenses and improvements in the financial and tax result.

Overall, the loss for the year improved slightly year on year by EUR 1.8m to EUR –1.8m.

The earnings indicators adjusted for exchange gains/losses and other exceptional items reflect losses of earnings in the operating business. **Net adjusted income**[1] declined by EUR 16.3m year on year to EUR 24.0m, driven chiefly by the inclusion of **Operational EBITDA**[2], which fell substantially by EUR 25.3m compared with the prior year to EUR 107.0m.

→ For more information on the adjusted income statement, see page 162

[1] Adjusted EBIT before non-controlling interests net of the financial result adjusted for exceptional items and the normalized tax expense

[2] Earnings before interest, taxes, depreciation and amortization adjusted for exceptional items

Development of key income statement items
The increase in **cost of sales** rom EUR 372.1m to EUR 386.5m was principally due to additional rent for newly acquired advertising concessions as well as price adjustments for inflation-linked rental agreements in Turkey. In addition, price and volume effects in relation to electricity costs (partially due to a higher number of digital advertising faces) as well as a higher proportion of revenue from rent-intensive products contributed to the increase in costs. Cost of sales also includes higher depreciation and amortization resulting from the roll-out of digital advertising media begun in fiscal year 2011 and driven forward in 2012.

Selling expenses increased slightly in the reporting year by EUR 0.9m to EUR 75.4m, due in part to salary adjustments. Furthermore, our growth projects required the hiring of additional staff. Due to the decline in revenue, selling expenses as a percentage of revenue increased slightly for the first time since 2008, rising 50 basis points to 13.5%.

The EUR 3.3m decrease in **administrative expenses** to EUR 71.8m more than offset the increase in selling expenses. This was mainly attributable to lower personnel expenses and savings in IT costs. Administrative expenses as a percentage of revenue fell from 13.0% in 2011 to 12.8%.

Other operating income is shaped by income from the reversal of provisions as well as exchange gains from operating activities. Compared with the prior year, it increased by EUR 0.6m to EUR 16.5m. The increase is also attributable to income from renting out advertising media owned by a subsidiary to third parties.

→ A detailed presentation of other operating income and expenses can be found in notes 13 and 14 to the consolidated financial statement on page 121

Other operating expenses include bad debt allowances, exchange losses from operating activities, and losses from the disposal of assets. The EUR 4.7m decline to EUR 9.6m primarily relates to the absence of a special tax expense in the prior year in Turkey, which resulted in lump-sum payments for past assessment periods of around EUR 3.4m.

→ More detail on the financial result, can be found in the note 15 to the consolidated financial statement on page 122

The **financial result** improved by EUR 17.9m year on year to EUR –31.9m (prior year: EUR –49.8m), primarily due to the appreciation of the Turkish lira and the Polish zloty. This had positive valuation effects for intragroup loans denominated in euros that the group holding company provides to group entities. As a result, Ströer recorded an exchange gain of EUR 5.6m in 2012, following an exchange loss of EUR 14.6m in the prior year. In addition, the interest result improved by EUR 5.1m due to the optimized loan structure, falling interest rates on the capital markets and the expiry of fixed-interest commitments. However, this positive trend in the interest result was offset by non-recurring non-cash expenses relating to the replacement of the previous group financing. In this context, transaction costs of EUR 7.5m from the replaced loans that had not been fully amortized were recognized as other interest expense, reducing the interest result by EUR 2.4m year on year.

The **income tax expense** declined from EUR 10.7m in the prior year to EUR 3.6m, due on the one hand to the weaker operating business, which led to a corresponding reduction in the tax assessment base, and on the other hand to the fact that we recognized the unused tax losses of a German subsidiary for the first time. The trade tax additions of lease expenses and operating expenses that are non-deductible under Turkish tax law continue to affect the determination of the Group's tax rate.

Business performance and results of operations of the segments

→ More details on the segments can be found in the note 34 to the consolidated financial statement on page 144.

Ströer Germany

In EUR m	**2012**	2011	Change (%)
Segment revenue	**411.7**	427.3	−3.7
Billboard	164.4	179.6	−8.5
Street furniture	123.4	127.2	−3.0
Transport	90.6	87.9	3.0
Other	33.3	32.6	2.0
Operational EBITDA	**97.5**	115.3	−15.4
Cash flows from investing activities	**21.7**	38.0	−42.9

The Ströer Germany segment was unable to match its prior-year revenue in fiscal year 2012. **Segment revenue** fell by EUR 15.6m to EUR 411.7m, due in particular to the performance of the billboard and street furniture product groups, which together were down by EUR 19.0m year on year. The two areas were clearly impacted by the cautious approach to bookings taken by our major national customers, which led to lower utilization of our advertising media capacity. The high-margin billboard product group was especially affected by this. By contrast, the regional business performed well, recording a slight revenue increase. Unlike the billboard and street furniture areas, the transport product group achieved revenue growth of EUR 2.7m. This was largely attributable to the significant increase in contributions from the Out-of-Home Channel.

Operational EBITDA in the Ströer Germany segment fell by EUR 17.8m against the prior year to EUR 97.5m. In addition to lower revenue, shifts in the product mix contributed to this decrease, which had resulted in a disproportionate increase in lease expenses. At the same time, running costs increased substantially, especially electricity costs and start-up costs in connection with digital and regional growth projects. Although, by contrast, administrative expenses decreased slightly, overall it was not possible to prevent a decline in operational EBITDA and the **operational EBITDA margin** by 3.3 percentage points to 23.7%.

In view of the challenging operational business performance, the Ströer Germany segment adjusted its investment pace in fiscal year 2012 accordingly, focusing its expansion investments on the Out-of-Home Channel network. Overall, **cash flows from investing activities** in the Ströer Germany segment amounted to EUR 21.7m (prior year: EUR 38.0m).

Ströer Turkey

In EUR m	2012	2011	Change (%)
Segment revenue	**91.3**	89.0	2.6
Billboard	67.7	65.1	4.1
Street furniture	23.2	23.0	0.6
Transport	0.2	0.9	−76.1
Other	0.2	0	n/a
Operational EBITDA	**12.9**	20.3	−36.7
Cash flows from investing activities	**13.7**	13.5	1.5

The Ströer Turkey segment generated **revenue** of EUR 91.3m in fiscal year 2012, a slight increase of EUR 2.3m year on year. This was attributable not only to positive exchange rate effects of EUR 1.4m in the reporting year, but also to a clear improvement in business activities in the fourth quarter. This growth contrasted with decreases in revenue of EUR 2.5m from discontinued low-margin sales agreements. Adjusted for exchange rate fluctuations and the termination of the sales agreements, organic revenue grew by 2.7%. In Turkey, too, our major customers initially took a very cautious approach to bookings, although a positive sentiment emerged by the end of the year. From a full-year perspective, national revenue declined slightly, while regional business recorded a clear positive trend.

Despite the slight revenue growth, **operational EBITDA** in the Turkish segment fell by EUR 7.5m to EUR 12.9m, primarily due to the higher cost of sales resulting from increased lease expenses driven by capacities and inflation. For example, the extension of the advertising concession in Istanbul in 2012 led to substantial start-up costs in the form of fixed marketing expenses, which were only gradually offset by additional revenue. This also resulted in the squeezing of margins, as did the inflation adjustment clauses included in some of the Turkish advertising rights contracts. A rising rate of inflation in Turkey automatically leads to an increase in the relevant lease expenses in the following year. In addition, general running costs rose slightly due to inflation. These cost rises were only partially offset by savings in administrative and selling expenses. Overall, the **operational EBITDA margin** declined by 8.8 percentage points to 14.1%.

Cash flows from investing activities in the Turkey segment were up slightly in the reporting year by EUR 0.2m from EUR 13.5m in 2011 to EUR 13.7m. This figure includes investments of EUR 2.7m (prior year: 2.8m) from outstanding purchase price payments for the complete acquisition of CBA Iletisim ve Reklam Pazarlama Ltd. Sti. in the prior year. The majority of the investments related to the expansion of capacities in various Turkish cities, including for the first time several hundred premium billboards in Istanbul.

Other

In EUR m	**2012**	2011	Change (%)
Segment revenue	**57.9**	61.4	−5.6
Billboard	54.5	57.3	−4.8
Street furniture	0.6	0.5	14.2
Transport	0.7	0.4	68.4
Other	2.1	3.2	−32.5
Operational EBITDA	**4.4**	5.7	−23.1
Cash flows from investing activities	**0.3**	1.4	−85.7

The "Other" segment includes our Polish out-of-home activities and the western European giant poster business of the blowUP division.

The **Poland** sub-segment saw a mid-single-digit percentage decrease in revenue compared with 2011, mainly due to a decline in the out-of-home advertising market in connection with ongoing price pressure. This was only partially offset by improved capacity utilization rates. The European football championship and the Olympics which took place in the reporting year also impacted negatively on out-of-home advertising due to budgets being shifted or cut. In addition, the prior year included positive special effects from party political advertising in the run-up to the Polish parliamentary elections. However, the decline in revenue was more than offset in terms of earnings by substantial savings in administrative expenses, which meant that operational EBITDA increased slightly year on year.

The **blowUP** sub-segment was unable to repeat the high revenue level of the prior year. While the group profited significantly from high-margin, international campaigns in the prior year, this customer activity fell sharply in fiscal year 2012. Not even the additional giant poster orders received by our UK subsidiary in connection with the Olympics were sufficient to offset this effect. As a result, the blowUP group's revenue recorded a mid-single-digit percentage decrease. At the same time, its operational EBITDA was also down year on year.

The "Other" segment closed fiscal year 2012 with a EUR 1.3m decline in **operational EBITDA** to EUR 4.4m. **Cash flows from investing activities** amounted to EUR 0.3m in the reporting year after EUR 1.4m in the prior year. The prior-year amount related, among other things, to the acquisition of a giant poster portfolio in the Netherlands.

NET ASSETS AND FINANCIAL POSITION

Main features of the financing strategy

Securing financial flexibility is the top priority of the Ströer Group's financing strategy. 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

In view of the ongoing uncertainty on the international financial markets, we still consider it essential that the Company has a strict liquidity focus. Our financing is structured in such a way that it provides us with a sufficient degree of business 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 a further important financing objective.

As part of our financing components, we ensure that our financial liabilities have an appropriate maturity profile and the portfolio of banks with which we work is balanced. We ourselves operate on the basis of binding standards that ensure transparency and fairness for lenders.

The Ströer Group currently obtains its external financing from a syndicate of banks comprising 10 selected national and international institutions. The financing comprises a long-term bullet loan of EUR 275m granted until July 2017 and a revolving working capital facility of EUR 225m with the same maturity. As of the reporting date, no single bank accounted for more than 20% of all loan amounts, hence there is a balanced diversification of the loan provision. Since we only utilized a small amount of the working capital facility for bank guarantees, we have substantial unutilized financing facilities available beyond the cash on hand (EUR 23.5m) existing as of the reporting date (31 December 2012). In the course of the refinancing agreed in July 2012, we not only further reduced the financing costs for the syndicated loan, but also secured an improvement in the covenants and the release of all collateral. The credit margins for the different loan tranches range between 175 and 360 basis points, depending on the leverage ratio. The financial covenants reflect customary market conditions and comprise two key performance indicators (leverage ratio and fixed charge ratio), which were met as of the end of the year with plenty of leeway to the relevant covenant limit. As of 31 December 2012, the Group had unutilized short and long-term credit facilities of EUR 193.5m (prior year: EUR 76.2m).

The subordinated loans recognized in the prior year totaling some EUR 21m were repaid prematurely as of the date of the refinancing.

The remaining liabilities largely have a floating rate of interest. There are still fixed interest rate swaps for around EUR 110m of these syndicated credit facilities, although their terms will end in 2013 and 2015. A large proportion (EUR 300m) of the interest rate derivatives concluded before the financial crisis expired in fiscal year 2012. As part of the financing strategy, the board of management regularly discusses whether to continue using such 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. 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 2012. Within the business units, any liquidity surpluses are pooled in automatic cash pools, where legally possible, and managed by the Group's treasury department. Through the group holding company, we ensure at all times that the financing requirements of the individual Ströer group entities are adequately covered.

In the past year, we succeeded in reducing our total net financial liabilities (EUR 302.1m) to slightly below the prior-year level, despite the drop in earnings. In 2012, Ströer AG and its group entities complied with all loan covenants and obligations from financing agreements.

→ For more information on our financial liabilities, see page 141

In the medium term, we intend to diversify our bank financing in favor of more capital market-oriented debt. For this purpose, we will periodically examine various financing options as part of our financing management (such as borrower's note loans and corporate bonds) and also take into account the further optimization of the maturity profile of our financial liabilities.

The Ströer Group only makes limited use of off-balance sheet financing instruments in the form of factoring. There is currently such an agreement in place for the sale of trade receivables between a Turkish group entity and a bank based in Turkey. Other instruments (e.g., asset-backed securities, sale-and-lease back and various other forms) are not currently used in the Ströer Group. We primarily use operating leases for IT equipment and vehicles. Due to the low volumes involved, however, operating leases do not have a significant effect on the economic situation of the Group.

Overall assessment of net assets and financial position

The Ströer Group has a balanced and sound financial position and net assets. In fiscal year 2012, the Group's financing was put on a secure footing for another five years by the conclusion of a new syndicated credit facility. The credit facilities granted provide Ströer with ample financing to enable it to remain flexible on the market in the future. At the same time, freely available cash was used to repay loans to permanently reduce interest expenses. As of the reporting date, the Group had cash of EUR 23.5m (prior year: EUR 134.0m) as well as unutilized long-term agreed credit facilities of EUR 193.5m (prior year: EUR 76.2m). The leverage ratio – the ratio of net debt to operational EBITDA – amounted to 2.8 as of the end of the reporting year (prior year: 2.3). While net debt remained almost unchanged, this leverage ratio was negatively impacted by operational EBITDA. By contrast, the Ströer Group's equity gearing remains very comfortable, with the equity ratio rising by 4.5 percentage points to 32.4% (prior year: 27.8%).

Financial position

In EUR m	**2012**	2011	2010	2009	2008
Cash flows from operating activities	54.9	95.0	30.3	36.1	21.2
Cash flows from investing activities	–44.1	–57.0	–98.5	–19.5	–62.7
Free cash flow	10.8	38.0	–68.2	16.6	–41.5
Cash flows from financing activities	–121.4	–10.1	117.1	–1.9	6.0
Change in cash	–110.6	27.9	48.9	14.8	–35.5
Cash at the end of the period	23.5	134.0	106.1	57.3	42.5

Liquidity and investment analysis

During the reporting year, **cash flows from operating activities** stood at EUR 54.9m, remaining EUR 40.1m behind the prior-year level of EUR 95.0m. This is primarily attributable to the weaker business volume and reduced profitability. In addition, improved working capital management had a positive effect on cash flows in the prior year. This positive trend continued in 2012, but did not match the volume of the prior year. Although prepayments received for services to be rendered in 2013 improved the working capital again, this effect was partly offset by higher trade receivables. The year-on-year reduction in interest expenses due to the fall in market interest rates and the new capital structure led to lower interest payments and thus had a positive effect on cash flows from operating activities.

We significantly scaled back our investments in fiscal year 2012 due to the weaker business development. **Cash flows from investing activities** fell EUR 12.9m year on year to EUR –44.1m. Our investments focused on growth projects such as the Out-of-Home Channel and the capacity expansion in Instanbul. Investments for these two projects amounted to a low double-digit million Euro figure. In addition, around EUR 8m was invested in the development of advertising media and an improved IT landscape. Subsequent purchase price payments of EUR 2.7m were also made for companies acquired in prior years. Since the crisis year of 2008, the Ströer Group has financed its replacement and expansion investments of some EUR 145.6m entirely from cash flows from operating activities. In the same period, cash flows from operating activities also covered all payments for business combinations, apart from a mid-single-digit million figure. This clearly proves the Group’s internal financing capability.

In the reporting year, **cash flows from financing activities** of EUR –121.4m were dominated by the Group’s new financing structure after Ströer replaced its previous refinancing by a new syndicated credit facility. At the time of the replacement, cash of around EUR 94.8m was used to repay the previous loan liabilities. The new refinancing incurred transaction costs of EUR 6.9m, which were also reflected in cash flows from financing activities. Further payments related to distributions to German non-controlling interests (EUR 2.1m) as well as to the purchase of additional shares in a Turkish group entity that is already fully consolidated.

Cash decreased from EUR 134.0m to EUR 23.5m in fiscal year 2012 due to the repayment of loan liabilities. In light of additional credit facilities of EUR 193.5m that are available for the long term, the Ströer Group’s liquidity remains comfortable.

Financial structure analysis

As of the end of 2012, around 79% of the Ströer Group's **financing** was covered by equity and non-current debt. Even after the optimization of the Group's capital structure, well over 100% of the current liabilities of EUR 180.9m (prior year: EUR 193.3m) is financed by current assets of EUR 130.5m (prior year: EUR 228.4m) as well as available, long-term agreed credit facilities of EUR 193.5m (prior year: EUR 76.2m).

As of 31 December 2012, **financial liabilities** amounted to EUR 342.5m, which is EUR 123.1m down on the prior-year level of EUR 465.7m. This decrease is largely due to the repayment of loan liabilities using freely available cash, which fell accordingly by EUR 110.6m over the year. In addition, liabilities from present values recognized for derivatives declined by EUR 10.4m; a substantial proportion of this related to hedging instruments that expired in October 2012.

In EUR m	**31 Dec 2012**	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
(1) Non-current financial liabilities	311.0	413.1	426.6	555.9	500.7
(2) Current financial liabilities	31.6	52.6	39.2	26.5	77.3
(1) + (2) Total financial liabilities	342.5	465.7	465.7	582.4	578.0
(3) Derivative financial instruments	16.9	27.4	39.5	29.8	10.0
(1) + (2) − (3) Financial liabilities excluding derivative financial instruments	325.6	438.3	426.2	552.6	568.0
(4) Cash	23.5	134.0	106.1	57.3	42.5
(1) + (2) − (3) − (4) Net debt	**302.1**	**304.3**	**320.1**	**495.4**	**525.5**
Leverage ratio	**2.8**	**2.3**	**2.5**	**5.0**	**5.1**
Equity ratio (in %)	**32.4**	**27.8**	**29.8**	**−6.4**	**−5.7**

Despite a decline in cash flows from operating activities, the Ströer Group reduced its **net financial liabilities** by EUR 2.1m in fiscal year 2012, thereby reaching the lowest level in the last five years. Despite the slight decrease in net financial liabilities, the leverage ratio, defined as the ratio of net debt to operational EBITDA, increased from 2.3 to 2.8 in the reporting year. This was primarily attributable to the decline in operational EBITDA which, at EUR 107.0m, remained EUR 25.3m behind the prior-year level of EUR 132.3m.

→ For a more detailed information of the Group's debt financing instruments, see page 141

Deferred tax liabilities decreased by EUR 16.3m year on year to EUR 55.1m. The main reasons for this decline are, on the one hand, greater offsetting against deferred tax assets, and on the other, the ongoing amortization of advertising concessions acquired in prior years in connection with business combinations.

The EUR 5.2m increase in **other current liabilities** to EUR 34.3m is largely due to prepayments received for services to be provided in 2013.

→ For more information on our other current liabilities, see page 143

The Ströer Group's **equity** developed positively in the reporting year, increasing by EUR 6.1m against the prior-year figure to EUR 279.6m. This is due to the absence of interest rate hedges with negative fair values, which led to a reduction in equity at the end of 2011. Since the main items of these hedging instruments expired in 2012, the hedged items in equity were taken to profit or loss. In addition, positive exchange rate effects in the translation of our Turkish and Polish group entities contributed to the increase in equity. Other changes in equity were of minor significance. The equity ratio improved to 32.4% as of the 2012 reporting date (prior year: 27.8%).

Capital structure costs

→ More comments, see page 128

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 before income taxes for our business units.

Net assets

Consolidated statement of financial position

In EUR m	**31 Dec 2012**	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Assets					
Non-current assets					
Intangible assets	262.0	278.4	306.5	213.1	222.8
Goodwill	226.1	224.2	225.0	180.2	184.8
Property, plant and equipment	225.9	221.8	212.8	180.9	184.0
Tax assets	5.0	15.5	9.4	31.4	15.2
Receivables and other assets	14.3	14.4	10.7	9.1	5.4
Subtotal	**733.3**	**754.3**	**764.5**	**614.7**	**612.2**
Current assets					
Receivables and other assets	96.7	85.8	107.2	68.2	87.4
Cash	23.5	134.0	106.1	57.3	42.5
Tax assets	4.8	3.1	4.2	4.2	6.5
Inventories	5.5	5.4	5.1	4.1	4.5
Subtotal	**130.5**	**228.4**	**222.6**	**133.8**	**140.9**
Total assets	**863.7**	**982.6**	**987.1**	**748.6**	**753.1**
Equity and liabilities					
Equity and non-current liabilities					
Equity	**279.6**	**273.5**	**294.4**	**–48.1**	**–42.7**
Financial liabilities	311.0	413.1	426.6	555.9	500.7
Deferred tax liabilities	55.1	71.4	64.9	75.6	78.9
Provisions	37.2	31.3	36.8	31.9	26.1
Subtotal	**403.2**	**515.8**	**528.3**	**663.4**	**605.7**
Current liabilities					
Trade payables	80.5	77.5	67.9	50.9	58.3
Financial and other liabilities	65.9	81.7	70.3	52.2	100.4
Provisions	18.6	21.0	17.7	23.6	19.2
Income tax liabilities	16.0	13.1	8.4	6.5	12.2
Subtotal	**180.9**	**193.3**	**164.3**	**133.3**	**190.1**
Total equity and liabilities	**863.7**	**982.6**	**987.1**	**748.6**	**753.1**

Analysis of the net asset structure

The Ströer Group's total assets fell by EUR 118.9m in fiscal year 2012 to EUR 863.7m, mainly due to the effects of the refinancing agreed in July 2012 (reduction in gross debt using cash).

Non-current assets decreased by 2.8% in the reporting year to EUR 733.3m. This was mainly attributable to the decline in intangible assets from EUR 278.4m to EUR 262.0m, which largely resulted from the ongoing amortization of advertising concessions. This amortization was partly offset by positive exchange rate effects from the translation of intangible assets in the statements of financial position of our Turkish and Polish group entities. Investments in the Ströer Group's IT landscape also had a partial offsetting effect. The slight increase in property, plant and equipment from EUR 221.8m to EUR 225.9m was due in part to ongoing investments in additional advertising media, the volume of which exceeded depreciation on all property, plant and equipment. This increase also reflects exchange rate effects that increase carrying amounts at the foreign group entities. As of the reporting date, non-current deferred tax assets amounted to EUR 4.4m, down EUR 10.4m against the prior year. This decrease is chiefly attributable to higher offsetting against deferred tax liabilities in some subsidiaries and the utilization of unused tax losses recognized in prior years. The first-time recognition of previously unused tax losses by a German subsidiary had an offsetting effect.

Current assets fell 42.9% year on year to EUR 130.5m. This substantial drop was attributable to the optimization of the capital structure in fiscal year 2012, in the course of which a large proportion of the liquidity in the Group was used to repay loan liabilities. As a result, cash decreased by EUR 110.6m year on year to EUR 23.5m. By contrast, receivables and other assets increased by EUR 11.0m compared with 2011 to EUR 96.7m. This growth primarily related to trade receivables, which were up by some EUR 9m overall against the prior year, due in part to the higher revenue volume towards the end of the year in Turkey, where receivables generally have much longer payment deadlines, as well as to the positive development of exchange rates, which increased the items in the statements of financial position of foreign group entities. In individual cases, major customers also delayed their payments beyond the reporting date.

The Ströer Group's **off-balance sheet assets** include a substantial portfolio of internally generated advertising concessions with municipalities and private landlords. However, such advertising concessions are only recognized as intangible assets if they were acquired as part of business combinations. Thanks to our strong market position, we also have a broad-based portfolio of sustainable customer relationships on the sales side. The majority of these customer relationships can also be classified as off-balance sheet assets. Other financial obligations mainly related to minimum leases, site leases and obligations from not yet completed investments as well as to leases based on operating lease agreements. The resulting obligations amounted to EUR 1,163.7m (prior year: EUR 1,180.4m) as of 31 December 2012. Due to the selected agreement structures, the latter may not be recognized as finance leases in non-current assets.

→ For more information on the off-balance sheet assets, see pages 73 (human capital) and 155 (financial liabilities)

STRÖER MEDIA AG

The management report of Ströer Media AG (formerly "Ströer Out-of-Home Media AG", hereinafter "Ströer AG") and the group management report for fiscal year 2012 have been combined pursuant to Sec. 315 (3) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 298 (3) HGB. The separate financial statements and the combined management report of the Company and the Group are published at the same time in the elektronischer Bundesanzeiger [Electronic German Federal Gazette].

Description of the Company

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

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

Results of operations

The **result from ordinary activities** decreased by EUR 11.9m to EUR 19.6m, mainly due to lower income from profit and loss transfer agreements (EUR – 11.2m) as well as higher personnel expenses (EUR – 1.4m). Almost half of the decline in the result from ordinary activities was offset by lower income taxes (EUR +5.9m). Ströer AG's **profit for the period** of EUR 20.0m was therefore EUR 6.1m lower than in the prior year (EUR 26.0m).

In EUR k	**2012**	2011
Other own work capitalized	399	0
Other operating income	21,346	20,486
Personnel expenses	– 15,352	– 13,959
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	– 1,504	– 1,345
Other operating expenses	– 20,198	– 19,724
Income from equity investments	740	0
Income from profit and loss transfer agreements	30,396	41,546
Income from loans classified as non-current financial assets	7,871	8,747
Impairment losses on financial assets	0	– 74
Interest and similar expenses / income	– 4,103	– 4,203
Result from ordinary activities	**19,594**	**31,474**
Extraordinary result	– 1	0
Income taxes	571	– 5,361
Other taxes	– 177	– 70
Profit for the period	**19,987**	**26,043**
Profit carryforward	46,043	40,325
Allocation to retained earnings	– 26,043	– 20,325
Accumulated profit	**39,987**	**46,043**

Other operating income mainly contains revenue from intragroup services, income from cost allocations and income from the reversal of provisions. The largest single item is the provision of intragroup IT services (EUR 8.9m). The EUR 0.9m increase in other operating income to EUR 21.3m resulted primarily from higher cost allocations (EUR +0.3m) as well as the reversal of provisions (EUR +0.6m).

In connection with moderate salary adjustments and severance payments, Ströer AG's **personnel expenses** rose by EUR 1.4m year on year.

Other operating expenses increased by EUR 0.5m against 2011 to EUR 20.2m. This partly reflects higher costs for legal and advisory services relating to the replacement of the old credit facility and the increased level of acquisitions.

Income from equity investments is largely attributable to a dividend payment by blowUP Media UK Ltd., London, UK.

Income from profit and loss transfer agreements (EUR 30.4m) includes the profit transferred by Ströer Media Deutschland GmbH to Ströer AG for fiscal year 2012 on the basis of the profit and loss transfer agreement concluded in 2010. The decrease in the profit transferred (EUR –11.2m) is due to the change in the German group's business situation.

Income from loans classified as non-current financial assets primarily relates to loans that Ströer AG has granted to foreign group entities for the purpose of business expansion or to repay bank loans. The decrease (EUR –0.9m) is mainly due to the fact that, at the end of 2011, a capital increase was carried out at Ströer Kentvizyon Reklam Pazarlama A.S. (Ströer Kentvizyon), Istanbul, Turkey, by converting loans.

Interest and similar expenses / income improved slightly by EUR 0.1m year on year.

Although the prior-year figure for **income taxes** included a negative effect of EUR 5.4m, in the reporting year the Company recorded a positive effect from income taxes of EUR 0.6m. This mainly results from the reversal of deferred tax liabilities of EUR 4.0m as well as lower earnings at Ströer AG and the subsidiaries in its tax group.

Net assets and financial position

Ströer AG's total assets of EUR 500.2m were EUR 101.6m lower than in the prior year (EUR 601.9m). On the assets side, this decrease was chiefly due to the reduction in cash (EUR –107.6m), primarily for the purposes of optimizing the structure of the Group's syndicated financing. By contrast, increases were recorded in intangible assets and property, plant and equipment (EUR +5.7m), financial assets (EUR +4.3m) and prepaid expenses (EUR +2.9m). The corresponding decline on the equity and liabilities side mainly related to decreases in liabilities to affiliates (EUR – 130.9m) and trade payables and other liabilities (EUR – 9.4m). By contrast, equity (EUR +20.0m), liabilities to banks (EUR +18.1m) and tax and other provisions (EUR +4.5m) increased compared with the prior year.

In EUR k	2012	2011
Assets		
Non-current assets		
Intangible assets and property, plant and equipment	8,820	3,116
Financial assets	443,712	439,400
	452,532	**442,516**
Current assets		
Receivables and other assets	41,291	48,302
Cash on hand and bank balances	3,017	110,585
	44,308	**158,887**
Prepaid expenses	**3,393**	**473**
Total assets	**500,233**	**601,876**
Equity and liabilities		
Equity	**427,466**	**407,479**
Provisions		
Provisions for pensions and similar obligations	31	28
Tax provisions	12,093	8,825
Other provisions	9,466	8,191
	21,590	**17,044**
Liabilities		
Liabilities to banks	29,014	10,884
Trade payables and other liabilities	4,518	13,875
Liabilities to affiliates	982	131,914
	34,513	**156,673**
Deferred tax liabilities	**16,664**	**20,680**
Total equity and liabilities	**500,233**	**601,876**

Analysis of the net asset structure

The increase in **intangible assets and property, plant and equipment** (EUR 5.7m) results in particular from investments, mainly in the form of capitalized expenses for the expansion and restructuring of the IT landscape.

Financial assets were impacted by the higher volume of long-term loans granted to affiliates abroad. EUR 2.7m was attributable to the conversion of interest receivables from Ströer Polska and EUR 2.0m to an additional loan to Ströer Kentvizyon.

Receivables and other assets decreased by EUR 7.0m year on year to EUR 41.3m. This is chiefly attributable to the EUR 9.2m decrease in receivables from affiliates, which is principally the result of lower profit transfers from Ströer Media Deutschland GmbH. By contrast, corporate income tax receivables increased from EUR 2.6m to EUR 4.5m.

Under current assets, **bank balances** fell by EUR 107.6m to EUR 3.0m as a consequence of the restructuring of the Group's financing in July 2012.

→ For more information on the change in bank balances, see liquidity analysis on page 67.

The increase in **prepaid expenses** (EUR +2.9m) primarily resulted from transaction costs in connection with the new syndicated credit facility (EUR 2.8m), which are recognized over its five-year term.

Financial structure analysis

The EUR 20.0m growth in **equity** corresponds to the Company's profit for the period. In light of the decrease in total equity and liabilities, this gives a much improved equity ratio of 85.5% (prior year: 67.7%). By way of a resolution of the shareholder meeting on 21 June 2012, the structure of equity was changed with the result that EUR 26.0m was transferred from the accumulated profit for 2011 to other retained earnings and EUR 20.0m was carried forward to new account.

The year-on-year increase in **provisions** (EUR +4.5m) is chiefly attributable to higher tax provisions (EUR +3.3m) and other provisions (EUR +1.3m). The rise in tax provisions is due to the previously low level of tax prepayments made for the years 2010 to 2012, for which no tax assessments have yet been made. The increase in other provisions largely relates to a higher level of outstanding invoices as of year-end as well as an increase in personnel provisions compared with the prior year.

The growth in **liabilities to banks** (EUR +18.1m) is principally attributable to the Group's new financing structure. This item includes some EUR 29m from the utilization of a working capital facility totaling EUR 225m that has been granted until 2017 under the new syndicated credit facility concluded in July 2012. This was partially offset by the repayment of the liability to NRW.Bank, Düsseldorf (EUR –10.6m).

→ For more information on the change in liabilities to banks, see liquidity analysis on page 67.

Trade payables and **other liabilities** decreased by EUR 9.4m overall to EUR 4.5m. EUR 10.8m of the change in this item was attributable to the repayment of a loan from SKB Kapitalbeteiligungsgesellschaft Köln/Bonn mbH as part of the optimization of the capital structure.

→ For more information on the change in other liabilities, see liquidity analysis on page 67.

Liabilities to affiliates fell by EUR 130.9m to EUR 1.0m in the reporting year, which can be seen as the mirror image of the decline in cash. EUR 129.8m of this decrease relates to lower liabilities from the Group's cash pooling, which Ströer AG manages.

→ For more information on the change in liabilities to affiliates, see liquidity analysis on page 67.

Liquidity analysis

In EUR m	2012	2011
Cash flows from operating activities	24.5	25.0
Cash flows from investing activities	–6.9	–12.7
Free cash flow	**17.6**	**12.3**
Cash flows from financing activities	–125.1	55.5
Change in cash	**–107.6**	**67.8**
Cash at the end of the period	3.0	110.6

At EUR 24.5m, **cash flows from operating activities** reflect the profit transferred by Ströer Media Deutschland GmbH for fiscal year 2011. The related proceeds amounted to EUR 41.5m in 2012. They were contrasted by the payments made by the group holding company to fulfill its holding functions. These included personnel expenses and interest and other ongoing costs.

Cash flows from investing activities amounted to EUR –6.9m in fiscal year 2012. The prior-year figure of EUR –12.7m was dominated by a capital increase (EUR –11.6m) at Ströer Kentvizyon. In the reporting year, cash paid primarily related to investments in intangible assets for capitalized product and IT developments (EUR –6.2m) as well as property, plant and equipment (EUR –1.0m).

Free cash flow, which is defined as the difference between cash flows from operating activities and cash flows from investing activities, totaled EUR 17.6m in the reporting period.

→ For detailed comments on the refinancing, see "Main features of the financing strategy" in the section on the group's "Financial position an net assets".

The changes in **cash flows from financing activities** and in **cash** are closely related to the restructuring of the Group's financing in 2012. The primary aim was to reduce liabilities to banks at Ströer Media Deutschland GmbH using the freely available cash at Ströer AG. Cash flows from financing activities include the repayment of liabilities to affiliates (EUR –130.9m), the repayment of the liability to SKB Kapitalbeteiligungsgesellschaft Köln/Bonn mbH, Cologne, (EUR –10.8m) and the repayment of the liability to NRW.Bank, Düsseldorf (EUR –10.6m). This was contrasted by the utilization of credit facilities of some EUR 29m that had been granted to the Company for the long term as part of the newly agreed credit facility. Together with the free cash flow, the cash flows from financing activities resulting from the changes led to a EUR 107.6m decrease in cash.

Ströer AG's net financial assets break down as follows:

In EUR m	**31 Dec 2012**	31 Dec 2011
(1) Non-current financial liabilities	–25.0	–21.4
(2) Current financial liabilities (including intragroup financial liabilities)	–2.1	–133.2
(1)+(2) Total financial liabilities	**–27.1**	**–154.6**
(3) Intragroup non-current and current financial receivables	131.1	135.7
(1)+(2)–(3) Financial assets / liabilities (less intragroup financial receivables)	**104.0**	**–18.9**
(4) Cash	3.0	110.6
(1)+(2)–(3)–(4) Net financial assets	**107.0**	**91.7**
Equity ratio (in %)	**85.5**	**67.7**

Net financial assets increased by EUR 15.3m year on year to EUR 107.0m (prior year: EUR 91.7m). This rise largely corresponds to the free cash flow generated by the Company.

As the holding company, Ströer AG is closely linked to the performance of the entire Ströer Group. Thanks to its improved free cash flow and optimized financing strategy, we believe that the holding company, like the Group as a whole, is well positioned to meet future challenges in a changeable economic environment.

Anticipated development of the Company

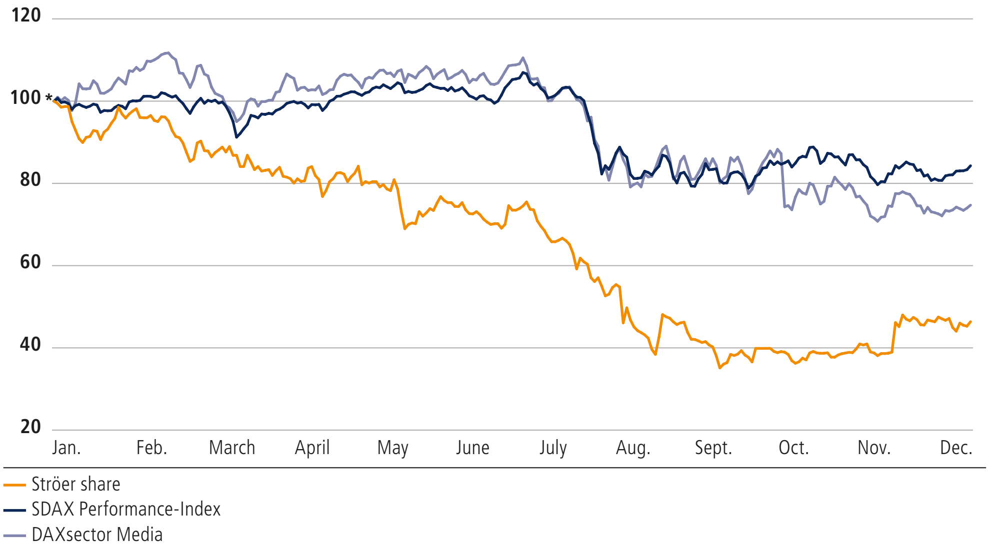
Due to its role as group parent, the anticipated development of Ströer AG depends on the development of the Group as a whole. Based on the Group's predicted results of operations for 2013 and 2014 presented under "Forecast," we expect the subsidiaries to generate higher earnings contributions overall and Ströer AG to improve its profit or loss in the following years.

INFORMATION ON THE SHARE

In the first three months of fiscal year 2012, stock markets recorded upward movements in share prices. This trend reversed in the second quarter due to ongoing uncertainty about the stability of the eurozone, leaving share indexes close to their annual lows by mid-year. In the second half of the year, the action taken by the European Central Bank to safeguard the single currency led to a substantial reduction in uncertainty on the stock and financial markets. As a result, share indexes recovered again, even climbing to new highs towards the end of the fiscal year.

Ströer AG stock recorded price gains from the second half of February on the back of a generally positive stock market trend, reaching a high for the reporting period of EUR 14.86 on 27 March. However, the share fell sharply following the publication of cautious revenue forecasts for the first and second quarters. It then began a moderate recovery at the start of Q3, in parallel with discussions with investors and roadshows. By the end of the year, the share price saw another downturn as a result of persistently challenging conditions on the advertising market. The Ströer share reached its low for 2012 of EUR 6.38 on 26 November and closed the year at EUR 6.60.

The Ströer share compared with the SDAX and DAXsector Media in 2012



*2 Jan 2012 = 100, exchange rates indexed
Source: Bloomberg

Extensive investor relations

The central starting point for our investor relations work is continuous, trust-building dialog with the capital market in the form of transparent, regular communication. Since our IPO in 2010, we have consistently broadened our shareholder structure and systematically increased the number of research houses that track our performance. In the past year, the board of management and investor relations team of Ströer AG presented the Company's business performance and corporate strategy on 28 dates at 21 roadshows and capital market conferences in 14 different cities. The countries we visited included Germany, the UK, France, the Benelux and Scandinavian countries, Switzerland, Austria, Italy, Spain and the US. We also informed capital market players of the publication of our financial reports in telephone conferences, at individual meetings at our Cologne headquarters and via special press releases and media work.

The internet is another mainstay of our corporate communication. At www.stroeer.de/investor-relations we report promptly and extensively on developments in the Group and make all the relevant documents available there. These include financial reports, a financial calendar, press releases and ad hoc reports as well as other mandatory reports. Presentations from investor conferences or roadshows are always made available for download on the same day they take place. Conference calls in connection with the publication of our financial reports are streamed live to our website and can also be downloaded as an audio webcast.

Shareholder meeting

The second annual general meeting of Ströer AG since the IPO was held on 21 June 2012. Overall, approximately 87% of the capital stock was represented. All resolutions proposed by the supervisory board and board of management were accepted by majorities of more than 99%.

Stock exchange listing, market capitalization and trading volume

Ströer AG stock is listed in the Prime Standard of the Frankfurt Stock Exchange and has been listed in the SDAX, a selection index of Deutsche Börse, since September 2010. Based on the share price on 30 December 2012, market capitalization came to EUR 277.85m.

We are continuing our efforts to boost the attractiveness of the Ströer share for investors by improving its liquidity and increasing the level of trading in our shares on Xetra, among other things. The average daily volume of Ströer stock traded on German stock exchanges in fiscal year 2012 was 41,454 shares. Including over-the-counter trading (OTC) between investors and brokers, just under 118,000 shares were traded daily. Thus trading was slightly down against the prior year. Overall, OTC transactions accounted for 62% of trading in the course of the year (prior year: 66%). The proportion traded on German stock markets remained constant at 34% (prior year: 33%), while other European exchanges continued to only account for a limited volume.

Analysts' coverage remains constant

The number of analysts that tracked Ströer AG in the past year remained constant at 13. Based on the most recent assessments, 3 of the analysts are giving a "buy" or "overweight" recommendation, 6 say "hold" and 4 say "sell." The latest analyst assessments are available at www.stroeer.de/investor-relations and are presented in the following table as of 12 March 2013:

Investment bank	Recommendation
Bank of America Merrill Lynch	Sell
Berenberg Bank	Hold
Citigroup Global Markets	Hold
Close Brothers Seydler Research	Hold
Commerzbank	Hold
Crédit Agricole Chevreux	Sell
Deutsche Bank	Buy
DZ BANK	Sell
Goldman Sachs	Hold
Hauck & Aufhäuser Institutional Research	Buy
J.P. Morgan	Buy
Morgan Stanley	Hold
Viscardi	Sell

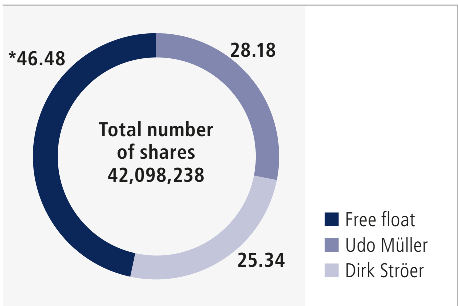
Shareholder structure

The total number of Ströer shares issued remained unchanged as of the end of the fiscal year at 42,098,238. Supervisory board member Dirk Ströer holds 25.34%, CEO Udo Müller holds 28.18% and CFO Alfried Bührdel, former board of management member Dirk Wiedenmann and Christian Schmalzl, who was appointed to the board of management in November, together hold around 0.20% of Ströer AG shares. As of 31 December 2012, the free float as defined by Deutsche Börse came to 46.48%. Institutional investors holding our shares in their funds are registered, among other places, in the US, the UK and Germany. According to the notifications made to the Company as of the date of preparation of this report on 12 March 2013, the following parties reported to us that they hold more than 3% of the voting rights in Ströer AG: DWS Investment (5.05%), Credit Suisse (3.50%) and J O Hambro Capital Management Limited (3.01%).

Information on the current shareholder structure is permanently available at www.stroeer.de/investor-relations.

Shareholder structure of Ströer AG

In %



* Free float as defined by Deutsche Börse, thereof

Alfried Bührdel, Christian Schmalzl and former board of management member Dirk Wiedenmann	0.20%
DWS Investment**	5.05%
Credit Suisse**	3.50%
JO Hambro Capital Management Ltd.**	3.01%

** According to voting right notifications in accordance with Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]

Key data for Ströer AG stock

Capital stock	EUR 42,098,238
Number of shares	42,098,238
Class	Bearer shares of no par value (share in capital stock of EUR 1.00 per share)
ISIN	DE0007493991
SIN	749399
Stock ticker	SAX
Reuters	SAXG.DE
Bloomberg	SAX:GR
Market segment	Regulated market
Transparency level	Prime Standard
Sector	DAXsector All Media (Performance)
Index	SDAX
First listing	15 July 2010
Designated sponsors	Close Brother Seydler
Opening price 2012 (2 January)	EUR 12.92
Closing price 2012 (28 December)*	EUR 6.60
HIghest price 2012 (27 March)*	EUR 14.86
Lowest price 2012 (26 November)*	EUR 6.38

* Closing price in Xetra in EUR

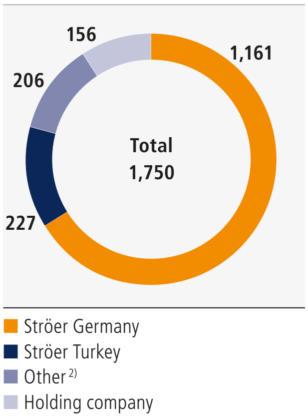
EMPLOYEES

Training and developing our employees is at the heart of our activities. Our main tool is differentiated talent management. Demographic change and the altered expectations of young graduates mean that requirements are constantly increasing for the recruitment and internal development of suitable employees, especially for future management roles. Ströer therefore places great importance on being an attractive employer by pursuing a sustainable HR policy.

Headcount

As of 31 December 2012, the Ströer Group had 1,750 (prior year: 1,730) full and part-time employees, an increase against the prior year. In the German segment, new positions were added in the sales units.

Employees[1] by segment
as of 31 December 2012



[1] Headcount (full and part-time employees)
[2] Other: blowUP & Poland

Length of service

As of the reporting date, employees had been working for an average of 7.9 years for the Ströer Group.

Vocational training

We pushed ahead with our vocational training strategy. As of the reporting date, Ströer provided a total of 37 young talents throughout Germany with vocational training as media designers, office assistants, office communications assistants, marketing communications assistants and IT specialists. We recruited 16 new trainees in Germany in the course of 2012.

Our trainees receive practical training at our group headquarters and at large regional offices. In addition to traditional vocational training, Ströer offers places on cooperative study programs (at vocational colleges). Going forward, Ströer aims to increase the number of these places as it has found this training model to be extremely practical and to serve the Company well as a way of ensuring the supply of qualified young staff.

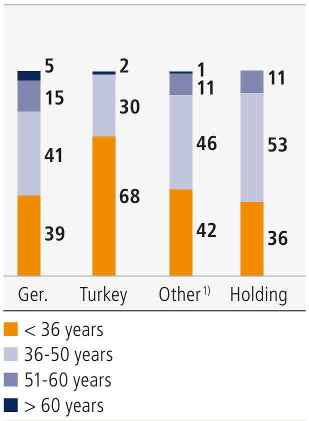
Ströer offers students at vocational colleges and trainees good chances of receiving permanent positions. In 2012, we again hired a large number of them in the areas of marketing, accounting and advertising media portfolio management.

We began recruiting our next trainee intake for 2013 at the end of 2012.

Age Structure

Our German divisions continue to have a balanced age structure. In Turkey, the higher percentage of younger employees adequately reflects the composition of the population. We aim to retain young employees through targeted training programs and to sustain their enthusiasm for our Company in the long term. At the same time, they work with mentors who can support them in their careers while drawing on their own extensive professional experience.

Age structure of employees
2012 in %



[1] Other: blowUP & Poland

Gender structure

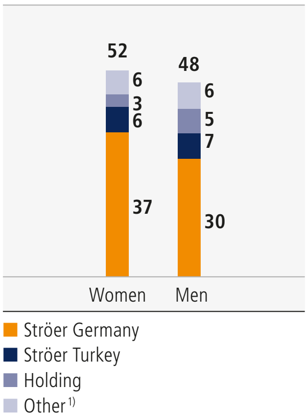
Proportion of women / men

The percentage of female employees stabilized at a high level, recording a minimal decrease of 0.3%.

This is due not least to our attractive working time models that help our staff combine work and family life, for example, and make us a modern media company.

Gender structure by segment

2012 in %



[1)] Other: blowUP & Poland

REMUNERATION REPORT

The remuneration report provides information on the structure and amount of remuneration paid to the board of management and supervisory board. The report takes statutory regulations into account along with the recommendations of the German Corporate Governance Code and is a component of the consolidated financial statements.

Remuneration of the board of management

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

In fiscal year 2012, the board of management's remuneration once again comprised two significant components:

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

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

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

During the year under review, the significant ratios for the LTI ("Ströer value added" and "EBITA growth") for fiscal years 2010 and 2011 were more precisely defined by the supervisory board for 2012 and subsequent years. This will even more closely link the development of the board of management's variable remuneration to the Company's key performance indicators. Under the modified definition, the criterion "return on capital" was replaced by "return on capital employed (ROCE)" and the criterion "growth" was replaced by "revenue growth." The LTI metric "share price" remained unchanged.

The more precise definition did not result in a change in the amount of remuneration. The long-term incentives span a period of three to four years and carry a greater weighting than the short-term incentives.

Ströer value added (SVA) and ROCE on the basis of adjusted EBIT / capital employed
The supervisory board set SVA targets for the variable remuneration based on SVA for fiscal years 2010 and 2011. Once the respective three fiscal years have passed, the performance and therefore the amount of the variable remuneration for these years will be measured against these targets.

A more specific calculation was defined for the variable remuneration for 2012 and subsequent fiscal years. As a result, the performance and thus the amount of variable compensation now depend directly on the return on capital achieved in the following respective three years. The benchmark for this is the achievement of a return equivalent to the Company's cost of capital.

In all cases, the variable remuneration related to these criteria is limited to a maximum of double the 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 variable portion is adjusted by the percentage shortfall but cannot decrease below EUR 0.

EBITA growth and revenue growth targets
The supervisory board set EBITA targets for the variable remuneration based on growth for fiscal years 2010 and 2011. Once the respective three fiscal years have passed, the performance and therefore the amount of the variable remuneration for these years will be measured against these targets.

For 2012 and subsequent fiscal years, the basis of calculating the variable remuneration was changed to revenue growth as this is the key driver of business development and therefore profitability.

The benchmark in this case is the average growth of the advertising market in the markets served by Ströer, which is primarily measured by the development of gross domestic product in the relevant countries. If the Company's average revenue growth in the three-year period exceeds this comparative value, the variable remuneration component based on this criterion can increase to a maximum of double the amount. Conversely, if this growth target is not met, the variable portion is adjusted by the percentage shortfall but cannot decrease below EUR 0.

Share price
The third criterion and LTI component is the share price development over a period of four years. If the price of the shares at the end of this four-year period is higher than the average price at the beginning of the period, the variable remuneration based on this criterion increases by the same percentage as the share price, but is limited to double the amount. However, the Company is entitled to pay compensation for a higher share price development in exceptional cases. If the share price is below this reference price, the variable portion is adjusted by the percentage shortfall but cannot decrease below EUR 0.

The members of the board of management can also decide to have the share price-based LTI remuneration paid out in shares in the Company.

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

By resolution dated 14 May 2010, the shareholder meeting waived the disclosure of the remuneration paid to each member of the board of management for a period of five years. The effect on earnings for the total remuneration for fiscal year 2012 is presented in the table below:

In EUR

Fixed remuneration	Fringe benefits	Other personnel expenses	STI	LTI	**Total**
2,457,000	113,000	263,500	676,400	47,000	3,556,900

The LTI effect on earnings of EUR 47k includes EUR 675k in reversals of provisions recognized in the prior year for remuneration. Since 2010, when the contractual arrangements were set out, no payments related to the LTI have been made to the members of the board of management.

The reported remuneration for 2012 includes two extraordinary effects: the temporary addition of another member of the board of management in November 2012 and the departure of a member of the board of management at the end of the fiscal year. These two effects resulted in additional expenses of EUR 630k in comparison to the prior year. Excluding these two extraordinary effects, the remuneration of the board of management declined by 12% year on year as a result of lower expenses for the STI and considerably reduced expenses for the LTI.

Post-employment benefits for members of the board of management

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

Retirement benefits
A retirement benefit plan is in place for a member of the board of management who left the board during the fiscal year. These benefit obligations are fully financed by the member of the board of management as part of a deferred compensation scheme, such that the Company does not incur any additional expenses.

Severance payments
An arrangement has been agreed for two members of the board of management which stipulates that if their employment contract is not extended, they are entitled to their fixed remuneration and variable compensation pro rata temporis for a further six months as a severance payment.

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

Severance payments
In the event of early termination, the fixed remuneration and pro rata temporis variable compensation will be paid out as a severance payment for the agreed contractual term.

Non-compete clause

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

Remuneration of the supervisory board

The remuneration paid to the supervisory board is approved by the shareholder meeting. The members of the supervisory board receive fixed basic remuneration which is paid out on a quarterly basis.

In EUR	
Chairman of the supervisory board	60,000
Deputy chairman of the supervisory board	40,000
Chairman of the audit committee	40,000
Member of the audit committee	30,000
Member of the supervisory board	25,000

Total remuneration in fiscal year 2012 came to EUR 210k (excluding any VAT).

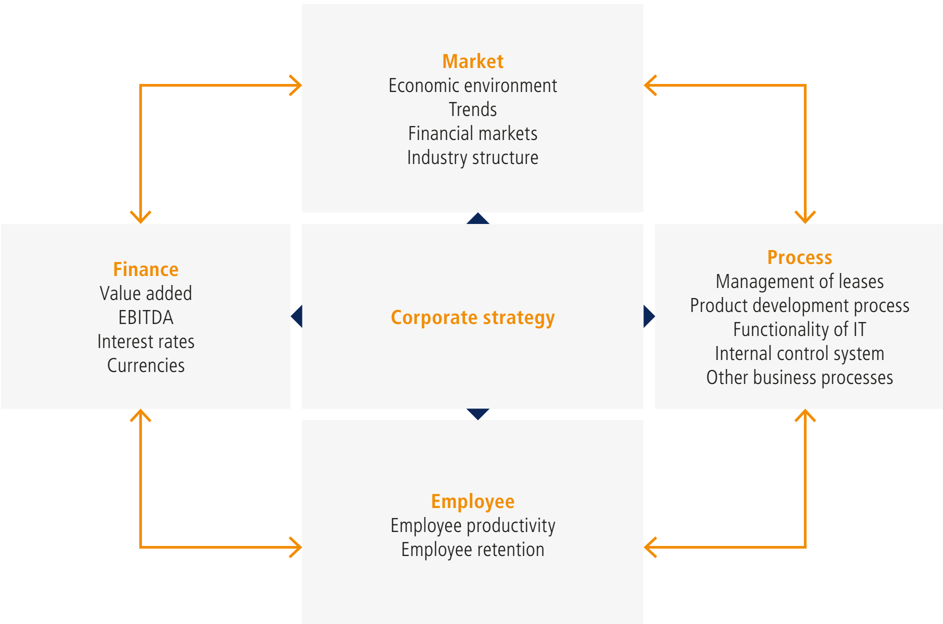
OPPORTUNITIES AND RISK REPORT

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

The Ströer Group's risk management system forms the basis for our board of management's overall risk assessment. It groups all of the risks identified by the risk officers into core risks that could pose a threat to the Group's strategic success factors. We believe that the risks described as of the publication date of this report are manageable. There are no recognizable individual risks that could jeopardize the Company's ability to continue as a going concern. We are also confident that Ströer is in a good strategic and financial position and will take advantage of opportunities that arise. However, owing to the ongoing sovereign debt and banking crisis and the sluggish improvement in economic conditions, the market environment is not expected to recover significantly in the current fiscal year. If a less favorable scenario were to occur, the Ströer Group would be able react quickly and implement internal measures to stabilize its investment and cost budgets.

Opportunity and risk management system

Our business strategy is designed to ensure the Ströer Group's ability to continue as a going concern and to grow the long-term value of the business. This requires us to weigh up the opportunities and risks associated with our business activities. Opportunities are defined as positive deviations from targets and risks as negative deviations. The board of management bears overall responsibility for group-wide opportunity and risk management, which is an integral part of corporate governance. Opportunity management is based on the success factors identified in the corporate strategy. Each success factor can be assigned to one of four perspectives: "market," "process," "employee" and "finance."



Depending on the strategic concept defined by the individual segments, responsibility for opportunity management lies with the segment's operational management or the management of the holding entities. The regular and early identification and analysis of opportunities is an integral component of the group-wide planning and control process. We use the resulting findings to create realistic opportunity profiles and to develop appropriate action plans and implement them in a structured manner.

In addition to opportunity management, we also have an extensive risk management system. In order to recognize risks at an early stage, analyze them systematically and manage them appropriately, we have established a group-wide system that complies with the legal requirements and is regularly updated. The individual components of our risk management system include the risk management process, reporting and the Group's internal guidelines. Based on the Group's risk strategy, the risk management process includes the identification, evaluation, management and monitoring of risks across all segments and hierarchy levels. Ströer's core risks include all risks which represent a threat to its success factors. They can be assigned to individual risk categories according to their expected damage value, which in turn are linked to various strategic requirements for risk management. A risk officer is appointed for each risk area, whether it relates to the headquarters, or to the German or foreign entities. The group risk management department has the methodological and system expertise and ensures the functionality and efficiency of the early warning system for the detection of risk.

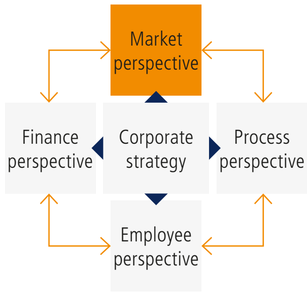
In a quarterly reporting process, each risk officer reports on his/her current risk situation to the group risk management department. The department examines all incoming risks for interdependencies, eliminates those that have been reported more than once, and groups them into core risks which are presented to the board of management and supervisory board in a quarterly report. All risk officers are obligated to report to the board of management and the group risk management department immediately in the event that unexpected risks arise which exceed certain thresholds. Our risk management policies are summarized in a group manual. The auditors regularly evaluate the risk management system as part of the audit of the financial statements and report the results to the board of management and supervisory board. Taking all identified opportunities and risks into account, the following section describes the areas that, from today's perspective, could have a significant positive or negative effect on the net assets, financial position and results of operations.

Internal control and risk management system

The accounting-related internal control and risk management system is an important part of the Group's risk management. We refer to the definitions of the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer in Deutschland": IDW]. 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 Ströer. Furthermore, the internal control system aims to help the reporting convey a true and fair view of the net assets, financial position and results of operations.

The Group's management board bears overall responsibility for the internal control and risk management system with regard to the group financial reporting process. All entities included in the consolidated financial statements are integrated in this system by way of a defined management and reporting organization. The necessary policies for the required structures and procedures and the Group's accounting-related internal control and risk management system have been defined and implemented for the entire Group. In addition, we also focus on monitoring the effectiveness of the internal control system, which goes beyond the Group's financial reporting, allowing us to comply with the requirements of the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act].

Market perspective

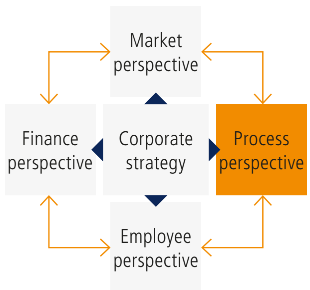


The sovereign debt crisis in the eurozone represents a realistic core risk for both macroeconomic developments and the Company's performance in 2013 as it could have a negative impact on advertisers' willingness to invest. Such a situation could also occur if our core countries were affected by heightened geopolitical tensions or a destabilization of political systems, although we consider this to be unlikely at present.

Business risks are mainly related to procurement and commercialization. As regards procurement, negative deviations from targets may arise in particular from the loss of advertising concessions from cities/public transport operators, the inadequate profitability of advertising concession contracts or the loss of advertising faces (due to regulatory requirements) at public and private sites. Adverse effects could also result from delays or rejections in the approval process for locations by authorities as well as from increased costs for obtaining building approval. We mitigate these risks through the professional and long-term management of our advertising concessions portfolio. Procurement risks can also arise from potential fluctuations in the prices of commodities, energy and advertising media. Other conceivable risks include the loss of key suppliers and problems with the quality of delivered products. To limit these risks, we increasingly use standardized construction groups and pursue an internationally focused sourcing strategy.

With regard to commercialization, deviations from targets could arise from a cautious approach to bookings taken by customers, the loss of customers in intra and intermedia competition, increasing pressure to grant discounts and setbacks in the implementation of regional growth projects. The successful commercialization of the Out-of-Home Channel in Deutsche Bahn's train stations and the shopping malls in the ECE group's portfolio will be decisive for the further growth of digital revenues. It is also unclear whether the online business will continue to see the same high growth rates as in the past years and whether substitution effects will emerge to the detriment of our core business. We counter these potential risks by updating and making targeted adjustments to our marketing strategies and with appropriate sales management measures. At the same time, positive momentum should be provided by increased communication with agencies, the positive performance records demonstrating the reach of our Out-of-Home Channel and the successful establishment of a regional sales representative organization.

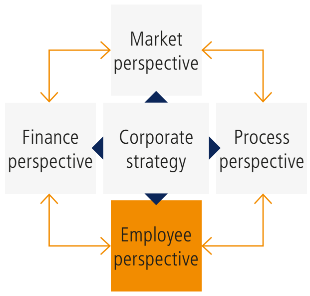
Process perspective



Innovation processes carry the risk that current or future customer wishes and market developments are not sufficiently taken into account. Another critical success factor in the production process is close observation of industrial rights of third parties. In our operating process, we focus on quality risks to ensure the high quality and best management of our advertising media. The same applies to the proper and efficient handling of quote and proposal preparation, order processing and complaints and receivables management. The ongoing group projects relating to process optimization and the internal control system are having a positive overall effect here. Our business model is highly dependent on the functionality of our IT systems. Data integrity, confidentiality of information, authenticity and availability are critical success factors here. Serious system malfunctions could lead to the loss of data and negatively affect business processes. To prevent such events, the Ströer Group implements a number of risk-reduction measures, such as regular investments in hardware and software as well as controls on access and authorization.

In addition to the expected opportunities, acquisitions also include risks such as those associated with post-merger integration, increased financing requirements for working capital as well as tax and compliance risks. We endeavor to reduce these risks by carrying out corresponding analyses at an early stage, establishing appropriate project structures, ensuring contractual safeguards wherever possible and initiating necessary control measures.

It is extremely important to us that our business activities comply with existing laws. Compliance with the law and internal guidelines is ensured by a compliance organization under the umbrella of our group legal department. Its main focus is on adherence to antitrust and capital market regulations as well as proper business practices. This also includes making employees aware of these issues and providing them with information and advice, in some cases with the support of business experts and law firms. Ongoing legal disputes could result in litigation risks that ultimately differ from the risk assessments undertaken and the associated provisions.

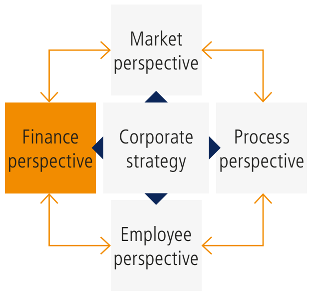


Employee perspective

The unwanted turnover of key management personnel could pose a potential risk. We counter personnel risks with a number of established measures. These include strengthening our reputation as an employer, offering a performance-based remuneration system, training courses and mentoring and coaching programs as well as deputization arrangements. We also underline our profile as an innovative and attractive company by cooperating closely with universities.

Finance perspective

Debt poses a financing risk for us. The significance of this risk is dependent on the Group meeting the financial covenants set out in its loan agreements. At the same time, there are obligations and duties to provide information to the lenders. Breaches may lead to sanctions being imposed.



Ströer's international activities entail currency risks, in particular a risk arising from the translation of the financial statements of foreign operations prepared in foreign currency. Any depreciation in the Turkish lira and the Polish zloty against the euro would also have an adverse effect in respect of the euro-denominated loans granted to our foreign group entities (transaction risks). Non-cash expenses from such currency-related changes in value could have a significant negative impact on the financial result and thus on the consolidated profit for the period. However, other currency risks affecting the Group are only of minor significance. We are exposed to interest rate risks in connection with non-current floating-rate financial liabilities and existing cash and cash equivalents. Interest rate swaps were used to secure fixed interest rates for some of the floating-rate financial liabilities. However, such derivatives can be subject to changes in value resulting from shifts in the yield curve, which would also adversely affect the financial result and therefore the consolidated profit for the period.

Investment risk relates to any losses recorded by investees, which could have a negative impact on the current and future results of operations and liquidity of the Ströer Group. In such a case, write-downs on goodwill or on the carrying amount of investments cannot be entirely ruled out.

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

Opportunities

General economic opportunities arise for us in connection with increases in the net advertising volume in our core markets. This development could occur if the economic recovery takes place faster than we currently expect. It is also possible that advertising customers will place larger budgets earmarked for communication purposes anti-cyclically. With targeted investments in innovative premium formats, market research and sales capacities, we want to gradually increase the share of advertising budgets allocated to out-of-home media. In an environment that is being shaped by far-reaching changes in media use, we believe out-of-home advertising has many structural advantages. Firstly, out-of-home advertising is unobtrusive but always catches the eye of passersby. Secondly, traditional and digital out-of-home media can leverage the power of large images and leave lasting impressions that influence purchases. Thirdly, the advertising effect of out-of-home media is spread via traffic flows in public places, which are growing as a result of increasing mobility and urbanization. Overall, customers and agencies therefore see out-of-home media as a complement to online and/or TV advertising formats that increases their effectiveness ("multiple screen planning").

Ströer's main strategic opportunities lie in systematically aligning its entire value chain on the megatrends of digitalization, mobility and urbanization in particular. A key success factor here is the strengthening of partnerships with major owners of relevant advertising concessions in Germany and abroad. Our entry into the independent online advertising business will help us consolidate our position in relation to the large publisher-based marketers and the major media agency groups. We also see attractive growth opportunities at a regional level in traditional out-of-home media as well as in the online segment. Our planned entry into the online advertising business gives us good opportunities to drive forward the consolidation in the online market and thus to successfully leverage the associated growth potential.

Our strong positioning in our core markets offers us the chance to actively shape the changes taking place in out-of-home advertising. Thanks to many years of research, performance figures for out-of-home media can now be measured effectively. In Germany, we have one of the world's best concepts for studying and measuring advertising impact: the "Mediaanalyse Plakat" (poster media analysis) developed by the industry group Arbeitsgemeinschaft Mediaanalyse. From 2013, the nationwide launch of the PpS concept (Plakatseher pro Stelle: audience per site) will also ensure extensive comparability with reach data for other media – a vital criterion for the growing cross-media integration of advertising formats. We expect the introduction of similar sophisticated measurement systems in Turkey and Poland from 2014 respective 2015 to further boost the professionalization of these markets.

To take advantage of opportunities in our operating business, we are pushing ahead with our product development – with a focus on digitalization – and the closer integration of our traditional business with digital (and in some cases interactive) services. At the same time, we aim to reduce our IT system costs and cut throughput times by basing our organization more firmly on standardized processes. Other positive effects could result from the greater integration of our existing organizational units as well as the transfer of important aspects of Ströer's expertise to our online activities.

FORECAST

Overall assessment of the board of management of the Group's future performance

We believe that convergence in the media landscape will continue at a faster pace and create a lasting change in the advertising industry in the coming years. The increasing digitalization of media content and advertising solutions means that the traditional boundaries between different types of media are breaking down. Transparent performance figures such as reach and target group contact will become increasingly important for the media market and put the focus on audience buying, while the choice of a specific content environment for advertising will become less significant. Through investments in digital advertising media and other premium products, we will continue to enhance the attractiveness of out-of-home media, including in combination with national and regional online offerings. Our digital out-of-home advertising media bring the highly sought-after video market into public places. We therefore expect the proportion of digital products in our customers' mix of out-of-home media to continue to grow.

The planned acquisition of the online activities in the second quarter of 2013 will give us a new growth base in the dynamic and promising online advertising market segment. We aim to leverage our professional marketing expertise and independent seller status to sell online advertising space. This applies in particular to the regional marketing of online display advertising, which barely exists today.

Our forecasts for future business development reflect the significant factors that were known at the time the financial statements were prepared and that could influence our activities in 2013 and beyond. However, it should be noted that our advertising markets are characterized by short advance bookings, in many cases with a lead time of no more than eight weeks. As a result, forward-looking statements for the full year are subject to a high level of uncertainty. In addition, changes in the net advertising market cannot always be reliably predicted on the basis of expected economic development (GDP) because the correlation between these two parameters can vary greatly from year to year.

Based on the structural changes in the market and the projects outlined above and on a like-for-like basis, we expect a slight to moderate increase in revenue and earnings as well as an improved financial position in the Group in the coming years. Strict cost management, process-related and structural efficiency improvements and economies of scale will also contribute to this development. We will continue to systematically work on gradually reducing our leverage ratio (net debt to operational EBITDA) to within our target range of 2.0 to 2.5, which we expect to achieve by the end of fiscal year 2014.

Future macroeconomic conditions

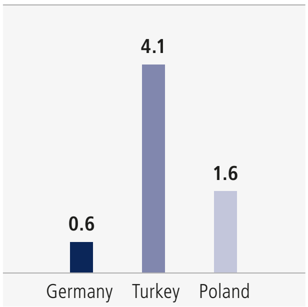
The global economy at the end of the reporting year was dominated by continued uncertainty due to the escalating US budget deficit and the ongoing sovereign debt and banking crisis in the eurozone. These effects will continue to be felt in 2013. Following the last-minute avoidance of the "fiscal cliff" in the US, the US Congress is now set to debate the raising of the debt ceiling. Discussions about the solvency of the US, doubts about the handling of the sovereign debt crisis in the eurozone and related concerns about the future of the eurozone are likely to have an impact on the real economy in 2013 as well.

Although the eurozone was stuck in a recession during the reporting year, many economists believe the trough was reached at the turn of the year 2012/2013. The ECB's announcement that it would buy unlimited quantities of bonds from crisis-hit countries that get into difficulties has settled the financial markets for the time being. With sometimes harsh fiscal policy measures, the crisis-hit countries achieved some initial successes in curbing their budget deficits, even if these measures initially depressed economic activity. By the end of 2013, the eurozone economy is expected to stabilize as the financial markets settle. For full-year 2013, both the European Commission and the OECD forecast a sideways movement in GDP (+0.1%), while the IMF anticipates a slight downturn (−0.2%). For 2014, the OECD and the European Commission expect structural reforms to take effect and progress to be made in the structure of economic and monetary union, leading to more solid growth of 1.4%. In the reporting year, however, economic development in the eurozone countries varied considerably.

In **Germany**, the comparatively robust fiscal situation, an upturn in export demand and stable domestic demand as a result of high employment will continue to lead to growth rates above the eurozone average in the coming years, according to economists' estimates. Due to the continuing uncertainty about the euro, the OECD reduced its economic forecast during the reporting year and, at year-end, predicted 0.6% growth in Germany in 2013. The forecast by the German Institut for Economic Research ["Deutsches Institut für Wirtschaftsforschung": DIW] of 0.9% was slightly higher. Assuming that the eurozone stabilizes, economists expect stronger growth rates of 1.9% (OECD) and more than 2% (DIW) in 2014. These forecasts are also based on the assumption that the financial and capital markets will stabilize.

Expected real GDP growth in 2013

In %



Source: OECD

During the reporting year, the Turkish economy was hit hard by the developments in the eurozone and measures taken by the Turkish government and central bank. Its expected growth rate of around 3% could not match the high level seen in prior years. The OECD and the Turkish government expect an upswing in the coming years, which should lead to a real GDP increase of 4.1% in 2013 and 5.2% in 2014. **Turkey's** emerging economy – which is supported by a powerful private sector – is still considered an attractive market and location for investment. Wide-ranging projects to expand public infrastructure are boosting investment activity. The audit firm Deloitte expects per capita consumer spending to grow by 39% between 2011 and 2015. Persistently high inflation remains a problem, although it had fallen to a mid-single-digit level at the end of the reporting year. The OECD forecasts inflation rates of around 6% in 2013 and 2014.

After rising by 2% to 2.5% in 2012, economic growth in **Poland** is expected to cool in the coming months due to the anticipated decline in consumer spending, which has traditionally boosted the Polish economy in recent years. However, consumer spending is suffering noticeably from the uncertainty caused by the crisis in the eurozone and a less robust labor market. Following a weaker forecast for the first half of the year, foreign trade is expected to pick up from the third quarter of 2013, provided that the situation in the eurozone does not destabilize any further. While the Polish government predicts that growth will continue at the 2012 level, the OECD believes that it will dip temporarily to 1.6% in 2013, before increasing again to 2.5% in 2014. Even at this lower level, growth forecasts for Poland are still above the EU average.

Future industry performance

For 2013, ZenithOptimedia expects a picture similar to the prior year: While the PIIGS[1] countries are forecast to see a further decline in advertising spending, expenditures in northern and central European countries should rise by 0.8%. From 2014, ZenithOptimedia predicts more robust growth rates of more than 2% in western Europe. As a result of the generally good state of the export sector, solid domestic demand and the robust labor market, the German advertising market is again expected to outperform the European average.

Experts believe that digital media will continue to gain ground. At present, the internet remains the fastest-growing medium. A study by audit firm PwC from June 2012 pegs the growth rate for internet advertising (CAGR) at 13% for the period from 2011 to 2016 in the EMEA region (Europe, Middle East and Africa). The growth rate for out-of-home media is forecast at 4.2% in both 2013 and 2014, making it the second-fastest-growing medium after the internet, ahead of TV and radio. By contrast, print media are being hit hard by the migration of content to new digital formats. There were similar findings in the OMG[2] Preview 2013, a survey conducted among German media agencies about trends in the advertising market. Among those surveyed, 53% said that they expected out-of-home media to further increase its market share in the next five years. Only internet media were forecast by more respondents to see an increased market share. Participants in the survey were much more skeptical about the chances of TV and radio expanding their share. 100% of respondents believed that the market share of print media would continue to decline.

Development of the German advertising market

The sovereign debt crisis and the resulting economic uncertainty will again put a noticeable damper on companies' advertising investments in 2013. In this environment, the German advertising market – boosted by the stable economy – is expected to be more robust than average compared to other western European countries. MagnaGlobal forecasts 0.8% growth in advertising expenditures in 2013, in line with the OECD's most recent economic growth expectations. ZenithOptimedia takes a more optimistic view and estimates that German advertising spending will rise by 1.6%. By contrast, PwC considers growth of 2.8% in the advertising market to be realistic for 2013. All agencies point to the stronger role of digital media, which will be a key driver of the expected growth. Accordingly, ZenithOptimedia and PwC anticipate growth rates of 9% to 11% for online advertising in 2013. ZenithOptimedia estimates that advertising spending on online media will surpass that of television advertising for the first time in 2013. However, the Central Association of the German Advertising Industry ["Zentralverband der deutschen Werbewirtschaft": ZAW] recently stated that it expects mainly muted development for 2013. 72% of ZAW's associations anticipate that advertising budgets will remain stable, while 14% expect increasing spending on advertising. ZenithOptimedia and PWC expect the German advertising sector to see an improvement of 2.7% to 2.9% in 2014.

Advertising revenue in the German out-of-home segment will be more stable than the overall advertising market in 2013, according to ZenithOptimedia. It anticipates that out-of-home advertising will grow by 3.7% in 2013, faster than TV, radio and print, and by 4.9% in 2014. PwC expects increases of almost 3% in both years. These forecasts are based on a catch-up effect following the weakening of the market during the reporting year as well as the stronger role of digital out-of-home media. In our planning for 2013, we expect that the advertising market will merely remain steady and only anticipate a gradual improvement from 2014.

[1] Portugal, Italy, Ireland, Greece, Spain
[2] OMG = Organization of Media Agencies in the German Association of Communications Agencies ["Gesamtverband Kommunikationsagenturen": GWA]

Development of the Turkish advertising market

As a result of the cooling of the Turkish economy caused by the euro crisis, the Turkish advertising market was unable to match the double-digit growth rates of prior years. However, in our view, the economic and socio-economic conditions in Turkey generally remain positive for the development of the advertising market. Advertising spending per capita is only a fraction of the figure for Germany. Given Turkey's young, consumer-oriented population, we believe this represents a positive platform for achieving growth in excess of comparable established markets in Europe. The market researchers from ZenithOptimedia and PwC expect double-digit percentage growth in 2013 and 2014, driven by factors including sharp increases in the online advertising market. After online and TV, out-of-home media are expected to see the third-biggest growth. We are also more upbeat about the Turkish media market in 2013. However, owing to the market's recent slowdown, we currently believe that growth is only likely to be in the mid-single-digit percent range. By contrast, we are predicting a faster pace of growth in 2014 when the financial markets are expected to settle.

Development of the Polish advertising market

Except for online advertising, all major segments of the Polish advertising market contracted in the reporting year. The media market was influenced by the increased economic slowdown over the course of the year and the continued high pressure to grant discounts. Market experts have given mixed forecasts regarding the development of the advertising market in the coming years. While ZenithOptimedia sees another significant decline in advertising spending in 2013 for both the overall market and out-of-home media, PwC expects growth in the mid-single-digit range. MagnaGlobal predicts that the advertising market in Poland will be flat in 2013. Our planning for this year anticipates a mid-single-digit percentage decline in the out-of-home market. We only expect a gradual recovery to begin in 2014.

Anticipated revenue and earnings development

The Ströer Group's future revenue and earnings development depends primarily on how advertising spending develops in Germany, Turkey and Poland as well as on the total market share of out-of-home media. Forecasts must therefore focus on the effect of economic fluctuations on advertising investments and the intensity of consumer spending. Furthermore, the short-term booking behavior of advertising customers, which often looks only a few months into the future at a time, also significantly limits the reliability of our statements on the long-term development of revenue and earnings.

The Ströer Group

For 2013, we believe that economic data will stabilize and the euro and sovereign debt crisis will gradually be overcome. These factors – supported by our investments in premium inventory and customer retention measures by our sales organization – should enable us to achieve organic consolidated revenue growth in the low-single-digit percentage range in 2013. Furthermore, revenue will increase in 2013 as a result of our acquisition of the online activities, which are expected to be consolidated from the second quarter. If the stabilization of the economy and the advertising market continues in 2014, we currently expect organic consolidated revenue growth in the low to mid-percentage range in the following year, boosted by an above-average revenue increase from the online activities.

→ Further information on our acquisition on the online activities, see section "subsequent events" on page 90.

We expect costs in 2013 to increase faster than revenues. The largely revenue-driven rise in leasing and running costs will also result in higher energy costs due to market prices and in inflation adjustments on fixed leasing obligations in Turkey. In terms of overheads, we expect higher personnel expenses as well as development costs for sales and IT projects.

Assuming unchanged exchange rates, this should lead to a moderate increase in the Group's operational EBITDA in 2013. However, the EBITDA margin is not expected to increase due to the low level of organic revenue growth and the lower margins in the online business compared to the out-of-home segment. For 2014, we expect EBITDA contributions and margins to continue to increase in both the core business and the online activities.

Germany segment

We are seeing that our customers have adopted a cautious approach in light of the economic situation, although they are also showing a keen interest in our premium products and digital formats. In the reporting year, we laid the foundation for improved regional marketing and stronger volume and success-oriented national marketing. We also expect positive impetus from the better comparability of media performance indicators thanks to the launch of the PpS system described above. As Germany's market leader, we are playing a major role in this trend with our digital out-of-home offerings, particularly the Out-of-Home Channel in train stations and shopping malls. We will continue to selectively expand our digital inventory in the coming years. Despite our expectation that the advertising market will not grow in 2013, we believe that the measures we have introduced will deliver low-single-digit percent organic revenue growth for Ströer Germany. We anticipate a slight improvement in the growth rate in 2014. With regard to profitability, we are optimistic that we can increase the operational EBITDA margin again from 2014.

Turkey segment

As in Germany, we are also attractively positioned in the Turkish out-of-home advertising market. In recent years, we have increased our capacity in the large-format segment by investing extensively in premium advertising media with scrolling technology. In the medium term, provided there is no political or economic upheaval, it should be possible for the media and out-of-home advertising market to again grow faster than GDP in percentage terms. For the two subsequent fiscal years, however, we generally expect the media market and Turkish economy to grow at roughly the same pace. Thanks to our investments in expanding our advertising media capacity, especially in the Istanbul region, we believe that we are well positioned for further growth. In an environment characterized by robust demand, this volume effect should have a considerably stronger impact than in the reporting year. Additional momentum is expected from new sales concepts for marketing giant posters and regional advertising media. In this overall context, we expect to record organic revenue growth in the mid-single-digit percentage range in 2013. In view of the relatively high proportion of fixed lease contracts and moderate inflation adjustments, the higher revenue should lead to improved absolute EBITDA figures and an increase in the operational EBITDA margin, especially as the margin in 2012 was significantly reduced by start-up costs for individual city contracts. This development should continue in 2014 as revenue continues to rise.

"Other" segment

We believe that the Polish advertising market in 2013 will again be negatively impacted by the effects of the euro crisis on the country's economy, although we expect some improvement over the course of the year. At the same time, we are facing persistently fierce competition from other providers of out-of-home advertising. We will counter this by upgrading existing sites to higher quality advertising faces and systematically reducing the number of less attractive sites. We expect organic revenue to continue to decline in 2013 due to market-related factors, before recovering slightly in 2014 against the backdrop of an improved economic environment. In our view, the launch of a professional performance measurement system in line with western European standards from 2015 should help ease the current pressure to grant discounts, as will the probable further steps toward consolidation in the media market. In the giant poster division (blowUP), we forecast relatively stable revenue in 2013, which should be boosted by new large-format digital boards in the UK and the Netherlands. Overall, we expect a decline in operational EBITDA and the operational EBITDA margin in the segment. Following the stabilization of the business situation in Poland and the increased penetration of digital media in the blowUP group, we anticipate an improvement in this segment's operational EBITDA margin in 2014.

Consolidated profit

The forecast growth in operational EBITDA in the next two years should lead to an improvement in consolidated profit after taxes. A significant decrease in interest expenses will also contribute to this. On the one hand, the restructuring of the Group's debt financing will result in interest savings in the low single-digit million range. On the other, interest expenses will decline even more significantly due to the expiry of interest rate derivatives that were entered into a few years ago in conjunction with an earlier debt financing agreement. Conversely, non-cash expenses from interest-related changes in the value of derivatives or from negative exchange rate-related changes in the value of intragroup loans could have an adverse effect on the financial result and therefore on consolidated profit. As it is almost impossible to forecast the development of the market parameters that influence the above values, such as yield curves and exchange rates, these parameters were not taken into account in our statements on expected consolidated profit.

Expected financial position

During the reporting year, we restructured the Group's syndicated loan and extended it for a period of five years until mid-2017. The repayment of part of the extended credit lines in the course of the refinancing using the cash on hand held in reserve will lead to a decline in interest expenses during the forecast period. However, in the short term we do not expect a significant increase in the base interest rate. The covenants are designed to provide sufficient headroom even during economic and seasonal fluctuations such as those seen during the reporting year. Our medium-term goal is to bring our leverage ratio back down to a level of between 2.0 and 2.5. In light of the ongoing uncertainty in the markets relevant to us in 2013, however, we believe it is unlikely that we will reach a level within this range during the year. We expect the planned online transactions to only lead to an insignificant increase in our reported leverage ratio because we are financing a large proportion of the purchase prices by issuing new shares. In summary, it is our view that the loan gives us sufficient scope to carry out planned investments and seize business opportunities that may arise during the forecast period.

Dividend policy

Ströer AG sees itself as a growth company and intends to initially use the funds gained from its internal financing to further develop its business, improve its capital resources and implement value-adding growth projects. We are confident that our reinvestments will result in appropriate returns in the interests of our shareholders and enable us to further consolidate our competitive position. Nevertheless, the board of management will examine a potential dividend payment to the Company's shareholders at regular intervals in close consultation with the supervisory board. In doing so, it will take into account current market conditions and the Group's expected financial development.

Planned investments

During the forecast period, we have planned investments within normal business levels primarily in our advertising media portfolio in order to modernize our existing advertising media networks or to create new infrastructure in connection with extending or acquiring concessions. A key component of our growth investments in 2013 relates to the further penetration of digital media in Germany's train stations and in additional shopping malls. This year, we will also continue to invest in increasing our capacity of high-quality advertising media in the important metropolitan areas of Istanbul and Ankara. In the "Other" segment, we are planning to make further investments in digital boards in the blowUP group and to add backlit advertising faces to our Polish advertising media portfolio. The group holding company intends to adapt the IT landscape group-wide to meet the challenges of our growing business volume and the associated control requirements by the beginning of 2015. As a rule, we expect renewal and replacement investments in the broader sense to account for around 5% of our revenue from out-of-home advertising. For 2013 and 2014, we expect the Group's total investments – excluding acquisitions – to total at least EUR 50m. As a considerable proportion of this amount is not backed by binding investment commitments, we can significantly scale back investments if this is necessitated by market developments or the consolidated financial position. The group holding company acquired another 15% of the shares in the blowUP group at the beginning of 2013, increasing its stake to 90%. In fiscal year 2013, Ströer is also planning investments relating to the acquisitions of shares in adscale/the Ströer Interactive group that have already been approved by the Federal Cartel Office.

SUBSEQUENT EVENTS

Entry into the online advertising business

The Ströer Group is expected to initially acquire 91% of the shares in adscale GmbH ("adscale"), Munich, through its group holding company Ströer AG, with economic effect from the second quarter of 2013. The corresponding purchase agreement was notarized on 15 December 2012. In the area of online advertising, adscale operates a technology-based marketplace (ad exchange) for a connected portfolio of around 5,000 websites. Within this portfolio, advertising customers and agencies (advertisers) can purchase their desired digital advertising formats for specific target groups via a transparent platform. For the operators of the websites marketed by adscale, the platform serves as an important distribution channel that allows them to efficiently utilize their capacities. The purchase price for the shares acquired in the company, before offsetting financial liabilities and cash reserves, is a minimum of EUR 15.9m. However, it may rise as a result of contractual price adjustment clauses (earn-out arrangements).

Furthermore, Ströer AG is expected to acquire all the shares in Ströer Interactive GmbH and freeXmedia GmbH as well as 50.4% of the shares in Business Advertising GmbH with economic effect from the second quarter of 2013. The agreement was notarized on 22 December 2012. The companies are primarily active in the exclusive marketing of websites and enter into service contracts with publishers for this purpose. The contracted websites are bundled horizontally and/or vertically into topic channels (e.g., car channel) for specific target groups and are offered to advertising customers and agencies using various online products. The purchase price for the three companies, before offsetting financial liabilities and cash reserves, is a maximum of EUR 63.1m. The basic component of the purchase price liability will be settled by issuing a maximum of around 6.8 million new shares in Ströer AG at an issue price of EUR 7.31 per share. Any purchase price liability arising from the contractually agreed price adjustment clauses (earn-out arrangements) will be paid in cash.

In a decision dated 20 February 2013, the Federal Cartel Office granted its approval of the acquisition of the four companies described above. The companies will be included in the Ströer Group's consolidated financial statements by way of full consolidation in 2013 from the closing date of the share transfers. In the course of this consolidation, the assets being acquired are expected to increase consolidated assets by a mid-double-digit million figure. Over a 12-month period, the acquisition of the companies is expected to result in a revenue increase in the high-double-digit million range and a positive effect on the Group's results of operations.

Acquisition of 15% of the shares in blowUP Media GmbH

On 16 May 2012, the Ströer Group through Ströer AG concluded a purchase agreement for a further 15% of the shares in blowUP Media GmbH, Cologne. The acquisition was deferred to take effect as of 1 January 2013 and increased Ströer's shareholding in the company from 75% to 90%. The minimum purchase price for the additional shares is in the mid-single-digit million range. The effect of the price adjustment clauses (earn-out arrangements) contained in the purchase agreement cannot be assessed at present and, in the event of a clearly positive business performance, could lead to further purchase price payments in the mid-single-digit million range in the coming years.

Extraordinary shareholder meeting

At the extraordinary shareholder meeting held on 7 March 2013, the Company's shareholders approved, with well over 90% of the votes, the resolutions proposed by the management board and the supervisory board to change the company's name and its purpose.

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

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

Composition of subscribed capital

The capital stock of Ströer AG amounts to EUR 42,098,238.00 and is divided into 42,098,238 bearer shares of no par value. Each share has a nominal value of EUR 1 in the capital stock.

Restrictions concerning voting rights or the transfer of shares

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

Investments in capital exceeding 10% of voting rights

Udo Müller holds 28.18% and Dirk Ströer 25.34% of total stock. Both shareholders are resident in Germany. 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 voting rights.

Special rights granting control authority ["Wertpapierhandelsgesetz": German Securities Trading Act]

There are no shares with special rights granting control authority.

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

Pursuant to Sec. 84 AktG, the supervisory board is responsible for the appointment and dismissal of members of the board of management. The composition of the board of management is governed by Art. 8 of the articles of incorporation of Ströer AG. In accordance with Sec. 119 (1) No. 5 AktG, the shareholder meeting decides on amendments to the articles of incorporation and bylaws. More information on the procedure for amendments can be found in Sec. 181 AktG in conjunction with Art. 12 of the articles of incorporation of Ströer AG.

Authorization of the board of management to issue or reacquire shares

Under a resolution approved by the shareholder meeting on 13 July 2010, the board of management is authorized, with the approval of the supervisory board, to issue convertible bonds and/or bonds with warrants of up to a maximum of EUR 11,776k until 12 July 2015. The capital stock of Ströer AG was increased conditionally by a maximum of EUR 11,776k by issuing up to 11,776,000 new bearer shares of no par value. The purpose of the conditional capital increase is to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are issued as a result of the above resolution.

According to the resolution adopted by the shareholder meeting on 10 July 2010, the board of management of Ströer AG is authorized to acquire treasury shares of up to 10% of capital stock. The authorization expires on 9 July 2015. Use has not been made to date of the option to acquire treasury shares.

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

Facility agreement

A facility agreement is in place between Ströer AG and a syndicate of various banks and credit institutions. The syndicate granted the Company a loan of EUR 275m and a credit line of EUR 225m. This new facility agreement concluded in 2012 replaced the existing loan liabilities and subordinated loans.

The provisions relating to a change in control reflect normal market arrangements. They do not result in automatic termination but grant our contracting partners the option to terminate in the event of a change in control or trigger the obligation to acquire shares in Ströer Kentvizyon Reklam Pazarlama A.S.

Employment contract for a member of the board of management

The employment contract between the board of management member Dirk Wiedenmann and Ströer AG contained an extraordinary right to termination for Dirk Wiedenmann, under which he would have been able to terminate his employment contract giving notice of 12 months in the event of a change in control. This extraordinary right to termination no longer applies following Dirk Wiedenmann's departure from the board of management as of 31 December 2012.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

In EUR k	Note	2012	2011
Continuing operations			
Revenue	(9)	560,597	577,080
Cost of sales	(10)	–386,506	–372,115
Gross profit		**174,091**	**204,965**
Selling expenses	(11)	–75,449	–74,535
Administrative expenses	(12)	–71,835	–75,106
Other operating income	(13)	16,501	15,944
Other operating expenses	(14)	–9,622	–14,359
Finance income	(15)	19,515	10,510
Finance costs	(15)	–51,395	–60,281
Profit before taxes		**1,806**	**7,138**
Income taxes	(16)	–3,619	–10,738
Post-tax profit or loss from continuing operations		**–1,813**	**–3,600**
Consolidated profit or loss for the period		**–1,813**	**–3,600**
Thereof attributable to:			
Owners of the parent		–2,860	–3,276
Non-controlling interests		1,047	–324
		–1,813	**–3,600**
Earnings per share (EUR, basic)			
from continuing operations		–0.07	–0.08
Earnings per share (EUR, diluted)			
from continuing operations		–0.07	–0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In EUR k	Note	2012	2011
Consolidated profit or loss for the period		**–1,813**	**–3,600**
Other comprehensive income			
Exchange differences on translating foreign operations	(8)	5,768	–20,843
Cash flow hedges	(35)	4,900	6,555
Actuarial gains and losses	(28)	–3,637	–125
Income taxes relating to components of other comprehensive income	(16)	–371	–2,138
Other comprehensive income, net of income taxes		**6,660**	**–16,551**
Total comprehensive income, net of income taxes		**4,847**	**–20,151**
Thereof attributable to:			
Owners of the parent		3,285	–17,817
Non-controlling interests		1,561	–2,334
		4,847	**–20,151**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in EUR k)	Note	**2012**	2011
Non-current assets			
Intangible assets	(19)	488,128	502,545
Property, plant and equipment	(20)	225,873	221,813
Investment property	(21)	1,300	1,490
Financial assets	(22)	101	96
Trade receivables	(23)	100	2,335
Other financial assets	(24)	2,008	1,909
Other non-financial assets	(24)	10,743	8,569
Income tax assets		635	753
Deferred tax assets	(16)	4,370	14,754
Total non-current assets		**733,258**	**754,263**
Current assets			
Inventories	(25)	5,453	5,416
Trade receivables	(23)	65,607	56,581
Other financial assets	(24)	11,080	8,556
Other non-financial assets	(24)	20,059	20,654
Income tax assets		4,799	3,108
Cash	(26)	23,466	134,041
Total current assets		**130,463**	**228,356**
Total assets		**863,721**	**982,620**

Equity and liabilities (in EUR k)	Note	**2012**	2011
Equity	(27)		
Subscribed capital		42,098	42,098
Capital reserves		296,490	296,490
Retained earnings		−47,838	−45,113
Accumulated other comprehensive income		−24,594	−33,127
		266,156	**260,348**
Non-controlling interests		13,419	13,109
Total equity		**279,575**	**273,457**
Non-current liabilities			
Pension provisions and similar obligations	(28)	23,924	20,928
Other provisions	(29)	13,244	10,406
Financial liabilities	(30)	310,952	413,107
Deferred tax liabilities	(16)	55,117	71,400
Total non-current liabilities		**403,237**	**515,841**
Current liabilities			
Other provisions	(29)	18,558	21,034
Financial liabilities	(30)	31,584	52,564
Trade payables	(31)	80,466	77,498
Other liabilities	(32)	34,329	29,105
Income tax liabilities		15,973	13,121
Total current liabilities		**180,910**	**193,322**
Total equity and liabilities		**863,721**	**982,620**

CONSOLIDATED STATEMENT OF CASH FLOWS

In EUR k	2012	2011
Cash flows from operating activities		
Profit or loss for the period	– 1,813	– 3,600
Expenses (+) / income (–) from the financial and tax result	35,499	60,509
Amortization, depreciation and impairment losses (+) on non-current assets	66,750	64,146
Interest paid (–)	– 30,431	– 36,096
Interest received (+)	690	1,086
Income taxes paid (–) / received (+)	– 9,827	– 7,451
Increase (+) / decrease (–) in provisions	– 2,240	423
Other non-cash expenses (+) / income (–)	– 7,696	– 9,975
Gain (–) / loss (+) on the disposal of non-current assets	1,410	1,121
Increase (–) / decrease (+) in inventories, trade receivables and other assets	– 6,961	23,152
Increase (+) / decrease (–) in trade payables and other liabilities	9,563	1,710
Cash flows from operating activities	**54,944**	**95,024**
Cash flows from investing activities		
Cash received (+) from the disposal of property, plant and equipment	1,264	2,113
Cash paid (–) for investments in property, plant and equipment	– 34,928	– 48,437
Cash paid (–) for investments in intangible assets	– 7,694	– 3,593
Cash paid (–) for investments in financial assets	– 5	– 74
Cash received (+) from / paid (–) for the acquisition of consolidated entities	– 2,747	– 6,981
Cash flows from investing activities	**– 44,110**	**– 56,972**

In EUR k	2012	2011
Cash flows from financing activities		
Cash received (+) from equity contributions	535	0
Cash paid (–) to non-controlling interests / shareholders	–3,593	–3,127
Cash received (+) from borrowings	310,730	0
Cash paid (–) to obtain and modify borrowings	–6,900	–2,687
Cash repayments (–) of borrowings	–422,180	–4,318
Cash flows from financing activities	**–121,409**	**–10,132**
Cash at the end of the period		
Change in cash	–110,575	27,920
Cash at the beginning of the period	134,041	106,120
Cash at the end of the period	**23,466**	**134,041**
Composition of cash		
Cash	23,466	134,041
Cash at the end of the period	**23,466**	**134,041**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EUR k	Subscribed capital
1 Jan 2011	**42,098**
Consolidated profit or loss for the period	0
Other comprehensive income	0
Total comprehensive income	0
Change in basis of consolidation	0
Capital increases from non-controlling interests	0
Effects from changes in ownership interests in subsidiaries without loss of control	0
Obligations to purchase own equity instruments	0
Dividends	0
31 Dec 2011 / 1 Jan 2012	**42,098**
Consolidated profit or loss for the period	0
Other comprehensive income	0
Total comprehensive income	0
Change in basis of consolidation	0
Capital increases from non-controlling interests	0
Effects from changes in ownership interests in subsidiaries without loss of control	0
Obligations to purchase own equity instruments	0
Dividends	0
31 Dec 2012	**42,098**

Capital reserves	Retained earnings	Accumulated other comprehensive income		Total	Non-controlling interests	Total equity
		Exchange differences on translating foreign operations	Cash flow hedges			
296,490	**−42,457**	**−10,979**	**−7,738**	**277,414**	**17,028**	**294,442**
0	−3,276	0	0	−3,276	−324	−3,600
0	−131	−18,838	4,428	−14,541	−2,010	−16,551
0	−3,407	−18,838	4,428	−17,816	−2,334	−20,150
0	0	0	0	0	−246	−246
0	0	0	0	0	0	0
0	1,265	0	0	1,265	−1,265	0
0	−514	0	0	−514	3,053	2,539
0	0	0	0	0	−3,127	−3,127
296,490	**−45,113**	**−29,817**	**−3,310**	**260,348**	**13,109**	**273,457**
0	−2,860	0	0	−2,860	1,047	−1,813
0	−2,388	5,223	3,310	6,145	514	6,660
0	−5,248	5,223	3,310	3,286	1,561	4,847
0	0	0	0	0	0	0
0	0	0	0	0	540	540
0	−1,548	0	0	−1,548	1,399	−149
0	4,071	0	0	4,071	−1,099	2,972
0	0	0	0	0	−2,091	−2,091
296,490	**−47,838**	**−24,594**	**0**	**266,156**	**13,419**	**279,575**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of the consolidated financial statements

1 General

Ströer Media AG (formerly "Ströer Out-of-Home Media AG", hereinafter "Ströer AG") is registered as a stock corporation under German law. The Company has its registered office at Ströer Allee 1, 50999 Cologne. The Company is entered in the Cologne commercial register under HRB no. 41548.

In the period covered by this report (fiscal year 2012), the purpose of Ströer AG and the entities included in the consolidated financial statements (the Ströer Group or the Group) was primarily the commercialization of out-of-home media. With some 290,000 advertising faces and over 150 different forms of advertising media, the Group specialized in advertising directed at mobile target groups. The Group used all forms of out-of-home media, from traditional billboards and transport media through to digital media, to reach its target audience.

The consolidated financial statements of Ströer AG for fiscal year 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as of the reporting date as adopted by the EU as well as the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code].

These consolidated financial statements cover the period from 1 January 2012 to 31 December 2012. The board of management of Ströer AG approved the consolidated financial statements on 12 March 2013 for issue to the supervisory board. The supervisory board has the task of reviewing the consolidated financial statements and declaring whether it approves them.

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

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

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

2 Assumptions, accounting estimates and the use of judgment

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

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

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

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

Pension and restoration obligations
In addition to estimating an appropriate capitalization rate, accounting for pension and restoration obligations requires assumptions to be made on additional actuarial parameters and the probability and timing of utilization. See notes 28 and 29 for further details.

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

3 Significant accounting policies

Revenue and expense recognition
Revenue is mainly generated from the commercialization of advertising faces in the billboard, street furniture and transport product groups.

Revenue is recognized when the commercialization is rendered, i.e., on the date when the advertising is displayed, and is disclosed net of trade discounts, including agency commissions, outdoor media specialist payments and rebates.

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

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

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

Advertising media owned by third parties are marketed in addition to the Company's own media. Revenue from the commercialization of advertising media for non-group entities is recognized net of the revenue-based rent attributable to these transactions provided the Group does not bear an economic risk. Hence, only the agreed sales commissions are disclosed on a net basis under revenue.

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

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

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

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

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

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

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

Amortization of intangible assets is charged on the basis of the following uniform group-wide useful lives:

Useful life	in years
Advertising concessions awarded by municipalities	1 to 17
Other advertising concessions	10 to 30
Other intangible assets	3 to 10
Goodwill	indefinite

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

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

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

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

Property, plant and equipment

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

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

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

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

Depreciation is based on the following useful lives:

Useful life	in years
Buildings	50
Plant and machinery	5 to 13
Advertising media	3 to 35
Other furniture and fixtures	3 to 15

The costs estimated for the probable dismantling and removal of advertising media at the end of an advertising concession contract are recognized at cost using the components approach. The amount is measured on the basis of the provision recognized for restoration obligations in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets."

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

Investment property

Investment property is held to earn rentals or for capital appreciation or both. It is initially recognized at fair value and is subsequently measured at depreciated cost. The fair value of this property is measured separately and discussed in note 21 of these notes. The depreciation period is 50 years. Depreciation is being charged on a straight-line basis.

If the nature of use of an investment property changes, this is reflected under property, plant and equipment.

Impairment testing

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

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

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

Leases

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

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

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

Financial assets and liabilities

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

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

Trade receivables and the financial receivables disclosed under financial receivables and other assets are designated as "Loans and receivables," and are initially measured at fair value, which represents the cost on the date of acquisition. In subsequent periods, these items are measured at amortized cost. Non-interest and low-interest-bearing non-current receivables are carried at the present value of estimated future cash flows where the effect of the time value of money is material. The effective interest method is used for the calculation. Assets are classified as non-current if they are not due to be settled within 12 months after the reporting date.

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

Financial liabilities and trade payables are included under "Financial liabilities measured at amortized cost." They are measured at fair value upon initial recognition and at amortized cost subsequently using the effective interest method. The fair value is calculated by discounting the estimated future cash flows at current market interest rates. Current liabilities are stated at the redemption amount or settlement amount. Transaction costs are deducted from cost if they are directly attributable. Non-interest and low-interest-bearing non-current financial liabilities are carried at the present value of estimated future cash flows discounted at the market rate of interest where the effect of the time value of money is material. Liabilities are classified as non-current if they are not due to be settled within 12 months after the reporting date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For share-based payment transactions in which the terms of the arrangement provide Ströer AG with the choice of whether to settle in cash or by issuing shares, the Company assumes that it will settle in cash. The fair value of the liability is therefore remeasured at each reporting date.

Put options
Put options written on shares held by non-controlling interests are presented as a notional acquisition on the reporting date. The adjustment item for these interests recognized in equity was derecognized and a liability in the amount of a notional purchase price liability was recognized instead. The cumulative difference between the derecognized adjustment item and the notional purchase price liability was offset directly against retained earnings. The value of the notional purchase price liability and details on its calculation are presented in note 35.

Overview of selected measurement methods

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

4 Changes in accounting policies

All new and amended standards and interpretations published by the IASB and the IFRIC that are effective for fiscal years beginning on 1 January 2012 and are required to be applied in the EU were applied in preparing the consolidated financial statements.

Changes in accounting policies and accounting estimates
There were no changes in accounting policies or accounting estimates in fiscal year 2012.

Standards and pronouncements adopted that have no effect on the Group's financial reporting
The following standards and pronouncements by the IASB became effective for the first time in fiscal year 2012. The specific nature of the amendments meant that they had no effect on the Group's financial reporting.

- IFRS 7, "Disclosures – Transfers of Financial Assets" (effective for fiscal years beginning on or after 1 July 2011)
- IAS 12, "Deferred Taxes: Recovery of Underlying Assets" (effective for fiscal years beginning on or after 1 January 2012)

Standards and pronouncements that are not yet effective
The following standards are not yet effective and have not been previously applied by the Group.

In November 2009, the IASB published **IFRS 9**, "Financial Instruments: Classification and Measurement," as part of its project for replacement standards for IAS 39. The standard is effective for fiscal years beginning on or after 1 January 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of financial assets, but is not expected to affect the classification and measurement of financial liabilities. Overall, no significant adjustments to individual items in Ströer's consolidated financial statements are anticipated. The standard has not yet been endorsed by the EU.

In May 2011, the IASB amended or published the following five standards as part of its consolidation project. The standards are effective for fiscal years beginning on or after 1 January 2014.

- IFRS 10, "Consolidated Financial Statements"
- IFRS 11, "Joint Arrangements"
- IFRS 12, "Disclosure of Interests in Other Entities"
- IAS 27, "Separate Financial Statements"
- IAS 28, "Investments in Associates and Joint Ventures"

Of the published or amended standards, only **IFRS 11** is expected to have a significant effect on the Group's methods of accounting and presentation. The new IFRS 11, which will replace the currently valid IAS 31, means that the existing option to recognize the relevant interest in joint ventures will be subject to very restrictive requirements. These requirements are currently not met by the joint ventures in which the Ströer Group has an interest. As a result, these entities will be accounted for using the equity method in the future. Under otherwise identical conditions and applying IFRS 11 to the current figures, consolidated revenue would therefore decrease by approximately EUR 10m and consolidated total assets would decline by a high single-digit million figure. The profit or loss of entities accounted for using the equity method was reported in EBIT in the past and this form of presentation will be retained. A change in the accounting requirements will therefore have an effect on the Group's EBIT as the earnings contribution after taxes of entities accounted for using the equity method would be below their EBIT contribution in the case of proportionate consolidation and would thus lead to a decrease in the consolidated EBIT reported.

In June 2011, the IASB amended significant elements of **IAS 19**, "Employee Benefits." The key amendment is the elimination of the option when accounting for actuarial gains or losses. In future, actuarial gains or losses may only be recognized in other comprehensive income. At the same time, there are new rules on how to determine net interest, especially with regard to the expected interest income on plan assets. As the Group already recognizes actuarial gains or losses in other comprehensive income and there are no plan assets, the application of the amended standard for fiscal years beginning on or after 1 January 2013 will not affect the method of accounting or presentation in the consolidated financial statements.

The IASB also published amendments to **IAS 1**, "Presentation of Financial Statements," in June 2011. Under these amendments, items that are recognized in other comprehensive income must in future be presented separately according to whether or not they could be reclassified subsequently to profit or loss. The amendments are effective for fiscal years beginning on or after 1 July 2012. Application of the amended IAS 1 will lead to the breakdown of items in the statement of comprehensive income intended by the IASB.

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

- IFRS 7, "Disclosures – Offsetting Financial Assets and Financial Liabilities" (effective for fiscal years beginning on or after 1 January 2013)
- IFRS 13, "Fair Value Measurement" (effective for fiscal years beginning on or after 1 January 2013)
- IAS 32, "Offsetting Financial Assets and Financial Liabilities" (effective for fiscal years beginning on or after 1 January 2014)
- Improvements to IFRSs (collection of amendments from May 2012) (effective for fiscal years beginning on or after 1 January 2013).

5 Basis of consolidation

The consolidated financial statements include the financial statements of all entities which Ströer AG directly or indirectly controls. In addition to Ströer AG, 19 German and 20 foreign subsidiaries were consolidated as of 31 December 2012 on the basis of full consolidation and 6 German joint ventures on the basis of proportionate consolidation. The equity interests are disclosed in accordance with Sec. 16 (4) AktG ["Aktiengesetz": German Stock Corporation Act].

Fully consolidated entities

Name	Registered office	Country	Equity interest in %	
			31 Dec 2012	31 Dec 2011
blowUP Media Belgium N.V.	Antwerp	Belgium	100	100
blowUP Media Benelux B.V.*	Amsterdam	Netherlands	100	100
blowUP Media España S.A.*	Madrid	Spain	88	88
blowUP Media France SAS*	Paris	France	100	100
blowUP Media GmbH*	Cologne	Germany	75	75
blowUP Media U.K. Ltd.*	London	UK	100	100
CBA lletisim ve Reklam Pazarlama Ltd. Sti.	Istanbul	Turkey	100	100
City Design Gesellschaft für Außenwerbung mbH	Cologne	Germany	100	100
City Lights Reklam Pazarlama Ltd. Sti.	Istanbul	Turkey	100	100
Culture Plak Marketing GmbH	Berlin	Germany	51	51
DERG Vertriebs GmbH	Cologne	Germany	100	100
DSM Deutsche Städte Medien GmbH	Frankfurt	Germany	100	100
DSM Krefeld Außenwerbung GmbH	Krefeld	Germany	51	51
DSM Mediaposter GmbH	Cologne	Germany	100	100
DSM Zeit und Werbung GmbH	Frankfurt	Germany	100	100
Dünya Tanitim Hizmetleri ve Turizm Ticaret Ltd. Sti.	Istanbul	Turkey	100	100
ECE flatmedia GmbH	Hamburg	Germany	90	100
Gündem Matbaacilik Organizasyon Gazetecilik Reklam San. Tic. Ltd.	Antalya	Turkey	100	100
Hamburger Verkehrsmittel-Werbung GmbH	Hamburg	Germany	75	75
Ilbak Neon Kent Mobilyalari Ltd. Sti.	Istanbul	Turkey	100	100
Fahrgastfernsehen Hamburg GmbH (formerly INFOSCREEN Hamburg Gesellschaft für Stadtinformationssysteme mbH)	Hamburg	Germany	100	100
Inter Tanitim Hizmetleri San. ve Ticaret A.S.	Istanbul	Turkey	100	67
Kölner Aussenwerbung Gesellschaft mit beschränkter Haftung	Cologne	Germany	51	51
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen	Hamburg	Germany	51	51
Megaposter UK Ltd.	Brighton	UK	100	100
Meteor Advertising Ltd.	London	UK	100	100
Objektif Kentvizyon Reklam Pazarlama Ticaret Ltd. Sti.	Istanbul	Turkey	80	80
Ströer Kulturmedien GmbH	Cologne	Germany	100	100
Ströer Akademi Reklam Pazarlama Ltd. Sti.	Istanbul	Turkey	100	100
Ströer City Marketing Sp. z.o.o.	Warsaw	Poland	100	100
Ströer DERG Media GmbH	Kassel	Germany	100	100
Ströer Deutsche Städte Medien GmbH	Cologne	Germany	100	100
Ströer Digital Media GmbH	Cologne	Germany	100	100
Ströer Kentvizyon Reklam Pazarlama A.S.*	Istanbul	Türkei	90	90
Ströer Media Deutschland GmbH*	Cologne	Germany	100	100
Ströer Media Sp. z.o.K.	Warsaw	Poland	99	99
Ströer Media Sp. z.o.o.	Warsaw	Poland	100	100
Ströer Polska Sp. z.o.o.*	Warsaw	Poland	99	99
Ströer Sales & Services GmbH	Cologne	Germany	100	100

* Indicates entities in which Ströer AG holds a direct interest.

The following joint ventures are engaged in the commercialization of out-of-home media.

Proportionately consolidated joint ventures

Name	Registered office	Country	Equity interest in %	
			31 Dec 2012	31 Dec 2011
ARGE Außenwerbung Schönefeld GbR	Berlin	Germany	50	50
DSMDecaux GmbH	Munich	Germany	50	50
mediateam Werbeagentur GmbH / Ströer Media Deutschland GmbH & Co. KG – GbR	Cologne	Germany	50	50
Mega-Light Staudenraus & Ströer GbR	Cologne	Germany	50	50
Trierer Gesellschaft für Stadtmöblierung mbH	Trier	Germany	50	50
X-City Marketing Hannover GmbH	Hanover	Germany	50	50

The following table shows the assets and liabilities and expenses and income of the joint ventures in relation to the Group's interest:

In EUR k	**31 Dec 2012**	31 Dec 2011
Current assets	11,318	12,184
Non-current assets	6,545	6,671
Current liabilities	2,772	3,241
Non-current liabilities	1,814	1,689
Net assets	**13,277**	**13,925**

In EUR k	**2012**	2011
Income	13,322	14,039
Expenses	8,531	8,682
Profit after taxes	**4,791**	**5,357**

6 Significant business combinations and sales

Inter Tanitim Hizmetleri San. ve Ticaret A.S.

With effect as of 30 November 2012, the Ströer Group acquired a further 33.3% of the shares in Inter Tanitim Hizmetleri San. ve Ticaret A.S., Istanbul, Turkey (Inter Tanitim). The purchase price for these shares amounted to around EUR 1.3m and was paid in full in 2012. Ströer already held a controlling interest of 66.6% in the company before the transaction. The acquisition means that 99.9% of the shares are now attributable to the Ströer Group. As the purchase of this additional shareholding did not lead to a change of control, the purchase price payment was reported in cash flows from financing activities.

ECE flatmedia GmbH

With effect as of 1 June 2012, the Ströer Group through its group entity Ströer Digital Media GmbH sold a total of 10% of the shares in ECE flatmedia GmbH, Hamburg. The shares were sold in order to more closely align company and shareholder interests and the purchase price totaled around EUR 1.3m. The purchase price payment was offset against existing liabilities to the purchaser and therefore had no effect on the statement of cash flows. After the transaction was completed, the Ströer Group still held 90.0% of the shares in the company.

Summary information

The two transactions described above have no effect on cash flows from investing activities. The only transaction that led to a cash outflow from investing activities was the settlement of the outstanding residual purchase price payment from the prior-year acquisition of CBA Iletisim ve Reklam Pazarlama, Istanbul, Turkey:

In EUR k	**2012**	2011
Total payments	0	–6,875
Total payments from purchase price adjustments	0	0
Total cash acquired	0	45
Cash outflows for acquisitions in prior years	–2,747	–150
Net cash flows from business combinations	–2,747	–6,980

As the Ströer Group had control over Inter Tanitim and ECE flatmedia GmbH both before and after the transactions, no first-time consolidation or deconsolidation was required in the fiscal year. The increases and decreases in the asset and liability items from first-time consolidation in the prior year are presented below:

In EUR k	2011
Goodwill	6,299
Advertising concessions	16,968
Order intake	0
Other intangible assets	0
Property, plant and equipment	4,818
Deferred taxes	1,649
Inventories	97
Trade receivables	625
Financial assets	125
Other assets	235
Income tax assets	0
Cash	40
Pension provisions	1
Other provisions	323
Deferred tax liabilities	6,308
Trade payables	167
Financial liabilities	5,977
Other liabilities	493
Income tax liabilities	67

7 Consolidation principles

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

Subsidiaries are fully consolidated from the date of acquisition, i.e., the date on which the Group obtains control. Control within the meaning of IAS 27, “Consolidated and Separate Financial Statements,” is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation ends as soon as the parent ceases to have control.

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

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

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

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

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

Non-controlling interests in equity and profit or loss are recognized in a separate item under equity. If additional interests are acquired or sold in fully consolidated entities, this difference is directly set off against equity.

A joint venture is defined as a contractual arrangement between two or more parties to undertake economic activities that are subject to joint control. Joint ventures are consolidated on a proportionate basis in line with the above principles of full consolidation.

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

8 Currency translation

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

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

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

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

		Closing rate		Weighted average rate	
	Currency	**31 Dec 2012**	31 Dec 2011	**2012**	2011
Poland	PLN	4.0740	4.4580	4.1826	4.1101
Turkey	TRY	2.3551	2.4432	2.3136	2.3272
UK	GBP	0.8161	0.8353	0.8108	0.8675

NOTES TO THE INCOME STATEMENT

9 Revenue

Revenue breaks down as follows:

In EUR k	**2012**	2011
Revenue from the commercialization of advertising media	531,838	548,876
Revenue from services	26,219	24,855
Royalties	1,121	1,939
Other operating income	1,419	1,410
Total	**560,597**	**577,080**

See the disclosures under segment information for a breakdown of revenue by segment. Revenue includes income of EUR 350k (prior year: EUR 853k) from barter transactions. As of the reporting date, outstanding receivables and liabilities from barter transactions amounted to EUR 100k (prior year: EUR 90k) and EUR 49k (prior year: EUR 39k), respectively.

10 Cost of sales

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

In EUR k	**2012**	2011
Rental, lease and royalty payments	211,656	204,323
Amortization, depreciation and impairment losses	60,811	58,739
Personnel expenses	1,472	1,403
Other cost of sales	112,567	107,650
Total	**386,506**	**372,115**

11 Selling expenses

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

In EUR k	**2012**	2011
Personnel expenses	51,344	50,597
Amortization, depreciation and impairment losses	1,915	1,806
Other selling expenses	22,190	22,132
Total	**75,449**	**74,535**

Product development costs are disclosed in the income statement under selling expenses and amounted to EUR 1,398k (prior year: EUR 2,136k) in the reporting period.

12 Administrative expenses

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

In EUR k	2012	2011
Personnel expenses	39,389	40,137
Amortization, depreciation and impairment losses	4,024	3,601
Other administrative expenses	28,422	31,368
Total	**71,835**	**75,106**

13 Other operating income

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

In EUR k	2012	2011
Income from the reversal of provisions and derecognition of liabilities	6,628	6,237
Income from exchange differences	2,295	2,702
Income from the reversal of bad debt allowances	1,177	1,229
Income from services	713	701
Income from the disposal of property, plant and equipment and intangible assets	857	461
Income from the change in investments	0	163
Miscellaneous other operating income	4,831	4,451
Total	**16,501**	**15,944**

14 Other operating expenses

Other operating expenses break down as follows:

In EUR k	2012	2011
Expenses related to the recognition of bad debt allowances and derecognition of receivables and other assets	2,834	2,618
Loss from the disposal of property, plant and equipment and intangible assets	2,267	1,582
Expenses from exchange differences	2,137	3,792
Out-of-period expenses	1,786	5,184
Miscellaneous other operating expenses	598	1,183
Total	**9,622**	**14,359**

The out-of-period expenses in fiscal year 2011 are mainly attributable to changes in tax legislation that led to the subsequent amendment of the basis of assessment for other taxes in Turkey.

15 Financial result

The following table shows the composition of the financial result:

In EUR k	2012	2011
Finance income	**19,515**	**10,510**
Income from exchange differences on financial instruments	16,646	3,533
Income from financial instruments measured at fair value through profit or loss	2,178	4,680
Interest income from loans and receivables	684	2,283
Other finance income	7	14
Finance costs	**−51,395**	**−60,281**
Interest expenses from loans and liabilities	−39,494	−38,713
Expenses from exchange differences on financial instruments	−11,093	−18,104
Expenses from financial instruments measured at fair value through profit or loss	−284	−3,082
Other finance costs	−524	−382
Financial result	**−31,880**	**−49,771**

Interest expenses from loans and liabilities in 2012 include non-recurring non-cash expenses from the Group's new financing structure. In this context, transaction costs of EUR 7.5m for the previous group financing that had not been fully amortized were expensed.

Income/expenses from exchange differences on financial instruments contain non-cash exchange gains/losses from the translation of the group loans granted in euros to the Turkish and Polish entities.

Income/expenses from financial instruments measured at fair value through profit or loss include the change in the market values of the stand-alone interest rate swaps and, in the prior year, changes in the value of the portion of the collar not designated as a hedging instrument.

16 Income taxes

Taxes on income paid or due in the individual countries as well as deferred taxes are stated as income taxes. The decrease in expenses from current income taxes is mainly due to the overall decline in the operating business, which led to a corresponding reduction in the tax assessment base. In addition, the initial recognition of deferred tax assets on unused tax losses at the level of a domestic subsidiary resulted in income from deferred taxes. Income taxes break down as follows:

In EUR k	2012	2011
Expenses from current income taxes	10,562	14,394
thereof for prior years	79	1,554
Income from deferred taxes	−6,943	−3,656
thereof for prior years	−601	0
Expense (+)/income (–)	**3,619**	**10,738**

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

2012

In EUR k	**Before taxes**	**Taxes**	**After taxes**
Exchange differences on translating foreign operations	5,768	0	5,768
Cash flow hedges	4,900	–1,590	3,310
Actuarial gains and losses	–3,637	1,219	–2,418
	7,031	**–371**	**6,660**

2011

In EUR k	Before taxes	Taxes	After taxes
Exchange differences on translating foreign operations	–20,843	0	–20,843
Cash flow hedges	6,555	–2,127	4,428
Actuarial gains and losses	–125	–11	–136
	–14,413	**–2,138**	**–16,551**

Deferred taxes are calculated on the basis of the applicable tax rates for each country. The rate ranges from 19% to 35% (prior year: from 19% to 35%).

Deferred taxes recognized for consolidation procedures are calculated based on the tax rate of 32.5% (prior year: 32.5%). This comprises corporate income tax of 15%, solidarity surcharge of 5.5% and average trade tax of 16.6%.

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

	31 Dec 2012		31 Dec 2011	
	Assets	**Liabilities**	Assets	Liabilities
Intangible assets	3,269	73,010	3,011	78,284
Property, plant and equipment	195	21,213	243	21,725
Financial assets	98	438	105	615
Receivables, other financial and non-financial assets	5,854	6,332	6,327	7,576
Inventories	508	3	203	3
Pension provisions	2,237	30	1,682	600
Other provisions	4,253	1,943	3,654	2,075
Liabilities	20,370	14,561	18,070	11,268
Deferred taxes	**36,784**	**117,530**	**33,295**	**122,146**
Tax loss and interest carryforwards	29,999	0	32,205	0
Total	**66,783**	**117,530**	**65,500**	**122,146**
Set-offs	–62,413	–62,413	–50,746	–50,746
Carrying amount	**4,370**	**55,117**	**14,754**	**71,400**

As of 31 December 2012, there were unused tax losses of EUR 131,184k (prior year: EUR 152,766k) as well as an interest carryforward of EUR 35,218k (prior year: EUR 34,134k). Out of the total amount of tax losses and the interest carryforward, no deferred tax assets were recognized for EUR 24,585k (prior year: EUR 28,491k). Unused tax losses attributable to consolidated foreign entities will expire as follows:

Year	Amount in EUR k
2013	0
2014	3,451
2015	6,287
2016	20,438
2017	7,354
2018	0

After impairment losses, deferred tax assets arising from unused tax losses were recognized in the amount of EUR 49,792k; the entities to which these unused tax losses are attributable generated losses in prior years. On the basis of the tax planning of the entities concerned, however, we assume that we will be able to use these unused tax losses in future periods due to an increase in taxable income.

In accordance with IAS 12, deferred taxes must be recognized on the difference between the share in equity held in subsidiaries recognized in the consolidated statement of financial position and the carrying amount of the equity interest for these subsidiaries recognized in the parent’s tax accounts (“outside basis differences”) if this difference is expected to be realized. Deferred taxes were recognized in the consolidated financial statements for equity investments if distributions are expected in the near future. Overall, deferred tax liabilities on outside basis differences of EUR 294k (prior year: EUR 316k) were recognized.

For outside basis differences of EUR 637,306k (prior year: EUR 634,915k), no deferred taxes were recognized as Ströer AG can control the timing of the reversal of the temporary differences for these equity investments and does not expect them to reverse in the future.

As Ströer AG did not pay any dividends to its shareholders in 2012 or 2011, this did not result in any income tax consequences.

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

In EUR k	2012	2011
Earnings before income taxes pursuant to IFRSs	1,806	7,138
Group income tax rate	32.45%	32.45%
Expected income tax expense for the fiscal year	586	2,316
Effect of tax rate changes	166	184
Trade tax additions / deductions	2,656	2,944
Effects of taxes from prior years recognized in the fiscal year	–680	1,554
Effects of deviating tax rates	1,183	2,166
Effects of tax-exempt income	–244	–490
Impact of permanent effects from consolidation	275	–134
Effects of non-deductible business expenses	1,648	2,851
Effects of non-recognition or subsequent recognition of deferred taxes	0	0
Recognition of interest carryforward for tax purposes (interest limitation rules)	32	–1,068
Correction of unused tax losses	–2,164	962
Other deviations	161	–547
Total tax expense (+) / tax income (–)	**3,619**	**10,738**

17 Notes to earnings per share

In EUR k	2012	2011
Basic earnings attributable to the shareholders of Ströer AG	–2,860	–3,276

In thousands	2012	2011
Weighted average number of ordinary shares issued as of 31 Dec	42,098	42,098
Effects from subscription rights issued	0	0
Effects from the obligation to purchase treasury shares	120	281
Weighted average number of ordinary shares issued as of 31 Dec (diluted)	42,218	42,379

The potential dilution of earnings per share in 2012 is attributable to the contingent put options that were granted to a non-controlling interest in fiscal year 2010 in respect of its shares in a Ströer group entity. Settlement may take the form of the issue of shares in Ströer AG. As in the prior year, earnings per share were not diluted in 2012 due to the negative result. The sole basis of earnings per share was thus the 42,098,238 ordinary shares.

18 Other notes

Personnel expenses
Personnel expenses of EUR 92,204k (prior year: EUR 92,136k) are included in the cost of sales, administrative expenses and selling expenses.

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

Number	2012	2011
Salaried employees	1,580	1,540
Wage earners	5	28
Total	**1,585**	**1,568**

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

The total number includes 39 FTEs (prior year: 47) from the proportionately consolidated joint ventures.

The Group has a total headcount (full and part-time employees) of 1,750 (prior year: 1,730). The difference of 165 largely relates to employees on parental leave, trainees and temporary workers. These employees are not included in the above disclosure in accordance with Sec. 285 (7) HGB.

Amortization, depreciation and impairment losses
The amortization, depreciation and impairment losses included in the cost of sales, administrative expenses and selling expenses are shown in notes 10 to 12.

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

In EUR k	2012	2011
Rent	5,331	4,320
Vehicle leasing	2,283	2,336
Hardware and software leasing	1,108	934
Leasing of buildings	1,716	1,780
Rental / lease of facilities	348	426
Total	**10,786**	**9,796**

The increase in rent is largely due to the temporary double payment of rent caused by relocation to another office.

Currency effects
In the reporting period, gains of EUR 5,712k (prior year: losses of EUR 15,660k) arising from exchange differences were recognized in the income statement, EUR 5,554k thereof (prior year: losses of EUR 14,570k) in the financial result.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

19 Intangible assets

The development of intangible assets in the year under review and in the prior year is presented in the following table:

In EUR k	Rights and royalties	Goodwill	Prepayments	Development costs	**Total**
Cost					
Opening balance 1 Jan 2011	**401,677**	**230,905**	**570**	**6,098**	**639,250**
Changes in the consolidated group	17,131	6,382	0	0	23,513
Additions	1,165	0	996	1,658	3,819
Reclassifications	507	0	–505	–978	–976
Disposals	–815	0	–62	–27	–904
Exchange differences	–18,858	–7,332	–4	0	–26,194
Closing balance 31 Dec 2011 / opening balance 1 Jan 2012	**400,807**	**229,955**	**995**	**6,751**	**638,508**
Changes in the consolidation group	0	0	0	0	0
Additions	2,639	0	4,049	2,357	9,045
Reclassifications	616	0	–452	–314	–150
Disposals	–1,495	0	–145	–70	–1,710
Exchange differences	6,059	2,027	1	0	8,087
Closing balance 31 Dec 2012 / opening balance 1 Jan 2013	**408,626**	**231,982**	**4,448**	**8,724**	**653,780**
Amortization and impairment losses / reversals					
Opening balance 1 Jan 2011	**100,963**	**5,879**	**0**	**889**	**107,731**
Changes in the consolidation group	1	0	0	0	1
Amortization and impairment losses	30,404	0	0	493	30,897
Reclassifications	4	0	0	4	8
Disposals	–748	0	0	0	–748
Exchange differences	–1,847	–79	0	0	–1,926
Closing balance 31 Dec 2011 / opening balance 1 Jan 2012	**128,777**	**5,800**	**0**	**1,386**	**135,963**
Changes in the consolidation group	0	0	0	0	0
Amortization and impairment losses	29,762	0	0	618	30,380
Reclassifications	0	0	0	0	0
Disposals	–1,477	0	0	0	–1,477
Exchange differences	725	61	0	0	786
Closing balance 31 Dec 2012 / opening balance 1 Jan 2013	**157,787**	**5,861**	**0**	**2,004**	**165,652**
Carrying amount as of 31 Dec 2011	**272,030**	**224,155**	**995**	**5,365**	**502,545**
Carrying amount as of 31 Dec 2012	**250,839**	**226,121**	**4,448**	**6,720**	**488,128**

In the fiscal year, advertising concessions awarded by municipalities were written off in the amount of EUR 670k (prior year: EUR 2,616k). The charge is included in cost of sales.

The additions to prepayments of EUR 4,049k primarily relate to the cost of optimizing the Ströer Group's IT landscape.

All goodwill acquired in business combinations was tested for impairment in the fiscal year.

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

In EUR k	Ströer Germany	Ströer Turkey	Ströer Poland	blowUP group
Carrying amount as of 31 Dec 2011	**175,591**	**38,327**	**5,643**	**4,595**
Changes in the consolidated group	0	0	0	0
Exchange rate effects	0	1,433	532	0
Carrying amount as of 31 Dec 2012	**175,591**	**39,760**	**6,175**	**4,595**
Detailed forecast period (in years)	5	5	5	5
Revenue growth after the forecast period	1% (PY: 1%)	4.4% (PY: 4.1%)	1.6% (PY: 1%)	1% (PY: 1%)
Interest rate (after taxes)	6.9% (PY: 7.4%)	12.0% (PY: 13.0%)	9.3% (PY: 10.3%)	7.2% (PY: 7.3%)

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

In this regard, the budgeted EBITDA is determined on the basis of detailed forecasts about the expected future market assumptions, income and expenses. The projected growth of EBITDA in the detailed forecast period is closely related to expected advertising investments in the advertising industry, the ongoing development of the competitive situation, the prospects of innovative advertising formats, local inflation rates, the respective prospects for the out-of-home advertising industry and the expansion investments planned by Ströer in individual segments. With regard to the individual cash-generating units, these expectations lead to average EBITDA growth rates that range from 5.6% (prior year: 8.3%) to 31.7% (prior year: 30.5%). In a second step, using the planned investments and working capital changes, EBITDA is transformed into a cash flow forecast. The detailed forecasts are then aggregated into financial plans and approved by management. These financial plans reflect the anticipated development in the forecast period.

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

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

We conducted a scenario analysis to assess the effect of significant parameters on the need for impairment at the cash-generating units. This was based on the difference between the recoverable amount and the carrying amount which the system set at EUR 0k on the date of initial consolidation and increased/decreased thereafter.

In the case of Ströer Poland, the difference between the recoverable amount and the carrying amount of the sub-segment as of the measurement date is EUR 12,170k (prior year: EUR 25,022k). The recoverable amount would equal the carrying amount of the cash-generating unit if the discount rate increased by more than 1.6 percentage points or if average forecast EBITDA (i.e., the amount expected in the detailed forecast period and in the terminal value) decreased by more than 15%.

In the case of Ströer Turkey, the difference between the recoverable amount and the carrying amount of the segment as of the measurement date is EUR 89,656k (prior year: 18,839k). The recoverable amount would equal the carrying amount of the cash-generating unit if the discount rate increased by more than 3.6 percentage points or if average forecast EBITDA (i.e., the amount expected in the detailed forecast period and in the terminal value) decreased by more than 26%.

In the case of the other cash-generating units, the difference between the recoverable amount and the carrying amount is high enough that no scenario analysis is required.

20 Property, plant and equipment

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

In EUR k	Land, land rights and buildings	Plant and machinery	Other plant and equipment	Property, plant and equipment (finance lease)	Prepayments made and assets under construction	**Total**
Cost						
Opening balance 1 Jan 2011	**13,811**	**756**	**350,628**	**0**	**19,283**	**384,478**
Change in the consolidated group	0	0	928	4,007	93	5,028
Additions	1,058	0	34,988	114	15,553	51,713
Reclassifications	542	0	2,197	115	–1,878	976
Disposals	–841	0	–8,840	0	–3,074	–12,755
Exchange differences	–78	–94	–10,313	–23	–599	–11,107
Closing balance 31 Dec 2011 / opening balance 1 Jan 2012	**14,492**	**662**	**369,588**	**4,213**	**29,378**	**418,333**
Change in the consolidated group	0	0	22	0	206	228
Additions	105	0	30,358	346	8,432	39,241
Reclassifications	0	0	7,044	0	–6,895	149
Disposals	–23	–538	–10,439	–486	–2,334	–13,820
Exchange differences	46	20	4,639	4	518	5,227
Closing balance 31 Dec 2012 / opening balance 1 Jan 2013	**14,620**	**144**	**401,212**	**4,077**	**29,305**	**449,358**
Depreciation and impairment losses / reversals						
Opening balance 1 Jan 2011	**3,114**	**161**	**167,705**	**0**	**667**	**171,647**
Change in the consolidated group	0	0	119	0	0	119
Depreciation and impairment losses	658	92	32,181	234	63	33,228
Reclassifications	0	0	–1,690	33	1,649	–8
Disposals	–837	0	–5,057	0	–95	–5,989
Exchange differences	–30	–11	–2,326	–4	–106	–2,477
Closing balance 31 Dec 2011 / opening balance 1 Jan 2012	**2,905**	**242**	**190,932**	**263**	**2,178**	**196,520**
Change in the consolidated group	0	0	0	0	0	0
Depreciation and impairment losses	730	142	34,018	1,277	12	36,179
Reclassifications	0	0	–522	0	522	0
Disposals	–23	–243	–10,351	–178	6	–10,789
Exchange differences	–23	3	1,369	–1	227	1,575
Closing balance 31 Dec 2012 / opening balance 1 Jan 2013	**3,589**	**144**	**215,446**	**1,361**	**2,945**	**223,485**
Carrying amount as of 31 Dec 2011	**11,587**	**420**	**178,656**	**3,950**	**27,200**	**221,813**
Carrying amount as of 31 Dec 2012	**11,031**	**0**	**185,766**	**2,716**	**26,360**	**225,873**

Other assets mainly include advertising media (carrying amount for the fiscal year: EUR 177,747k; prior year: EUR 170,703k).

In the fiscal year, investment grants pursuant to the InvZulG ["Investitionszulagegesetz": German Investment Grant Act] totaling EUR 66k (prior year: EUR 112k) were accounted for as a reduction in cost.

EUR 1,036k (prior year: EUR 804k) was recognized as income from compensation for damage to or destruction of property, plant and equipment.

21 Investment property

The following table gives an overview of the development of the carrying amount of the investment property held in the reporting period:

In EUR k	Investment property
Cost	
Opening balance 1 Jan 2011	**2,129**
Closing balance 31 Dec 2011 / opening balance 1 Jan 2012	**2,129**
Closing balance 31 Dec 2012 / opening balance 1 Jan 2013	**2,129**
Depreciation and impairment losses / reversals	
Opening balance 1 Jan 2011	**619**
Depreciation and impairment losses	20
Closing balance 31 Dec 2011 / opening balance 1 Jan 2012	**639**
Depreciation and impairment losses	190
Closing balance 31 Dec 2012 / opening balance 1 Jan 2013	**829**
Carrying amount as of 31 Dec 2011	**1,490**
Carrying amount as of 31 Dec 2012	**1,300**

The fair value is the amount for which the investment property could be exchanged between knowledgeable, willing parties in an arm's length transaction. An independent and accredited appraiser calculated the fair value of the property at EUR 1,300k (prior year: EUR 1,540k) as of the reporting date. Depreciation and impairment losses during the fiscal year include an impairment loss of EUR 170k.

The value was determined based on a capitalized earnings value in accordance with Sec. 17 (1) ImmoWertV ["Immobilienwertverordnung": German Ordinance on the Valuation of Property], with the land value and building's capitalized earnings value producing the fair value. The capitalized earnings value is largely determined by the market conditions.

The key valuation parameters are presented in the table below:

Average price of land	EUR 200 / m^2
Rent	EUR 2.50 – EUR 7.00 / m^2
Interest rate for the property	6.50%

The investment property earned rental income of EUR 202k (prior year: EUR 190k) in the reporting period. Directly attributable operating expenses of EUR 60k (prior year: EUR 51k) arose in the fiscal year.

22 Financial assets

The development of financial assets in non-listed companies is shown in the following statement of changes in non-current assets.

In EUR k	
Cost	
Opening balance 1 Jan 2011	**96**
Closing balance 31 Dec 2011 / opening balance 1 Jan 2012	**96**
Additions	5
Closing balance 31 Dec 2012 / opening balance 1 Jan 2013	**101**
Impairment losses / reversals	
Opening balance 1 Jan 2011	**0**
Closing balance 31 Dec 2011 / opening balance 1 Jan 2012	**0**
Closing balance 31 Dec 2012 / opening balance 1 Jan 2013	**0**
Carrying amount as of 31 Dec 2011	**96**
Carrying amount as of 31 Dec 2012	**101**

The development of the carrying amounts of these investments is presented in the table above. There is no active market for these interests. The fair value could only be measured reliably in the context of concrete sales negotiations. There are currently no plans to sell these shares.

23 Trade receivables

Specific bad debt allowances on trade receivables developed as follows:

In EUR k	**2012**	2011
Bad debt allowances at the beginning of the fiscal year	**3,004**	**2,996**
Additions (recognized in profit or loss)	2,593	2,515
Reversals (recognized in profit or loss)	–1,158	–1,133
Utilization	–417	–1,252
Exchange differences	199	52
Change in the consolidated group	0	–117
Other changes	0	–57
Bad debt allowances at the end of the fiscal year	**4,221**	**3,004**

General bad debt allowances on trade receivables developed as follows:

In EUR k	2012	2011
Bad debt allowances at the beginning of the fiscal year	**148**	**236**
Additions (recognized in profit or loss)	110	6
Reversals (recognized in profit or loss)	−6	−96
Utilization	1	1
Exchange differences	1	1
Bad debt allowances at the end of the fiscal year	**254**	**148**

Specific bad debt allowances with a gross invoice value of EUR 6,616k were recognized for trade receivables as of the reporting date (prior year: EUR 5,446k). Net of specific bad debt allowances of EUR 4,221k (prior year: EUR 3,004k), the carrying amount of these receivables came to EUR 2,395k as of the reporting date (prior year: EUR 2,442k).

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

	Overdue by				
In EUR k	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days
31 Dec 2012	**12,933**	**4,200**	**1,354**	**1,265**	**497**
31 Dec 2011	6,140	1,647	617	319	1,068

No overdue trade receivables are guaranteed by third parties (prior year: EUR 1,403k).

As of the reporting date, trade receivables of EUR 3,079k (prior year: EUR 0k) were sold to a factor. Following the sale of the receivables, all opportunities and risks were transferred to the factor, which led to the receivables being derecognized in accordance with IFRSs and reported as other assets in the statement of financial position.

The increase in overdue receivables is partly attributable to major customers that delayed their payments, some of which were long overdue, beyond the last reporting date.

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

The amount of receivables serving as collateral for prior-year financial liabilities is shown in note 30, Financial liabilities.

24 Other financial and non-financial assets

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

In EUR k	**31 Dec 2012**	31 Dec 2011
Financial assets		
Other loans	942	1,213
Other non-current financial assets	1,066	696
Total	**2,008**	**1,909**
Non-financial assets		
Prepaid expenses	8,440	8,446
Miscellaneous other non-current assets	2,303	123
Total	**10,743**	**8,569**

The increase in miscellaneous other non-current assets of EUR 2,180k to EUR 2,303k is attributable to the recognition of transaction costs that were incurred in connection with the new refinancing arrangements in July 2012 and are amortized over the term of the credit facility.

Current financial and non-financial assets break down as follows:

In EUR k	**31 Dec 2012**	31 Dec 2011
Financial assets		
Receivables from existing and former shareholders of group entities	4,250	4,249
Creditors with debit balances	637	917
Security deposits	351	351
Residual purchase price receivables from the disposal of group entities	0	400
Other loans	0	372
Other financial assets	5,842	2,267
Total	**11,080**	**8,556**
Non-financial assets		
Prepaid expenses	11,393	10,539
Tax assets	5,600	6,847
Other prepayments	2,128	1,692
Receivables from investment grants	216	521
Miscellaneous other assets	722	1,055
Total	**20,059**	**20,654**

The increase in other financial assets of EUR 3,575k to EUR 5,842k is mainly due to the sale of trade receivables to a Turkish factoring company (prior year: EUR 0k). The assumption of the significant risks by the factor led to the derecognition of the receivables. There is no continuing involvement on the part of Ströer. The recognized amounts that were received from the factor correspond to the receivables sold.

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

In EUR k	**2012**	2011
Impairment at the beginning of the fiscal year	**612**	**1,356**
Additions (recognized in profit or loss)	2	55
Reversals (recognized in profit or loss)	−8	−1
Utilization	−82	−730
Other changes	0	−68
Impairment at the end of the fiscal year	**524**	**612**

Specific bad debt allowances with a nominal value of EUR 524k were charged on financial assets as of the reporting date (prior year: EUR 640k). Net of specific bad debt allowances of EUR 524k (prior year: EUR 612k), the carrying amount of these receivables came to EUR 0k as of the reporting date (prior year: EUR 28k).

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

	Overdue by				
In EUR k	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days
31 Dec 2012	**221**	**12**	**14**	**22**	**38**
31 Dec 2011	52	406	3	2	48

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

25 Inventories

In EUR k	**31 Dec 2012**	31 Dec 2011
Raw materials, consumables and supplies	5,340	5,205
Finished goods and merchandise	111	211
Prepayments made on inventories	2	0
Total	**5,453**	**5,416**

Inventories disclosed as expenses in the income statement amounted to EUR 2,426k in the fiscal year (prior year: EUR 2,102k).

26 Cash

In EUR k	31 Dec 2012	31 Dec 2011
Bank balances	23,408	133,973
Cash	58	68
Total	**23,466**	**134,041**

The decrease in cash corresponds with the fall in the Group's financial liabilities. See our explanations in note 30, Financial liabilities.

The bank balances recognized as of the reporting date no longer serve as collateral for the existing financial liabilities. See note 30, Financial liabilities, for information on the corresponding prior-year amount.

The bank balances include overnight money and time deposits of EUR 1,164k (prior year: EUR 111,706k). The interest rates achieved range between 0.01% and 0.35% (prior year: 0.05% and 0.8%).

There are no bank balances that are subject to short-term restraints on disposal (prior year: EUR 3,400k).

27 Equity

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

Subscribed capital
Subscribed capital remained unchanged at EUR 42,098k.

Subscribed capital is split into 42,098,238 bearer shares of no par value. They have a nominal value of EUR 1 and are fully paid in.

The following notes are mainly taken from the articles of incorporation and bylaws of Ströer AG.

Approved capital I
Subject to the approval of the supervisory board, the board of management is authorized to increase the Company's capital stock once or several times until 12 July 2015 by a maximum of EUR 18,938k in total by issuing new bearer shares of no par value for contributions in cash or in kind (approved capital I).

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

(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 portion of capital stock must be credited to this maximum amount, which is attributable to new or treasury shares issued or sold since 13 July 2010 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 13 July 2010 applying Sec. 186 (3) Sentence 4 AktG as appropriate; and/or
(iv) to the extent necessary to issue subscription rights for new shares to owners of warrants or to creditors of convertible bonds or participation certificates with conversion or option rights that are issued by the Company or those entities it controls or majority owns in the scope to which they would be entitled after exercising the option or conversion rights or after fulfillment of the conversion obligation.

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

Conditional capital 2010

The Company's capital stock has been increased conditionally by a maximum of EUR 11,776k by issuing a maximum of 11,776,000 new bearer shares of no par value (conditional capital 2010). 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 13 July 2010. New bearer shares of no par value are issued at particular conversion and option prices determined by the abovementioned authorization resolution. Conditional capital is only to be increased to the extent that conversion or option rights are exercised or owners/creditors fulfill their obligation to exercise their conversion rights and provided that a cash settlement is not granted or use is not made of treasury shares or new shares from utilizing 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 board of management, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase.

Capital reserves
As in the prior year, the Company had capital reserves of EUR 298,922k as of the reporting date (of which EUR 264,471k pursuant to Sec. 272 (2) No. 1 HGB and EUR 34,451k pursuant to Sec. 272 (2) No. 2 HGB), which exceeds 10% of capital stock.

Retained earnings
Retained earnings contain the profits generated in the past by entities included in the consolidated financial statements that have not been distributed. By resolution of the shareholder meeting on 21 June 2012, EUR 20,000k from the accumulated profit for 2011 was carried forward to new account and EUR 26,043k was allocated to other retained earnings.

Accumulated other comprehensive income
Accumulated other comprehensive income includes exchange differences from the translation of foreign currency financial statements of foreign operations as well as the effects from the valuation of hedged derivative financial instruments after deduction of the deferred taxes arising thereon.

Deferred taxes on net valuation effects of hedged derivative financial instruments offset directly against equity amount to EUR 0k (prior year: EUR 1,590k) in total.

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

Obligation to purchase own equity instruments
By granting put options to the non-controlling shareholders of subsidiaries, the Company has undertaken to purchase the non-controlling interest if certain contractual conditions are met. We have presented these options as a notional acquisition on the reporting date as specified in the explanations on accounting policies. Liabilities of EUR 11,598k (prior year: EUR 14,569k) have been allocated for these obligations.

Proposal for the appropriation of profit
Profit is appropriated in accordance with German commercial and stock corporation law, which is used to calculate the accumulated profit of Ströer AG.

In fiscal year 2012, the single financial statements of Ströer AG reported profit for the period of EUR 19,987k and accumulated profit of EUR 39,987k.

It will be proposed at the shareholder meeting on 20 June 2013 that EUR 19,987k of the accumulated profit will be allocated to retained earnings and EUR 20,000k will be carried forward to new account.

Capital management

The objective of capital management at the Ströer Group is to ensure the continuation and growth of the Company, and maintain and build on its attractiveness to investors and market participants. In order to ensure the above, the board of management continually monitors the level and structure of borrowed capital. The borrowed capital included in the general capital management system comprises financial liabilities (incl. positive and negative market values from interest rate hedges) and other liabilities such as those disclosed in the consolidated statement of financial position. With regard to group financing through bank loans, the Ströer Group observes the external covenant of the maximum leverage ratio permitted. Key elements of the internal control system are the planning and ongoing monitoring of the operating result (operational EBITDA) as the latter is included in the determination of the applied credit margin by way of the leverage ratio. This leverage ratio is defined as the ratio of net debt to the operating result before interest, depreciation and amortization (operational EBITDA). The relevant performance indicators are submitted to the board of management for consideration as part of regular reporting. The Company comfortably remained within the permitted net debt ratio as of the closing date 2012 as well as in the prior year. See also operational EBITDA in note 34, Segment information.

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

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

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

28 Pension provisions and other obligations

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

Provisions for pensions and similar obligations break down as follows:

In EUR k	**31 Dec 2012**	31 Dec 2011
Present value of the benefit obligation as of 1 Jan	20,928	21,317
Current service cost	289	184
Past service cost	– 294	0
Interest expense	1,044	1,014
Actuarial gains (–) / losses (+)	3,637	125
Benefits paid	– 1,625	– 1,693
Change in the consolidated group	0	1
Exchange differences	1	– 20
Other changes	– 56	0
Present value of the benefit obligation as of 31 Dec / carrying amount	**23,924**	**20,928**

The increase in actuarial losses recognized in other comprehensive income of EUR 3,512k to EUR 3,637k is primarily due to the lower discount rate. There were no curtailments in the fiscal year.

Vested benefits are broken down according to their funding status in the table below:

In EUR k	**31 Dec 2012**	31 Dec 2011
Non-funded vested benefits	23,924	20,928
Fully funded vested benefits	760	424
Total	**24,684**	**21,352**

Sensitivities were calculated with half of a percentage point above and below the interest rate used. Raising the interest rate by 0.5 percentage points would decrease the present value of the benefit obligation by EUR 1,229k (prior year: EUR 986k) while lowering the interest rate by 0.5 percentage points would increase the benefit obligation by EUR 1,353k (prior year: EUR 1,088k) as of the reporting date.

The present value of the pension benefits was calculated using the following assumptions:

Group (in %)	**31 Dec 2012**	31 Dec 2011
Interest rate	3.50	5.05
Increase in pensions	1.00	1.00
Increase in salaries	2.00	2.00
Employee turnover	1.00	1.00

The components of the cost of retirement benefits recognized in profit or loss are presented below:

In EUR k	**2012**	2011
Interest expense	1,044	1,014
Current service cost and other changes	–61	184
Net defined benefit costs	983	1,198
Expenses for statutory pension contributions	5,794	5,706
Total benefit expenses	**6,777**	**6,904**

Interest expense on pension obligations is included in the interest result, current service cost is included in personnel expenses. The actuarial gains and losses are recognized immediately in equity.

Cumulative actuarial gains (+) and losses (–) recognized directly in equity amounted to EUR –1,435k after taxes at the reporting date (prior year: EUR 952k).

The present values of the benefit obligations and actuarial gains and losses break down as follows:

In EUR k	**31 Dec 2012**	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Present value of the defined benefit obligation	24,684	21,352	21,758	20,069	19,722
Fair value of plan assets	–760	–424	–441	0	0
Present value of the shortfall	**23,924**	**20,928**	**21,317**	**20,069**	**19,722**
Gain/loss for the period from					
Experience adjustments on plan liabilities	111	316	–20	–111	–91
Adjustments to actuarial assumptions	–3,748	–441	1,485	346	–823

29 Other provisions

Provisions developed as follows in the fiscal year:

In EUR k	1 Jan 2012	Exchange differences	Allocation	Effects from unwinding the discount and changes in interest rates	Utilization	Reversal	**31 Dec 2012**
Restoration obligations	14,913	83	3,895	328	–783	–737	17,699
thereof non-current	9,584						12,432
Personnel	7,355	47	5,611	6	–5,655	–1,226	6,138
thereof non-current	159						152
Miscellaneous	9,172	9	3,306	23	–3,736	–809	7,965
thereof non-current	662						660
Total	**31,440**	**139**	**12,812**	**357**	**–10,174**	**–2,772**	**31,802**

The personnel provisions include management and employee bonuses as well as severance payments.

The provision for restoration obligations is based on the anticipated costs of restoration. The provision was discounted using an interest rate of 2.1% (prior year: 3.1%).

Miscellaneous other provisions primarily relate to litigation risks.

They also include provisions for restructuring measures of EUR 1,046k (prior year: EUR 1,990k). EUR 1,514k was utilized, EUR 583k was allocated and EUR 13k was reversed in the fiscal year.

30 Financial liabilities

Non-current financial liabilities break down as follows:

	Carrying aount	
In EUR k	**31 Dec 2012**	31 Dec 2011
Loan liabilities	296,967	396,005
Liabilities from acquisitions	6,570	8,240
Obligation to purchase treasury shares	2,600	0
Finance lease liabilities	1,473	2,830
Derivative financial instruments	3,342	6,032
Total	**310,952**	**413,107**

With effect from 27 July 2012, the Ströer Group replaced its previous syndicated loan agreement, which comprised a loan of EUR 395,000k, a working capital facility of EUR 62,500k and two subordinated loans totaling EUR 21,350k, with a new financing structure. The new structure, which has a term of five years, consists of a term loan of EUR 275,000k and a revolving credit facility of EUR 225,000k that can be flexibly used.

The loan and the credit facility bear interest at the EURIBOR plus a variable margin that now ranges between 175 and 360 basis points (bp) (prior year: 225 and 300 bp) depending on the leverage ratio.

Transaction costs totaling EUR 6,875k (prior year: EUR 2,513k) were incurred for the adjustment of the financing structure, of which EUR 3,781k (prior year: EUR 2,169k) was deducted from the carrying amount of the loan. The remaining amount was capitalized in other assets over the term of the credit facility. See note 24 for more details.

Trade receivables and bank balances are no longer assigned as collateral under the new financing structure. In the prior year, assets were assigned and pledged as security for non-current financial liabilities. The carrying amounts of these assets were as follows:

In EUR k	**31 Dec 2012**	31 Dec 2011
Trade receivables	0	9,135
Bank balances	0	115,374
Total	**0**	**124,509**

Current financial liabilities break down as follows:

In EUR k	**31 Dec 2012**	31 Dec 2011
Current account liabilities	10,534	393
Obligation to purchase treasury shares	8,998	14,569
Debtors with credit balances	4,767	5,766
Interest liabilities	2,144	3,782
Liabilities from acquisitions	1,532	4,693
Finance lease liabilities	1,325	1,375
Other current financial liabilities	264	2,985
Loan liabilities	16	12,234
Derivative financial instruments	2,004	6,767
Total	**31,584**	**52,564**

The shift between short-term current account liabilities and current loan liabilities is attributable to the new credit facility agreed in 2012 and the loan liabilities replaced under the new arrangement.

As of the reporting date, the future minimum lease payments for finance leases that result primarily from the acquisition of ECE flatmedia in 2011 and that relate to furniture and fixtures were:

	31 Dec 2012			31 Dec 2011		
In EUR k	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
Up to one year	1,374	49	1,325	1,426	51	1,375
One to five years	1,599	126	1,473	2,937	107	2,830
Total	**2,973**	**175**	**2,798**	**4,363**	**158**	**4,205**

31 Trade payables

Current trade payables break down as follows:

In EUR k	**31 Dec 2012**	31 Dec 2011
Trade payables	53,209	53,842
Deferred liabilities from outstanding invoices	27,257	23,656
Total	**80,466**	**77,498**

32 Other liabilities

Other current liabilities break down as follows:

In EUR k	**31 Dec 2012**	31 Dec 2011
Deferred contributions	15,674	7,633
Liabilities from other taxes	10,894	13,296
Miscellaneous other liabilities	7,761	8,176
Total	**34,329**	**29,105**

OTHER NOTES

33 Notes to the statement of cash flows

The statement of cash flows has been prepared in accordance with IAS 7, "Statement of Cash Flows," and shows the cash flows of the fiscal year broken down by cash flows from operating, investing and financing activities.

Cash flows from operating activities are presented using the indirect method by deducting non-cash transactions from profit or loss for the period in accordance with IAS 7. Furthermore, items which are attributable to cash flows from investing or financing activities are eliminated. In order to better reflect the requirements of IAS 7 with regard to the presentation of the statement of cash flows, we have adjusted the presentation in comparison to the prior year. The starting point for cash flows from operating activities is now consolidated profit or loss, which is then reduced by the financial result (including exchange differences) and tax result in a second step. In this connection, we made necessary adjustments to the exchange rate effects and interest payments in the prior-year disclosure; these adjustments had no effect on the overall amount of cash flows from operating activities.

As in the prior year, cash flows from operating activities do not include any dividends received.

In addition to other amounts contained in the cash flows from investing activities, transactions totaling EUR 1,548k (prior year: EUR 116k) were carried out in the fiscal year that led to an increase in non-current assets without resulting in cash flows in the reporting period.

Cash consists of the cash and cash equivalents disclosed in the statement of financial position. Cash and cash equivalents comprise cash on hand and bank balances.

In contrast to the prior year (EUR 3,400k), no cash holdings are subject to short-term restraints on disposal. See note 30, Financial liabilities.

34 Segment information

Reporting by operating segment
Ströer has identified two reportable segments that are organized and operated independently in terms of the geographical location of the operating segments.

2012

In EUR k	Ströer Germany	Ströer Turkey	Other	Reconciliation	**Group value**
External revenue	411,411	91,290	57,896	0	560,597
Internal revenue	242	50	45	–337	0
Segment revenue	411,653	91,339	57,942	–337	560,597
Operational EBITDA	97,547	12,857	4,371	–7,796	106,978
Amortization, depreciation and impairment	40,682	18,616	4,977	2,475	66,750
Interest income	565	0	115	11	691
Interest expenses	31,881	7,347	2,804	–2,537	39,494
Income taxes	5,608	1,250	86	–10,562	–3,619

2011

In EUR k	Ströer Germany	Ströer Turkey	Other	Reconciliation	**Group value**
External revenue	427,058	88,778	61,244	0	577,080
Internal revenue	233	221	137	–591	0
Segment revenue	427,291	88,999	61,381	–591	577,080
Operational EBITDA	115,332	20,327	5,681	–9,060	132,279
Amortization, depreciation and impairment	39,852	17,308	4,786	2,200	64,146
Interest income	1,421	1,176	49	–349	2,297
Interest expenses	32,725	7,992	2,989	–4,993	38,713
Income taxes	–4,385	1,711	1,447	–9,511	–10,738

Ströer Germany

The segment "Ströer Germany" comprises the Group's entire German operations in the street furniture, billboard, transport and other business.

Ströer Turkey

This segment comprises the Group's entire operations in Turkey in the street furniture, billboard, transport and other business.

Other

This segment comprises the Group's operations in the street furniture, billboard, transport and other business in Poland and the Group's operations in the giant poster business in western Europe. The information from the non-reportable segments is summarized in the column "Other."

Internal control and reporting is based on the IFRS accounting principles described in note 1, General.

The Group measures the performance of its segments by their internally defined "operational EBITDA." From the board of management's perspective, this indicator provides the most appropriate information to assess each individual segment's economic performance.

The segment performance indicator operational EBITDA comprises the sum total of gross profit, selling and administrative expenses and the other operating result (in each case before amortization, depreciation and impairment) less certain adjustment effects.

The Group has defined gains and losses from changes in the investment portfolio, reorganization and restructuring measures, capital measures and other extraordinary expenses and income as adjustment effects.

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

In EUR k	**2012**	2011
Gains and losses from changes in the investment portfolio	1,780	449
Gains and losses from capital measures	893	194
Reorganization and restructuring expenses	3,244	4,868
Other extraordinary expenses and income	625	5,714
Total	**6,542**	**11,225**

Inter-segment income is calculated using prices on an arm’s length basis.

The reconciliation from segment to group values contains information on group units that do not meet the definition of a segment (“reconciliation items”).

In the revenue item, the reconciliation of revenue from all segments to the Group’s revenue only includes effects from consolidation.

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

In EUR k	**2012**	2011
Total segment results (Operational EBITDA)	**114,774**	**141,340**
Reconciliation items	−7,796	−9,060
Group Operational EBITDA	**106,978**	**132,279**
Adjustment effects	−6,542	−11,225
EBITDA	**100,436**	**121,055**
Amortization, depreciation and impairment	−66,750	−64,146
Finance income	19,515	10,510
Finance costs	−51,395	−60,281
Consolidated earnings before income taxes	**1,806**	**7,138**

Reporting by geographical location

Revenue is allocated to geographical regions according to the destination country principle (i.e., the geographical location of the end customer). Non-current assets are allocated according to the location principle.

2012

In EUR k	Germany	Turkey	Rest of world	**Group value**
External revenue	418,886	91,290	50,421	**560,597**
Non-current assets (IFRS 8)	514,683	154,522	57,474	**726,679**

2011

In EUR k	Germany	Turkey	Rest of world	**Group value**
External revenue	434,746	88,778	53,556	**577,080**
Non-current assets (IFRS 8)	522,378	156,186	56,605	**735,169**

Reporting by product group

The Group has defined four product groups on the basis of the products and services it provides.

2012

In EUR k	Billboard	Street Furniture	Transport	Other	**Group value**
External revenue	286.644	147.155	91.506	35.294	**560.597**

2011

In EUR k	Billboard	Street Furniture	Transport	Other	**Group value**
External revenue	301.985	150.750	89.215	35.130	**577.080**

<u>Billboard</u>

The billboard product group largely includes the large-format advertising media of up to $9m^2$ and above which are predominantly found at prominent locations (e.g., arterial roads, squares and public buildings). In addition, this product group comprises the products from the giant poster business.

<u>Street Furniture</u>

The street furniture product group mainly comprises standardized small-format advertising media no larger than $2m^2$ which blend into the urban environment.

Transport
The advertising media included in this product group consist of advertisements in or on public transport vehicles and specially developed (digital) product solutions for use at airports, train stations and shopping malls.

Other
This product group comprises all income from promotional and event media as well as the production and procurement of advertising media within the scope of our full service solution for customers.

In the fiscal year, we did not generate 10% or more of our total revenue with any one of our end customers.

35 Other notes pursuant to IFRS 7 on financial risk management and financial instruments

Financial risk management and derivative financial instruments
In the course of its operating activities, the Group is exposed in the area of finance to credit, liquidity and market risks. The market risks mainly relate to interest rate and exchange rate changes.

Credit risk
The credit risk is related to the deterioration of the economic situation of Ströer's customers and counterparties. This brings about the risk of a partial or full default on contractually agreed payments as well as the risk of credit-related impairment losses on financial assets. Excluding securities, the maximum risk of default equates to the carrying amount.

Credit risks mainly result from trade receivables. To manage the credit risk, the receivables portfolio is monitored on an ongoing basis. Customers intending to enter into transactions with large business volumes undergo a creditworthiness check beforehand; credit risk is at a level customary for the industry. Bad debt allowances are charged to account for the residual risk. The Ströer Group is exposed to a lesser extent to credit risks arising from other financial assets that mainly relate to cash and cash equivalents and derivative financial instruments.

As part of the risk management process, the functional departments regularly analyze whether in particular credit risk concentrations have arisen from the build up of receivables with comparable features. The Group has defined similar features as a high amount of receivables accumulated against a single debtor or group of related debtors. As of the reporting date of 31 December 2012, no such risk concentrations involving significant amounts were evident.

<u>Interest rate risk</u>

The Ströer Group is mainly exposed to interest rate risks in connection with non-current floating-rate financial liabilities and existing cash and cash equivalents. The Ströer Group agreed a refinancing arrangement in the reporting period. The liability bears a floating rate of interest and no interest rate hedges have currently been entered into. The interest rate trend is monitored regularly to enable a swift response to changes. Hedging measures are coordinated and executed centrally. As of the reporting date, there were no interest rate hedges in a hedge relationship (prior year: EUR 300,000k).

The nominal and market values of interest rate swaps existing as of the reporting date that are treated as stand-alone instruments are as follows:

In EUR k			Fair value			
Derivative	Nominal volume	End of term	**31 Dec 2012**	31 Dec 2011	Cash flow hedge	Stand-alone
Interest rate swap	300,000	October 2012	0	−5,922	0	300,000
Interest rate swap	70,000	April 2013	−1,252	−2,560	0	70,000
Interest rate swap	40,000	January 2015	−4,094	−4,317	0	40,000

The interest rate swaps with a nominal volume of EUR 300,000k whose term ended in October 2012 were dedesignated at the refinancing date and allocated to the stand-alone interest rate swaps.

The market values of the interest rate swaps due in more than one year are recognized under non-current financial liabilities in the statement of financial position with the exception of accrued interest.

The interest rate swaps are valued as of the relevant reporting date using current yield curves by means of a discounted cash flow method.

In fiscal year 2012, remeasurement gains of EUR 1,123k on interest rate swaps were posted directly to equity (prior year: EUR 6,555k). An amount of EUR 3,777k (prior year: EUR 0k) was additionally reclassified from equity to the financial result due to the dedesignation of hedges with a nominal volume of EUR 300,000k in the course of the fiscal year. As a result, the total amount of EUR 4,900k was derecognized from equity in the reporting period.

There was no close-out for the remaining interest rate swaps that are not in a hedging relationship and also no offsetting transaction concluded, meaning there is an interest rate risk for the remaining term of these interest rate swaps (a liquidity risk as well as market value risk). The stand-alone swaps are not part of a hedge pursuant to IAS 39 or part of an economic hedging relationship.

This exposure may have an impact on post-tax profit as well as cash flows depending on how the interest rate develops in the future. Both these items could develop positively if the interest rate were to rise faster than the rate expected by the market as of the reporting date, while a slower rise could have a negative impact.

The sensitivity analysis of the interest rate risk shows the effect of an upward shift in the yield curve by 100 bp and a downward shift by 25 bp (prior year: 100 bp), ceteris paribus, on the profit or loss for the period as well as in the prior year on the reserve for derivatives in equity. The yield curve for the year 2012 was only shifted down 25 bp as the Group believes that this decrease corresponds to the maximum interest rate risk arising from the current low interest rate level. The analysis relates to stand-alone derivatives, floating-rate financial liabilities and existing cash and cash equivalents. The results are summarized in the table below:

	31 Dec 2012		31 Dec 2011	
In EUR k	+ 100 bp	– 25 bp	+ 100 bp	– 100 bp
Change in profit or loss for the period	– 1,609	399	1,363	– 2,066
Change in accumulated other comprehensive income	0	0	517	– 2,510

<u>Currency risk</u>
With the exception of the group refinancing carried out in Turkey and Poland, currency risk is of minor significance for the Group. The functional currency of the foreign operations is the local currency.

Currency risks arising on monetary financial instruments that are not denominated in the functional currencies of the individual Ströer group entities were included in the sensitivity analysis. Effects from the translation of foreign currency financial statements of foreign operations into the group reporting currency (euro) are not included in the sensitivity analysis in accordance with IFRS 7.

A 10% increase/decrease in the value of the euro against the Turkish lira as of 31 December 2012 would decrease/increase the profit or loss for the period by EUR 4,461k (prior year: EUR 4,416k). A 10% increase/decrease in the value of the euro against the Polish zloty would decrease/increase the profit or loss for the period by EUR 3,444k (prior year: EUR 3,254k). This analysis was performed on the assumption that all other variables, in particular interest rates, remain unchanged and is based on the foreign currency positions as of the reporting date.

Liquidity risk

The liquidity risk is defined as the risk that Ströer AG will not have sufficient funds to settle its payment obligations. The liquidity risk is countered through systematic liquidity management. A liquidity forecast for a fixed planning horizon and the unutilized credit lines in place ensure that the Group has adequate liquidity at all times. The following table shows the liquidity situation and the contractual maturity dates for the payments due under financial liabilities as of 31 December 2012 (the expected cash flows for derivatives were forecast on the basis of the yield curve as of 31 December 2012):

Contractual maturity of financial liabilities including interest payments as of 31 Dec 2012

In EUR k	Carrying amount	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	**Total**
Financial liabilities	325,592	28,699	49,141	297,546	5,125	380,511
Trade payables	80,466	80,466	0	0	0	80,466
Derivatives in a hedging relationship	0	0	0	0	0	0
Derivatives not in a hedging relationship	5,346	2,855	2,505	0	0	5,360
Obligation to purchase treasury shares	11,598	8,998	2,600	0	0	11,598
Total	**423,002**	**121,018**	**54,246**	**297,546**	**5,125**	**477,935**

Contractual maturity of financial liabilities including interest payments as of 31 Dec 2011

In EUR k	Carrying amount	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	**Total**
Financial liabilities	438,303	42,053	438,183	2,334	4,505	487,075
Trade payables	77,498	77,498	0	0	0	77,498
Derivatives in a hedging relationship	5,922	5,934	0	0	0	5,934
Derivatives not in a hedging relationship	6,877	2,746	4,223	0	0	6,969
Obligation to purchase treasury shares	14,569	14,569	0	0	0	14,569
Total	**543,169**	**142,800**	**442,406**	**2,334**	**4,505**	**592,045**

Additional disclosures on financial instruments

The following table presents the carrying amount and fair value of the financial instruments included in the individual items of the statement of financial position, broken down by class and measurement category according to IAS 39.

In EUR k	Measurement category pursuant to IAS 39	**Carrying amount as of 31 Dec 2012**	Carrying amount in accordance with IAS 39: Amortized cost	Carrying amount in accordance with IAS 39: Fair value recognized directly in equity	Carrying amount in accordance with IAS 39: Fair value through profit or loss	**Fair value as of 31 Dec 2012**
Assets						
Cash	L&R	23,466	23,466			23,466
Trade receivables	L&R	65,706	65,706			65,706
Other non-current financial assets	L&R	2,008	2,008			2,008
Other current financial assets	L&R	11,080	11,080			11,080
Available-for-sale financial assets	afs	101	101			n.a.
Equity and liabilities						
Trade payables	AC	80,466	80,466			80,466
Non-current financial liabilities	AC	305,010	305,010			305,010
Current financial liabilities	AC	20,582	20,582			20,582
Derivatives not in a hedging relationship	FVTPL	5,346			5,346	5,346
Obligation to purchase treasury shares	AC	11,598	11,598	0	0	11,598
Derivatives in a hedging relationship [1]	n.a.	0		0	0	0
Thereof aggregated by measurement category pursuant to IAS 39:						
Loans and receivables	L&R	102,260	102,260			102,260
Available-for-sale financial assets	afs	101	101			n.a.
Financial liabilities measured at amortized cost	AC	417,656	417,656	0	0	417,656
Financial liabilities at fair value through profit or loss	FVTPL	5,346			5,346	5,346

[1] Fair value before deferred taxes

In EUR k	Measurement category pursuant to IAS 39	**Carrying amount as of 31 Dec 2011**	Carrying amount in accordance with IAS 39: Amortized cost	Fair value recognized directly in equity	Fair value through profit or loss	**Fair value as of 31 Dec 2011**
Assets						
Cash	L&R	134,041	134,041			134,041
Trade receivables	L&R	58,915	58,915			58,915
Other non-current financial assets	L&R	1,909	1,909			1,909
Other current financial assets	L&R	8,556	8,556			8,556
Available-for-sale financial assets	afs	96	96			n.a.
Equity and liabilities						
Trade payables	AC	77,498	77,498			77,498
Non-current financial liabilities	AC	407,075	407,075			407,075
Current financial liabilities	AC	31,228	31,228			31,228
Derivatives not in a hedging relationship	FVTPL	6,877			6,877	6,877
Obligation to purchase treasury shares	AC	14,569	14,569	0	0	14,569
Derivatives in a hedging relationship [1]	n.a.	5,922		4,900	1,022	5,922
Thereof aggregated by measurement category pursuant to IAS 39:						
Loans and receivables	L&R	203,421	203,421			203,421
Available-for-sale financial assets	afs	96	96			n.a.
Financial liabilities measured at amortized cost	AC	530,370	530,370			530,370
Financial liabilities at fair value through profit or loss	FVTPL	6,877			6,877	6,877

[1] Fair value before deferred taxes

Due to the short terms of cash and cash equivalents, trade receivables, trade payables, other financial assets and current financial liabilities, it is assumed that the fair values correspond to the carrying amounts.

The fair values of the liabilities to banks included in non-current financial liabilities are calculated as the present values of the estimated future cash flows. Market interest rates are used for discounting, in relation to the relevant maturity date. It is therefore assumed as of the reporting date that the carrying amount of the non-current financial liabilities is equal to the fair value.

The fair value hierarchy levels and their application to the Group's assets and liabilities are described below.

Level 1: Listed market prices are available in active markets for identical assets or liabilities.
Level 2: Directly (e.g., price) or indirectly (e.g., derived from prices) observable information other than listed market prices is available.
Level 3: The information on assets and liabilities is not based on observable market data.

At present, only derivative financial instruments are measured at fair value in the consolidated financial statements. All of the carrying amounts of these financial instruments are classified as Level 2.

In addition to the interest rate hedges, the valuation method of which is described above, there are put options for shares in Ströer Kentvizyon and blowUP Media GmbH. These put options – which are tied to contractually agreed conditions – are remeasured as financial liabilities at amortized cost as of the reporting date on the basis of the measurement model laid down in the contract. Inputs for this measurement are operational EBITDA for the relevant subgroup, net financial liabilities as well as a multiple. The value of these financial liabilities comes to EUR 5,619k (prior year: EUR 14,569k).

In addition, a purchase price liability of EUR 5,979k for the acquisition of 15% of the shares in blowUP Media GmbH is included in the obligations to purchase treasury shares. For further information, see note 43, Subsequent events, or the section of the management report entitled "Subsequent events."

The following table shows the net gains and losses on financial instruments in the income statement, broken down by measurement category according to IAS 39 (excluding derivative financial instruments which are part of a hedge):

In EUR k	**2012**	2011
Financial liabilities recognized at fair value through profit or loss	1,894	1,598
Loans and receivables	– 2,118	269
Available-for-sale financial assets	0	0
Financial liabilities measured at amortized cost	2,149	– 15,939

Net gains and losses resulting from financial assets and liabilities recognized at fair value through profit and loss include the gain or loss on the interest rate swaps classified as stand-alone derivatives. The prior-year figure also includes the changes in the value of the portion of the collar that was not designated as a hedging instrument and expired in the prior year.

Net gains and losses on loans and receivables include the impairment losses (EUR 1,708k; prior year: EUR 701k), write-ups and exchange differences.

Net gains and losses on financial liabilities measured at amortized cost include effects from exchange differences and the unwinding of the discount on loans.

The total interest income for financial assets or financial liabilities that are not at fair value through profit or loss came to EUR 691k in the fiscal year (prior year: EUR 2,297k). The total interest expense for financial assets or financial liabilities that are not at fair value through profit or loss came to EUR 37,821k in the fiscal year (prior year: EUR 36,846k).

36 Contingent liabilities and other financial obligations

Contingent liabilities

A group entity is a member of a municipal supplemental pension plan for the purpose of providing post-employment benefits. The secondary liability from post-employment benefits arising from the shortfall between the pension obligations/expectancies and the fund assets amounts to a total of EUR 1,194k (prior year: EUR 1,169k).

The nature of the underlying legal transactions gives rise to uncertainty with regard to the amount and due date of the figures stated. The figures stated thus represent maximum amounts.

Financial obligations

There are other financial obligations from the following contractual obligations, which are shown by maturity as of the reporting date below:

31 Dec 2012		thereof due in		
In EUR k	**Total**	up to 1 year	1 to 5 years	more than 5 years
Minimum leases	**706,771**	90,314	321,921	294,536
Site leases	**390,470**	76,477	294,459	19,534
Investment obligations	**34,287**	11,825	17,294	5,168
Other rental and lease obligations	**31,807**	7,151	14,269	10,387
Maintenance services	**360**	180	180	0

In the prior year, obligations broke down as follows:

31 Dec 2011		thereof due in		
In EUR k	**Total**	up to 1 year	1 to 5 years	more than 5 years
Minimum leases	**755,296**	86,643	320,511	348,142
Site leases	**356,893**	67,809	256,742	32,342
Investment obligations	**37,862**	13,422	16,508	7,932
Other rental and lease obligations	**29,773**	5,738	13,207	10,828
Maintenance services	**540**	180	360	0

In addition, the Ströer Group concluded agreements in 2012 to acquire shares in Ströer Interactive GmbH, freeXmedia GmbH, Business Advertising GmbH and adscale GmbH. For more information on the resulting financial obligations, see our comments in the "Subsequent events" section. In addition, the Group entered into financial obligations of EUR 572k (prior year: EUR 0k) in the course of the fiscal year with regard to the acquisition of property, plant and equipment in the following year.

37 Related parties

The board of management and supervisory board as well as their close family members are deemed related parties. Besides the entities included in the consolidated financial statements, related parties include in particular those entities in which related parties hold a controlling position alone or jointly with others.

All transactions with related parties were conducted at arm's length in the fiscal year.

The following transactions were conducted between the Ströer Group and related parties in fiscal year 2012:

Mr. Udo Müller is a shareholder as well as the president and CEO of Ströer AG. Furthermore, he holds shares in entities with significant influence from which the Ströer Group procured services of EUR 443k (prior year: EUR 498k) in the fiscal year. These services were mainly expenses relating to rights of use for sites. Income of EUR 884k (prior year: EUR 545k) was also generated from transactions with these entities. The income results mainly from marketing commissions received. As of the reporting date, there was a receivable of EUR 22k (prior year: EUR 32k) and a liability of EUR 22k (prior year: EUR 29k) from these transactions.

In addition, the Ströer Group concluded agreements in 2012 to acquire shares in Ströer Interactive GmbH, freeXmedia GmbH and Business Advertising GmbH. Mr. Udo Müller previously held an indirect equity investment of less than 50% in these companies. The maximum purchase price totals EUR 63.1m. For more details of the business purpose of the three companies and the content of and pricing arrangements in the purchase agreement, see our comments in the "Subsequent events" section.

Mr. Dirk Ströer is a shareholder and member of the supervisory board of Ströer AG. He also holds shares in entities with which business transactions were conducted in the fiscal year, largely involving the commercialization of advertising media and the leasing of buildings. The services received amounted to EUR 18,232k (prior year: EUR 19,704k) in the fiscal year, the income generated to EUR 4,983k (prior year: EUR 5,190k). The receivables and liabilities resulting from this trade came to EUR 295k (prior year: EUR 705k) and EUR 479k (prior year: EUR 130k), respectively, as of 31 December 2012.

In addition, the Ströer Group concluded agreements in 2012 to acquire shares in Ströer Interactive GmbH, freeXmedia GmbH and Business Advertising GmbH. Mr. Dirk Ströer previously held an indirect equity investment of more than 50% in these companies. The maximum purchase price totals EUR 63.1m. For more details of the business purpose of the three companies and the content of and pricing arrangements in the purchase agreement, see our comments in the "Subsequent events" section.

Dr. Stefan Seitz is a member of Ströer AG's supervisory board. Furthermore, he holds shares in entities from which the Ströer Group procured services of EUR 25k (prior year: EUR 1k). There were no liabilities resulting from these services as of the reporting date (prior year: EUR 0k).

In fiscal year 2012, no expenses or income were attributable to transactions with XOREX Beteiligung, which was sold in 2011. In the prior year, such transactions resulted in expenses of EUR 241k and income of EUR 21k. As in the prior year, there were no outstanding receivables as of the reporting date.

The services received from business relationships with proportionately consolidated joint ventures amounted to EUR 2,774k (prior year: EUR 2,983k) in the fiscal year and the income generated to EUR 1,392k (prior year: EUR 867k). As of 31 December 2012, these services led to receivables of EUR 287k (prior year: EUR 139k) and liabilities of EUR 4,462k (prior year: EUR 4,428k).

38 Auditor’s fees

The following expenses for services rendered by the group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were posted in fiscal year 2012:

In EUR k	**2012**	2011
Auditor’s fees		
Fees for audit services	611	619
Fees for audit-related services	9	8
Fees for tax services	178	64
Fees for other services	881	424
Total	**1,679**	**1,115**

39 Disclosures pursuant to Sec. 264 (3) HGB

The following incorporated subsidiaries based in Germany make use of the exemption from certain provisions concerning the presentation, audit and publication of the financial statements/management report in accordance with Sec. 264 (3) HGB:

CITY-DESIGN Gesellschaft für Außenwerbung mbH, Cologne
DERG Vertriebs GmbH, Cologne
DSM Deutsche Städte Medien GmbH, Frankfurt am Main
DSM Zeit und Werbung GmbH, Frankfurt am Main
Ströer DERG Media GmbH, Kassel
Ströer Deutsche Städte Medien GmbH, Cologne
Ströer Digital Media GmbH, Cologne
Ströer Media Deutschland GmbH, Cologne
Ströer Sales & Service GmbH, Cologne

40 Declaration of compliance with the German Corporate Governance Code

The board of management and supervisory board of Ströer AG submitted the annual declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 15 January 2013. The declaration of compliance was made permanently available to shareholders on the Company’s website at www.stroeer.de/investor-relations in the Corporate Governance section.

41 Remuneration of the board of management and the supervisory board

The cost of payment arrangements with the board of management and the supervisory board of the Ströer Group (excluding share-based payments) is presented below:

In EUR k	2012	2011
Board of management		
Short-term benefits	3,510	2,911
Other long-term benefits	163	199
Total	**3,673**	**3,110**
Supervisory board		
Short-term benefits	210	200
Total	**210**	**200**

Short-term benefits comprise in particular salaries, severance payments, remuneration in kind and performance-linked remuneration components which are only paid in later years. The amount reported for 2012 includes a severance payment of EUR 263.5k and provisions of EUR 263.3k for benefits due in the future, both of which are attributable to a member of the board of management who departed in fiscal year 2012. Short-term benefits also increased due to the fact that the board of management temporarily comprised four members as of the end of the year. The resulting effect amounted to EUR 103.4k. Excluding these factors, the total remuneration of the board of management decreased year on year. 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. The members of the board of management had not received any payments from long-term benefits as of 31 December 2012.

A reference price for the shares in Ströer AG is determined at the end of each fiscal year for share-based payments granted to the board of management. 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. An upper limit is agreed for share-based payments.

Calculating the value of the share-based payment requires an estimate to be made of the future share price. This is done using a Black-Scholes valuation model that was based on volatility of 45% and a dividend yield of 0% as of 31 December 2012. The interest rates used for the model are between 0.3% and 0.5%. For the share-based payment attributable to 2012, we currently assume that the share price at the end of the vesting period will be 60% of the reference price. This will lead to an expense from allocations to provisions of EUR 152k in 2012 (prior year: 246k). This expense contrasts with income from the reversal of provisions of EUR 268k (prior year: EUR 0k) relating to share-based payments in 2010 and 2011.

As of 31 December 2012, a total of EUR 2,475k (prior year: EUR 1,904k) was recognized as liabilities for all potential future short and long-term bonus entitlements of the board of management, EUR 263k of which is attributable to current entitlements from share-based payments (prior year: EUR 379k). For further information, see the remuneration report, which is part of the combined management report of the Company and the Group.

42 Executive bodies

Name	Membership of statutory supervisory boards	Membership of other oversight bodies comparable with supervisory boards
Board of management		
Udo Müller (Chairman)	TARTECH eco industries AG, Berlin	
Alfried Bührdel (Deputy Chairman)	TARTECH eco industries AG, Berlin	ECE flatmedia GmbH Sparkasse KölnBonn Stiftung Deutsche Sporthilfe Kölner Aussenwerbung GmbH, Cologne DSM Krefeld Außenwerbung GmbH
Dirk Wiedenmann (Member of the board of management until 31 December 2012)		Fachverband Außenwerbung e.V. Kölner Aussenwerbung GmbH, Cologne
Christian Schmalzl (Member of the board of management since 15 November 2012)		
Supervisory board		
Prof. Dr. h. c. Dieter Stolte (Chairman), Journalist, ZDF Intendant a. D.		
Dieter Keller (Deputy chairman), Auditor and tax advisor		
Dirk Ströer Managing director of Ströer Außenwerbung GmbH & Co. KG, Cologne		
Dietmar Peter Binkowska Chairman of the board of management of NRW.BANK AöR, Düsseldorf (until 6 January 2013)	GALERIA Kaufhof GmbH, Cologne InCity Immobilien AG, Frankfurt am Main Portigon, Düsseldorf	Corpus Sireo Holding GmbH & Co. KG, Düsseldorf European Association of Public Banks (EAPB), Brussels (Belgium) Fiege Logistik AG, Münchenstein (Switzerland) Investitionsbank des Landes Brandenburg AöR, Potsdam
Martin Diederichs Lawyer		DSD Steel Group GmbH, Saarlouis
Dr. Stefan Seitz Lawyer	Kick-Media AG, Cologne	

43 Subsequent events

See the disclosures made in the combined management report of the Company and the Group for information on subsequent events.

RESPONSIBILITY STATEMENT

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

Cologne, 12 March 2013

Udo Müller Alfried Bührdel Christian Schmalzl

AUDIT OPINION

We have audited the consolidated financial statements prepared by Ströer Media AG (formerly Ströer Out-of-Home Media AG), Cologne, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report of the Company and the Group for the fiscal year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the combined management report of the Company and the Group in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report of the Company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report of the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report of the Company and the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Cologne, 18 March 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Muzzu	sgd. Zwirner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

ADJUSTED INCOME STATEMENT

Reconciliation of the consolidated income statement to the non-IFRS figures disclosed in the financial reports

In EUR m	Income statement in accordance with IFRSs	Reclassification of amortization, depreciation and impairment losses	Reclassification of adjustment items	Income statement for management accounting purposes
Revenue	**560.6**			**560.6**
Cost of sales	–386.5	60.8		–325.7
Selling expenses	–75.4			
Administrative expenses	–71.8			
Overheads	–147.3	5.9	6.8	–134.5
Other operating income	16.5			
Other operating expenses	–9.6			
Other operating result	6.9		–0.3	6.6
Operational EBITDA				**107.0**
Amortization, depreciation and impairment losses		–66.8		–66.8
EBIT				**40.2**
Exceptional items			–6.5	–6.5
Finance income	19.5			
Finance costs	–51.4			
Financial results	–31.9			–31.9
Income taxes	–3.6			–3.6
Profit or loss for the period	**–1.8**	**0.0**	**0.0**	**–1.8**

Impairment and amortization of advertising concessions	Valuation effects from derivatives	Exchange rate effects from intragroup loans	Tax normalization	Elimination of exceptional items	**Adjusted income statement for 2012**	Adjusted income statement for 2011
					560.6	**577.1**
					−325.7	−313.4
					−134.5	−137.4
					6.6	5.9
					107.0	**132.3**
27.1					−39.6	−36.0
					67.4	**96.3**
				6.5	0.0	0.0
	−1.9	−5.6		7.5	−31.9	−36.7
			−7.9		−11.5	−19.3
27.1	**−1.9**	**−5.6**	**−7.9**	**14.0**	**24.0**	**40.3**

GLOSSARY

A

Ad Impressions Ad impressions are a way of measuring the number of times an ad is displayed, i.e., individual ad requests from an ad server.

Advertising media Installations for displaying advertising which are mostly given special product names due to their special design or technology (e.g., Mega-Lights, City-Light posters, etc,).

B

Billboards Product group comprising large-format advertising media, mainly in 9m^2 formats and larger (including MegaLights, premium billboards, big banners, directional media and advertising on bridges), which are to be found at traffic junctions and in urban areas. In addition, this product group includes the products from the giant poster business.

blowUP (giant poster) Large-format advertising from traditional posters through to digital advertising faces on scaffolding and building façades; it can cover an area of several thousand square meters (m^2).

C

City-Light column Upright premium advertising medium in static formats or using scrolling technology at top locations in urban areas; the posters are glass-encased and backlit in 2m^2 and 4m^2 formats.

City-Light poster (CLP) Free-standing, backlit and glass-encased 2m^2 poster format in urban areas and at tram and bus stops that can also be fitted with scrolling technology.

Culture media Advertising on selected media for cultural, political or religious events with a strong regional character, for example on advertising columns and cultural posters.

D

Deep Impact New scientific research approach developed by Ströer in cooperation with the University of Luxembourg examining the spontaneous, emotional (implicit) decision-making structures when making purchasing decisions.

Digital out-of-home media Innovative advertising media that deliver advertising messages using moving pictures on screens. Includes the Out-of-Home Channel, Infoscreens, the ad walk and on-board TV on public transport.

E

Eye tracking Measuring eye movement and points of gaze, i.e., points that the viewer looks at more closely or for a longer amount of time using, for example, eye tracking glasses.

F

Full HD resolution Full HD stands for full high definition and is a technology used to display crystal-clear images.

H

Hyperlocality When devices and objects are digitally connected to one another and can be adapted according to location.

I

Infoscreen Projection screens at and in central, highly frequented underground and suburban train station interchanges (Station Infoscreen) as well as screens at selected long-distance train stations and airports (Central Infoscreen).

M

Media mix A media mix determines how various media such as printed material, TV, radio, out-of-home advertising and internet are combined in an advertising campaign.

Media plan Sets out the media and how often they will be used in a campaign, includes the reach and target groups.

Mega-Light (ML) Backlit display cases, some with double-sided scrolling technology, in 9m2 poster format. Standing at a height of 2.50m, they are situated road side at sites with excellent reach. Mega-Lights are booked individually as Mega-Light select or as part of a network of advertising faces (network booking) on a weekly basis.

Mobile advertising Advertising measures that can be communicated to particular target groups via their mobile devices (e.g., smartphones).

N

Near field communication An international transfer standard for the contactless exchange of data. It allows devices to transfer data across short distances of up to 10cm at a rate of up to 424 kbit/s.

Nielsen Media Research Internationally operating media research company that measures and analyzes gross expenditure on advertising media.

O

On-board TV Screens at highly frequented underground train stations in Hamburg and suburban train stations in Hanover displaying advertisements with editorial content.

Online display advertising Marketing buttons, pop-ups or banners on individual websites.

Out-of-home advertising Advertising on public streets, squares and places of a public nature (out-of-home) accessible to a wide audience that provides for a large reach.

Out-of-Home Channel (OC) Unique network of moving pictures that uses networked large-format digital screens in full HD quality at the most highly frequented train stations in Germany at selected shopping malls.

P

POSTAR POSTAR is a UK-based market research company established over 10 years ago that measures the audience reach of out-of-home media in the UK and other countries. The information is used as the currency for planning, buying and evaluating advertising investment in the medium. Comparable measurement systems are gradually being introduced in Turkey and Poland.

R

Reach Reach refers to the number of individuals who are exposed to an advertising medium or combination of advertising media. It can be expressed as an absolute figure or as a percentage of a given population and is generally targeted at a particular group.

Realtime bidding (RTB) Bidding procedures whereby online advertisers can bid in realtime for internet advertising space. The highest bidder automatically receives the space.

Re-targeting Recognition system that places online advertising on the basis of available user data. Anonymously-saved user information enables users to be recognized and advertisements to be displayed based on their interests.

S

Station media All media formats in and outside train stations and directly on platforms which Ströer uses to reach attractive mobile target groups along the mobility chain.

Street furniture Product group comprising advertising media with smaller advertising faces mainly in $2m^2$ and $4m^2$ formats (such as City-Light posters, City-Light columns and advertising columns) which are in some cases integrated into a city's public street furniture (e.g., bus and tram stop shelters and toilet facilities).

T

Targeting In online advertising, targeting means addressing specific target groups. The target group must be determined in advance, before it is specifically marketed to using technical resources.

Transport This product group comprises the marketing of all advertising space in and on vehicles used for local public transport and long-distance rail transport, as well as in and shopping malls. It also includes individual station media where these are not part of the billboard or street furniture product groups (e.g., Out-of-Home Channel).

U

Unique visitors These are the individual visitors to a website. The unique visitor indicator thus expresses the reach of a website.

IMPRINT

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In the event of inconsistencies, the German version shall prevail.

Pictures
Page 2, iStockphoto
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All other pictures: Ströer Media AG

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FINANCIAL CALENDAR

26 March 2013	Publication of the annual report for 2012
15 May 2013	Publication of the quarterly report/Q1 for 2013
20 June 2013	Annual general meeting, Cologne
22 August 2013	Publication of the H1/Q2 report for 2013
19 November 2013	Publication of the 9M/Q3 report for 2013

INDEX

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