STRÖER

QUARTERLY STATEMENT
Q1 / 2017

STRÖER SE & Co. KGaA

CONTENTS

On 26 November 2015, the Transparency Directive Implementation Act ["Umsetzungsgesetz zur Transparenzrichtlinie-Änderungsrichtlinie": TUG] and the amendments to the Exchange Rules for the Frankfurt Stock Exchange came into effect. Against this background, Ströer publishes a quarterly statement for the first and third quarter of every fiscal year instead of quarterly financial reports.

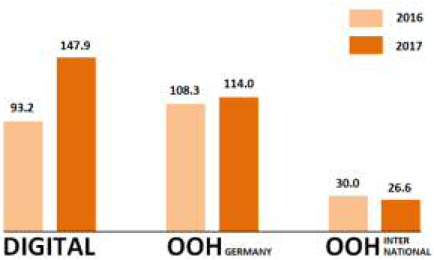
THE GROUP'S FINANCIAL FIGURES AT A GLANCE

REVENUE

EUR 281.2 m

(prior year: EUR 226.2m)

BY SEGMENT
in EUR m



OPERATIONAL EBITDA

EUR 55.6 m
(prior year: EUR 46.2m)

ORGANIC REVENUE GROWTH

8.8%
(prior year: 11.5%)

FREE CASH FLOW BEFORE M&A TRANSACTIONS

EUR –23.4 m
(prior year: EUR 2.5m)

OPERATIONAL EBITDA MARGIN

19.5%
(prior year: 20.1%)

ADJUSTED CONSOLIDATED PROFIT FOR THE PERIOD

EUR 24.7 m
(prior year: EUR 20.8m)

ROCE

16.2%
(prior year: 16.1%)

300,000 **4,000** **46.5 million**

ADVERTISING FACES PUBLIC VIDEO SCREENS UNIQUE USER PER MONTH

No.1
OOH & ONLINE

In EUR m	Q1 2017	Q1 2016
Revenue	**281.2**	**226.2**
Operational EBITDA	**55.6**	**46.2**
Adjustment effects	4.8	5.4
IFRS 11 adjustment	1.2	1.0
EBITDA	**49.5**	**39.8**
Amortization, depreciation and impairment losses	38.9	33.7
thereof attributable to purchase price allocations and impairment losses	15.2	14.8
EBIT	**10.6**	**6.0**
Financial result	1.5	1.7
EBT	**9.1**	**4.3**
Income taxes	1.2	0.3
Consolidated profit for the period	**7.9**	**4.0**
Adjusted consolidated profit for the period	**24.7**	**20.8**
Free cash flow (before M&A transactions)	**–23.4**	**2.5**
Net debt	**368.4**	**314.0**
Leverage ratio	**1.25**	**1.38**

RESULTS OF OPERATIONS

The Ströer Group continued on its successful trajectory again in 2017. In the first three months of the fiscal year **revenue** climbed by a considerable EUR 55.1m to EUR 281.2m. As in prior quarters, the organic growth in the digital as well as in the OOH Germany business made a positive contribution in addition to the acquisition-related growth. By contrast, the OOH International segment reported a further decrease in revenue, stemming in particular from the persistently difficult overall situation in Turkey. However, the positive momentum in the Ströer Digital and OOH Germany segments significantly outweighed this adverse effect.

In line with the increase in revenue, the Group saw a simultaneous increase in **cost of sales**, with the latter being attributable both to the abovementioned business acquisitions as well as to the higher revenue-based publisher fees in the Digital segment and higher revenue-based production and other direct costs in the OOH Germany segment. Overall, **gross profit** improved considerably to EUR 83.2m (prior year: EUR 66.4m). At 29.6%, the gross profit margin picked up slightly against the prior year (prior year: 29.4%).

The Ströer Group's **selling and administrative expenses** also increased from EUR 63.4m in the first three months of the prior year to EUR 75.9m in the first quarter of 2017. This increase was partly due to the first-time inclusion of the newly acquired companies in the consolidated financial statements. However, the ongoing expansion of the local sales organization for digital and OOH products in Germany also played a part. Selling and administrative expenses as a percentage of revenue by contrast fell from 28.0% to 27.0% due to the strong revenue growth. **Other operating income and expenses** only changed marginally in Q1 such that the net figure was on a par with the prior year at EUR 1.8m (prior year: EUR 1.8m). At EUR 1.5m, the **profit or loss of equity method investees** was stable with a slight upward trend (prior year: EUR 1.1m).

Overall, given the further major improvement in operating activities, the Ströer Group was able to grow its **EBIT** significantly from EUR 6.0m to EUR 10.6m. **Operational EBITDA** benefited even more significantly, increasing by EUR 9.4m to EUR 55.6m. At 16.2%, the return on capital employed **(ROCE)** was roughly on a par with the prior-year level of 16.1%.

The Group's **financial result** for the first three months improved slightly to EUR –1.5m (prior year: EUR –1.7m), with favorable exchange rate effects in addition to lower interest expenses having a positive effect.

Given this further improvement in operating activities, the Group's tax base also increased accordingly such that at EUR 1.2m, its **tax expense** at the end of the quarter was EUR 0.9m higher than in the prior year.

As a result of the Ströer Group continuing on its profitable growth course it grew its **consolidated profit** once again to EUR 7.9m (prior year: EUR 4.0m). **Adjusted consolidated profit** amounted to EUR 24.7m in total (prior year: EUR 20.8m).

FINANCIAL POSITION

Liquidity and investment analysis

In EUR m		Q1 2017	Q1 2016
(1)	**Cash flows from operating activities**	**7.6**	**29.3**
(2)	Cash received from the disposal of intangible assets and property, plant and equipment	0.2	0.1
(3)	Cash paid for investments in intangible assets and property, plant and equipment	–31.2	–27.0
(4)	Cash received from and cash paid for the acquisition of consolidated entities	–2.6	–80.0
(5)	**Cash flows from investing activities**	**–33.6**	**–106.9**
(6)	**Free cash flow**	**–26.0**	**–77.5**
(7)	**Cash flows from financing activities**	**22.1**	**93.0**
(8)	Change in cash	–3.9	15.5
(9)	**Cash at the end of the period**	**60.3**	**72.0**
(6)–(4)	**Free cash flow before M&A transactions**	**–23.4**	**2.5**

Cash flows from operating activities came to EUR 7.6m for the first quarter of the fiscal year (prior year: EUR 29.3m). EBITDA, which increased by a further EUR 9.7m reflecting the Ströer Group's continued robust growth, was offset to some extent by the higher tax payments and higher cash outflows due to the utilization of restructuring provisions. However, the highly unfavorable shifts in working capital ultimately led to cash flows from operating activities being unable to match the excellent result of the prior year.

At EUR –33.6m, **cash outflows from investing activities** were considerably lower than in the prior year (prior year: EUR –106.9m). While the acquisition of the Statista Group in particular shaped cash outflows for M&A transactions in the first quarter of 2016, the acquisitions made in the first quarter of 2017 were of minor significance. Only the stepped-up investments in intangible assets and property plant and equipment were noticeable. On balance, **free cash flow before M&A transactions** came to EUR –23.4m (prior year: EUR 2.5m) while **free cash flow** stood at EUR –26.0m (prior year: EUR –77.5m).

Given the significantly lower level of cash paid for M&A transactions, **cash flows from financing activities** were also markedly lower at EUR 22.1m (prior year: EUR 93.0m).

As of the end of the first quarter, **cash** totaled EUR 60.3m (prior year: EUR 72.0m).

Financial structure analysis

The Ströer Group's **non-current liabilities** rose from EUR 591.2m to EUR 607.8m in the first three months of the fiscal year. This growth was primarily shaped by higher financial liabilities, which stemmed in particular from an increase in liabilities to banks. By contrast, deferred tax liabilities decreased due to the ongoing amortization of recognized hidden reserves.

Compared with the figure as of 31 December 2016 (EUR 474.0m), the Group's **current liabilities** decreased by EUR 7.9m to a total of EUR 466.1m. Within this item, trade payables in particular were noticeably lower owing to seasonal factors. The utilization of provisions in connection with the extensive restructuring also had a significant impact. By contrast, the Group had higher other liabilities in addition to higher financial liabilities.

Equity stood at EUR 663.5m as of the reporting date, up EUR 3.8m on the year-end figure. There were no notable changes within equity. The equity ratio came to 38.2%, which was on a par with the prior-year level (prior year: 38.2%).

Net debt

Net debt, operational EBITDA and the leverage ratio are calculated in accordance with the Ströer Group's internal reporting structure. Accordingly, the four entities accounted for using the equity method in which Ströer holds 50.0% of shares are included in these figures on a pro rata basis as in the prior years.

In EUR m		31 Mar 2017	31 Dec 2016
(1)	Liabilities from the facility agreement	243.4	215.1
(2)	Liabilities from note loans	144.5	144.5
(3)	Liabilities from the obligation to purchase own equity instruments	117.5	115.3
(4)	Other financial liabilities	49.2	43.1
(1)+(2)+(3)+(4)	Total financial liabilities	554.7	518.0
(1)+(2)+(4)	Total financial liabilities excluding liabilities from the obligation to purchase own equity instruments	437.2	402.7
(5)	Cash	60.3	64.2
(6)	IFRS 11 adjustment	8.5	8.3
(1)+(2)+(4)–(5)–(6)	**Net debt**	**368.4**	**330.3**

Net debt increased from EUR 330.3m to EUR 368.4m in the first three months of 2017. Overall, this gives rise to a leverage ratio, defined as the ratio of net debt to operational EBITDA, of 1.25 at the end of the first three months. Compared with the year-end 2016 figure (1.16), the leverage ratio increased slightly due to seasonal factors but continues to be lower than the leverage ratio calculated as of the end of the year-ago quarter (1.38).

NET ASSETS

Analysis of the net asset structure

Non-current assets amounted to EUR 1,444.3m as of the reporting date, EUR 3.3m higher than the year-end figure (prior year: EUR 1,441.1m). The decrease in intangible assets, which was due mainly to amortization, was contrasted by increases in the other non-current assets.

Current assets on the other hand rose by EUR 9.3m to EUR 293.1m. This increase was mainly shaped by the lease prepayments to be made for our advertising rights contracts which are customarily made in the first quarter. By contrast, cash decreased, closing EUR 3.9m below the year-end figure.

RESULTS OF OPERATIONS OF THE SEGMENTS

Ströer Digital

In EUR m	Q1 2017	Q1 2016	Change	
Segment revenue, thereof	**147.9**	**93.2**	**54.7**	**58.7%**
Display	63.1	51.7	11.3	21.9%
Video	22.0	18.4	3.5	19.2%
Transactional	62.9	23.0	39.8	>100%
Operational EBITDA	**35.2**	**24.0**	**11.2**	**46.5%**
Operational EBITDA margin	**23.8%**	**25.8%**	**–2.0 percentage points**	

The Ströer Digital segment saw its revenue grow further across all product groups in the first quarter of 2017. Our investments in other digital business models (e.g., subscription and e-commerce models), with the revenue contributions recorded under the new transactional product group, also contributed to strong revenue growth. Our mobile marketing offerings in particular contributed to the positive development in the display product group. The video product group benefited especially from sustained strong demand for public video products. As Ströer is continually adding to and expanding its business, the segment figures can only be compared with those of the prior year to a limited extent. The integration and targeted restructuring of the newly acquired companies was driven forward in the reporting period and we are frequently able to leverage synergies and economies of scale on both the revenue and cost side.

Out-of-Home Germany

In EUR m	Q1 2017	Q1 2016	Change	
Segment revenue, thereof	**114.0**	**108.3**	**5.7**	**5.3%**
Large formats	46.2	48.0	–1.7	–3.6%
Street furniture	34.8	33.3	1.5	4.6%
Transport	14.0	13.3	0.8	5.9%
Other	18.8	13.7	5.1	37.1%
Operational EBITDA	**26.3**	**24.9**	**1.4**	**5.6%**
Operational EBITDA margin	**23.1%**	**23.0%**	**0.1 percentage points**	

The OOH Germany segment was able to build on the excellent performance in the prior year in the first quarter of 2017, improving it further in many areas. The steady ongoing expansion of the local sales organization also had a particularly positive effect overall.

In terms of the individual product groups, however, development varied. The **large formats** product group, which focuses on national as well as regional and local customer groups, could not quite match the very high revenue level of the prior year after double-digit growth rates achieved in 2016, and saw its revenue decrease slightly year on year at EUR 46.2m (prior year: EUR 48.0m). By contrast, the **street furniture** product group, which is more targeted at national and international customer groups, grew once more year on year, achieving a new record of EUR 34.8m. The segment's **transport** product group also saw a further increase in revenue, bolstered in particular by business with many local customers. At EUR 18.8m (prior year: EUR 13.7m), the **other** product group benefited even more significantly from the strong growth in product solutions for regional and local customers, who are traditionally more interested in full-service solutions, including the production of advertising materials. Furthermore, this product group reports continued growth in revenue generated with local customers from our new digital roadside screen products.

The further increase in revenue was accompanied accordingly by a higher **cost of sales** which is reflected in particular in higher production and other direct costs. Overall, the segment reported **operational EBITDA** of EUR 26.3m as of the end of the first quarter (prior year: EUR 24.9m). The **operational EBITDA margin** came to 23.1%, roughly the same as in the prior year.

Out-of-Home International

In EUR m	**Q1 2017**	Q1 2016	Change	
Segment revenue, thereof	**26.6**	**30.0**	**–3.5**	**–11.6%**
Large formats	21.5	24.5	–3.0	–12.1%
Street furniture	3.4	4.2	–0.8	–18.7%
Other	1.6	1.4	0.3	19.4%
Operational EBITDA	**–0.3**	**1.8**	**–2.1**	**n/a**
Operational EBITDA margin	**–1.2%**	**5.9%**	**–7.0 percentage points**	

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

In the first quarter of 2017, the segment generated **revenue** of EUR 26.6m, closing almost EUR 3.5m down on the prior year. The main reasons were in particular the continued tense political and macroeconomic situation in Turkey, which put considerable pressure on both the Turkish lira and the Turkish advertising market. Both effects had a downward effect on our revenue shown in euro terms. At the same time the Polish advertising market remained challenging with business here also seeing slight decreases compared with the prior year. Only the western European giant poster business was able to partially offset the negative development in Turkey and Poland, reporting a further increase in revenue.

The declining revenue was coupled with lower **cost of sales** in Turkey in particular, as well as in Poland, whereas the BlowUP group recorded higher revenue-linked costs. Overall, the segment generated **operational EBITDA** of EUR –0.3m in the first quarter (prior year: EUR 1.8m) and an **operational EBITDA margin** of –1.2% (prior year: 5.9%).

SIGNIFICANT EVENTS

No significant events occurred in the first quarter of 2017.

OUTLOOK

For 2017 as a whole, we forecast organic revenue growth in the mid to high single-digit percentage range and expect operational EBITDA to amount to more than EUR 320m.

APPENDIX

CONSOLIDATED INCOME STATEMENT

In EUR k	Q1 2017	Q1 2016[1]
Revenue	281,201	226,151
Cost of sales	–198,035	–159,716
Gross profit	**83,166**	**66,435**
Selling expenses	–43,053	–36,113
Administrative expenses	–32,862	–27,255
Other operating income	4,783	5,409
Other operating expenses	–2,966	–3,565
Share in profit or loss of equity method investees	1,493	1,116
Financial result	–1,496	–1,739
Profit before taxes	**9,066**	**4,288**
Income taxes	–1,209	–336
Consolidated profit for the period	**7,857**	**3,952**
Thereof attributable to:		
Owners of the parent	8,678	4,836
Non-controlling interests	–821	–884
	7,857	**3,952**

[1] Restated retroactively due to the purchase price allocations that were finalized after 31 March 2016.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in EUR k)	31 Mar 2017	31 Dec 2016
Non-current assets		
Intangible assets	1,136,449	1,144,421
Property, plant and equipment	235,234	230,771
Investments in equity method investees	27,972	26,465
Financial assets	651	578
Trade receivables	35	38
Other financial assets	5,261	5,150
Other non-financial assets	20,670	17,019
Deferred tax assets	18,064	16,620
Total non-current assets	**1,444,336**	**1,441,062**
Current assets		
Inventories	18,129	16,948
Trade receivables	138,050	135,849
Other financial assets	11,104	8,564
Other non-financial assets	59,892	52,243
Income tax assets	5,652	6,045
Cash	60,261	64,154
Total current assets	**293,088**	**283,803**
Total assets	**1,737,424**	**1,724,865**

Equity and liabilities (in EUR k)	31 Mar 2017	31 Dec 2016
Equity		
Subscribed capital	55,282	55,282
Capital reserves	724,395	723,720
Retained earnings	–61,034	–67,664
Accumulated other comprehensive income	–76,963	–74,494
	641,680	**636,843**
Non-controlling interests	21,773	22,840
Total equity	**663,453**	**659,683**
Non-current liabilities		
Provisions for pensions and other obligations	39,258	39,249
Other provisions	26,370	25,443
Financial liabilities	474,978	455,125
Deferred tax liabilities	67,230	71,339
Total non-current liabilities	**607,835**	**591,157**
Current liabilities		
Other provisions	45,045	53,293
Financial liabilities	79,735	62,905
Trade payables	194,145	223,055
Other liabilities	107,375	98,426
Income tax liabilities	39,836	36,346
Total current liabilities	**466,136**	**474,025**
Total equity and liabilities	**1,737,424**	**1,724,865**

CONSOLIDATED STATEMENT OF CASH FLOWS

In EUR k	Q1 2017	Q1 2016[1)]
Cash flows from operating activities		
Profit for the period	7,857	3,952
Expenses (+) / income (–) from the financial and tax result	2,705	2,075
Amortization, depreciation and impairment losses (+) on non-current assets	38,924	33,738
Share in profit or loss of equity method investees	–1,493	–1,116
Interest paid (–)	–896	–1,300
Interest received (+)	15	16
Income taxes paid (–) / received (+)	–3,993	–665
Increase (+) / decrease (–) in provisions	–7,478	–5,099
Other non-cash expenses (+) / income (–)	–1,886	–953
Gains (–) / loss (+) on the disposal of non-current assets	530	150
Increase (–) / decrease (+) in inventories, trade receivables and other assets	–15,682	17,176
Increase (+) / decrease (–) in trade payables and other liabilities	–10,996	–18,649
Cash flows from operating activities	**7,606**	**29,325**
Cash flows from investing activities		
Cash received (+) from the disposal of intangible assets and property, plant and equipment	208	139
Cash paid (–) for investments in intangible assets and property, plant and equipment	–31,202	–26,959
Cash received (+) from / paid (–) for the acquisition of consolidated entities	–2,639	–80,032
Cash flows from investing activities	**–33,633**	**–106,852**
Cash flows from financing activities		
Dividends paid (–)	–450	–33
Cash paid (–) for the acquisition of shares with no change in control	–-240	–2,339
Cash received (+) from borrowings	36,359	97,160
Cash repayments (–) of borrowings	–13,535	–1,762
Cash flows from financing activities	**22,133**	**93,026**
Cash at the end of the period		
Change in cash	–3,893	15,499
Cash at the beginning of the period	64,154	56,503
Cash at the end of the period	**60,261**	**72,002**
Composition of cash		
Cash	60,261	72,002
Cash at the end of the period	**60,261**	**72,002**

1) Restated retroactively due to the purchase price allocations that were finalized after 31 March 2016.

FINANCIAL CALENDAR

14 June 2017	Annual shareholder meeting, Cologne
10 August 2017	Publication of the H1 / Q2 financial report for 2017
10 November 2017	Publication of the 9M / Q3 quarterly statement for 2017

IMPRINT

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