STRÖER

ANNUAL REPORT 2016

STRÖER SE & CO. KGAA

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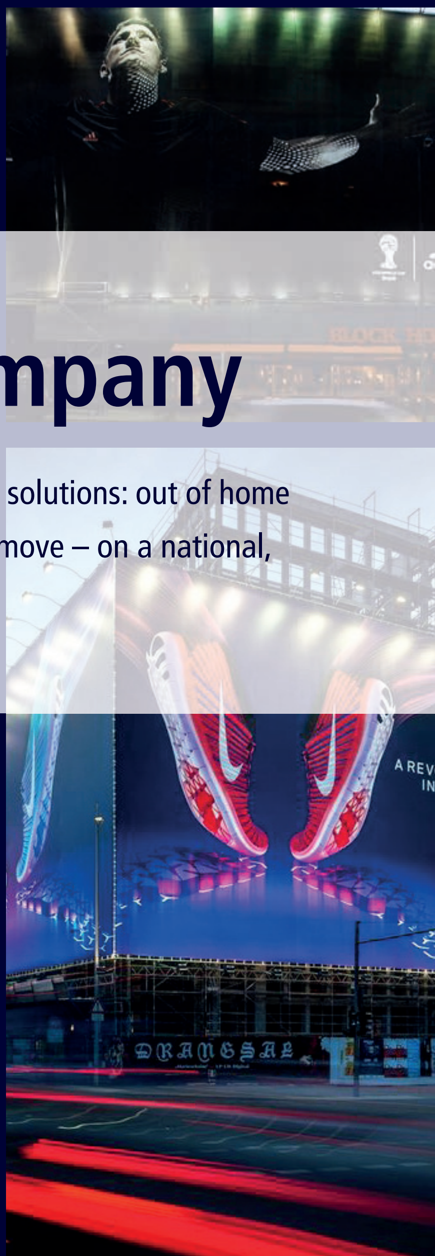
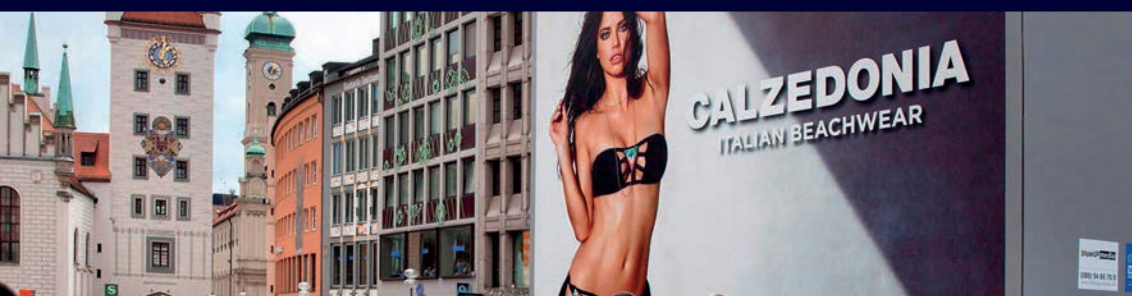
Ströer SE & Co. KGaA
(formerly "Ströer SE", hereinafter „Ströer KGaA“)

Multi-Channel Media Company

Ströer offers advertisers cross-channel and integrated premium communication solutions: out of home and digital. This is how Ströer reaches people everywhere, at home and on the move – on a national, regional, local or hyper local level.





STRÖER MULTI-CHANNEL & INTEGRATED MONETIZATION ECOSYSTEM

DIGITIZATION

Ströer is one of the drivers of the digital transformation in the German media industry. In the area of out-of-home media, the Company is successively digitizing its advertising media across German cities. In addition to the further expansion of its public video infrastructure, Ströer is also rolling out roadside screens – large format digital advertising spaces on roadsides – and forging ahead with the installation of iBeacons in advertising media. The Company is thereby opening up new cross-media advertising opportunities for local and national advertisers.

SALES INFRASTRUCTURE

Ströer drove forward the further consolidation of the online marketing industry in 2016 while making itself even more customer-focused. The Company operates as ONE platform provider across all forms of media. Ströer is the only company to locally market online AND out-of-home solutions to small and medium-sized enterprises. Given the high market potential, the local sales units are also set to be considerably further expanded across all media in the future.

AD SERVER

Ströer's advertising customers and agencies are now able to buy a large portion of its media inventory using programmatic buying technology. The dynamic media planning and display approach minimizes scattering loss and costs and optimizes the efficiency of campaigns. Ströer offers – both in the context of a private marketplace or an open auction model – a diverse range of programmatic deal opportunities for all its premium media inventory in the online, mobile and video portfolios.

ADRESSABLE PUBLIC VIDEO

With now around 4,000 public video screens at train stations, shopping malls and underground stations, the Company reaches more than 30 million people and generates over 1 billion video views each month. Programmatic advertising offers customers the opportunity to target the display of their advertisements on the basis of certain granular parameters and as such enable more efficient and flexible ad buying. In the future, digital out-of-home adverting will be as flexible and dynamic as online video. The public video screens at the numerous highly frequented interchanges with their dominating presence attract huge amounts of attention in public spaces and, based on the same display approach in technological terms, ideally supplement online and mobile campaigns.

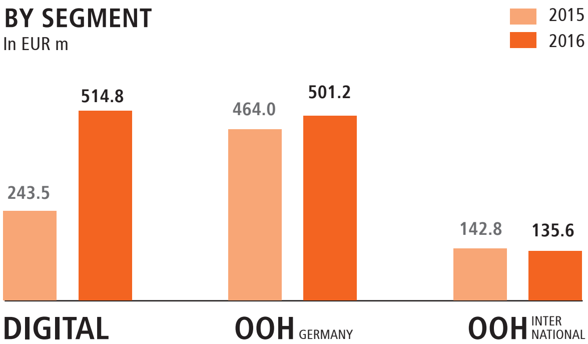
THE GROUP'S FINANCIAL FIGURES AT A GLANCE[1]

REVENUE 2016

EUR 1,123.3m

(prior year: EUR 823.7m)

BY SEGMENT
In EUR m



OPERATIONAL EBITDA

EUR 285.2m

(prior year: EUR 208.3m)

OPERATIONAL EBITDA MARGIN

25.1%

(prior year: 24.9%)

ORGANIC REVENUE GROWTH

7.2%

(prior year: 9.8%)

ADJUSTED EARNINGS PER SHARE

EUR 2.79

(prior year: EUR 2.12)

FREE CASH FLOW BEFORE M&A TRANSACTIONS

EUR 138.5m

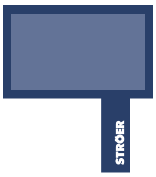
(prior year: EUR 116.4m)

ROCE

16.9%

(prior year: 15.4%)

300,000



ADVERTISING FACES

4,000

PUBLIC VIDEO SCREENS

45.3 million

UNIQUE USER PER MONTH

No.1

OOH & ONLINE

In EUR m	2016	2015	2014	2013	2012
Revenue	**1,123.3**	**823.7**	**721.1**	**622.0**	**560.6**
Operational EBITDA	**285.2**	**208.3**	**148.1**	**118.0**	**107.0**
Adjustment (exceptional items)	26.8	15.2	9.9	5.2	6.5
Adjustment (IFRS 11)	4.4	4.5	3.9	4.0	0.0
EBITDA	**254.0**	**188.6**	**134.3**	**108.8**	**100.4**
Amortization, depreciation and impairment losses	161.2	111.8	81.8	74.8	66.8
thereof attributable to purchase price allocations	60.7	37.2	31.0	28.7	27.1
EBIT	**92.8**	**76.8**	**52.5**	**34.0**	**33.7**
Financial result	10.0	9.3	14.8	19.8	31.9
EBT	**82.7**	**67.5**	**37.7**	**14.2**	**1.8**
Taxes	10.8	8.6	14.4	9.7	3.6
Consolidated profit or loss for the period	**71.9**	**58.8**	**23.3**	**4.5**	**-1.8**
Adjusted consolidated profit or loss for the period	**156.3**	**106.9**	**56.3**	**36.3**	**24.0**
Free cash flow (before M&A transactions)	**138.5**	**116.4**	**79.6**	**39.3**	**13.6**
Net debt	**330.3**	**231.2**	**275.0**	**326.1**	**302.1**
Leverage ratio	**1.16**	**1.11**	**1.91**	**2.76**	**2.80**

1 See the chapter on value-based management for information on the calculations.

THE BOARD OF MANAGEMENT

Dr. Bernd Metzner
CFO

Dr. Bernd Metzner was born in 1970 in Ruit auf den Fildern near Stuttgart, Germany, and studied business management at the University of Siegen.

After completing his PhD he joined the Flick Gocke Schaumburg law firm and then went on to assume various management positions in finance at the Bayer Group. He was responsible, among other things, for coordinating the spin-off and IPO of Lanxess and was CFO of Bayer Italy and head of finance of the pharmaceutical division of Bayer.

From mid-2011 to mid-2014 Dr. Bernd Metzner was CFO of the family-owned Döhler Group.

Udo Müller
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
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 year-end 2012, Christian Schmalzl was appointed to the board of management of Ströer Holding and, as COO, is responsible for international operational management.

FOREWORD BY THE BOARD OF MANAGEMENT

**Dear ladies and gentlemen,
dear shareholders,**

2016 was the most successful year in our Company's history. We grew our annual revenue by 36% from EUR 824m to EUR 1.12b, with organic revenue growth at 7.2%. Our operational EBITDA also rose by 37% from some EUR 208m to EUR 285m. Adjusted profit for the period also rose by a considerable 46% from EUR 107m to EUR 156m. Our free cash flow (before acquisitions) was up 19% from EUR 116m to EUR 139m.

Ströer established itself across all media as one of the leading media companies in Germany in fiscal year 2016. Our combination of structurally growing out-of-home business with our attractive digital business is unique worldwide. Our digital business comprising online advertising, digital publishing and transaction business, together with the poster business, creates an unparalleled eco system. The more the distinctions between the individual channels disappear in the course of digitization, the bigger our group synergies become in the field of marketing, technology and data.

The past fiscal year was strongly shaped by the digitization of advertising faces in the out-of-home business. Ströer has installed large-format, digital roadside screens in numerous German cities and tens of thousands of iBeacons have been integrated in advertising media across all of Germany. In addition, besides the online advertising business and digital publishing, we have strengthened the digital segment with new high-growth business models.

In 2016, Ströer paid out a dividend of EUR 0.70 per qualifying share. This increase of 75% in the dividend on the prior year allowed shareholders to participate substantially in our Company's long-term success. For fiscal year 2016, the board of management proposes an increase in the dividend to EUR 1.10 per share.

For fiscal year 2017, we anticipate organic revenue growth in the mid to upper single-digit percentage range with consolidated revenue of around EUR 1.3b and operational EBITDA of more than EUR 320m.

We would like to thank our business partners and investors for the trust they have placed in us and wish you all a successful year in business and on the markets in 2017.

Udo Müller CEO	Dr. Bernd Metzner CFO	Christian Schmalzl COO

SUPERVISORY BOARD REPORT

Christoph Vilanek
Chairman of the supervisory board

Dear ladies and gentlemen,

In fiscal year 2016, revenue from traditional OOH business grew substantially, providing a stable platform for further business development. Besides this, fiscal year 2016 was shaped by the continuing digitization of Ströer SE & Co. KGaA's entire business. As a digital multi-channel company, today we are one of the leading German media companies thanks to our broad, cross-media portfolio. Having added transaction business to our digital segment, we are diversifying the revenue streams for the long term and further broadening the basis for the success of our business. In the fiscal year, digital revenue accounted for a substantial proportion of total revenue at around 45%.

Another important event in fiscal year 2016 was the conversion of Ströer SE's legal form into a partnership limited by shares (KGaA). Ströer SE & Co. KGaA's business is now managed by its general partner, Ströer Management SE, which in turn is represented by its board of management.

The supervisory board of Ströer SE & Co. KGaA carefully monitored and advised the general partner, Ströer Management SE, on a regular basis in the reporting period. The supervisory board of Ströer SE & Co. KGaA mainly reviewed the legality, expediency and propriety of management of Ströer Management SE's board of management.

In line with the requirements of the German Corporate Governance Code, the supervisory board regularly reviewed whether it has an appropriate number of independent members. This is particularly important given the existing shareholder structure and was found to be the case in the supervisory board's opinion. The majority of the members of the supervisory board are independent as defined by the German Corporate Governance Code and not subject to any potential conflicts of interest. Should conflicts of interest arise nevertheless, these are reported without delay; the supervisory board member concerned then does not take part in advising on or voting on resolutions on the relevant item on the agenda. In addition, all supervisory board members make their decisions in the interests of the Company and all of its shareholders and act independently and free from external constraints.

The supervisory board also routinely examines the propriety of relationships between the Company on the one hand and the members of the supervisory board of the Company or the management board of the general partner and their related parties on the other hand.

Furthermore, the board of management of Ströer Management SE informed the supervisory board of Ströer SE & Co. KGaA at supervisory board meetings as well as through written and oral reports on the business and all relevant aspects of business planning. It therefore more than fulfilled its duty 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.

During fiscal year 2016, the supervisory board of Ströer SE & Co. KGaA convened four times. In additional meetings, the chairman of the supervisory board, the deputy chairman of the supervisory board and the chairman of the audit committee of the supervisory board discussed key business events with the board of management – in particular with the CEO and the CFO. The supervisory board plenum received regular written and oral reports on these deliberations. The supervisory board of Ströer SE & Co. KGaA has formed an audit committee which deals in particular with monitoring the financial reporting process, the effectiveness of the internal risk management systems, the internal audit function and the audit of the financial statements. The audit committee of Ströer SE & Co. KGaA convened four times in the fiscal year.

Focus of deliberations and review by the supervisory board plenum

At the constituent meeting of the supervisory board of the Company on 10 March 2016 following the conversion of its legal form into a partnership limited by shares (KGaA), the supervisory board in the presence of the auditors from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft discussed the final draft versions of the separate and consolidated financial statements of Ströer SE for fiscal year 2015 and the proposal of the board of management to distribute a dividend to the shareholders. In addition, the supervisory board approved the report of the supervisory board for fiscal year 2015 and its new rules of procedure. From among its members, it elected Christoph Vilanek as chairman and Dirk Ströer as deputy chairman of the supervisory board. The supervisory board also resolved to set up an audit committee and rules of procedure for the committee. The supervisory board elected Ulrich Voigt, Christoph Vilanek and Dirk Ströer to the audit committee.

At the following extraordinary meeting on 17 March 2016, the supervisory board of Ströer SE & Co. KGaA approved the audited separate and consolidated financial statements of Ströer SE for fiscal year 2015. Furthermore, the supervisory board adopted its recommendations for the annual shareholder meeting in 2016 to, among other things, exonerate the board of management and supervisory board and to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, as the Company's auditor for fiscal year 2016. Furthermore, the supervisory board resolved to recommend to the shareholder meeting to distribute a dividend of EUR 0.70.

At the Company's shareholder meeting on 23 June 2016, the supervisory board and board of management discussed in particular the short-seller attack on the Company by Muddy Waters and discussed possible responses and scope for improvement in its compliance function.

At the meeting on 5 September 2016, following the elections held at the shareholder meeting on 23 June 2016, the supervisory board in turn elected Christoph Vilanek as chairman and Dirk Ströer as deputy chairman of the Company's supervisory board. The supervisory board also confirmed the appointment of Ulrich Voigt, Christoph Vilanek and Dirk Ströer to the audit committee. The chairman of the audit committee then reported to the supervisory board on the internal audit function and the Company's compliance program. The supervisory board then approved a contract for services between Ströer Management SE and Ströer SE & Co. KGaA for the provision of finance and accounting services as well as services relating to legal matters. Due to a potential conflict of interest due to his investment in Ströer Management SE, Dirk Ströer did not participate in the meeting on this contract and abstained in the related resolution of the supervisory board.

The meeting on 16 December 2016 focused on coordinating the effectiveness review of the supervisory board, the reports on the tasks of the internal audit function, finalizing the annual declaration of compliance and the status of the compliance organization, particularly with a view to the allegations brought by Muddy Waters. The supervisory board could not find any basis for the allegations made by Muddy Waters despite a comprehensive review.

Dirk Ströer took part in all meetings of the supervisory board with the exception of the meeting on 5 September 2016. All other supervisory board members were present at all meetings of the supervisory board of Ströer SE & Co. KGaA during their respective terms of office.

Deliberations of the supervisory board's audit committee

On 9 March 2016, the audit committee reviewed the separate and consolidated financial statements of Ströer SE for fiscal year 2015. The auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, attended this meeting. At its further meetings on 4 May 2016, 3 August 2016 and 3 November 2016, the audit committee examined the respective interim financial statements of the Company. With the exception of Dirk Ströer, the members of the audit committee and the Chief Financial Officer of the general partner, Dr. Bernd Metzner, attended all meetings of the audit committee. Dirk Ströer took part in the two meetings of the audit committee on 3 August 2016 and 3 November 2016.

The members of the audit committee of the supervisory board are still Ulrich Voigt as chairman, Christoph Vilanek as his deputy and Dirk Ströer.

Audit of the separate and consolidated financial statements

The separate and consolidated financial statements prepared by the board of management for fiscal year 2016 of Ströer SE & Co. KGaA were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, together with the underlying books and records and the combined management report of the Company and the Group. An unqualified audit opinion was issued in each case.

The documentation on the financial statements and the audit reports were made available to all members of Ströer SE & Co. KGaA's supervisory board in good time. The documents were the subject of intensive discussions in the audit committee of Ströer SE & Co. KGaA and in the meeting of the supervisory board of Ströer SE & Co. KGaA to discuss the financial statements on 23 March 2017. The responsible auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, participated in the plenum discussions. He reported on the key findings of the audit and was available to answer questions.

All documents presented by the board of management and the auditor were reviewed in detail. Based on the final results of our review, the supervisory board had no reservations and agreed with the conclusion of the audit of the financial statements by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne. The supervisory board of Ströer SE & Co. KGaA approved the separate and consolidated financial statements prepared by the board of management.

Changes to the composition of the boards

Until the change in legal form of Ströer SE into Ströer SE & Co. KGaA on 1 March 2016, the supervisory board of Ströer SE comprised Christoph Vilanek as chairman, Vicente Vento Bosch and Ulrich Voigt. These supervisory board appointments ended with the transformation on 1 March 2016.

Since the transformation, the supervisory board of Ströer SE & Co. KGaA has consisted of six members in accordance with the partnership agreement. The first supervisory board members were Christoph Vilanek, Dirk Ströer, Ulrich Voigt, Martin Diederichs, Michael Remagen and Julia Flemmerer. Michael Remagen stepped down as member of the supervisory board of Ströer SE & Co. KGaA effective 9 March 2016, Martin Diederichs effective 10 March 2016. We would like to express our warmest thanks to Martin Diederichs and Michael Remagen for their outstanding work for the Company and the supervisory board.

At the request of the board of management, Cologne Local Court appointed Vicente Vento Bosch and Anette Bronder to the supervisory board of Ströer SE & Co. KGaA as of 5 April 2016. Vicente Vento Bosch is managing director and CEO of Deutsche Telekom Capital Partners GmbH. Anette Bronder is managing director of the digital division at T-Systems International GmbH. The term of office of the supervisory board members Vicente Vento Bosch and Anette Bronder ran out at the end of the shareholder meeting of the Company on 23 June 2016.

On 23 June 2016, the Company's shareholder meeting then reappointed Vicente Vento Bosch and Anette Bronder to the supervisory board of the Company.

The supervisory board of Ströer SE & Co. KGaA now comprises six members: Christoph Vilanek as chairman of the supervisory board, Dirk Ströer as his deputy, Ulrich Voigt, Anette Bronder, Julia Flemmerer and Vicente Vento Bosch. The audit committee of the supervisory board of Ströer SE & Co. KGaA comprises Ulrich Voigt as chairman, Christoph Vilanek as his deputy and Dirk Ströer.

Furthermore, the Company's shareholder meeting on 23 June 2016 adopted a resolution in preparation for the appointment of employee representatives to the supervisory board to expand the supervisory board to 12 members and reelected Christoph Vilanek, Dirk Ströer, Ulrich Vogt, Julia Flemmerer, Anette Bronder and Vicente Vento Bosch to the Company's newly expanded supervisory board as shareholder representatives. The status proceedings for appointing employee representatives to the supervisory board of Ströer SE & Co. KGaA are still ongoing.

There were no changes to the composition of the board of management of the general partner, Ströer Management SE.

Thanks

The supervisory board of Ströer SE & Co. KGaA would like to thank the board of management of Ströer Management SE, 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

Christoph Vilanek
Chairman of the supervisory board
of Ströer SE & Co. KGaA

Cologne, March 2017

COMBINED MANAGEMENT REPORT

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

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BACKGROUND AND STRATEGY OF THE STRÖER GROUP

Business model

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

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

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

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

Segments and organizational structure

The Ströer Group's reporting segments comprise the Ströer Digital segment, the OOH Germany segment and the OOH International segment. These segments operate independently on the market in close cooperation with the group holding company Ströer SE & Co. KGaA. This cooperation relates in particular to the Group's central strategic focus and enables a targeted transfer of expertise between the different segments.

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

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

Digital business

Ströer Digital segment

In the Ströer Digital segment, the Ströer Group offers digital advertising on the internet, on mobile devices and in public spaces as a public video network. The product groups comprise display and mobile, video and the recently established transactional product segment. Ströer holds a strong position in the commercialization of advertising in Germany and covers the entire digital marketing and innovative brand presence value chain. As a multichannel media company, Ströer offers scalable products from branding and storytelling through to performance and social media.

Display and mobile advertising

With a reach of more than 45 million unique users per month, Ströer Digital Media was ranked the number 1 marketer by the industry group for online media research Arbeitsgemeinschaft Online Forschung (AGOF), making it one of the most important display and mobile marketers in the German advertising market.[1] In the area of display and mobile advertising, Ströer Digital Media has a large number of direct customers and own websites as well as an automated technology platform (for both the demand and supply side). Own websites include the recent acquisition of t-online.de. In terms of direct customers, Ströer bundled its advertising capacity last year and now has exclusive marketing rights for up to 1,000 websites.

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

Ströer is able to intelligently link Rich Media[2] and Native Advertising[3] with traditional display advertising formats and new moving-picture products while also developing innovative advertising formats for automatic trading. In the area of social ads, the premium marketer provides its customers with a unique marketing portfolio of renowned media brands and apps as well as thematic verticals.

Video
Ströer offers various formats in the area of video: Public video screens, online video (desktop and mobile/tablet) as well as a multi-channel network (MCN) with Tube One Networks GmbH.

Ströer has around 4,000 public video screens in shopping malls, railway stations and underground stations. Public video is a new media channel to complement traditional TV and can be combined directly with campaigns in the online segment. The programmatic management of public video that is now available through traditional online adserving technologies gives customers the opportunity to extend the reach of video campaigns to public spaces. In contrast to linear TV, public video screens, as "addressable PV" can accompany consumers on their customer journey and are therefore a unique product. In the online segment, the video format enables premium content to be offered on a large number of websites.

Online and public video particularly appeal to young and mobile target groups, who react positively to moving pictures and who are reached less and less by linear television.

Transactional
In addition to traditional advertising income from the marketing of websites, Ströer also uses other digital business models in its transactional product group. The product group itself is subdivided into performance-oriented products, subscription-based revenue models and digital commerce.

Performance-based revenue is derived in particular from search revenue models, cost per order campaigns and digital revenue with local customers. Subscription-based revenue stems from digital subscriptions that flexibly and individually cover the different services paid. Ströer was already able to successfully expand its subscription-based revenue models in the reporting period. Statista GmbH expanded its user base internationally and considerably extended the reach of its offerings with partners such as Financial Times and Handelsblatt. Stayfriends GmbH significantly boosted its brand awareness by effectively interlinking with t-online as well as through the use of existing out-of-home inventory.

Through digital commerce, the value chain is being extended in order to monetize own inventories, right up to the sale of products. The use of own advertising faces contributes purposefully to effective brand building. Ströer uses the thematic verticals of tech & games, entertainment and news & services as well as the vertical health & beauty, on which it has a particular focus.

In particular in the health & beauty vertical, brand building campaigns can be effectively placed with the help of out-of-home advertising. For this reason, Ströer also supplemented its portfolio with some business models from this area in the fiscal year. By acquiring the BHI Beauty and Health Investment Group (which develops and sells, among other things, various own cosmetic products) and Bodychange Inc. (Social Media Interactive GmbH, active in weight optimization and nutritional advice), we have successfully expanded our value chain with the aim of maximizing monetization of our entire advertising inventory.

2 Rich Media refers to online content, which is enhanced both visually and acoustically, for example by video, audio and animation.
3 Native Advertising is a method wherein various forms of advertising can be placed in an editorial environment.

Out-of-home business

The out-of-home advertising business is based on an attractive portfolio of agreements with private and public-sector owners of land and buildings, which furnish us with advertising concessions for high-reach sites. Of particular importance are the agreements with municipalities, for which we, as a system provider, develop smart and tailored infrastructure solutions that also enhance cityscapes. The agreements with Deutsche Bahn, the ECE group and local public transport providers are also highly significant. Our product portfolio covers all forms of outdoor advertising media, from traditional posters (large formats) and advertisements at bus and tram stop shelters (street furniture) and on public transport through to digital and interactive offerings. The digital out-of-home business, which focuses on public video, is subsumed under the digital segment due to the relevancy of its business and the technology used.

Our portfolio currently comprises nearly 300,000 marketable advertising faces in Europe. Agreements with private owners of land and buildings generally provide for the payment of a fixed lease, whereas the majority of the concession contracts with municipalities entail revenue-based lease payments.

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

Out-of-Home International segment
The OOH International segment includes our Turkish and Polish out-of-home activities and the western European giant poster business of BlowUP Media GmbH (BlowUP Media).

Ströer Kentvizyon Reklam Pazarlama A.S., in which the Ströer Group holds a 90% stake, manages our operations in Turkey. Ströer has a presence in 7 of the 10 largest Turkish cities and operates in all product groups. With some 49,000 marketable advertising faces in approximately 16 cities and provinces, we also generate the highest revenue in our sector in Turkey and have a much larger share of the Turkish market than any other competitor.

The Polish OOH business is managed by Ströer Polska Sp. z.o.o. In terms of like-for-like revenue, Ströer shares the number 1 position on the Polish market with a similar-sized competitor. Our national company has a presence in approximately 120 cities and municipalities with some 12,000 marketable advertising faces and operates in all of the Group's OOH product groups.

BlowUP Media is a strong western European provider of giant posters with formats of up to more than 1,000m^2 positioned on building façades. The company currently markets more than 300 sites, some of which are digitized, which are booked either individually or in blocks, both nationally and internationally, by well-known advertisers. The normally shorter concession terms pose different challenges for portfolio management to those that arise in traditional out-of-home advertising. In Europe, BlowUP Media has operations in Germany, the UK, the Netherlands, Spain and Belgium.

Strategy and management

Ströer SE & Co. KGaA focuses on the following strategic topics in Germany:

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

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

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

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

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

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

Value-based management

We manage our Group using internally defined financial and non-financial key performance ratios in the interests of sustainable development. Key financial indicators continue to follow the internal reporting structure. These are figures which reflect the business model as well as the steering of the company but are not covered by IFRS. They comprise organic revenue growth, operational EBITDA, adjusted consolidated profit, ROCE (return on capital employed), as well as net debt and the leverage ratio derived from it. In each case, joint ventures are consolidated proportionately. Free cash flow (before M&A transactions) is also one of our indicators. In this case, joint ventures are consolidated pursuant to IFRS 11 using the equity method.

Revenue development is one of the key indicators for measuring the growth of the Group as a whole. It is also an important metric for managing the Ströer Group's segments. As part of the budgeting and medium-term planning process, the individual segments are set revenue targets that are broken down to the relevant level, and adherence to these targets is continuously monitored during the year. Both organic revenue growth and nominal revenue growth are analyzed in this context. In view of its expansionary business development, Ströer adjusted its calculation of organic revenue growth in 2015 to improve transparency. The adjustment means that the business performance of acquirees – both positive and negative – is included in the calculation of organic revenue growth from the time of initial consolidation.

→ For further information on organic revenue growth, see page 19.

Operational EBITDA gives an insight into the sustainable development of earnings of our Group. Furthermore, operational EBITDA is a key input for determining the leverage ratio to be reported to our lending banks on a quarterly basis. In addition, the sustainable operational EBITDA is used on the capital market as part of the multiplier process for simplifying the determination of business value.

Adjusted consolidated profit is an important figure for determining our dividend payment. We plan on paying 25% to 50% of our adjusted consolidated profit out in dividends.

→ For further information on the calculation of operational EBITDA and adjusted consolidated profit, see page 20.

Free cash flow (before M&A transactions) is a key indicator for the board of management and is calculated from the cash flows from operating activities less net cash paid for investments being the sum of cash received from and paid for intangible assets and property, plant and equipment. Free cash flow (before M&A transactions) therefore represents the cash earnings power of our Company and is an important determining factor for our investment, financing and dividend policy.

→ For further information on the calculation of free cash flow (before M&A transactions), see page 32.

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

ROCE is calculated as adjusted EBIT divided by capital employed (joint ventures are consolidated proportionately). Adjusted EBIT is defined as follows: Consolidated earnings before interest and taxes adjusted for exceptional items, amortization from purchase price allocations and impairment losses. Capital employed comprises total intangible assets, property, plant and equipment and current assets less non-interest-bearing liabilities (trade payables and other non-interest-bearing liabilities). It is the arithmetic mean of capital employed at the start of the year and the respective year-end. ROCE provides us with a tool that enables value-based management of the Group and its segments. Positive value added and thus an increase in the Company's value are achieved when ROCE exceeds the cost of capital of the respective cash generating units (CGUs).

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

The Company's net debt and leverage ratio are also key performance indicators for the Group. Our debt financing costs within the scope of the credit facility and the note loan are linked, among other things, to net debt. The leverage ratio is also an important factor for the capital market for assessing the quality of our financial position. The leverage ratio is measured as the ratio of net debt to operational EBITDA. Net debt is calculated as the sum of liabilities from the facility agreement, from borrower's note loans and other financial liabilities less cash (joint ventures are consolidated proportionately).

→ For the section on employees, see page 50.

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

Organic revenue growth reconciliation

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

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

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

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

[1] For further details of exceptionals we refer to Paragraph 33, Segment information.

Amortization and impairment losses from purchase price allocations	Exchange rate effects from intragroup loans	Tax normalization	Elimination of exceptional items and impairment losses	**Adjusted income statement 2016**	Adjusted income statement 2015
				1,135.1	**837.7**
				–612.7	–467.8
				–249.3	–175.8
				12.0	14.3
				0.0	0.0
				285.2	**208.3**
60.7			12.3	–90.0	–71.8
60.7			**12.3**	**195.1**	**136.6**
			26.8	0.0	0.0
	–0.1		0.8	–9.4	–9.5
		–16.2		–29.4	–20.1
60.7	**–0.1**	**–16.2**	**39.9**	**156.3**	**106.9**

Management and control

The board of management of the general partner Ströer Management SE, Düsseldorf, as of 31 December 2016 comprises three members: Udo Müller (CEO), Christian Schmalzl (COO) and Dr. Bernd Metzner (CFO). The following overview shows the responsibilities of each member of the board of management in the Group:

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

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

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

The supervisory board of Ströer SE & Co. KGaA as of 31 December 2016 comprises the following members: Christoph Vilanek, Dirk Ströer, Annette Bronder, Vicente Vento Bosch, Julia Flemmerer and Ulrich Voigt.

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

→ For all documents, see website http://ir.stroeer.com.

Markets and factors

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

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

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

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

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

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

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

ECONOMIC REPORT

Business environment

General economic developments in 2016

Based on a revenue contribution of around 85%, Germany is our key market with international business playing a secondary role. This is due among other things to the change in our business model to focus more strongly on digital fields of business which are concentrated predominantly in the German market. For this reason, the economic environment of the OOH International segment is described below solely on the basis of the development of Turkey, as the biggest division within the OOH International segment.

Our two key markets of Germany and Turkey turned in a mixed performance in the fiscal year. While persistent macroeconomic uncertainty in Turkey had a negative effect, the German economy benefited from dynamic domestic growth, as in the prior year.

Germany

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

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

Turkey

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

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

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

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

1 Source: DIW Berlin, Economic Barometer, December 2016

2 Source: German Federal Statistical Office, GDP 2016

3 Source: BVR [National Association of German Cooperative Banks] study on World Savings Day, September 2016

4 Source: Global Rates – Inflation

5 Source: OECD real GDP forecasts summary, Turkey, November 2016

6 Source: Global Rates – Inflation

Germany
According to the gross advertising spending calculated by Nielsen Media Research, the advertising market in Germany grew by 6.1% in 2016.[7] In our view, however, the gross advertising data provided by Nielsen only indicate trends and can only be used to a limited extent to draw conclusions about net figures due to differing definitions and market territories. We currently expect net advertising investments to have increased by around 2.5% in 2016 – in line with the most recently announced forecasts of the Central Association of the German Advertising Industry ["Zentralverband der deutschen Werbewirtschaft e.V.": ZAW]. ZAW is scheduled to publish the official net media spending figures in May 2017.[8] Our estimate is also supported by a ZenithOptimedia forecast. Following an increase of 1.9% in 2015, more significant growth in net advertising spending of 3.1% is expected for 2016.[9]

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

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

Development of exchange rates in 2016[12]
In 2016, the exchange rates primarily relevant to our business were the euro to Turkish lira and pound sterling rates. The Turkish lira started the year at 3.22 TRY/EUR in January 2016. After remaining somewhat stable at the start of the year, it lost considerable ground over the further course of the year. In the last quarter of 2016, the Turkish lira hit additional record lows and was quoted at 3.71 TRY/EUR as of year-end. On an annual average, the Turkish lira thus lost 10.5% overall compared with the prior-year average. This was due once again to political uncertainties and domestic tensions in Turkey.

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

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

Results of operations of the group

Overall assessment of the board of management on the economic situation

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

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

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

Comparison of forecast and actual business development

The forecasts we made for fiscal year 2016 in the prior-year report were based on a cautiously optimistic assessment of the economic conditions. However, annual forecasts in our industry are naturally subject to major uncertainties due to customer bookings frequently being made at short notice, volatile market sentiment and economic fluctuations. Our forecast for the development of economic conditions was largely on track as expected. We met all and even exceeded some of the targets we set ourselves for fiscal year 2016.

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

Results of operations of the Group

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

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

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

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

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

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

Revenue development by quarter

In EUR m

Operational EBITDA development by quarter

In EUR m

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

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

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

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

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

Net assets and financial position

Main features of the financing strategy

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

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

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

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

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

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

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

For both financing components the loans were granted without collateral. The financial covenants reflect customary market conditions in both cases and relate to the key performance indicator of leverage ratio, which was met as of year-end with plenty of leeway. The costs incurred in connection with setting up the two new financing instruments are amortized over the term of the agreements. This provides the Ströer Group with very flexible, stable, long-term financing at low borrowing costs. The Group had financing facilities of EUR 435.5m (prior year: EUR 223.8m) available to it as of 31 December 2016 from unutilized credit lines under the newly concluded credit facility agreement including a cash balance (EUR 64.2m).

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

In cash management, we focus on managing our liquidity and optimizing the cash flows within the Group. The financing requirements of subsidiaries, if they cannot be covered by the entity's internal financing, are primarily met by intercompany loans as part of automated cash pooling. In exceptional circumstances, credit facilities are also agreed with locally based banks in order to meet legal, tax or operational requirements. In accordance with these guiding principles, the subsidiaries were once again mainly financed via the group holding company in 2016. At group level, any liquidity surpluses in the individual entities are pooled, where legally possible. Through the group holding company, we ensure at all times that the financing requirements of the individual group entities are adequately covered.

Due to the encouraging earnings development of the entire Ströer Group coupled with an only moderate increase in net debt, the leverage ratio was only slightly higher than in the prior year at 1.16 (prior year: 1.11). In 2016, Ströer SE & Co. KGaA and its group entities complied with all loan covenants and obligations from financing agreements.

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

The Ströer Group did not make use of any off-balance sheet financing instruments in 2016. We primarily use operating leases to finance our company vehicles. Due to the low volumes involved, however, operating leases do not have a significant effect on the economic situation of the Group.

Overall assessment of net assets and financial position

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

Financial position

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

Liquidity and investment analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital structure costs

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

Net assets

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

Analysis of the net asset structure

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

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

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

The Ströer Group's **off-balance sheet assets** include a substantial portfolio of internally generated advertising concessions with municipalities and private landlords. This is due to the fact that only advertising concessions that were acquired as part of business combinations are recognized as intangible assets. Thanks to our strong market position, we also have a broad-based portfolio of sustainable customer relationships on the sales side. The majority of these customer relationships can also be classified as off-balance sheet assets. Other financial obligations amounted to EUR 1,028.0m as of 31 December 2016 (prior year: EUR 1,005.2m) and relate to obligations from not yet completed investments and leases based on operating lease agreements. Due to the selected contract structures, the latter may not be recognized in non-current assets. By contrast, as of the reporting date there were no obligations arising from acquisitions of shares in companies contractually agreed in 2016 and executed in 2017 (prior year: EUR 77.9m).

Results of operations of the segments

Ströer Digital

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

The Ströer Digital segment was able to achieve a further significant increase in revenue across all product groups in the fiscal year. Our investments in other digital business models (e.g., subscription and e-commerce models), with the revenue contributions recorded under the new transactional product group, also contributed to strong revenue growth. As Ströer is continually adding to and expanding its business, the segment figures can only be compared with those of the prior year to a limited extent. The integration and targeted restructuring of the newly acquired companies was driven forward in the reporting period and we are frequently able to leverage synergies and economies of scale on both the revenue and cost side.

Out-of-Home Germany

In EUR m	2016	2015		Change in %
Segment revenue, thereof	**501.2**	**464.0**	**37.2**	**8.0%**
Large formats	231.2	208.6	22.5	10.8%
Street furniture	141.5	137.6	3.8	2.8%
Transport	61.1	54.5	6.6	12.1%
Other	67.4	63.3	4.2	6.6%
Operational EBITDA	**137.1**	**124.5**	**12.6**	**10.1%**
Operational EBITDA margin	**27.4%**	**26.8%**	**0.5**	**percentage points**

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

Fiscal year 2016 was characterized by an ongoing high level of momentum for the OOH Germany segment. The segment recorded a EUR 37.2m increase in revenue to EUR 501.2m in the reporting period thanks to this pleasing course of business.

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

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

Out-of-Home International

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

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

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

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

INFORMATION ON STRÖER SE & CO. KGAA

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

Description of the Company

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

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

Results of operations

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

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

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

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

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

Income from other securities and loans classified as non-current financial assets came to EUR 3.6m as of the reporting date (prior year: EUR 1.4m). The increase was chiefly due to the volume of intragroup loans which was considerably higher at times during the fiscal year in connection with the expansion of the Ströer Group. Correspondingly, the **interest** result (other interest and similar income and interest and similar expenses) also rose to EUR 5.7m year on year (prior year: EUR 3.3m), which reflects Ströer SE & Co. KGaA's refinancing costs for additional funds raised on the capital market. As regards **impairment losses on financial assets**, the Company reported a significant increase to EUR 42.7m (prior year: EUR 0.0m). These impairment losses related almost entirely to the carrying amount of the equity investment in the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey, as well as to a loan granted to this subsidiary. The write-down became necessary in view of the tense political situation and terrorist attacks in Turkey, which put considerable pressure on both the Turkish lira and the Turkish advertising market.

The considerable improvement in operating activities for the tax group as a whole had a corresponding impact on the Company's **income taxes**, causing them to rise substantially to EUR 9.1m (prior year: EUR 0.6m). For detailed information on deferred taxes, see section C. 7 in the notes to the financial statements of Ströer SE & Co. KGaA.

Net assets and financial position

Ströer SE & Co. KGaA's total assets increased by EUR 317.6m in the fiscal year to EUR 1,366.7m. EUR 344.7m of this rise relates to receivables from affiliates. On the one hand, additional liquidity granted to various subsidiaries as part of the expansion strategy played a role in this connection, as well as, on the other hand, shifts between Ströer SE & Co. KGaA and its subsidiary Ströer Media Deutschland GmbH, Cologne, due to the restructuring of the facility agreement. In terms of liabilities, these changes are mainly reflected in the liabilities to banks and liabilities to affiliates.

in EUR k	**2016**	2015
Assets		
Non-current assets		
Intangible assets and property, plant and equipment	18,605	13,247
Financial assets	860,531	886,205
	879,137	**899,451**
Current assets		
Receivables and other assets	478,818	143,941
Cash on hand and bank balances	1,813	1,050
	480,632	**144,991**
Prepaid expenses	**6,909**	**4,662**
Total assets	**1,366,678**	**1,049,105**
Equity and liabilities		
Equity	**848,449**	**850,657**
Provisions		
Provisions for pensions and similar obligations	14	20
Tax provisions	20,304	11,215
Other provisions	11,663	9,310
	31,981	**20,545**
Liabilities		
Liabilities to banks	360,374	64,485
Trade payables and other liabilities	8,911	8,385
Liabilities to affiliates	116,963	90,362
Liabilities to other investees	0	5,500
	486,248	**168,732**
Deferred tax liabilities	**0**	**9,171**
Total equity and liabilities	**1,366,678**	**1,049,105**

Analysis of the net asset structure
Amortization and depreciation charges on **intangible assets and property, plant and equipment** in fiscal year 2016 were more than offset by additions to concessions and licenses as well as furniture and fixtures. On balance, there was thus an increase by EUR 5.4m to EUR 18.6m.

By contrast, **shares in affiliates** recorded under financial assets were down EUR 27.5m against the prior-year figure to EUR 783.9m. The backdrop to this development was the tense political situation and terrorist attacks in Turkey, which put considerable pressure on both the Turkish lira and the Turkish advertising market, necessitating a write-down of EUR 26.7m on the carrying amount of the investment in Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

Loans to affiliates recorded under financial assets were roughly on a par with the prior year at EUR 74.1m (prior year: EUR 74.5m). The volume of loans granted increased significantly at times during the reporting period due to disbursements during the year as Ströer SE & Co. KGaA made funds available to its subsidiaries in line with its expansion strategy, however, these loans were then transferred to the group-wide cash pool and have been disclosed as receivables from affiliates ever since. In addition, the write-down of EUR 13.0m on the loan to our Turkish subsidiary described above had a compensating effect.

As regards **receivables and other assets**, the Company saw substantial increases from EUR 334.9m to EUR 478.8m. Of this increase, a major portion stemmed from the granting of additional liquidity to subsidiaries to keep financing the expansion of the group. In addition, Ströer Media Deutschland GmbH, Cologne, repaid its bank liabilities in full on the basis of the restructured facility agreement, receiving the required liquidity from the parent company, which in turn recorded a higher intercompany receivable (EUR 130m) and a lower intercompany liability (EUR 70m) respectively. At the same time, receivables from profit and loss transfers were considerably higher than in the prior year.

Bank balances were roughly on a par with the prior year at EUR 1.8m as of 31 December 2016 (prior year: EUR 1.1m).

Prepaid expenses came to EUR 6.9m as of the reporting date, up EUR 2.2m on prior year. The main reason for this increase were the costs incurred in December 2016 in connection with the amendment to the credit facility agreement, which are now being released over the term of the new refinancing.

Financial structure analysis
In fiscal year 2016, Ströer SE & Co. KGaA's **equity** was roughly on a par with that of the prior year despite the negative special effects from impairment losses (EUR 848.4m; prior year: EUR 850.7m). In this regard, the profit for the period of EUR 36.5m (prior year: EUR 47.2m) led to an increase in equity, while the dividend payment of EUR 38.7m had a reducing effect. Given the significantly higher total assets, the equity ratio declined from 81.1% to 62.1% but remains extremely comfortable.

The development of **provisions** was shaped in particular by a perceptible rise in tax provisions which increased by a significant EUR 9.1m to EUR 20.3m due to the noticeable improvement in operating activities within the tax group. By contrast, the other movements in provisions were insignificant such that they grew overall from EUR 20.5m to EUR 32.0m.

Liabilities to banks totaled EUR 360.4m as of fiscal year-end 2016 (prior year: EUR 64.5m). The year-end balance comprised the new note loan placed in June 2016 and the liabilities from the credit facility agreement. The assumption of a bank liability of EUR 200.0m previously reported by Ströer Media Deutschland GmbH, Cologne, was chiefly responsible for the increase of EUR 295.9m. The liability was settled by Ströer SE & Co. KGaA in the course of amending the credit facility agreement. For further information on the remaining increase of the liabilities to banks, see the liquidity analysis in the following section.

Trade payables and **other liabilities** only marginally increased by EUR 0.5m to EUR 8.9m year on year.

→ We refer to our explanations on receivables and other assets within the section on analysis of the net asset structure.

Liabilities to affiliates were also up on the prior year at EUR 117.0m (prior year: EUR 90.4m). This was due in part to the fact that the subsidiaries transferred cash funds to Ströer SE & Co. KGaA's cash pool in order to optimize the Group's financing. The increase was also due to the losses absorbed under profit and loss transfer agreements. This was counteracted by the restructuring of the facility agreement.

In the prior year, **liabilities to other investees** exclusively comprised a liability of EUR 5.5m to X-City Marketing Hannover GmbH, Hanover. It has since been repaid.

Liquidity analysis

In EUR m	**2016**	2015
Cash flows from operating activities	51.9	17.5
Cash flows from investing activities	–57.2	–33.3
Free cash flow	**–5.4**	**–15.7**
Cash flows from financing activities	6.1	2.4
Change in cash	**0.8**	**–13.3**
Cash at the end of the period	1.8	1.1

In fiscal year 2016, Ströer SE & Co. KGaA generated **cash flows from operating activities** of EUR 51.9m (prior year: EUR 17.5m). The profit of EUR 92.7m transferred by Ströer Media Deutschland GmbH, Cologne, in 2016 for fiscal year 2015 had a particularly positive effect in this connection (prior year: EUR 46.9m). This increased contribution was however partially offset by several contrasting effects such that the rise in cash flow ultimately stood at EUR 34.4m.

In fiscal year 2016, **cash flows from investing activities** were still shaped by disbursements of intragroup loans for financing the Ströer Group's continued expansion. However, compared with the prior year, these cash outflows were matched by far lower inflows from the subsidiaries from repayment of intragroup loans such that cash flows from investing activities stood at EUR 57.2m (prior year: EUR 33.3m).

Besides the outflows for intragroup loans, Ströer SE & Co. KGaA provided its subsidiaries with the liquidity required for further growth from its group-wide cash pool. Furthermore, Ströer SE & Co. KGaA distributed a dividend totaling EUR 38.7m to its shareholders in fiscal year 2016. These payments were financed on the one hand through contributions by other subsidiaries via the cash pool, as well as through additional drawings on existing credit lines under the credit facility. Overall, **cash flows from financing activities** amounted to EUR 6.1m (prior year: EUR 2.4m).

At EUR 1.8m, **cash on hand and bank balances** was up EUR 0.8m year on year as of the reporting date.

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

In EUR m	**31.12.2016**	31.12.2015
(1) Receivables from affiliates	470.7	126.0
(2) Loans to affiliates	74.1	74.5
(3) Cash on hand, bank balances	1.8	1.1
(1)+(2)+(3) Total financial assets	**546.5**	**201.5**
(4) Liabilities to banks	360.4	64.5
(5) Liabilities to affiliates	117.0	90.4
(4)+(5) Total financial liabilities	**477.3**	**154.8**
(1)+(2)+(3)-(4)-(5) Net financial assets	**69.2**	**46.7**
Equity ratio (in %)	**62.1**	**81.1**

At the end of fiscal year 2016, Ströer SE & Co. KGaA had net financial assets of EUR 69.2m, recording another noticeable increase of EUR 22.5m on the prior year. This pleasing development was attributable to the persistent upwards trend in the Ströer Group's operating business and the related profit transfers by subsidiaries. Overall, the Company's net financial assets remain positive and the Company thus has an extremely stable financing structure.

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

Anticipated development of the Company

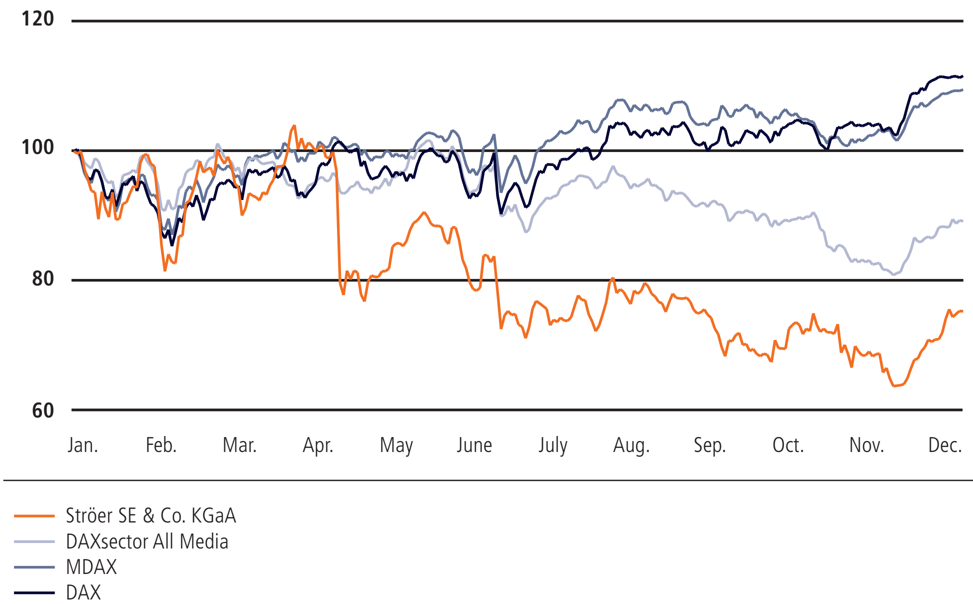
Due to its role as group parent, the anticipated development of Ströer SE & Co. KGaA depends on the development of the Group as a whole. Based on the Group's expected development of the results of operations for 2017 presented under "Forecast," we expect the subsidiaries to generate even higher earnings contributions overall and Ströer SE & Co. KGaA to achieve even higher results in the future.

INFORMATION ON THE SHARE

The German stock market was very volatile in 2016. Having started the year at 10,486 points, the DAX reached an annual low of 8,753 points in February. Disappointing economic data from China as well as the Brexit vote in the UK had a dampening effect on the German stock market. However, the stock market recovered considerably again by the end of the year. On the last trading day of the year, the DAX reached an annual high of 11,481 points (prior year: 10,743), which corresponds to an increase of approximately 6.9%.

However, the DAXsector All Media Index was unable to build on this positive performance and lost 12.4% overall during the course of the year. The Ströer share was also unable to escape this negative trend and posted an overall loss of 28% in 2016, although it recovered considerably again by the end of the year.

The Ströer share in an index comparison in 2016



Source: Bloomberg

Targeted investor relations

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

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

→ For further information see website http://ir.stroer.com

Shareholder meeting

Ströer SE & Co. KGaA's shareholder meeting was held at the Koelnmesse Congress Center on 23 June 2016 and was attended by approximately 170 shareholders, guests and representatives of the press. Overall, 42 million shares of no par value were represented. All resolutions put forward by the supervisory board and board of management were approved. This also included the distribution of a dividend of EUR 0.70 per qualifying share.

Stock exchange listing, market capitalization and trading volume

Ströer SE & Co. KGaA stock is listed in the Prime Standard of the Frankfurt Stock Exchange and is listed in the MDAX. Based on the closing share price on 30 December 2016, market capitalization came to around EUR 2.31b. The average daily volume of Ströer stock traded on German stock exchanges was just over 250,000 shares in 2016.

Analysts' coverage

The performance of Ströer SE & Co. KGaA is tracked by 13 teams of analysts. Based on the assessments at the end of the 12-month reporting period, 12 of the analysts are giving a "buy" recommendation and 1 says "hold."

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

Investment bank	Recommendation*
Bankhaus Lampe	Buy
Citigroup Global Markets	Buy
Commerzbank	Buy
Deutsche Bank	Buy
Hauck & Aufhäuser	Buy
Jefferies	Buy
J.P. Morgan	Buy
KeplerCheuvreux	Buy
Liberum	Buy
MainFirst	Buy
Morgan Stanley	Buy
NordLB	Buy
Oddo Seydler	Hold

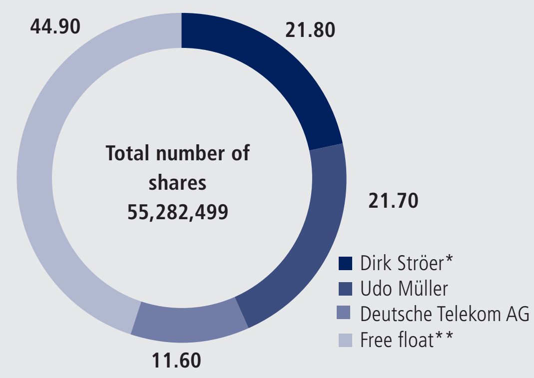
*As of 30 December 2016

Shareholder structure

CEO Udo Müller holds 21.70%, supervisory board member Dirk Ströer holds 21.80% and Christian Schmalzl (COO) holds around 0.05% of Ströer SE & Co. KGaA shares. The free float comes to around 45%. According to the notifications made to the Company as of the date of preparation of this report on 14 March 2017, the following parties reported to us that they hold more than 3% of the voting rights in Ströer SE & Co. KGaA: Deutsche Telekom AG (11.60%), Allianz Global Investors Europe (6.15%), Credit Suisse (4.63%).

Shareholder structure of Ströer SE & Co. KGaA

As of 30.12.2016, in %



* includes the voting rights held by Delphi Beteiligung mbH (shareholding: 100% Dirk Ströer) and Media Ventures GmbH in accordance with the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] (shareholdings: 51% Dirk Ströer, 49% Udo Müller) which are attributable.

** Free float, thereof:

Allianz Global Investors Europe[1]	6.15%
Credit Suisse[1, 2, 3], Switzerland	4.63%
Christian Schmalzl	0.05%

[1] According to voting right notifications in accordance with Sec. 41 (4f) WpHG

[2] According to voting right notifications in accordance with Sec. 25 (1) WpHG

[3] According to voting right notifications in accordance with Sec. 25a (1) WpHG

Dividend policy

In the reporting year, Ströer SE & Co. KGaA paid a dividend of EUR 0.70 per qualifying share. Ströer SE & Co. KGaA intends to continue to allow shareholders to participate in any successful profit development.

Key data of Ströer SE & Co. KGaA stock	
Capital stock	EUR 55,282,499
Number of shares	55,282,499
Class	Bearer shares of no par value (share in capital stock of EUR 1.00 per share)
First listing	15 July 2010
ISIN	DE0007493991
SIN	749399
Stock ticker	SAX
Reuters	SAXG.DE
Bloomberg	SAX/DE
Market segment	Prime Standard
Index	MDAX
Designated sponsor	Oddo Seydler Bank AG
Opening price 2016 (4 January)	EUR 57.35
Closing price 2016 (30 December)*	EUR 41.71
Highest price 2016 (4 April)*	EUR 57.57
Lowest price 2016 (1 December)*	EUR 35.14

*Closing price in XETRA in EUR

EMPLOYEES

Committed, reliable and competent employees are key to the Ströer Group's success and ability to innovate and increase the value of the business. Our people show an above-average degree of dedication. In the Ströer Group, our employees should be able to realize their potential as individuals to enable them to make the Company even more successful with their passion, responsibility and respect.

We are dedicated to achieving a balanced workforce. Women, like men, should be able to build on and pursue their professional goals in a culture of mutual respect. As such, we are a co-founding member of the Cologne-based "Women and Leadership" ("Mit Frauen in Führung") network.

Demographic change and the various expectations of applicants and young graduates mean that requirements are constantly increasing for the recruitment and internal development of suitable employees, especially for future management roles. Ströer participates at various career fairs at which it continually identifies "doers" and strengthens its employer brand.

Ströer aims to ensure that its employees stay with the Company in the long term and identify themselves with it. Ströer therefore places great importance on being an attractive employer by pursuing a sustainable HR policy and offering flexible working time models. We believe that this will significantly increase employee efficiency and satisfaction. Keen use is also made of the company kindergarten for children under three at group headquarters as well as the canteen.

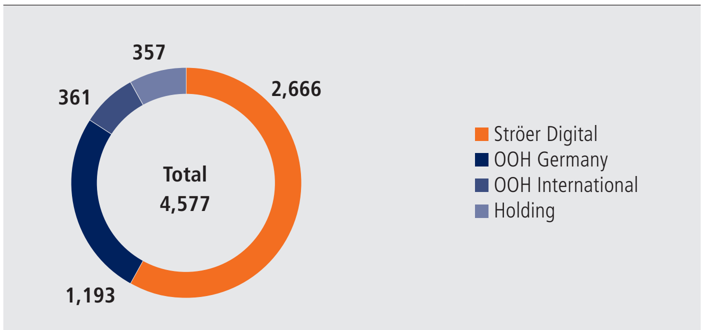
Employment situation

Headcount

As of year-end, the Ströer Group had 4,577 (prior year: 3,270) full and part-time employees. The increase of 1,307 is spread across almost all segments, but relates in particular to the digital business. We expect our headcount to rise in the out-of-home business due to the further expansion of our regional sales structure.

Employees by segment

As of 31.12.2016



Length of service

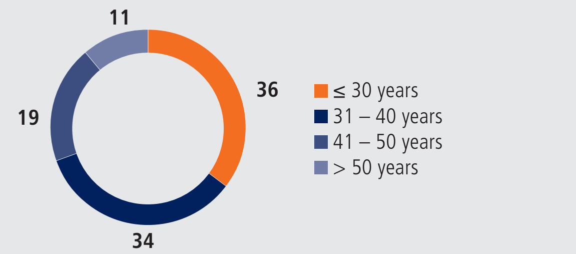
As of the reporting date, employees had been working for an average of 5.6 years (prior year: 6.5 years) for the Ströer Group. The decline is due to the increase in headcount in the digital segment which almost entirely comprises companies that were only established in the last few years.

Age structure

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

Age structure in the Group

2016 in %



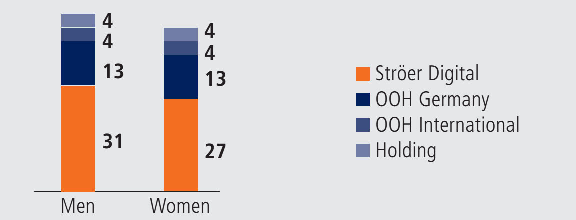
Gender structure

→ For further information on the gender quota and on targets for the board of management and the top two levels of management, see the corporate governance declaration at http://ir.stroeer.com

The proportion of female employees increased during the course of the year. As of year-end, 52% of the Ströer Group's employees were male and 48% were female (prior year: 53% male and 47% female). This is due not least to our attractive working time models that help our staff reconcile work and family life, for example, and which make us a modern company.

Gender structure by segment

2016 in %



Training

Vocational training and education

We systematically pursued our vocational training strategy again in 2016. We offer a variety of ways for young staff to develop. We are particularly proud to have been recognized by the Chamber of Industry and Commerce for outstanding achievements in the area of training. Ströer provided a total of 90 young talents throughout Germany with vocational training, a substantial increase against the prior year. Our trainees receive practical training at our group headquarters and at large regional offices. Independently carrying out projects is one area of focus, such as the creation of their own advertising campaign "By trainees for trainees" ("Von Azubis für Azubis") in which our trainees posed on posters displayed in public places in order to attract new trainees.

In addition to traditional vocational training, Ströer offers places on cooperative study programs (BA degrees). We have been offering our students the opportunity to spend one semester abroad for some time and for the first time offered some of our trainees the opportunity to work abroad.

Ströer offers successful BA students and trainees good chances of being kept on. In 2016, we again hired a large number of young talents in a wide range of business areas.

Further development and qualification

The main instrument used to foster individual development is qualified on-the-job training. In the past year, we also significantly enhanced our national and regional sales structures in Germany. Targeted training programs for new hires and, at a later stage, on the job training and individual seminars have boosted the success of our sales organization.

REMUNERATION REPORT

The remuneration report explains the structure and amount of remuneration of the members of the board of management of the general partner of Ströer SE & Co. KGaA (Ströer Management SE) and the supervisory board of Ströer SE & Co. KGaA (the Company). With the exception of the deviations explained in the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 15 December 2016, the report takes statutory regulations into account along with the recommendations of the German Corporate Governance Code and is a component of the consolidated financial statements.

Remuneration of the board of management

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

In fiscal year 2016, the board of management's remuneration once again comprised two significant components:

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

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

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

The variable compensation for fiscal year 2016 is based on the following key performance indicators and business targets:

<u>Short Term Incentives (STI)</u>
- Cash flows from operating activities

<u>Long Term Incentives (LTI)</u>
- Return on capital employed (ROCE)
- Organic revenue growth
- Share price

The long-term incentives span a period of three to four years and carry a greater weighting than the short-term incentives.

ROCE on the basis of adjusted EBIT/capital employed
This remuneration depends on the return on capital over a period of three years. The benchmark for this is the achievement of a return equivalent to the Company's cost of capital. The agreed amount upon reaching the target in full is EUR 301k.The remuneration is limited to a maximum of two or three times this amount, which would require a return that is considerably above the cost of capital during the three-year period. Conversely, if the benchmark is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0.

Organic revenue growth
The Company's average organic revenue growth over a three-year period is compared with the average growth of the advertising market as a whole, measured by the development of gross domestic product in the markets served by the Company. The agreed amount upon reaching the target in full is EUR 337k. If the Company's average revenue growth in the three-year period exceeds this comparative value, the remuneration can increase to a maximum of two or three times the amount. Conversely, if the benchmark is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0.

Share price
This LTI component is linked to the development of the Company's share price over a four-year period against the reference price set at the beginning of this period. The agreed amount for 2016 upon reaching the target in full is EUR 248k, which as of the reporting date corresponded to 4,312 phantom stock options each with a fair value of EUR 38.81. If the share price rises during the four-year period, the remuneration component increases by the same percentage as the share price, but is limited to a maximum of two or three times the amount. Conversely, if the reference price is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0. The members of the board of management can also decide to have the remuneration paid out in shares in the Company.

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

Share-based payment
The Company's supervisory board granted stock options under a stock option plan in fiscal year 2013 and in fiscal year 2015. The stock options constitute additional long-term remuneration components and are intended to create performance incentives that promote the sustainable and long-term success of the Company. Option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to satisfy the stock options.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the Company's share price and the Group's operational EBITDA. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

Total remuneration

Total remuneration for fiscal year 2016 (2015) is presented in the table below:

Benefits granted for 2016 (2015), in EUR					
	2016				2015
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total
Fixed remuneration	2,240,000	1,300,000	540,000	400,000	3,120,000
Fringe benefits	411,000	382,000	17,000	12,000	293,400
Total	**2,651,000**	**1,682,000**	**557,000**	**412,000**	**3,413,400**
One-year variable compensation (target reached in full)	**833,960**	**490,000**	**218,960**	**125,000**	**968,200**
Multi-year variable remuneration (amount based on a probability scenario)					
LTI “ROCE” (3 years)	775,908	520,200	163,908	91,800	761,600
LTI “organic revenue growth” (3 years)	867,190	581,400	183,190	102,600	851,200
LTI “share price” (4 years)	248,091	142,800	67,491	37,800	627,200
LTI "other"	252,000	252,000	0	0	252,000
Share-based subscription rights (5 years)	0	0	0	0	0
Total	**2,143,189**	**1,496,400**	**414,589**	**232,200**	**2,492,000**
Total remuneration	**5,628,149**	**3,668,400**	**1,190,549**	**769,200**	**6,873,600**

Benefits granted for 2016 (2015), in EUR					
	2016 minimal achievable value				**2016 maximum achievable value**
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total
Fixed remuneration	2,240.000	1,300,000	540,000	400,000	2,240,000
Fringe benefits	411,000	382,000	17,000	12,000	411,000
Total	**2,651,000**	**1,682,000**	**557,000**	**412,000**	**2,651,000**
One-year variable compensation (target reached in full)	**0**	**0**	**0**	**0**	**833,960**
Multi-year variable remuneration (amount based on a probability scenario)					
LTI “ROCE” (3 years)	0	0	0	0	775,908
LTI “organic revenue growth” (3 years)	0	0	0	0	867,190
LTI “share price” (4 years)	0	0	0	0	638,982
LTI "other"	0	0	0	0	252,000
Share-based subscription rights (5 years)	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**2,534,080**
Total remuneration	**2,651,000**	**1,682,000**	**557,000**	**412,000**	**6,019,040**

Post-employment benefits for members of the board of management

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

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

Severance payment
If the employment contracts of the members of the board of management are not extended, they are entitled to fixed remuneration pro rata temporis for a further four months as a severance payment.

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

Remuneration of the supervisory board
Pursuant to Art. 15 of the articles of incorporation and bylaws, the remuneration of Ströer SE & Co. KGaA's supervisory board is approved by the shareholder meeting and the general partner. The members of the supervisory board of Ströer SE & Co. KGaA currently receive an attendance fee of EUR 200.00 per meeting plus out-of-pocket expenses.

Pursuant to Art. 14 of its articles of incorporation and bylaws, the remuneration of the members of the supervisory board of the general partner, Ströer Management SE, is approved by shareholder meeting of Ströer Management SE. The members of the supervisory board of Ströer Management SE receive fixed basic remuneration, attendance fees and out-of-pocket expenses. Remuneration of the supervisory board of Ströer Management SE was charged on to Ströer SE & Co. KGaA in line with Art. 9 of the articles of incorporation and bylaws of Ströer SE & Co. KGaA.

Total remuneration (excluding any VAT) of the supervisory board of Ströer SE & Co. KGaA for fiscal year 2016 including the allocations charged on to Ströer SE & Co. KGaA by Ströer Management SE is presented in the table below (in EUR):

In EUR	Fixed remuneration	Attendance fee per meeting	Total
Christoph Vilanek	60,000.00	3,500.00	63,500.00
Ulrich Voigt	40,000.00	3,500.00	43.500.00
Dirk Ströer	33,333.00	3,500.00	36,833.00
Vicente Vento Bosch	28,396.00	2,900.00	31,296.00
Martin Diederichs	20,833.00	2,700.00	23,533.00
Michael Hagspihl	20,833.00	2,000.00	22,833.00
Julia Flemmerer	0.00	600.00	600.00
Anette Bronder	0.00	400.00	400.00
Total	203,395.00	19,100.00	222,495.00

OPPORTUNITIES AND RISKS

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

The Ströer Group's risk management system forms the basis for the board of management's comprehensive risk assessment. Our risk strategy is not based on the strict avoidance of risks but on ensuring that the business decisions we make are based on careful consideration of the opportunities and risks. At the same time, we aim to identify risks that could jeopardize the Company's ability to continue as a going concern in good time to ensure that we can immediately take action to avoid or limit any such risks. We expect all employees to deal with risks in a responsible manner.

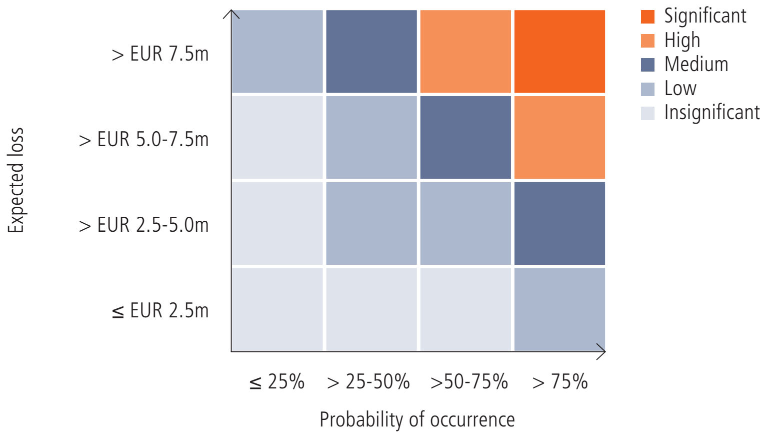
We believe that, as of the publication date of this report, the risks currently identified and described below are manageable. There are no recognizable individual risks that could jeopardize the Company's ability to continue as a going concern. We are also confident that Ströer is in a good strategic and financial position and will take advantage of opportunities that arise. Despite the mixed economic environment in our core markets, the board of management expects market conditions to stabilize overall in the current fiscal year. If a less favorable scenario were to occur, the Ströer Group would be able to react quickly and implement the internal measures needed to adjust its investment and cost budgets.

Opportunity and risk management system

Our Chief Financial Officer is responsible for opportunity and risk management, which is an integral part of corporate governance. Ströer's opportunity management is based on the success factors identified in the corporate strategy. Depending on the goals and strategies of the individual segments, responsibility for opportunity management lies with the segment's operational management in close collaboration with the headquarter offices and the board of management. The ongoing management of opportunities is an integral component of the planning and control process.

Ströer also has a group-wide risk management system that complies with the legal requirements under Sec. 91 (2) AktG ["Aktiengesetz": German Stock Corporation Act]. The consolidated group for risk management purposes is the group of consolidated entities.

The opportunities and risk report covers the identification, assessment, management and monitoring of core risks. These risks include all matters which pose a significant threat to our success factors and have a material effect on our earnings and liquidity situation. They can be assigned to individual risk classes according to their expected loss value (significant, high, medium, low, insignificant), which in turn are linked to various requirements for risk management. The expected loss value is determined as part of a standardized group-wide control process based on the metrics "expected loss to earnings (EBITDA) and/or cash flows" and "probability of occurrence." The following figure shows the scale of both metrics (expected loss and probability of occurrence) and the related risk matrix.



The risk relating to the expected loss value (ELV) is classified as significant, high, medium, low or insignificant based on the expected loss amount together with the probability of occurrence.

A risk officer is appointed for each business unit and is responsible for managing the risk situation in his/her unit (decentralized risk management) and reports to the group risk management department. Each business unit has risk owners for the different risk areas who report to the respective risk officer in their business unit.

In order to ensure close collaboration on operational and financial matters, the group risk management department is part of the controlling unit at the Company's headquarters. It has the requisite methodological and system expertise. It ensures the functionality and efficiency of the early warning system for the detection of risk and informs the board of management and the supervisory board regularly about current risks to which the Group is exposed. The internal risk report is issued regularly and addresses the various causes of the core risks, their probability of occurrence and effects (gross and net assessment). The report also provides information on the changes in risk profiles over time. All risk officers are obligated to report ad hoc on any unexpected risks that are identified outside the scheduled dates for the control process and exceed specific materiality thresholds.

The effectiveness of the risk management system is reviewed at regular intervals and improved when necessary. As part of the audit of the financial statements, the external auditors also regularly evaluate whether the risk management system is suitable for promptly identifying risks that could jeopardize the Company's ability to continue as a going concern. They report the results to the board of management and supervisory board.

Internal control system

The accounting-related internal control and risk management system is an important part of the Ströer Group's risk management. We understand the internal control and risk management system to be a holistic unit and refer to the definitions of the Institute of Public Auditors in Germany, Dusseldorf [Institut der Wirtschaftsprüfer in Deutschland e.V.": IDW] with regard to the accounting-related internal control system (ICS) and the risk management system. According to the definition, an internal control system comprises the policies, procedures and measures installed by management which are aimed at implementing management's decisions in order to ensure the effectiveness and efficiency of operations, correct and reliable internal and external financial reporting, and compliance with legal provisions relevant to the Ströer Group. Furthermore, the internal control system aims to help the reporting convey a true and fair view of the net assets, financial position and results of operations of the Ströer Group.

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

- The Chief Financial Officer is responsible for the internal control and risk management system with regard to the group financial reporting process.
- All entities included in the consolidated financial statements are integrated in this system by way of a defined management and reporting organization.
- The policies, structures and procedures and the processes of the Group's accounting-related internal control and risk management system are defined, communicated and implemented for the entire Group.

We consider those elements of the internal control and risk management system which could have a considerable impact on the Group's financial reporting process and the overall picture conveyed by the consolidated financial statements and combined management report to be significant. Those elements include:

- Identification of the significant risk fields and control areas,
- monitoring of the financial reporting process at the level of the Group and the consolidated entities,
- preventative control measures in the finance and accounting functions of the Group and the entities included in the consolidated financial statements,

- measures to ensure that group financial reporting issues and data are processed using appropriate IT systems,
- defined channels for communicating changes in processes and controls promptly and in full.

In addition, we also focus on monitoring the effectiveness of the internal control system, which goes beyond the Group's financial reporting, allowing us to comply with the requirements of the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act].

Internal audit system

In addition, we reviewed the effectiveness of the internal control and risk management system on a sample basis during the fiscal year in the course of several internal audit projects. The findings of these audits are presented to the board of management and the audit committee of the supervisory board. Any improvement measures resulting from internal audits are monitored systematically.

Risk situation

Taking all identified opportunities and risks into account, the following section describes the areas that, from today's perspective, could have a significant positive or negative effect on the net assets, financial position and results of operations in the forecast period. The following risks are classified according to their expected loss value based on the above evaluation of the expected loss value in terms of the expected EBITDA and/or cash flows and probability of occurrence, once countermeasures have been taken (e.g., "ELV: medium").

Market risks (ELV: low)
Macroeconomic developments could prove to be worse than assumed in the forecast due to political uncertainty or recent financial market turbulence, among other factors. As the advertising market is dependent on the economic environment, this represents a risk for all segments of the Ströer Group that, if it were to occur, could mean that the Group does not achieve its revenue and earnings targets.

We see particular economic risks for the Turkish advertising market but expect to see the market pick up slightly overall after an extremely difficult 2016. Ongoing domestic political uncertainties and geopolitical issues concerning Kurdish areas and Turkey's southern borders to Syria and Iraq may also have a negative impact again in 2017.

In the area of procurement, significant deviations from targets could result in particular from the loss of concessions for out-of-home advertising or large publisher contracts in the digital segment. Adverse effects could also arise from delays in the approval process, an increase in the cost of obtaining the required building approval and the rejection of attractive locations by the approval authorities. In the online media segment, there is the risk that websites in our portfolio attract less user interest than expected due to rival offerings, among other things. Fewer than anticipated unique visitors, unique users or ad impressions could adversely affect revenue from reach-based advertising. We consider these risks to be perfectly normal business risks, however, which are very limited thanks to our highly diverse portfolio in the out-of-home and digital segments.

Procurement risks, particularly in out-of-home media can also arise from potential increases in the prices of primary products and energy or from price volatility. Other conceivable risks include the loss of key suppliers and problems with the quality of delivered products. To limit these risks, we use cross-product standardization of components and a multi-source procurement strategy.

With regard to commercialization, deviations from targets in the individual segments could arise through potential losses in income from orders placed by major advertisers or agencies, the loss of customers in intra and intermedia competition or reduced margins as a result of higher discounting in the media industry. In this connection, we regularly review our sales activities and take appropriate measures to counter the pressure for discounts.

In addition to the establishment of the content-based business models centered around Germany's online portal with the largest reach, t-online.de, the Ströer Group drove forward its diversification strategy in the digital segment. The Group's aim is to diversify its advertising-heavy revenue streams to include other revenue types in the area of subscription-based business models and e-commerce activities through to digital sales of own products. This will enable the Group to mitigate general market risks in the commercialization of advertising.

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

The increased use of ad blockers is also posing an ongoing risk to online advertising. We are countering the risk for our online marketing activities using various measures. On the one hand, we are investing in technology designed to circumvent these ad blockers. Secondly, our website portfolio is on average less affected by ad blocking technology due in part to the user structures. Thirdly, we are increasingly offering native ad products which are not affected by ad blockers.

Political and legal risks (ELV: low)
The ongoing discussion on data protection in politics and society at large presents a risk for our digital business activities, for which data processing is a key element. Uncertainty here stems for example from the impacts of the EU General Data Protection Regulation which was adopted in the fiscal year. Central conditions, e.g., for cookie identifiers or similar technologies, have remained unclear or have not yet been redefined. Even though such legal changes only affect individual business models in our portfolio and we mainly use large volumes of data anonymously, we are working on technological measures aimed at limiting the risk of any earnings losses.

In addition, there is a risk from an increase in the scope of advertising bans as has been repeatedly called for in political discussions over the past few years, particularly for tobacco advertising. We are addressing this risk with different communications measures. We do not expect such a ban to enter into force in the next few years. By significantly reducing our dependency on individual advertising customers and industries, we have already drastically reduced the significance of this risk.

Process risks (ELV: low)
Our business processes and communication are highly dependent on information technology. IT security is therefore a critical factor and must be ensured with regard to data integrity, confidentiality of information, authenticity and availability. A disruption or system failure could result in a loss of data and have an adverse effect on IT-based business processes. These processes are subject to ongoing improvement measures aimed to reducing these risks.

In our operating process, we focus in particular on potential quality risks to ensure the high quality and best management of our advertising media. The same applies to potential disruptions to the proper handling of quote and proposal preparation, order processing and complaints and receivables management.

Employee risks (ELV: insignificant)
A risk for Ströer is the unwanted turnover of key management personnel if they are not adequately replaced or not replaced in good time by in-house or new staff. We counter personnel risks with a number of established measures such as a performance-based remuneration system, training courses or deputization arrangements. We also strengthened our profile as an innovative and attractive media company by radically expanding our digital segment.

Financial risks (ELV: low)
Ströer's current debt poses a general financing risk. The significance of this risk is dependent on meeting the covenants set out in the loan agreements with the banks as well as duties to provide information and obtain authorization. However, this risk has decreased significantly due to the refinancing carried out at the end of the reporting period with extended and improved conditions as well as the considerable improvement in the operating business.

→ For further information on financial risks, see note 34 in the consolidated financial statements.

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

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

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

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

Other risks (ELV: insignificant)

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

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

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

Opportunities

General economic opportunities arise for us if increases in the net advertising volume in our core markets of Germany and Turkey prove to be higher than in our baseline forecasts. This could be the case if the general economic trend is better than expected and if the shift in advertising budgets towards out-of-home and online advertising is more pronounced than anticipated.

The structural change in the advertising industry that is reflected in particular by the continuing digitization of media offerings could further accelerate the migration of advertising business from print media to digital media in fiscal year 2017. In this context, demand for multi-screen solutions (public video, desktop, mobile) only offered in this form by the Ströer Group could exceed forecasts. Given the continuing megatrends of digitization, urbanization and the increasing mobility of the population, our range of out-of-home and online media products puts us in a good position to offer optimal solutions to our customers. This will give rise to opportunities to gain more market share in intermedia competition than previously forecast.

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

In addition, strategic opportunities arise from the ongoing consolidation pressure in the online advertising market. The Ströer Group's credible positioning as a pioneer in this consolidation trend could lead to further specific opportunities for inorganic growth in the future. The continuing optimization of the Group's online inventory and the further improvement of its technology position could result in positive economies of scale and synergy effects that are not included in baseline forecasts. With our fully integrated business model, we are confident that we can position ourselves even better in competition with the large publisher-based marketers and TV offerings and that we can gain market share.

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

The quality of our portfolio of advertising spaces is a key success factor. Our close partnership with cities and train station operators in the area of out-of-home advertising and with publishers in the online segment could enable us to leverage additional potential at both national and international level. In Germany as well as in Turkey and Poland, the Ströer Group has a prominent position that allows it to actively shape the out-of-home and online advertising markets.

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

FORECAST[1]

Overall assessment by the board of management on the Group's expected performance in 2017

The media market continues to be shaped by structural change, with ever-increasing digitization and the increased use and personalization of mobile devices also having a significant influence on people's media consumption pattern. Out-of-home media, as a structurally growing medium, is also benefiting from these developments and can be effectively linked to digital media using new technologies. Cross-media advertising campaigns and the use of diverse technologies are the future drivers of interaction between advertisers and mobile consumers.

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

To harness this potential, we plan to further drive forward the expansion of our regional sales organization in Germany in 2017. We will continue to work intensively to safeguard and further expand our marketable portfolio in both the out-of-home and digital segments.

Based on our excellent market position, we again expect significant organic growth in revenue for the entire Ströer Group in 2017. We forecast organic revenue growth in the mid to upper single-digit percentage range. We expect consolidated revenue of around EUR 1.3b and operational EBITDA of more than EUR 320m. We anticipate net income (adjusted) in excess of EUR 175m. Notwithstanding M&A transactions, we will also strive to further noticeably reduce the Ströer Group's leverage ratio (net debt to operational EBITDA). Factoring in investment requirements for the coming year, we anticipate (without M&A transactions) a free cash flow of around EUR 145m. We expect our return on capital employed (ROCE) to remain stable in 2017.

Forward-looking statements

Our forward-looking statements for future business development reflect only the significant factors that were known at the time the financial statements were prepared and that could influence our activities in 2017. Based on past experience, the Ströer Group's revenue and earnings development is dependent on economic developments in our markets and developments in the relevant advertising markets. Revenue development is also influenced by the country-specific market share of digital and out-of-home media as a percentage of the overall advertising market. However, it is not possible to directly forecast revenue on the basis of these macroeconomic or industry-specific parameters, as the correlations between these parameters and revenue can vary considerably from year to year. In addition, conditions can change during the course of the year, which can result in significant deviations between the actual and forecast development of revenue and earnings.

The booking behavior of advertising customers throughout the advertising industry is characterized by extremely short and increasingly shorter booking lead times. This is true for out-of-home marketing and, in particular, digital marketing, where campaigns can be booked at even shorter notice for technical reasons. The expansion of RTB platforms, which enable transactions to be processed in real time, has played a major role in this development. Short booking lead times restrict our ability to forecast revenue and therefore earnings development.

In addition, it should be noted that for the outlook on consolidated profit, it is almost impossible to forecast the development of the relevant external market parameters, such as yield curves and exchange rates. Uncertainties in the forecasting of these parameters can also impact non-cash items in the financial result. The last derivatives used to hedge these uncertainties expired in January 2015. There are currently no plans to utilize new hedging instruments. In this forecast, we expect the parameters to generally remain largely unchanged compared with the end of the reporting period.

1 Comparisons with the forecast values for the next year are generally based on the actual 2016 values.

Future macroeconomic conditions

The German economy has proven to be very robust over the past few years. The German Federal Government is forecasting growth of 1.4%[2] for 2017 at a level similar to the prior year. A potential marginal rise in the price of oil and a slight increase in interest rates will thus only have a limited effect on the real economy. Germany, as an export nation, is expected to benefit particularly from the economic recovery of the emerging markets.

Although Turkey developed at a slower pace than predicted in long-term forecasts, the Turkish government and the OECD expect robust GDP growth of 3.3% in 2017.[3] Uncertainty may arise, however, in connection with the development of the internal political situation and due to the exchange rate volatility of the Turkish lira against the US dollar and the euro.

Future industry performance

Development of the German advertising market
According to ZenithOptimedia, the advertising market grew by 3.1% in Germany. Growth of 2.6% is forecast for 2017.[4] These positive forecasts for 2017 are consistent with the results of a survey conducted by the German Advertisers Association ["Organisation Werbungtreibende im Markenverband": OWM]. Owing to the stable economic outlook, advertising companies are cautiously optimistic about 2017. In the German Advertisers Association's survey, 50% of advertisers said that they expect advertising revenue to rise, just under half expect revenue to remain stable and only 8% expect a decline.[5]

Established studies forecast a slightly stronger rise in advertising revenue in the out-of-home segment compared with the advertising market as a whole. According to PwC, advertising revenue will grow at a rate of 3.0% in 2017.[6] ZenithOptimedia forecasts slightly higher growth of 3.7%.[7] The main growth drivers are likely to be digital advertising media, which PwC expects to grow by an average rate of 18% in the coming five years.[8] In addition, the increased flexibility and regionalization of advertising formats as well as society's increasing level of mobility will bolster the positive development of out-of-home advertising. New technological innovations, such as iBeacons and near field communication (NFC), are opening up new successful potential uses for out-of-home media by combining these with other forms of advertising and new formats that enable interaction between advertisers and consumers via their smartphones. Based on the positive market outlook on the whole, we expect revenue growth in the mid single-digit percentage range in the out-of-home segment.

The overall positive development in the online advertising market in 2016 is also expected to continue in 2017. Improved advertising efficiency through more precise targeting and performance-based offerings provides sustainable opportunities for growth. ZenithOptimedia and PwC predict growth in online advertising revenue of 8.2% and 6.4%, respectively, for 2017.[9] PwC expects growth in the stationary online advertising market to gradually slow down in light of the increasing maturity of the market. Average growth of 5.4% is expected until 2020. Mobile online advertising offers greater growth potential. PwC expects this area to grow by an average of 16.1% by 2020.[10] This growth will be driven by the increasing penetration of internet-enabled mobile devices (smartphones and tablets) and the associated shift in media usage. We agree with these market assessments. Based on our excellent market position in the display, video and mobile advertising segments, we expect to gain further market share in these areas.

Development of the Turkish advertising market
Revenue development in the advertising market in Turkey also depends largely on the prevailing economic conditions. In this context, the Turkish advertising market is expected to recover

2 Source: Economic forecasts of the German Federal Government Autumn economic forecasts 2016
3 Source: OECD real GDP forecasts summary, Turkey, November 2016
4 Source: ZenithOptimedia Advertising Expenditure Forecast, December 2016
5 Source: Organisation Werbungtreibende im Markenverband (OWM), November 2016
6 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2015-2020
7 Source: ZenithOptimedia Advertising Expenditure Forecast, December 2016
8 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2015-2020
9 Source: ZenithOptimedia Advertising Expenditure Forecast, December 2015
10 Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2015-2020

slightly in 2017 despite ongoing political tension. Following slow growth of only 3.5% in 2016, ZenithOptimedia expects the overall advertising market to grow by around 7% in 2017.

Anticipated revenue and earnings development

Ströer Group

We expect the Ströer Group to record organic consolidated revenue growth in the mid to upper single-digit percentage range in 2017. As well as strong growth impulses in the Ströer Digital segment, this will be driven by robust growth in the OOH Germany segment. We further combined public video infrastructure (digital out-of-home displays) with various online assets in both the desktop and the mobile sectors in the fiscal year. Customer feedback on this novel product combination in the moving-picture sector has been remarkably positive. We also enhanced our digital portfolio with numerous acquisitions, in particular with digital commerce and subscription-based business models. In terms of marketing product innovations and the associated growth of digital media in 2017, we expect digital revenue as a percentage of consolidated revenue to increase to up to 50%.

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

We expect a slight volume and acquisition-related increase in direct advertising media costs in 2017. The increase is expected to be slightly higher than the increase in organic revenue. We also expect an increase in overheads for the Group as a whole, which will be higher than the increase in organic revenue. The planned cost increases – together with strict cost management – relate primarily to the large number of newly consolidated entities. In addition, inflation-related salary and other cost adjustments, the strengthening of regional sales structures in Germany and the significant increase in business volume in the Group will result in higher selling and administrative expenses.

Based on the anticipated increase in business volume combined with a moderate rise in costs, we expect – provided there are no negative exchange rate effects – an increase in operational EBITDA to more than EUR 320m in 2017. Overall, we expect the Group's operational EBITDA margin to remain stable year on year in 2017. Notwithstanding significant M&A transactions, the Group's finance costs are expected to be slightly less year on year in 2017. Thanks to tax-efficient structures, we expect an effective tax rate of around 15% to 20%. In view of the higher anticipated consolidated profit, we expect a further marked rise in earnings per share over the course of 2017.

Ströer Digital segment
The Ströer Digital segment is benefiting greatly from strong growth in the online advertising market, particularly in Germany. According to figures published by AGOF, Ströer Digital was the number one online marketer in Germany with 45 million unique users per month.[11] This ranking should further raise Ströer Digital's profile among customers and publishers, which will again improve our reputation as an advertising and marketing partner in 2017.

We are anticipating further marketing success in 2017 from the linking of OOH and digital offerings, with personal (desktop, tablets, smartphones) and public screens (out-of-home displays) being increasingly integrated in our unique multi-screen products.

In the area of performance-based digital products, technological advancement is playing an ever greater role in business expansion. Thus, besides the success of our performance publishing, we expect search engine optimization (SEO) to also stimulate revenue in digital business.

Based on the above initiatives and revenue synergies between acquired operations, we expect organic revenue growth of around 10% in 2017. We expect this revenue growth to be driven by higher expenditure in the high-demand mobile and video segments as well as the newly established product segment Transactional.

Besides harnessing cost synergies in the area of marketing, we expect further investments, in particular in our existing Transactional product segment. On the back of investments in sustainable growth, we expect the operational EBITDA margin to be stable year on year in 2017.

OOH Germany segment
In Germany we are optimistic about 2017. The economic outlook and consumer sentiment are generally positive. We believe that the advertising sector will also benefit from this general mood, although there is no way to reliably predict the availability and distribution of actual advertising budgets or the development of discounts. Among other things, this is because of radical changes in the media landscape and the increasing diversity of advertising offerings, especially in digital media channels, and the growing importance of social networks for the advertising industry. In this market environment, we are carving out a position for ourselves with a portfolio of attractive out-of-home and digital media that is unrivaled in Germany.

In the OOH Germany segment, we expect organic revenue growth in the mid single-digit percentage range, which will be slightly higher than the market growth of 3.7%[12] predicted by ZenithOptimedia in the out-of-home advertising segment.

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

In Germany, we expect the operational EBITDA margin to remain stable year on year in 2017.

OOH International segment
The OOH International segment comprises our operating activities in Turkey and Poland as well as BlowUP media. In Turkey, a further increase in domestic and geopolitical instability could still negatively impact the economic environment, however, this is not assumed in our forecasts. We are seeing a relatively stable market environment in Poland despite challenging conditions. Overall, organic revenue growth is not expected to exceed the low single-digit percentage range in the OOH International segment.

Assuming exchange rates remain constant, operational EBITDA is expected to improve slightly in 2017 on the back of the projected slight increase in revenue and ongoing targeted cost management.

11 Extrapolation of marketer rankings following the merger of the offerings of Ströer Digital, InteractiveMedia and OMS based on the AGOF ranking digital facts 08-2015.

12 ZenithOptimedia Advertising Expenditure Forecast, December 2016

Planned investments

Our investments in the forecast period will focus primarily on the installation and exchange of out-of-home advertising media due mainly to the extension or acquisition of public advertising concessions and investments in the further digitization of our out-of-home media. Furthermore, we are planning to convert more lighting systems to LED technology in order to further reduce the energy consumption of our advertising media and also plan to invest in special technology. With regard to our digital operations, we are channeling investments into our IT infrastructure (including the development and expansion of our internally developed ad server) and the creation of internally developed intangible assets such as, in particular, software and data management platforms. We are also investing in the renewal and expansion of our public video inventory.

With regard to the OOH International segment, investments in portfolio improvements and the performance of municipal contracts will remain on a similar level to 2016 in 2017. Due to the demand for large-format digital advertising media, BlowUP media plans to continue to pursue its digital strategy and to install further digital advertising media at selected, highly frequented locations in European cities. At group level we remain committed to further developing our IT landscape.

In the Ströer Group, we anticipate the volume of total investments – excluding M&A activities – to amount to around EUR 100m in fiscal year 2017. As a considerable proportion of these investments are not backed by binding investment commitments, we can significantly scale back investments if this is necessitated by market developments or the Company's situation.

With regard to investments for M&A, the nature of such processes prevents us from making any forecast. We are constantly looking for suitable acquisition opportunities with a view to sustainably increasing the value of the Company. At present, possible options include further consolidation steps in the digital segment and strategic fill-in acquisitions in the out-of-home segment. In existing business areas, we regularly review various strategic options, which may include M&A strategies.

Expected financial position

As a result of the further year-on-year increase in the Ströer Group's results of operations, we also anticipate a further improvement in the Group's financial position. Specifically, the improved results of operations should lead to higher cash flows from operating activities. In view of this and based on our planned investments in 2017, we forecast free cash flow before M&A transactions of around EUR 145m.

Our return on capital employed (ROCE) should stay stable in 2017.

The Ströer Group's current credit financing is secured until the end of 2021. During the course of the new refinancing, we were able to further improve our borrowing terms. The covenants are designed to provide sufficient headroom even during economic and seasonal fluctuations. The leverage ratio of 1.2 at the end of the reporting period means that we are well below our target range of between 2.0 and 2.5. We are also expecting to improve on this slightly, notwithstanding further acquisitions.

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

SUBSEQUENT EVENTS

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

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

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

Composition of subscribed capital

On 2 November 2015, Ströer SE & Co. KGaA's capital stock was increased by EUR 6,412,715.00 from EUR 48,869,784.00 to EUR 55,282,499.00 due to the utilization of the authorized capital. There were no further adjustments in fiscal year 2016. Capital stock is divided into 55,282,499 bearer shares of no par value. Each share has a nominal value of EUR 1 in the capital stock.

Restrictions concerning voting rights or the transfer of shares

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

Investments in capital exceeding 10% of voting rights

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

Udo Müller holds 21.70% and Dirk Ströer 21.80% of total stock. Both shareholders are resident in Germany. Furthermore, Deutsche Telekom AG, Bonn, also holds a total of 11.60% of the shares in Ströer SE & Co. KGaA. The board of management has not received any notification as required by the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] of other investments which exceed 10% of the voting rights.

Special rights granting control authority

There are no shares with special rights granting control authority.

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

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

Authorization of the general partner to issue or reacquire shares

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

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

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

The Company's capital stock will be subject to a conditional increase by a maximum of EUR 11,056,400.00 by issuing a maximum of 11,056,400 new bearer shares of no par value (conditional capital 2016). The purpose of the conditional capital increase is to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are being issued by the Company or an investee in return for cash contributions as a result of the authorization granted by the shareholder meeting of 23 June 2016 based on item 12 of the agenda. New bearer shares of no par value are issued at a particular conversion or option price determined by the abovementioned authorization resolution. Conditional capital is only to be increased to the extent that conversion or option rights are exercised or owners/creditors who are obliged to do so fulfill their obligation to exercise their conversion rights and provided that a cash settlement is not granted or use is not made of own equity instruments or of new shares issued from approved capital. The new bearer shares of no par value participate in profit from the beginning of the fiscal year in which they result through the exercise of options or conversion rights or the fulfillment of conversion obligations. The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase.

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

Facility agreement / Note loan

A facility agreement is in place between Ströer SE & Co. KGaA and a syndicate of various banks and credit institutions. The syndicate granted the Company a credit line of EUR 600m. This facility agreement concluded in fiscal year 2016 replaced the previous agreement dating from 2014. Furthermore, Ströer SE & Co. KGaA placed a note loan with a volume of EUR 170m on the capital market in 2016.

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

Put Option

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

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

In EUR k	Note	2016	2015[1)]
Revenue	(9)	1,123,257	823,706
Cost of sales	(10)	–753,916	–562,634
Gross profit		**369,341**	**261,072**
Selling expenses	(11)	–156,937	–107,435
Administrative expenses	(12)	–124,816	–94,528
Other operating income	(13)	34,884	23,856
Other operating expenses	(14)	–34,424	–10,604
Share in profit or loss of equity method investees	(5)	4,711	4,451
Financial result	(15)	–10,011	–9,339
Profit before taxes		**82,748**	**67,471**
Income taxes	(16)	–10,800	–8,638
Post-tax profit		**71,949**	**58,832**
Consolidated profit or loss for the period		**71,949**	**58,832**
Thereof attributable to:			
Owners of the parent		70,089	57,687
Non-controlling interests		1,860	1,145
		71,949	**58,832**
Earnings per share (EUR, basic)		**1.27**	**1.18**
Earnings per share (EUR, diluted)		**1.23**	**1.12**

[1)] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In EUR k	Note	2016	2015[1)]
Consolidated profit or loss for the period		**71,949**	**58,832**
Other comprehensive income			
Amounts that will not be reclassified to profit or loss in future periods			
Actuarial gains and losses	(27)	–1,850	1,258
Income taxes	(16)	565	–360
		–1,285	**898**
Amounts that could be reclassified to profit or loss in future periods			
Exchange differences on translating foreign operations	(8)	–17,020	–14,028
Income taxes	(16)	325	479
		–16,695	**–13,549**
Other comprehensive income, net of income taxes		**–17,980**	**–12,651**
Total comprehensive income, net of income taxes		**53,969**	**46,181**
Thereof attributable to:			
Owners of the parent		53,192	46,064
Non-controlling interests		777	117
		53,969	**46,181**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in EUR k)	Note	2016	2015 [1]
Non-current assets			
Intangible assets	(19)	1,144,421	975,399
Property, plant and equipment	(20)	230,771	201,210
Investment in equity method investees	(5)	26,465	25,267
Financial assets		578	136
Trade receivables	(21)	38	62
Other financial assets	(22)	5,150	2,133
Other non-financial assets	(22)	17,019	10,772
Income tax assets		0	257
Deferred tax assets	(16)	16,620	13,229
Total non-current assets		**1,441,062**	**1,228,464**
Current assets			
Inventories	(23)	16,948	2,709
Trade receivables	(21)	135,849	119,551
Other financial assets	(22)	8,564	29,737
Other non-financial assets	(22)	52,243	27,593
Income tax assets		6,045	5,594
Cash	(24)	64,154	56,503
Total current assets		**283,803**	**241,688**
Non-current assets held for sale	(25)	0	1,398
Total assets		**1,724,865**	**1,471,550**

[1] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2015.

Equity and liabilities (in EUR k)	Note	2016	2015 [1]
Equity	(26)		
Subscribed capital		55,282	55,282
Capital reserves		723,720	721,240
Retained earnings		-67,664	-53,682
Accumulated other comprehensive income		-74,494	-58,775
		636,843	**664,065**
Non-controlling interests		22,840	15,827
Total equity		**659,683**	**679,892**
Non-current liabilities			
Provisions for pensions and other obligations	(27)	39,249	36,740
Other provisions	(28)	25,443	18,860
Financial liabilities	(29)	455,125	302,698
Deferred tax liabilities	(16)	71,339	75,506
Total non-current liabilities		**591,157**	**433,804**
Current liabilities			
Other provisions	(28)	53,293	37,466
Financial liabilities	(29)	62,905	48,290
Trade payables	(30)	223,055	180,393
Other liabilities	(31)	98,426	71,258
Income tax liabilities		36,346	20,446
Total current liabilities		**474,025**	**357,853**
Total equity and liabilities		**1,724,865**	**1,471,550**

CONSOLIDATED STATEMENT OF CASH FLOWS

In EUR k	Note	2016	2015 [1]
Cash flows from operating activities			
Profit or loss for the period		71,949	58,832
Expenses (+) / income (-) from the financial and tax result		20,811	17,978
Amortization, depreciation and impairment losses (+) on non-current assets		161,221	111,799
Share in profit or loss of equity method investees		–4,711	–4,451
Cash received from profit distributions of equity method investees		3,543	3,115
Interest paid (-)		–7,293	–8,374
Interest received (+)		54	67
Income taxes paid (-) / received (+)		–11,231	–5,924
Increase (+) / decrease (-) in provisions		11,278	–510
Other non-cash expenses (+) / income (-)		–18,303	–3,796
Gain (-) / loss (+) on the disposal of non-current assets		–759	1,003
Increase (-) / decrease (+) in inventories, trade receivables and other assets		5,686	–1,320
Increase (+) / decrease (-) in trade payables and other liabilities		4,092	21,905
Cash flows from operating activities		**236,339**	**190,324**
Cash flows from investing activities			
Cash received (+) from the disposal of intangible assets and property, plant and equipment		3,436	2,298
Cash paid (-) for investments in intangible assets and property, plant and equipment		–101,258	–76,268
Cash paid (-) for investments in equity method investees		–1,323	–222
Cash received (+) from / paid (-) for the acquisition of consolidated entities [2]	(6)	–138,874	–23,735
Cash flows from investing activities		**–238,019**	**–97,927**

[1] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2015.
[2] The payments for fiscal year 2016 include EUR 3,121k which represent a purchase price adjustment for a prior-year acquisition and had no profit or loss effect.

In EUR k	2016	2015[1)]
Cash flows from financing activities		
Cash paid (-) to (non-controlling) interests (incl. dividends)	–48,299	–26,932
Cash received (+) from borrowings	297,701	0
Cash paid (-) to obtain and modify borrowings	–2,623	–914
Cash repayments (-) of borrowings	–237,447	–54,120
Cash flows from financing activities	**9,332**	**–81,966**
Cash at the end of the period		
Change in cash	7,651	10,432
Cash at the beginning of the period	56,503	46,071
Cash at the end of the period	**64,154**	**56,503**
Composition of cash		
Cash	64,154	56,503
Cash at the end of the period	**64,154**	**56,503**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EUR k	Subscribed capital
1.1.2015	**48,870**
Consolidated profit or loss for the period	0
Other comprehensive income	0
Total comprehensive income	0
Change in basis of consolidation	0
Capital increase by way of non-cash contribution	6,413
Share-based payment	0
Effects from changes in ownership interests in subsidiaries without loss of control	0
Liabilities from the obligation to purchase own equity instruments	0
Dividends	0
31.12.2015 / 1.1.2016[1)]	**55,282**
Consolidated profit or loss for the period	0
Other comprehensive income	0
Total comprehensive income	0
Change in basis of consolidation	0
Capital increase by way of non-cash contribution	0
Share-based payment	0
Effects from changes in ownership interests in subsidiaries without loss of control	0
Liabilities from the obligation to purchase own equity instruments	0
Dividends	0
31.12.2016	**55,282**

[1)] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2015.

Capital reserves	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total Equity
		Exchange differences on translating foreign operations			
348,094	**–50,515**	**–46,281**	**300,168**	**20,578**	**320,746**
0	57,687	0	57,687	1,145	58,832
0	870	–12,493	–11,623	–1,028	–12,651
0	58,557	–12,493	46,064	117	46,181
0	0	0	0	6,322	6,322
371,745	0	0	378,158	0	378,158
1,400	0	0	1,400	0	1,400
0	29	0	29	–16,951	–16,922
0	–42,206	0	–42,206	6,918	–35,288
0	–19,548	0	–19,548	–1,156	–20,704
721,240	**–53,682**	**–58,775**	**664,065**	**15,827**	**679,892**
0	70,089	0	70,089	1,860	71,949
0	–1,177	–15,719	–16,896	–1,083	–17,980
0	68,912	–15,719	53,193	777	53,969
0	0	0	0	23,600	23,600
0	0	0	0	0	0
2,480	0	0	2,480	0	2,480
0	–7,537	0	–7,537	7,523	–14
0	–36,659	0	–36,659	–22,135	–58,794
0	–38,698	0	–38,698	–2,752	–41,450
723,720	**–67,664**	**–74,494**	**636,843**	**22,840**	**659,683**

Basis of the consolidated financial statements

1 General

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne, is a listed corporation. The Company has its registered office at Ströer Allee 1, 50999 Cologne. It is entered in the Cologne commercial register under HRB no. 86922.

The purpose of Ströer SE & Co. KGaA and the entities included in the consolidated financial statements (the Ströer Group or the Group) is the provision of services in the areas of media, advertising, commercialization and communication, in particular, but not limited to, the commercialization of out-of-home media and online advertising. The Group markets all forms of out-of-home media, from traditional large formats and transport media through to digital media.

The consolidated financial statements of Ströer SE & Co. KGaA for fiscal year 2016 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 2016 to 31 December 2016. The board of management of Ströer SE & Co. KGaA approved the consolidated financial statements on 14 March 2017 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 27 and 28 for further details. The expected restoration costs are determined on the basis of service specifications and restoration probabilities over the estimated contractual term of the advertising concessions. The restoration probabilities vary according to the type of the underlying advertising concessions (private vs. municipal concessions). For information on the estimated contractual terms, see note 3, "Significant accounting policies." Due to the fact that provisions are calculated for a large number of different advertising concessions, it would not be meaningful to provide information on sensitivity to significant factors here.

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 large formats, street furniture and transport product groups, the commercialization of online advertising (display and video) as well as subscription and e-commerce business (transactional).

Revenue is recognized when the commercialization is rendered. In relation to out-of-home media, this corresponds to the date on which the advertising is displayed. With regard to the commercialization of online advertising, revenue is recognized when the advertising reaches the advertising customer. It 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.

Subscription revenue is recognized pro rata temporis on the basis of the periods agreed in the subscription agreement.

Revenue from e-commerce business is recognized when the risks and rewards of ownership of the sold products are transferred to the buyer and Ströer retains neither managerial involvement nor effective control.

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 lease payments 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 (agent). In its digital advertising face business, Ströer usually bears the economic commercialization risk. As a result, such revenue is recognized without deduction of publisher fees (principal).

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 advertising rights is allocated to cost of sales.

Amortization (including amortization on hidden reserves recognized within the scope of purchase price allocations (PPA)) is based on the following useful lives:

Useful life	In years
Advertising concessions awarded by municipalities	1 to 17
Other advertising concessions	1 to 30
Other intangible assets	1 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 (including depreciation on hidden reserves recognized within the scope of purchase price allocations (PPA)) is based on the following useful lives:

Useful life	In years
Buildings	50
Plant and machinery	5 to 13
Advertising media	4 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." Under IFRIC 1, changes in the provisions are added to or deducted from the cost of the asset in question in the current period.

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

Impairment testing
The Ströer Group tests intangible assets and property, plant and equipment 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, 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 transferred 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 when the obligation underlying the liability is discharged, canceled or 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 are in force or have been adopted 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.

Non-current assets and liabilities held for sale
Non-current assets (or a disposal group) are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered through a sale transaction rather than through continuing use.

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 SE & Co. KGaA with the choice of whether to settle in cash or by issuing shares (see the current stock option plan), the Company assumes that it will settle by issuing shares. The fair value is therefore measured at the grant date and is allocated to profit or loss over the vesting period until the claims for share-based payment vest in full and are settled by issuing shares.

Put options
Where Ströer is not a present owner, 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 34.

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 (amortized) cost
Other 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
of which liabilities from business acquisitions	Fair value
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 2016 and are required to be applied in the EU were applied in preparing the consolidated financial statements.

- Improvements to IFRSs (collection of amendments for 2012 to 2014) (effective for fiscal years beginning on or after 1 January 2016)
- IAS 1, "Presentation of Financial Statements" (effective for fiscal years beginning on or after 1 January 2016)

Changes in accounting policies and accounting estimates
There were no changes in accounting policies or accounting estimates in fiscal year 2016.

Standards and pronouncements adopted that have no effect on the Group's financial reporting
The following standards and pronouncements by the IASB became effective or were applied for the first time in fiscal year 2016. The specific nature of the amendments meant that they had no or no significant effect on the Group's financial reporting:

- **IAS 16** – "Property, Plant and Equipment," and **IAS 38** – "Intangible Assets" (these amendments become effective for fiscal years beginning on or after 1 January 2016)
- **IAS 27** – "Separate Financial Statements" (these amendments become effective for fiscal years beginning on or after 1 January 2016)
- **IFRS 11** – "Joint Arrangements" (these amendments become effective for fiscal years beginning on or after 1 January 2016)
- **IFRS 10, IFRS 12, IAS 28** – "Investment Entities – Applying the Consolidation Exception" (these amendments become effective for fiscal years beginning on or after 1 January 2016)

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 July 2014, the IASB issued the fourth and final version of the new **IFRS 9**, "Financial Instruments" on accounting for financial instruments. The new standard provides revised guidance on the classification and measurement of financial assets, including provisions on impairment. The new expected loss model is a significant change and results in the more timely recognition of losses, requiring the recognition of both incurred losses as well as losses expected in future periods. The standard complements the hedge accounting rules published in 2013. The new provisions become effective for fiscal years beginning on or after 1 January 2018, earlier application is permitted. The new standard must be applied retrospectively, however, various exemptions have been granted. It was endorsed by the EU Commission on 22 November 2016. Overall, no significant adjustments to individual items in Ströer's consolidated financial statements are anticipated.

The IASB issued the new **IFRS 15**, "Revenue from Contracts with Customers" in May 2014. IFRS 15 comprehensively redefines the recognition of revenue arising from contracts with customers across different industries. In a five-step model, detailed requirements are set forth on the identification of separate performance obligations, the amount of expected consideration including variable consideration and on the allocation of the transaction price to the identified performance obligations in the contract. Furthermore, there is also a cohesive set of requirements for deciding whether a performance obligation may be satisfied at a point in time or over time. The new standard supersedes the following accounting provisions: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. These amendments become effective for fiscal years beginning on or after 1 January 2018, earlier application is permitted. They were endorsed by the EU Commission on 22 September 2016.

The Company plans to apply the new standard using a modified retrospective approach as of 1 January 2018.

Potential transition issues were identified in an initial analysis of contracts. A shift in the timing of revenue recognition can arise from the identification of an additional performance obligation, a change in an estimate as to whether revenue is recognized at a point in time or over time or with regard to the timing of the transfer of control.

The following could be identified as a separate performance obligation:

- Free advertising time and free posting

Furthermore, under IFRS 15 the amount of revenue over the entire period can deviate from the amount previously recognized. This can arise in the following circumstances:

- Customer subsidies paid in advance, for which an additional financing component may have to be recognized as revenue
- Payments to customers or agencies which may under certain circumstances be recognized as a reduction in a transaction price
- A change in the assessment of principal-agent relationships

We do not currently expect accounting for revenue under IFRS 15 to differ from previous accounting over the period as a whole, nor do we anticipate IFRS 15 to result in any material shifts in the timing of revenue recognition.

Under IFRS 15, incremental costs to obtain a contract must be recognized and amortized over the estimated contractual term. Furthermore, costs incurred after conclusion of the contract must be recognized and amortized over the period in which the services are rendered. IFRS 15 also increases the qualitative and quantitative disclosures in the notes to the financial statements. In a next step, the quantitative effects on the consolidated financial statements will be analyzed in more detail in the first half of 2017 – also in relation to the group entities newly consolidated in 2016.

In January 2016, the IASB issued **IFRS 16,** "Leases." The new standard replaces the previous leases standard (IAS 17) and provides revised guidance on the definition of a lease, the scope as well as lessee or lessor accounting. These amendments become effective for fiscal years beginning on or after 1 January 2019, earlier application is permitted. The amendments have yet to be endorsed by the EU Commission.

On initial application of IFRS 16**,** the Ströer Group expects a significant increase in total equity and liabilities due to the increase in lease liabilities and a comparable rise in non-current assets as a result of the right-of-use assets to be recognized from leases for movable assets and real estate as well as for rental obligations for advertising locations. Net debt will also rise in line with the increase in lease liabilities. In the future, instead of lease expenses, interest expenses and write-downs will be recorded in the income statement which will lead to a significant improvement in EBITDA.

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:

- **IAS 7** – "Statement of Cash Flows" (effective for fiscal years beginning on or after 1 January 2017 (not yet endorsed by the EU Commission))
- **IAS 12** – "Income Taxes" (effective for fiscal years beginning on or after 1 January 2017 (not yet endorsed by the EU Commission))

5 Basis of consolidation

The consolidated financial statements include the financial statements of all entities which Ströer SE & Co. KGaA directly or indirectly controls. In addition to Ströer SE & Co. KGaA, a further 69 German and 32 foreign subsidiaries were consolidated as of 31 December 2016 on the basis of full consolidation and 4 German joint ventures and 6 associates were included in these consolidated financial statements using the equity method.

The Ströer Group owns more than 50% of the shares in every fully consolidated entity, thus controlling each entity in accordance with IFRS 10 by holding the majority of voting rights in the relevant corporate bodies. Apart from the fully consolidated entities, the Ströer Group only holds over 50% of the shares in evidero GmbH, Cologne, and European Web Video Academy GmbH, Düsseldorf. Due to a voting rights agreement at European Web Video Academy GmbH and the three-quarters majority vote required by the articles of incorporation and bylaws of evidero GmbH, however, Ströer does not control these entities in accordance with IFRS 10.

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 % 31.12.2016	31.12.2015
4EVER YOUNG GmbH	Unterföhring	Germany	75	–
Adscale Laboratories Ltd.	Christchurch	New Zealand	100	100
Adselect GmbH	Duisburg	Germany	–	100
AD-Vice sp. z.o.o.	Warsaw	Poland	100	100
Ahuhu GmbH	Unterföhring	Germany	70	–
ApDG Handels- und Dienstleistungs GmbH	Ulm	Germany	100	–
Asam GmbH	Beilngries	Germany	51	–
Asam GmbH & Co. Betriebs-KG	Beilngries	Germany	100	–
ASAMBEAUTY GmbH	Unterföhring	Germany	100	–
B.A.B. Maxiposter Werbetürme GmbH	Hamburg	Germany	100	–
BHI Beauty & Health Investment Group Management GmbH	Unterföhring	Germany	51	–
BB Elements Sp. z.o.o.	Warsaw	Poland	–	100
BlowUP Media Belgium BVBA	Antwerp	Belgium	80	80
BlowUP Media Benelux B.V.*	Amsterdam	Netherlands	100	100
BlowUP Media España S.A.*	Madrid	Spain	100	100
BlowUP Media GmbH*	Cologne	Germany	100	100
BlowUP Media U.K. Ltd.*	London	UK	100	100
Boojum Kft.	Budapest	Hungary	60	–
Business Advertising GmbH	Düsseldorf	Germany	71	50
Conexus AS	Drammen	Norway	55	55
Conexus Norge AS	Drammen	Norway	100	100
Conexus Technology AS	Drammen	Norway	–	100
Content Fleet GmbH	Hamburg	Germany	93	70
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 Rechtegesellschaft mbH	Cologne	Germany	100	100
DSM Werbeträger GmbH & Co. KG	Cologne	Germany	100	100
DSM Zeit und Werbung GmbH	Frankfurt	Germany	100	100
ECE flatmedia GmbH	Hamburg	Germany	75	75
Erdbeerlounge GmbH	Cologne	Germany	100	100
FaceAdNet GmbH	Berlin	Germany	52	52
Fahrgastfernsehen Hamburg GmbH	Hamburg	Germany	100	100
Foodist GmbH	Hamburg	Germany	100	–
GIGA Kino GmbH	Cologne	Germany	–	100
Hamburger Verkehrsmittel-Werbung GmbH	Hamburg	Germany	75	75
iBillBoard Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S.	Istanbul	Turkey	96	96
iBillBoard Poland Sp. z.o.o.	Warsaw	Poland	100	100
INFOSCREEN GmbH	Cologne	Germany	100	100
InnoBeauty GmbH	Unterföhring	Germany	100	–
InteractiveMedia CCSP GmbH	Darmstadt	Germany	94	100
Internet BillBoard a.s.	Ostrava	Czech Republic	90	85

Name	Registered office	Country	Equity interest in % 31.12.2016	Equity interest in % 31.12.2015
INTREN Informatikai Tanácsadó és Szolgáltató Kft.	Budapest	Hungary	51	51
kajomi GmbH	Munich	Germany	51	–
Klassenfreunde.ch GmbH	Alpnach	Switzerland	100	–
Klassträffen Sweden AB	Stockholm	Sweden	100	–
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen	Hamburg	Germany	51	51
Laeringslaben Fou AS	Drammen	Norway	–	100
Linkz Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S.	Istanbul	Turkey	100	100
M. Asam GmbH	Unterföhring	Germany	100	–
MBR Targeting GmbH	Berlin	Germany	100	79
MT Mobile Ticketing GmbH	Berlin	Germany	100	–
MT Mobile Ticketing j.d.o.o.	Zagreb	Croatia	100	–
mYouTime AS	Drammen	Norway	64	64
Nachsendeauftrag DE Online GmbH	Cologne	Germany	60	–
Objektif Kentvizyon Reklam Pazarlama Ticaret Ltd. Sti.	Istanbul	Turkey	–	80
Omnea GmbH	Berlin	Germany	80	80
OMS Vermarktungs GmbH & Co. KG	Düsseldorf	Germany	100	–
OMS Vermarktungs-Beteiligungsgesellschaft mbH	Düsseldorf	Germany	100	–
OnlineFussballManager GmbH	Cologne	Germany	50	50
Pacemaker AOS GmbH	Cologne	Germany	–	93
Permodo GmbH	Munich	Germany	–	100
Permodo GmbH (formerly Permodo International GmbH, Munich)	Munich	Germany	51	51
RegioHelden GmbH	Stuttgart	Germany	90	90
RZV Digital Medya ve Reklam Hizmetleri A.S.	Istanbul	Turkey	100	100
SEM Internet Reklam Hizmetleri ve Danismanlik A.S.	Istanbul	Turkey	100	100
SF Beteiligungs GmbH	Cologne	Germany	75	–
SMD Rechtegesellschaft mbH	Cologne	Germany	100	100
SMD Werbeträger GmbH & Co. KG	Cologne	Germany	100	100
Social Media Interactive GmbH	Munich	Germany	59	–
SRG Rechtegesellschaft mbH	Cologne	Germany	100	100
SRG Werbeträger GmbH & Co. KG	Cologne	Germany	100	100
Statista GmbH	Hamburg	Germany	81	–
Statista Inc.	New York	USA	100	–
Statista Ltd.	London	UK	100	–
StayFriends GmbH	Erlangen	Germany	100	–
Ströer Content Group GmbH*	Cologne	Germany	100	100
Ströer DERG Media GmbH	Kassel	Germany	100	100
Ströer Deutsche Städte Medien GmbH	Cologne	Germany	100	100
Ströer Digital Commerce GmbH*	Cologne	Germany	100	–
Ströer Digital Group GmbH	Cologne	Germany	100	100
Ströer Digital International GmbH*	Cologne	Germany	100	100
Ströer Digital Media GmbH	Hamburg	Germany	100	100
Ströer Digital Operations Sp. z.o.o. (formerly Goldbach Holding Sp. z.o.o., Warsaw, Poland)	Warsaw	Poland	100	–

* Ströer SE & Co. KGaA holds a direct interest in these entities.

Name	Registered office	Country	Equity interest in % 31.12.2016	31.12.2015
Ströer Digital Publishing GmbH (formerly Digital Media Products GmbH, Darmstadt)*	Cologne	Germany	100	100
Ströer Digital Services Sp. z.o.o. (formerly Goldbach Audience Services Sp. z.o.o., Warsaw, Poland)	Warsaw	Poland	100	–
Ströer Entertainment Web GmbH	Cologne	Germany	–	100
Ströer KAW GmbH	Cologne	Germany	100	100
Ströer Kentvizyon Reklam Pazarlama A.S.*	Istanbul	Turkey	90	90
Ströer Kulturmedien GmbH	Cologne	Germany	100	100
STRÖER media brands AG	Berlin	Germany	100	100
Ströer Media Deutschland GmbH*	Cologne	Germany	100	100
Ströer Media Sp. z.o.K.	Warsaw	Poland	100	100
Ströer Media Sp. z.o.o.	Warsaw	Poland	100	100
Ströer Mobile Performance GmbH (formerly KissMyAds GmbH, Cologne)	Cologne	Germany	100	100
Ströer Netherlands B.V.	Amsterdam	Netherlands	100	100
Ströer Netherlands C.V.	Amsterdam	Netherlands	100	100
Ströer Polska Sp. z.o.o.*	Warsaw	Poland	100	100
Ströer Products GmbH (formerly GIGA fixxoo GmbH, Berlin)	Berlin	Germany	75	75
Ströer Sales & Services GmbH	Cologne	Germany	100	100
Ströer Sales Group GmbH*	Cologne	Germany	100	–
Ströer SSP GmbH (formerly adscale GmbH, Munich)	Munich	Germany	100	100
Ströer Venture GmbH*	Cologne	Germany	100	100
Ströer Werbeträgerverwaltungs GmbH	Cologne	Germany	100	100
stylefruits GmbH	Munich	Germany	100	–
T&E Net Services GmbH	Berlin	Germany	60	–
Trombi Acquisition SARL	Paris	France	100	–
TUBE ONE Networks GmbH	Cologne	Germany	75	51
twiago GmbH	Cologne	Germany	51	–
VIP 24 AS	Drammen	Norway	–	100
VITALSANA B.V.	Heerlen	Netherlands	100	–
Webguidez Entertainment GmbH	Berlin	Germany	–	100

* Ströer SE & Co. KGaA holds a direct interest in these entities.

Objektif Kentvizyon Reklam Pazarlama Ticaret Ltd. Sti., Istanbul, Turkey, was sold in the reporting period. No significant purchase price or significant gain on disposal was realized. Laeringslaben Fou AS, Drammen, Norway, was liquidated in the reporting period.

The following entities were acquired by other group entities in intragroup mergers in 2016:

- Adselect GmbH, Duisburg
- BB Elements Sp. z.o.o., Warsaw, Poland
- BHI Beauty & Health Investment Group GmbH & Co. KG, Unterföhring (acquired in 2016)
- Conexus Technology AS, Drammen, Norway
- GIGA Kino GmbH, Cologne
- Permodo GmbH, Munich
- Pacemaker AOS GmbH, Cologne
- SMI Services GmbH, Munich (acquired in 2016)
- Ströer Digital Polska Sp. z.o.o., Warsaw, Poland (acquired in 2016)
- Ströer Entertainment Web GmbH, Cologne
- VIP 24 AS, Drammen, Norway
- Webguidez Entertainment GmbH, Berlin

Subsidiaries with a material non-controlling interest
The table below provides financial information on subsidiaries with a material non-controlling interest and, with respect to parents of a subgroup, on the group of entities comprising the subgroup.

Company / parent of the subgroup	Registered office	Country	Non-controlling interest in %	
			31.12.2016	31.12.2015
BHI Beauty & Health Investment Group Management GmbH (BHI Group (AsamBeauty))	Unterföhring	Germany	49	–
InteractiveMedia CCSP GmbH	Darmstadt	Germany	6	–
Ströer Kentvizyon Reklam Pazarlama A.S.	Istanbul	Turkey	10	10

The following tables present financial information on subsidiaries and groups of entities with a material non-controlling interest from the Group's perspective (**after consolidation** but excluding put options):

In EUR k	**31.12.2016**	31.12.2015
Material non-controlling interests		
BHI Group (AsamBeauty)	14,822	–
InteractiveMedia Group	11,488	–
Ströer Kentvizyon Group	5,861	8,132

In EUR k	**2016**	2015
Profits (+) / losses (-) attributable to material non-controlling interests		
BHI Group (AsamBeauty)	19	–
InteractiveMedia Group	930	–
Ströer Kentvizyon Group	–1,032	–457

The following tables provide summarized financial information on these subsidiaries and groups of entities. All figures are presented **before elimination of intercompany balances, intercompany income and expenses and intercompany profits and losses,** as well as before taking into account any put options for shares held by non-controlling interests**.**

Summarized income statements for fiscal years:

2016

In EUR k	**BHI Group** (AsamBeauty) [1]	**InteractiveMedia Group**	**Ströer Kentvizyon Group**
Revenue	23,518	247,430	74,071
Cost of sales	–14,650	–213,225	–70,606
Selling and administrative expenses	–6,004	–41,617	–10,961
Other operating result	61	934	–953
Financial result	45	–1,074	–3,028
Profit or loss before taxes	**2,970**	**–7,552**	**–11,477**
Income taxes	–2,887	1,075	1,157
Post-tax profit or loss	**82**	**–6,477**	**–10,320**
Total comprehensive income	**82**	**–6,477**	**–10,320**
Thereof attributable to non-controlling interests	40	–376	–1,032
Dividends paid to non-controlling interests	0	365	36

[1] BHI Group (AsamBeauty) since 1 August 2016.

2015

In EUR k	**BHI Group** (AsamBeauty)	**InteractiveMedia Group**	**Ströer Kentvizyon Group**
Revenue	–	–	81,774
Cost of sales	–	–	–75,437
Selling and administrative expenses	–	–	–11,245
Other operating result	–	–	1,424
Financial result	–	–	–2,734
Profit or loss before taxes	–	–	**–6,218**
Income taxes	–	–	1,378
Post-tax profit or loss	–	–	**–4,840**
Total comprehensive income	–	–	**–4,840**
Thereof attributable to non-controlling interests	–	–	–484
Dividends paid to non-controlling interests	–	–	28

Cost of sales for the Ströer Kentvizyon Group in the reporting period included amortization of EUR 6,800k (prior year: EUR 6,560k) on hidden reserves which were recognized for advertising concessions within the scope of the purchase price allocation (PPA) in 2010.

Summarized statements of financial position as of:

31.12.2016

In EUR k	BHI Group (AsamBeauty)	InteractiveMedia Group	Ströer Kentvizyon Group
Current assets	30,791	120,711	29,194
Non-current assets	23,124	269,511	47,567
Current liabilities	19,899	122,943	11,607
Non-current liabilities	3,720	16,426	17,146
Equity	**30,296**	**250,852**	**48,008**
Thereof attributable to:			
Owners of the parent	15,451	236,303	43,207
Non-controlling interests	14,845	14,549	4,801

31.12.2015

In EUR k	BHI Group (AsamBeauty)	InteractiveMedia Group	Ströer Kentvizyon Group
Current assets	–	–	35,956
Non-current assets	–	–	64,982
Current liabilities	–	–	14,707
Non-current liabilities	–	–	19,029
Equity	–	–	**67,202**
Thereof attributable to:			
Owners of the parent	–	–	60,482
Non-controlling interests	–	–	6,720

Summarized statements of cash flows:

31.12.2016

In EUR k	BHI Group (AsamBeauty) [1]	InteractiveMedia Group	Ströer Kentvizyon Group
Operating activities	2,070	24,072	5,946
Investing activities	–327	–17,805	–7,851
Financing activities	–666	–2	448
Total net cash flow	**1,077**	**6,265**	**–1,457**

[1] BHI Group (AsamBeauty) since 1 August 2016.

31.12.2015

In EUR k	BHI Group (AsamBeauty)	InteractiveMedia Group	Ströer Kentvizyon Group
Operating activities	–	–	12,879
Investing activities	–	–	–6,420
Financing activities	–	–	–4,976
Total net cash flow	–	–	**1,483**

Joint ventures

The following joint ventures are engaged in the commercialization of out-of-home media. The Group's investments in these joint ventures are accounted for in these consolidated financial statements using the equity method.

Name	Registered office	Country	Equity interest in %	
			31.12.2016	31.12.2015
DSMDecaux GmbH	Munich	Germany	50	50
mediateam Werbeagentur GmbH / Ströer Media Deutschland 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 tables provide financial information on DSMDecaux GmbH, X-City Marketing Hannover GmbH and the other joint ventures taken from these entities' separate financial statements, which were prepared in accordance with IFRSs, and a reconciliation of this information to the carrying amounts of the investments in these joint ventures:

31.12.2016

In EUR k	DSMDecaux GmbH	X-City Marketing Hannover GmbH	Other joint ventures	**Total**
Current assets	11,686	10,157	1,192	23,035
Non-current assets	7,734	3,841	677	12,252
Current liabilities	3,007	1,549	256	4,812
Non-current liabilities	3,589	218	138	3,945
Equity	**12,824**	**12,231**	**1,475**	**26,530**
Group's share in equity (in %)	50%	50%	50%	50%
Group's share in equity	**6,412**	**6,115**	**737**	**13,264**
Residual carrying amount of the allocated hidden reserves, net of deferred taxes	5,504	33	34	5,571
Goodwill	4,458	1,479	288	6,225
Carrying amount of the investments in equity method investees	**16,374**	**7,627**	**1,059**	**25,060**

31.12.2015

In EUR k	DSMDecaux GmbH	X-City Marketing Hannover GmbH	Other joint ventures	**Total**
Current assets	10,940	8,064	984	19,988
Non-current assets	7,216	3,837	728	11,781
Current liabilities	2,307	1,475	225	4,007
Non-current liabilities	3,334	136	140	3,610
Equity	**12,515**	**10,290**	**1,347**	**24,152**
Group's share in equity (in %)	50%	50%	50%	50%
Group's share in equity	**6,257**	**5,145**	**674**	**12,076**
Residual carrying amount of the allocated hidden reserves, net of deferred taxes	6,305	56	60	6,421
Goodwill	4,458	1,479	288	6,225
Carrying amount of the investments in equity method investees	**17,020**	**6,680**	**1,022**	**24,722**

The shares in equity method investees disclosed in the consolidated statement of financial position include the shares in associates in addition to these shares in joint ventures.

2016

In EUR k	DSMDecaux GmbH	X-City Marke-ting Hannover GmbH	Other joint ventures	**Total**
Revenue	20,483	8,086	1,033	29,602
Cost of sales	–5,269	–3,268	–592	–9,129
Selling and administrative expenses	–1,715	–2,318	–202	–4,235
Other operating result	150	420	11	581
Financial result	–12	1	–1	–12
Profit or loss before taxes	**13,637**	**2,921**	**249**	**16,807**
Income taxes	–4,475	–981	–55	–5,511
Post-tax profit or loss	**9,162**	**1,940**	**194**	**11,296**
Group’s share in profit	**4,581**	**970**	**97**	**5,648**
Amortization / depreciation of hidden reserves	–1,185	–34	0	–1,219
Deferred taxes affecting profit	385	11	0	396
Share in profit or loss of equity method investees	**3,781**	**947**	**97**	**4,825**

2015

In EUR k	DSMDecaux GmbH	X-City Marke-ting Hannover GmbH	Other joint ventures	**Total**
Revenue	20,591	8,030	1,132	29,753
Cost of sales	–5,687	–3,224	–596	–9,507
Selling and administrative expenses	–1,780	–2,338	–179	–4,297
Other operating result	69	477	0	546
Financial result	–22	2	–1	–21
Profit or loss before taxes	**13,171**	**2,947**	**356**	**16,474**
Income taxes	–4,412	–966	–93	–5,471
Post-tax profit or loss	**8,759**	**1,981**	**263**	**11,003**
Group’s share in profit	**4,379**	**990**	**131**	**5,500**
Amortization / depreciation of hidden reserves	–1,185	–34	0	–1,219
Deferred taxes affecting profit	385	11	0	396
Share in profit or loss of equity method investees	**3,579**	**967**	**131**	**4,677**

The shares in profit or loss in equity method investees disclosed in the consolidated income statement include the shares in associates in addition to these shares in joint ventures.

The Group received a dividend of EUR 4,427k from DSMDecaux GmbH in the fiscal year (prior year: EUR 3,908k). Cost of sales and selling and administrative expenses include amortization and depreciation of EUR 878k (prior year: EUR 908k). In the fiscal year and in 2015, there were no contingent liabilities or capital commitments.

The Group did not receive a dividend from X-City Marketing Hannover GmbH in the fiscal year or in 2015. Cost of sales and selling and administrative expenses include amortization and depreciation of EUR 384k (prior year: EUR 405k). In the fiscal year and in 2015, there were no contingent liabilities or capital commitments.

The Group received a dividend of EUR 33k from the other joint ventures in the fiscal year (prior year: EUR 38k). There were no contingent liabilities or capital commitments.

Associates
The following associates are accounted for in the consolidated financial statements using the equity method and are insignificant for the Ströer Group:

Name	Registered office	Country	Equity interest in %	
			31.12.2016	31.12.2015
European Web Video Academy GmbH	Düsseldorf	Germany	50	–
eValue 2nd Fund GmbH*	Berlin	Germany	33	–
evidero GmbH	Cologne	Germany	65	65
Media-Direktservice GmbH	Cologne	Germany	25	–
Instytut Badán Outdooru IBO Sp. z.o.o.	Warsaw	Poland	40	40
OSD Holding Pte. Ltd	Singapore	Singapore	36	36

* Ströer SE & Co. KGaA holds a direct interest in this entity.

6 Significant business combinations

Transactions involving a change in control

Statista GmbH
With effect as of 1/2 February 2016, the Ströer Group acquired a total of 81.3% of the shares in Statista GmbH, Hamburg. Statista GmbH is a leading data and business intelligence portal. It offers its customers a considerable degree of efficiency and extensive cost benefits in sourcing business-relevant information – especially in the form of statistics – on a single platform. The provisional purchase price for the acquired shares comes to around EUR 64.7m. It could increase by a maximum of up to EUR 11.0m in the next three years as a result of contractual adjustment clauses (earn-out arrangements based on revenue). There are also call and put options on the remaining 18.7% of the shares in the company that can be exercised in the coming years, provided that certain contractually defined conditions are met.

The following table shows the consolidated fair values of the assets acquired and liabilities assumed of Statista GmbH and its two subsidiaries at the acquisition date:

In EUR k	Acquisition date carrying amount	Adjustment from the purchase price allocation	Carrying amount in Ströer's consolidated statement of financial position
Intangible assets	309	31,602	31,911
Property, plant and equipment	293		293
Trade receivables	2,424		2,424
Other financial assets	196		196
Other non-financial assets	8,048		8,048
Deferred tax assets	0	3,185	3,185
Cash	2,493		2,493
Other provisions	3,063	3,341	6,404
Financial liabilities	810		810
Deferred tax liabilities	0	10,084	10,084
Trade payables	403		403
Other liabilities	6,900		6,900
Net assets acquired	2,585	21,362	23,948

The carrying amounts of the receivables, financial and other assets acquired are equivalent to their fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

The purchase price allocation has been finalized in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. The identified intangible assets mainly comprise the database including the brand name “Statista” with a fair value of EUR 28.6m and a useful life of 10 years.

The goodwill is based on the positive prospects of generating additional cash flows above and beyond the existing database and brand name by continuing to develop that database and brand name. The goodwill of the entity is allocated to the Digital segment and breaks down as follows:

In EUR k	
Provisional purchase price	64,713
Contractually agreed contingent purchase price payments in subsequent periods	5,995
Non-controlling interests	4,481
Net assets acquired	23,948
Goodwill	51,241

Social Media Interactive GmbH

With effect as of 29 March 2016, Ströer acquired a total of 52.6% of the shares (followed by another 6.2% at a later date) in Social Media Interactive GmbH, Munich. Social Media Interactive GmbH develops and markets online fitness programs for weight reduction under the e-diet brand "BodyChange." The provisional purchase price for the acquired shares comes to around EUR 12.4m. It could increase by a maximum of up to EUR 1.7m in the next two years as a result of contractual adjustment clauses (earn-out arrangements based on EBIT). There are also call and put options on the remaining 41.2% of the shares in the company that can be exercised in the next four years, provided that certain contractually defined conditions are met.

The following table shows the consolidated fair values of the assets acquired and liabilities assumed of Social Media Interactive GmbH and its two subsidiaries at the acquisition date:

In EUR k	Acquisition date carrying amount	Adjustment from the purchase price allocation	Carrying amount in Ströer's consolidated statement of financial position
Intangible assets	400	7,203	7,603
Property, plant and equipment	12		12
Financial assets	13		13
Inventories	502		502
Trade receivables	414		414
Other financial assets	3,025		3,025
Other non-financial assets	727		727
Deferred tax assets	0	113	113
Income tax assets	1		1
Cash	1,021		1,021
Other provisions	354	342	696
Financial liabilities	2,076		2,076
Deferred tax liabilities	0	2,376	2,376
Trade payables	1,232		1,232
Other liabilities	647		647
Net assets acquired	1,805	4,598	6,403

The carrying amounts of the receivables, financial and other assets acquired are equivalent to their fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

The purchase price allocation has been finalized in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. The identified intangible assets mainly comprise the brand "BodyChange" with a fair value of EUR 7.2m and a useful life of 4 years. The goodwill of the entity is allocated to the Digital segment and breaks down as follows:

In EUR k	
Provisional purchase price	12,428
Contractually agreed contingent purchase price payments in subsequent periods	1,685
Non-controlling interests	2,638
Net assets acquired	6,403
Goodwill	10,347

As of 31 December 2016, the recognized liability from contingent purchase price payments amounted to EUR 0k as the Group no longer expects to have to pay the purchase price given events that occurred after the acquisition. The difference of EUR 1,685k compared with the amount reported as part of the purchase price allocation was recognized in other operating income and adjusted when operational EBITDA was determined.

The goodwill is based on the positive prospects of expanding the customer base by using additional OOH media and generating additional cash flows through stronger market penetration.

stylefruits GmbH

With effect as of the acquisition date of 18 May 2016, Ströer acquired all of the shares in stylefruits GmbH, Munich. Stylefruits GmbH operates a social shopping platform which gives users the opportunity to put together a large selection of individual home accessories as well as clothing styles and outfits. The platform is connected to various online shops so that all products can be ordered directly. The provisional purchase price for the acquired shares comes to around EUR 13.9m. It could increase by a maximum of up to EUR 15.0m in the next three years as a result of contractual adjustment clauses (earn-out arrangements based on EBIT).

The following table shows the fair values of the assets acquired and liabilities assumed at the acquisition date:

In EUR k	
Property, plant and equipment	59
Trade receivables	1,465
Other non-financial assets	52
Deferred tax assets	2,027
Cash	2,248
Other provisions	82
Trade payables	876
Other liabilities	233
Net assets acquired	4,660

The carrying amounts of the receivables and other assets acquired are equivalent to their fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

Due to the scope and complexity of the business processes, the purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted. The provisional goodwill of the entity is allocated to the Digital segment and breaks down as follows:

In EUR k	
Provisional purchase price	13,900
Contractually agreed contingent purchase price payments in subsequent periods	8,908
Net assets acquired	4,660
Goodwill	18,148

As of 31 December 2016, the recognized liability from contingent purchase price payments amounted to EUR 0k as the Group no longer expects to have to pay the purchase price given events that occurred after the acquisition. The difference of EUR 8,908k compared with the amount reported as part of the purchase price allocation was recognized in other operating income and adjusted when operational EBITDA was determined.

The goodwill is based on the positive prospects of generating additional cash flows above and beyond existing technology by continuing to develop that technology.

StayFriends GmbH

With effect as of the acquisition date of 24 May 2016, the Ströer Group acquired all of the shares in StayFriends GmbH, Erlangen, as well as all of the shares in its sister companies Trombi Acquisition SARL (France), Klassenfreunde.ch GmbH (Switzerland) and Klassträffen Sweden AB (Sweden). StayFriends GmbH operates an online platform to search for and communicate with school friends. The final purchase price for the acquired shares comes to around EUR 16.0m.

The following table shows the consolidated fair values of the assets acquired and liabilities assumed of StayFriends GmbH and its three sister companies at the acquisition date:

In EUR k	
Intangible assets	2,368
Property, plant and equipment	555
Trade receivables	1,193
Other financial assets	191
Other non-financial assets	641
Income tax assets	548
Cash	9,114
Other provisions	271
Financial liabilities	385
Deferred tax liabilities	559
Trade payables	661
Other liabilities	9,509
Net assets acquired	3,225

The carrying amounts of the receivables, financial and other assets acquired are equivalent to their fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

Due to the scope and complexity of the business processes, the purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted. The provisional goodwill of the entity is allocated to the Digital segment and breaks down as follows:

In EUR k	
Purchase price	16,028
Net assets acquired	3,225
Goodwill	12,803

The goodwill is based on the positive prospects of generating additional cash flows above and beyond the existing social media platform by continuing to develop that platform and using additional OOH media.

BHI Group (AsamBeauty)

Effective 1 August 2016, the Ströer Group acquired a 51.0% holding in the BHI Group, Unterföhring, for the Ströer vertical "Women & Lifestyle." The BHI Group is active in the beauty and cosmetics sector. It develops and produces its own range of cosmetic products which it mainly sells online and in the teleshopping market. The provisional purchase price for the acquired shares came to around EUR 34.9m. It could increase by a maximum of up to EUR 5.1m in the next two years as a result of contractual adjustment clauses (earn-out arrangements based on EBIT).

The following table shows the consolidated fair values of the assets acquired and liabilities assumed of the BHI Group at the acquisition date:

In EUR k	Acquisition date carrying amount	Adjustment from the purchase price allocation	Carrying amount in Ströer's consolidated statement of financial position
Intangible assets	86	17,929	18,015
Property, plant and equipment	5,975		5,975
Inventories	6,723		6,723
Trade receivables	4,135		4,135
Other financial assets	79		79
Other non-financial assets	4,715		4,715
Income tax assets	48		48
Cash	4,792		4,792
Other provisions	1,552		1,552
Financial liabilities	2,441		2,441
Deferred tax liabilities	0	3,173	3,173
Trade payables	1,081		1,081
Other liabilities	5,466		5,466
Income tax liabilities	1,623		1,623
Net assets acquired	14,389	14,756	29,145

The carrying amounts of the receivables, financial and other assets acquired are equivalent to their fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

Due to the scope and complexity of the business processes, the purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted. The intangible assets identified to date mainly comprise brand names and customer relationships with a fair value of EUR 17.9m and useful lives of between 5 and 15 years. The provisional goodwill of the entity is allocated to the Digital segment and breaks down as follows:

In EUR k	
Provisional purchase price	34,902
Contractually agreed contingent purchase price payments in subsequent periods	5,040
Non-controlling interests	14,806
Net assets acquired	29,145
Goodwill	25,603

The goodwill is based on the positive prospects of generating additional cash flows by further expanding the existing brand names and customer relationships by continuing to develop the cosmetic products and using additional OOH media.

Other business combinations
In addition to the acquisitions detailed above, the Ströer Group also acquired shares in the entities ApDG Handels- und Dienstleistungsgesellschaft mbH (100.0%), B. A. B. Maxiposter Werbetürme GmbH (100.0%), Boojum Kft. (60.0%), Foodist GmbH (75.4%), kajomi GmbH (51.0%), MT Mobile Ticketing GmbH (100.0%), Nachsendeauftrag DE Online GmbH (60.0%), OMS Vermarktungs GmbH & Co. KG and its general partner limited liability company (both 100.0%), Ströer Digital Operations Sp. z.o.o. (100.0%; formerly Goldbach Holding Sp. z.o.o.), T&E Net Services GmbH (60.0%) and twiago GmbH (51.0%).

There are call and put options on the remaining shares in Boojum Kft., Foodist GmbH, kajomi GmbH, Nachsendeauftrag DE Online GmbH and T&E Net Services GmbH that can be exercised in the coming years provided that certain contractually defined conditions are met. For the shares in kajomi GmbH, MT Mobile Ticketing GmbH and twiago GmbH, the purchase prices could increase by up to EUR 1.7m (kajomi GmbH) and EUR 1.8m (twiago GmbH) in the next one to four years as a result of contractual adjustment clauses (earn-out arrangements based on EBIT/EBITDA). No maximum amount has been agreed in relation to MT Mobile Ticketing GmbH. Please see our comments in note 34 with regard to sensitivities.

The purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets and liabilities for ApDG Handels- und Dienstleistungsgesellschaft mbH, Boojum Kft., Foodist GmbH, kajomi GmbH, MT Mobile Ticketing GmbH and twiago GmbH and final for the other acquisitions. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted in the provisional purchase price allocations. The goodwill of B. A. B. Maxiposter Werbetürme GmbH is allocated to the OOH International segment, whereas the goodwill of all other acquisitions is allocated to the Digital segment. The goodwill of the 12 acquired entities is calculated as follows:

In EUR k	
Purchase prices	37,052
Contractually agreed contingent purchase price payments in subsequent periods	4,357
Non-controlling interests	771
Net assets acquired	10,293
Goodwill	31,887

The goodwill is based on the positive prospects of generating additional cash flows by leveraging further synergies in line with the growth strategy of the Ströer Group.

Summary information
The contractually agreed purchase prices for acquisitions involving a change in control totaled EUR 204,399k (prior year: EUR 55,230k) including payments in subsequent periods (excluding the adjustment of earn-out payments). In the fiscal year, the acquisitions gave rise to transaction costs of EUR 2,198k which were reported under administrative expenses.

The effects on the cash flows from investing activities are presented below:

In EUR k	2016	2015
Total payments made	–169,309	–58,132
Total cash acquired	28,452	34,497
Cash inflows and outflows for acquisitions in prior years	1,983	–100
Net cash outflow from business combinations	–138,874	–23,735

The aggregate increases in the asset and liability items are shown below. Please note that some of the purchase price allocations for 2016 are still provisional:

In EUR k	2016	2015
Internally generated intangible assets	29,722	45,584
Other intangible assets	41,029	71,936
Property, plant and equipment	9,884	1,020
Financial assets	313	591
Deferred tax assets	7,246	11,782
Inventories	9,290	0
Trade receivables	19,140	29,791
Other financial assets	3,845	4,119
Other non-financial assets	23,830	3,429
Income tax assets	667	0
Cash	28,452	34,497
Pension provisions and similar obligations	0	11,734
Other provisions	16,360	20,742
Deferred tax liabilities	19,155	28,871
Financial liabilities	13,166	23,159
Trade payables	11,474	4,800
Other liabilities	33,578	10,462
Income tax liabilities	2,010	1,555
Net assets acquired	77,674	101,427

The assets acquired and the liabilities assumed of all the newly acquired entities and their goodwill were allocated in accordance with their respective integration in the Ströer Group to the cash-generating units Digital Media Sales (Boojum Kft., kajomi GmbH, OMS Vermarktungs GmbH & Co. KG, Ströer Digital Operations Sp. z.o.o. (formerly Goldbach Holding Sp. z.o.o.), twiago GmbH), Digital Content/Transaction (ApDG Handels- und Dienstleistungsgesellschaft mbH, BHI Group, Foodist GmbH, Nachsendeauftrag DE Online GmbH, MT Mobile Ticketing GmbH, Social Media Interactive GmbH, Statista GmbH, StayFriends GmbH, stylefruits GmbH, T&E Net Services GmbH) and the BlowUP Group (B.A.B. Maxiposter Werbetürme GmbH).

Since control was obtained in each case, the entities acquired in fiscal year 2016 have contributed the following revenue and profit after taxes which are included in the consolidated income statement:

In EUR k	Revenue	Profit after taxes
Statista Group	16,815	–2,805
Social Media Interactive Group	8,992	–1,354
stylefruits GmbH	6,887	–719
StayFriends Group	11,573	1,671
BHI Group (AsamBeauty)	16,855	461
Other business combinations	55,287	3,417
Total	**116,407**	**671**

The effect on the Group's revenue and profit or loss after taxes in the consolidated financial statements had all the entities acquired in 2016 been fully consolidated as of 1 January 2016 is presented below. The amounts shown do not yet reflect the effects of the purchase price allocations for the entities acquired in fiscal year 2016.

In EUR k	Revenue	Profit after taxes
1.1. to 31.12.2016	1,195,578	76,362

Transactions not involving a change in control
Other transactions not involving a change in control were of marginal importance individually.

These acquisitions were presented in accordance with IFRS 10. The corresponding accounting-related effects are presented in the following table. The transactions were summarized for materiality reasons:

In EUR k	
Total purchase prices	9,264
Non-controlling interests	1,727
Change in consolidated equity held by owners of Ströer SE & Co. KGaA	–7,537

The transactions mainly affected the consolidated retained earnings of the owners of Ströer SE & Co. KGaA.

Retrospective purchase price allocations

Purchase price allocation: InteractiveMedia CCSP GmbH/internet portal t-online.de
The purchase price allocation has now been finalized in relation to the measurement of the assets and liabilities of the Ströer Digital Publishing GmbH (formerly Digital Media Products GmbH) acquired in 2015, in which InteractiveMedia CCSP GmbH and the internet portal t-online.de are bundled. The adjustment of the purchase price allocation had the following effects on the income statement for fiscal year 2015 and the statement of financial position as of 2 November 2015 (acquisition date):

In EUR k	2.11.2015 adjusted	2.11.2015 initial
Internally generated intangible assets	68,954	67,718
Deferred tax assets	2,672	1,940
Other provisions	8,704	6,320
Deferred tax liabilities	21,169	20,789
Net assets acquired	41,753	42,549

In EUR k	2015 adjusted	2015 initial
Amortization, depreciation and impairment	2,787	2,736
Utilization of other provisions	1,123	476
Income taxes	511	694

The internally generated intangible assets mainly comprise customer relationships, contracts on hand and content. The agreements have useful lives of between 4 and 5 years. The useful life of the recognized contracts on hand is 14 months and 4 years for content.

The goodwill is allocated to the Digital segment and breaks down as follows:

In EUR k	2.11.2015 adjusted	2.11.2015 intial
Capital increase	378,158	378,158
Contractually agreed purchase price adjustment in favor of Ströer	13,176	12,357
Net assets aquired (aquisition date)	29,960	29,960
Net assets aquired (purchase price allocation)	41,753	42,549
Goodwill	293,269	293,292

The goodwill is based on the positive prospects of generating additional cash flows above and beyond existing technology by continuing to develop that technology as well as by placing more advertising media. There are also positive prospects of generating additional cash flows above and beyond existing publisher contracts from concluding new contracts. EUR 282,188k of goodwill relates to the Digital Content/Transaction cash-generating unit and EUR 11,081k to the Digital Media Sales cash-generating unit.

Additional purchase price allocations

The purchase price allocations have now been finalized in relation to the measurement of the assets and liabilities of the following entities acquired in 2015:

- AD-Vice Sp. z.o.o.
- Conexus AS
- Content Fleet GmbH
- FaceAdNet GmbH
- Lioncast/PetTec/Dockin (business area)
- Omnea GmbH
- Permodo GmbH (formerly Permodo International GmbH)
- RegioHelden GmbH
- Ströer Mobile Peformance GmbH

On finalizing the purchase price allocations, mainly internally generated intangible assets of EUR 25,647k and the related deferred taxes were identified. The internally generated intangible assets mainly comprise internally developed software. The useful life is between 4 and 5 years.

Goodwill is calculated as follows:

Initial

In EUR k	RegioHelden 3.8.2015	Lioncast 1.11.2015	Omnea 2.11.2015	Permodo 11.11.2015	Conexus 18.11.2015	Other companies
Purchase price including contractually agreed contingent purchase price payments in subsequent periods	15,842	4,915	6,603	8,360	10,000	11,932
Non-controlling interests	–80	0	17	–384	1,421	384
Net assets acquired	802	637	87	–784	3,143	1,367
Goodwill	14,960	4,278	6,533	8,760	8,278	10,948

Adjusted

In EUR k	RegioHelden 3.8.2015	Lioncast 1.11.2015	Omnea 2.11.2015	Permodo 11.11.2015	Conexus 18.11.2015	Other companies
Purchase price including contractually agreed contingent purchase price payments in subsequent periods	15,842	4,915	6,603	8,360	10,000	11,932
Non-controlling interests	314	0	400	1,546	2,348	1,811
Net assets acquired	3,143	3,560	1,997	3,156	5,226	6,633
Goodwill	13,013	1,355	5,006	6,751	7,122	7,110

The goodwill of all acquired entities for which the purchase price allocation has been finalized was mainly allocated to the Digital segment and the Digital Media Sales and Digital Content/ Transaction cash-generating units. The acquired entities are nearly all in an early development stage which can be profitably expanded by Ströer.

Business combinations after the reporting date

No material acquisitions were made after the reporting date.

7 Consolidation principles

The assets and liabilities of the 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 IFRS 10, "Consolidated Financial Statements" is achieved when Ströer is exposed, or has rights, to variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Under IFRS 11, the question of whether legal or beneficial rights to net assets are held is assessed on the basis of the contractual relationships (e.g., articles of incorporation and bylaws, shareholder agreements, exchange of goods and services) between the vehicle and its partners. Joint ventures and associates are consolidated using the equity method. In the income statement, the Group's share in the profit or loss of associates and joint ventures is stated in earnings before financial result and taxes. Changes in the other comprehensive income of these investees are reflected in the Group's other comprehensive income.

Significant investments in which the Ströer Group holds between 20% and 50% of the shares and over which it can therefore exercise significant influence are accounted for in accordance with the equity method. This involves recognizing the interests in an associate in the statement of financial position at the cost of the acquisition plus the changes in the Group's share in the net assets of the associate arising since its acquisition. The Group's share in the profit or loss of an associate is presented in the income statement. This is the profit after taxes attributable to the owners of the associate.

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 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.

Exchange rate effects from intragroup loans are recorded in other comprehensive income if the loans meet the criteria of a net investment as defined by IAS 21.

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

		Closing date		Weighted average rate	
	Currency	**31.12.2016**	31.12.2015	**2016**	2015
Switzerland	CHF	1.0739	1.0835	1.0851	1.0680
Czech Republic	CZK	27.0210	27.0230	27.0349	27.2833
UK	GBP	0.8562	0.7340	0.8166	0.7257
Hungary	HUF	309.8300	315.9800	311.5265	309.8373
Norway	NOK	9.0863	9.6030	9.2892	9.3598
Poland	PLN	4.4103	4.2639	4.3631	4.1813
Sweden	SEK	9.5525	9.1895	9.5876	9.3535
Turkey	TRY	3.7072	3.1765	3.3375	3.0088
USA	USD	1.0541	1.0887	1.1062	1.1095

NOTES TO THE CONSOLIDATED INCOME STATEMENT

9 Revenue

Revenue breaks down as follows:

In EUR k	2016	2015
Revenue from the commercialization of advertising media	962,881	794,449
Income from the transactional product group	160,376	29,257
Total	**1,123,257**	**823,706**

The revenue is largely generated from services in the wider sense. By contrast, EUR 36,129k of the income from the new transactional product group relates to the sale of products. See the disclosures under segment information for a breakdown of revenue by segment. Revenue includes income of EUR 3,811k (prior year: EUR 1,260k) from barter transactions. As of the reporting date, outstanding receivables and liabilities from barter transactions amounted to EUR 3,032k (prior year: EUR 348k) and EUR 2,317k (prior year: EUR 1,110k), 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	2016	2015
Rental, lease and royalty payments	247,332	227,741
Amortization, depreciation and impairment	138,632	97,432
Personnel expenses	36,406	11,421
Other cost of sales	331,546	226,040
Total	**753,916**	**562,634**

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	2016	2015
Personnel expenses	105,640	76,193
Amortization, depreciation and impairment	2,677	2,252
Other selling expenses	48,620	28,990
Total	**156,937**	**107,435**

The non-capitalizable components of product development costs are disclosed in the income statement under selling expenses and amounted to EUR 1,202k (prior year: EUR 1,241k) 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	2016	2015
Personnel expenses	67,618	49,223
Amortization, depreciation and impairment	9,811	12,115
Other administrative expenses	47,387	33,191
Total	**124,816**	**94,528**

13 Other operating income

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

In EUR k	2016	2015
Income from the reversal of earn-out liabilities	12,990	0
Income from the reversal of provisions and derecognition of liabilities	9,736	6,586
Income from the reversal of bad debt allowances	1,621	1,889
Income from the disposal of property, plant and equipment and intangible assets	792	955
Income from services	1,065	747
Income from exchange differences	768	704
Income from the change in investments	165	0
Miscellaneous other operating income	7,747	12,974
Total	**34,884**	**23,856**

Income from the reversal of earn-out liabilities relates in particular to the acquisition of stylefruits GmbH (EUR 8,908k). Income of EUR 12,990k was adjusted when calculating operational EBITDA.

14 Other operating expenses

Other operating expenses break down as follows:

In EUR k	2016	2015
Expenses from the recognition of restructuring provisions	12,720	118
Goodwill impairment	10,102	0
Expenses related to the recognition of bad debt allowances and derecognition of receivables and other assets	4,780	3,646
Out-of-period expenses	3,585	2,605
Expenses from exchange differences	1,217	1,064
Loss from the disposal of property, plant and equipment and intangible assets	33	1,957
Miscellaneous other operating expenses	1,987	1,214
Total	**34,424**	**10,604**

Expenses from the recognition of restructuring provisions relate to cost of sales (EUR 8,840k) and administrative expenses (EUR 3,880k). These expenses were adjusted when calculating operational EBITDA.

Goodwill impairment relates to the Ströer Turkey cash-generating unit which operates in the Turkish out-of-home business. It was classified as exceptional item. For further explanations on the impairment test of acquired goodwill, see note 19, Intangible assets.

15 Financial result

The following table shows the composition of the financial result:

In EUR k	2016	2015
Finance income	**2,527**	**2,421**
Income from exchange differences on financial instruments	1,008	1,889
Interest income from loans and receivables	814	288
Other finance income	705	245
Finance costs	**–12,538**	**–11,761**
Interest expenses from loans and liabilities	–10,092	–8,985
Expenses from exchange differences on financial instruments	–881	–1,730
Other finance costs	–1,565	–1,046
Financial result	**–10,011**	**–9,339**

Income/expenses from exchange differences on financial instruments contain non-cash exchange gains/losses from the translation of loans granted to group entities outside of the eurozone, which do not meet the criteria of a net investment within the meaning of IAS 21. Only the loans to our Turkish group entities are classified as a net investment within the meaning of IAS 21. As a result, any exchange rate effects from these loans are recorded in other comprehensive income.

16 Income taxes

Taxes on income paid or due in the individual countries as well as deferred taxes are stated as income taxes. Including minimum taxation and the increase in taxable income in comparison to 2015, current tax expense increased by some EUR 15.6m on the prior year. The reduction in deferred tax liabilities relating to intangible assets was the main factor that led to the disclosure of deferred tax income. Income taxes break down as follows:

In EUR k	**2016**	2015
Expenses from current income taxes	29,020	13,398
thereof for prior years	1,433	383
Expenses (+) / income (-) from deferred taxes	–18,220	–4,759
thereof for prior years	525	498
Expense (+) / income (-)	**10,800**	**8,638**

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

2016

In EUR k	**Before taxes**	**Taxes**	**After taxes**
Exchange differences on translating foreign operations	–17,020	325	–16,695
Actuarial gains and losses	–1,850	565	–1,285
	–18,870	**890**	**–17,980**

2015

In EUR k	**Before taxes**	**Taxes**	**After taxes**
Exchange differences on translating foreign operations	–14,028	479	–13,549
Actuarial gains and losses	1,258	–360	898
	–12,770	**119**	**–12,651**

Deferred taxes are calculated on the basis of the applicable tax rates for each country. These range from 9% to 41.5% (prior year: from 10% to 33%).

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% on corporate income tax and average trade tax of 16.6%. If consolidation procedures relate to a foreign subsidiary, the respective country-specific tax rate is applied.

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

In EUR k	**31.12.2016** Assets	**31.12.2016** Liabilities	31.12.2015 Assets	31.12.2015 Liabilities
Intangible assets	15,613	97,620	16,034	92,539
Property, plant and equipment	61	19,272	21	18,991
Financial assets	29	465	9	383
Receivables, other financial and non-financial assets	1,610	3,710	7,478	5,463
Inventories	1,368	0	339	0
Pension provisions	5,263	52	4,786	113
Other provisions	5,565	1,757	8,204	1,290
Liabilities	13,606	8,480	18,077	15,903
Deferred taxes on temporary differences	**43,115**	**131,356**	**54,948**	**134,682**
Tax loss and interest carryforwards	33,522	0	17,457	0
Total deferred taxes	**76,637**	**131,356**	**72,405**	**134,682**
Set-offs	–60,017	–60,017	–59,176	–59,176
Carrying amount of deferred taxes	**16,620**	**71,339**	**13,229**	**75,506**

No deferred tax assets were recognized for loss carryforwards of EUR 60,070k (prior year: EUR 25,365k). EUR 47,525k thereof relates to German group entities and EUR 12,545k to foreign group entities. The majority of unused tax losses attributable to consolidated foreign entities for which no deferred tax assets were recognized will expire as follows:

Year	Amount in EUR k
2017	2,415
2018	6,694
2019	0
2020	959
2021	542
2022	273

After impairment losses, deferred tax assets arising from unused tax losses were recognized in the amount of EUR 53,493k; 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 389k (prior year: EUR 383k) were recognized.

For outside basis differences of EUR 38,698k (prior year: EUR 33,657k), no deferred taxes were recognized as Ströer KGaA 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.

The dividends paid in 2016 for fiscal year 2015 had no income tax consequences. Any dividend payments made in 2017 for fiscal year 2016 will, in all likelihood, not have any income tax consequences either.

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

In EUR k	**2016**	2015
Earnings before income taxes pursuant to IFRSs	82,748	67,471
Group income tax rate	32.45%	32.45%
Expected income tax expense for the fiscal year	26,852	21,894
Effect of tax rate changes	–50	–141
Trade tax additions / deductions	–29,418	–12,147
Effects of taxes from prior years recognized in the fiscal year	2,884	880
Effects of deviating tax rates	–517	–48
Effects of tax-exempt income	–161	–666
Effects of equity method accounting	–1,525	–1,785
Effects of non-deductible business expenses	2,277	1,056
Effects of non-recognition or subsequent recognition of deferred tax assets	0	0
Recognition and correction of loss and interest carryforwards for tax purposes	8,886	45
Other deviations	1,572	–450
Total tax expense (+) / tax income (-)	**10,800**	**8,638**

In 2015, the Ströer Group implemented various process improvements and structural changes in its legal entities. One of the effects of these measures was a considerable reduction in the Group’s tax rate.

17 Notes to earnings per share

In EUR k	2016	2015
Basic earnings attributable to the shareholders of Ströer SE & Co. KGaA	70,089	57,687

In thousands	2016	2015
Weighted average number of ordinary shares issued as of 31.12.	55,282	49,906
Effects from subscription rights issued	1,847	1,796
Effects from the obligation to purchase treasury shares	21	0
Weighted average number of ordinary shares issued as of 31.12. (diluted)	57,150	51,702

As a result of a capital increase as of 2 November 2015, the number of shares (48,869,784) was increased by 6,412,715 to 55,282,499 shares. As a result, earnings per share for fiscal year 2015 were calculated based on a time-weighted number of shares (49,906,360), whereas the number of shares in fiscal year 2016 stood at 55,282,499 throughout the year.

Earnings per share are subject to a potential dilution due to the stock option plans launched in fiscal years 2013 and 2015 and due to the share price LTI component. We refer to note 26 “Equity.” In addition, earnings per share could potentially be diluted by 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 SE & Co. KGaA. While these potential shares had a dilutive effect in fiscal year 2016, there was no such effect in fiscal year 2015 since the exercise price of the options was less favorable than the market price of the underlying share.

18 Other notes

Personnel expenses

Personnel expenses of EUR 209,664k (prior year: EUR 136,837k) 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	2016	2015
Salaried employees	3,777	2,488
Wage earners	53	1
Total	**3,830**	**2,489**

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.

As of 31 December 2016, the Group had a total headcount (full and part-time employees) of 4,577 (prior year: 3,270). The difference of 747 to the average number above is largely due to the cut-off date of 31 December as the number of employees of the newly acquired companies is not calculated on a time-weighted basis in this assessment. In addition, the difference also results from the inclusion of employees on parental leave, trainees and temporary workers. These employees are not included in the above disclosure in accordance with Sec. 314 (1) No. 4 HGB in conjunction with Sec. 285 No. 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. The increase in amortization, depreciation and impairment losses by EUR 39,321k to EUR 151,120k is primarily attributable to additional amortization in connection with our business expansion and capitalized development costs. By contrast goodwill impairment of EUR 10,102k on the Ströer Turkey cash-generating unit was recognized under other operating expenses.

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

In EUR k	**2016**	2015
Rent	10,116	6,503
Vehicle leasing	3,375	2,355
Leasing of buildings	1,631	1,631
Hardware and software leasing	1,175	1,480
Rental / lease of facilities	409	243
Total	**16,706**	**12,212**

Currency effects
In the reporting period, losses of EUR 322k (prior year: EUR 201k) arising from exchange differences were recognized in the income statement; thereof, income of EUR 127k (prior year: EUR 159k) was recognized 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 1.1.2015	**411,823**	**313,721**	**13,388**	**32,384**	**771,316**
Change in the consolidated group	75,869	337,717	6,711	34,817	452,191
Additions	46,306	0	4,784	7,932	61,945
Reclassifications	650	0	–6,426	5,796	20
Disposals	–8,406	0	–11	–1,121	–9,538
Exchange differences	–8,275	–3,615	0	–346	–12,236
Closing balance 31.12.2015 / opening balance 1.1.2016	**517,966**	**647,824**	**18,446**	**79,462**	**1,263,698**
Change in the consolidated group	40,553	150,029	79	30,106	220,767
Additions	55,286	0	9,048	19,129	83,463
Reclassifications	1,724	0	–4,717	2,014	–979
Disposals	–1,580	0	–613	–376	–2,569
Exchange differences	–11,319	–4,379	0	–259	–15,957
Closing balance 31.12.2016	**602,630**	**793,474**	**22,243**	**130,076**	**1,548,420**
Amortization and impairment losses / reversals					
Opening balance 1.1.2015	**208,953**	**5,828**	**5,291**	**8,839**	**228,911**
Change in the consolidated group	–124	0	0	–139	–263
Amortization and impairment losses	59,924	0	4,801	8,953	73,678
Reclassifications	–23	0	0	23	0
Disposals	–9,344	0	0	–68	–9,412
Exchange differences	–4,398	1	0	–219	–4,616
Closing balance 31.12.2015 / opening balance 1.1.2016	**254,989**	**5,829**	**10,092**	**17,390**	**288,300**
Change in the consolidated group	–63	0	0	0	–63
Amortization and impairment losses	87,909	10,102	2,237	24,655	124,905
Reclassifications	0	0	0	0	0
Disposals	–1,577	0	0	–305	–1,882
Exchange differences	–6,884	–20	0	–353	–7,259
Closing balance 31.12.2016	**334,375**	**15,911**	**12,329**	**41,387**	**404,002**
Carrying amount as of 31.12.2015	**262,978**	**641,995**	**8,354**	**62,072**	**975,399**
Carrying amount as of 31.12.2016	**268,257**	**777,563**	**9,914**	**88,689**	**1,144,421**

In the fiscal year, no material investment grants pursuant to the InvZulG ["Investitionszulagengesetz": German Investment Grant Act] were recognized as a reduction in cost.

The amortization and impairment losses on prepayments of EUR 2,237k (prior year: EUR 4,801k) primarily relate to expenses capitalized as part of the restructuring of the Ströer Group's IT landscape.

All goodwill acquired in business combinations was tested for impairment in the fiscal year. Impairment testing of goodwill led to impairment of EUR 10,102k in the Ströer Turkey cash-generating unit. The impairment was charged in light of the tense political situation and terrorist attacks in Turkey which put considerable pressure on both the Turkish lira and the Turkish advertising market.

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	Digital Media Sales	Ströer Poland	Digital Content / Transactions	BlowUP group
Carrying amount as of 31.12.2015	**80,745**	**29,479**	**202,906**	**5,900**	**318,369**	**4,595**
Change in the consolidated group	0	0	18,836	0	127,849	3,343
Impairment	0	–10,102	0	0	0	0
Exchange rate effects	0	–4,220	12	–196	47	0
Carrying amount as of 31.12.2016	**80,745**	**15,157**	**221,754**	**5,704**	**446,265**	**7,938**
Detailed forecast period (in years)	5	5	5	5	5	5
Revenue growth after the forecast period	1% (PY: 1%)	6.1% (PY: 5.8%)	1.2% (PY.: 1.4%)	1.2% (PY: 1.3%)	1.2% (PY: 1%)	1% (PY: 1%)
Interest rate (after taxes)	5.0% (PY: 5.4%)	13.4% (PY:12.3%)	6.9% (PY: 7.9%)	7.5% (PY: 6.9%)	6.5% (PY: 7.1%)	5.6% (PY: 7.4%)

The Digital Media Sales and Digital Content/Transaction cash-generating units are regroupings carried out on the basis of the prior year's Digital Group, Ströer Content and Ströer Venture cash-generating units. The change was made in view of the increased interconnectedness between the operations in each unit. The carrying amounts of goodwill as of 31 December 2015 were adjusted accordingly.

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.

The main growth drivers for the Ströer Turkey cash-generating unit were identified as inflation and more efficient and more profitable product mixes. The development of the EBITDA growth rates at Ströer Germany and Ströer Poland is primarily due to the shift in the product mix towards higher-quality advertising media and rigorous cost management. The key driver of EBITDA growth in the Digital Media Sales and Digital Content/Transactions cash-generating units is the high market growth expected from exploiting new product formats and technologies.

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. These expectations are primarily based on publicly available market data. With regard to the individual cash-generating units, these expectations lead to average EBITDA growth rates that are – depending on the market environment – in the mid-single-digit (Ströer Germany) or in the low-double-digit percentage range (Ströer Turkey, Ströer Poland, Digital Media Sales, Digital Content/Transactions, BlowUP group). 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 (Level 3 of the fair value hierarchy). 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.

For each cash-generating unit, we conduct a scenario analysis to assess the effect of significant parameters on the need for impairment at the cash-generating units. This is based on the difference between the recoverable amount and the carrying amount.

As the difference between the recoverable amount and the carrying amount is high enough for all of the cash-generating units with the exception of the Ströer Turkey cash-generating unit, no scenario analysis was required in the reporting period.

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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 1.1.2015	**13,277**	**197**	**424,178**	**2,468**	**27,973**	**468,092**
Change in the consolidated group	0	–171	327	0	6	162
Additions	37	0	35,414	0	13,604	49,055
Reclassifications	0	0	4,972	0	–4,992	–20
Disposals	–4,010	–11	–14,340	–2,396	–2,266	–23,023
Exchange differences	–107	15	–5,560	–12	–171	–5,835
Closing balance 31.12.2015 / opening balance 1.1.2016	**9,197**	**30**	**444,991**	**60**	**34,153**	**488,431**
Change in the consolidated group	4,776	1,026	3,795	0	196	9,793
Additions	42	284	45,185	0	15,066	60,577
Reclassifications	–3	0	7,793	0	–7,742	48
Disposals	–6	–34	–13,585	0	–894	–14,519
Exchange differences	–144	18	–8,411	–13	–425	–8,975
Closing balance 31.12.2016	**13,862**	**1,324**	**479,768**	**47**	**40,353**	**535,353**
Depreciation and impairment losses / reversals						
Opening balance 1.1.2015	**4,395**	**186**	**260,065**	**2,110**	**2,594**	**269,349**
Change in the consolidated group	0	–171	–2	0	0	–173
Depreciation and impairment losses	599	0	37,167	338	19	38,121
Reclassifications	0	0	–37	0	37	0
Disposals	–2,062	0	–12,726	–2,381	–5	–17,174
Exchange differences	–62	15	–2,852	–11	6	–2,904
Closing balance 31.12.2015 / opening balance 1.1.2016	**2,870**	**30**	**281,615**	**57**	**2,650**	**287,221**
Change in the consolidated group	–5	0	–98	0	0	–103
Depreciation and impairment losses	556	289	35,441	4	27	36,317
Reclassifications	0	0	–296	0	296	0
Disposals	–2	–25	–13,342	0	149	–13,221
Exchange differences	–123	18	–5,412	–14	–102	–5,633
Closing balance 31.12.2016	**3,296**	**312**	**297,908**	**47**	**3,019**	**304,582**
Carrying amount as of 31.12.2015	**6,327**	**0**	**163,376**	**4**	**31,503**	**201,210**
Carrying amount as of 31.12.2016	**10,566**	**1,012**	**181,860**	**0**	**37,334**	**230,771**

Other plants mainly include advertising media (carrying amount for the fiscal year: EUR 169,108k; prior year: EUR 154,678k).

In the fiscal year, as in the prior year, no material investment grants pursuant to the InvZulG ["Investitionszulagengesetz": German Investment Grant Act] were recognized as a reduction in cost.

EUR 1,001k (prior year: EUR 1,074k) was recognized as income from compensation for damage to or destruction of property, plant and equipment.

21 Trade receivables

Specific bad debt allowances on trade receivables developed as follows:

In EUR k	2016	2015
Bad debt allowances at the beginning of the fiscal year	**7,951**	**8,312**
Additions (recognized in profit or loss)	3,186	3,334
Reversals (recognized in profit or loss)	–1,382	–1,876
Utilization	–903	–437
Exchange differences	–983	–1,024
Change in the consolidated group	4	–340
Other changes	–21	–18
Bad debt allowances at the end of the fiscal year	**7,852**	**7,951**

General bad debt allowances on trade receivables developed as follows:

In EUR k	2016	2015
Bad debt allowances at the beginning of the fiscal year	**583**	**260**
Additions (recognized in profit or loss)	414	226
Reversals (recognized in profit or loss)	–250	–13
Utilization	–102	0
Exchange differences	52	1
Change in the consolidated group	309	97
Other changes	10	12
Bad debt allowances at the end of the fiscal year	**1,016**	**583**

Within the scope of specific bad debt allowances, write-downs were charged on trade receivables with a gross invoice value in the amount of EUR 9,651k as of the reporting date (prior year: EUR 9,764k). Net of specific bad debt allowances of EUR 7,852k (prior year: EUR 7,951k), the carrying amount of these receivables came to EUR 1,799k as of the reporting date (prior year: EUR 1,813k).

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
31.12.2016	**20,522**	**4,428**	**3,230**	**2,818**	**3,520**
31.12.2015	18,493	4,263	1,621	1,438	3,321

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.

22 Other financial and non-financial assets

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

In EUR k	**31.12.2016**	31.12.2015
Financial assets		
Other loans	2,831	675
Other non-current financial assets	2,319	1,458
Total	**5,150**	**2,133**
Non-financial assets		
Prepaid expenses	8,891	7,692
Miscellaneous other non-current assets	8,128	3,080
Total	**17,019**	**10,772**

Miscellaneous other non-current (non-financial) assets mainly include capitalized transaction costs which are amortized over the term of the credit facility.

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

In EUR k	**31.12.2016**	31.12.2015
Financial assets		
Receivables from existing and former shareholders of group entities	86	61
Creditors with debit balances	780	346
Securities deposits	883	786
Other loans	11	0
Other financial assets	6,804	28,544
Total	**8,564**	**29,737**
Non-financial assets		
Prepaid expenses	14,838	10,675
Tax assets	32,160	14,887
Other prepayments	2,941	526
Receivables from investment grants	153	153
Miscellaneous other assets	2,151	1,352
Total	**52,243**	**27,593**

In the prior year, other financial assets mainly comprised receivables from purchase price adjustments (M&A) and contractual compensation claims.

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

In EUR k	2016	2015
Impairment at the beginning of the reporting period	**501**	**508**
Additions (recognized in profit or loss)	23	1
Reversals (recognized in profit or loss)	–3	0
Utilization	–6	0
Exchange differences	–8	–8
Impairment at the end of the reporting period	**507**	**501**

Specific bad debt allowances with a nominal value of EUR 518k were charged on financial assets as of the reporting date (prior year: EUR 506k). Net of specific bad debt allowances of EUR 507k (prior year: EUR 501k), the carrying amount of these receivables came to EUR 11k (prior year: EUR 5k) as of the reporting date.

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
31.12.2016	**498**	**44**	**2**	**13**	**249**
31.12.2015	153	19	2	8	8

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.

23 Inventories

In EUR k	31.12.2016	31.12.2015
Raw materials, consumables and supplies	5,897	2,267
Finished goods and merchandise	10,295	345
Prepayments made on inventories	756	97
Total	**16,948**	**2,709**

Inventories disclosed as expenses in the income statement amounted to EUR 4,737k in the fiscal year (prior year: EUR 1,077k). The total of cost of inventories recognized in profit or loss included write-downs to the net realizable value of EUR 256k (prior year: EUR 54k).

The year-on-year increase is mainly due to the entities acquired in fiscal year 2016, in particular the BHI Group and Vitalsana B.V.

24 Cash

In EUR k	**31.12.2016**	31.12.2015
Bank balances	64,097	56,444
Cash	57	59
Total	**64,154**	**56,503**

The bank balances include overnight money and time deposits of EUR 2.570k (prior year: EUR 1.890k). The interest rates achieved approximated 0.00% (prior year: range between 0.00% and 0.05%).

As of the reporting date, bank balances of EUR 419k (prior year: EUR 33k) were subject to short-term restraints on disposal.

25 Non-current assets held for sale

As of the reporting date, the Ströer Group did not report any non-current assets held for sale. In the prior year, this item of the statement of financial position included land and buildings owned by Ströer Media Deutschland GmbH, Cologne, totaling EUR 1,398k.

26 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
In fiscal year 2015, subscribed capital was increased by EUR 6,412,715 from EUR 48,869,784 to EUR 55,282,499 by virtue of the authorization granted to the Company's board of management and entered in the commercial register on 8 July 2014 (approved capital 2014). The increase was implemented on 2 November 2015 as a capital increase in return for a non-cash contribution by issuing 6,412,715 new bearer shares of no par value carrying full dividend rights as of fiscal year 2015. Subscribed capital was unchanged at EUR 55,282,499 in fiscal year 2016.

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

Subscribed capital is split into 55,282,499 bearer shares of no par value. They have a nominal value of EUR 1 and are fully paid in.

The following notes are mainly taken from the articles of incorporation and bylaws of Ströer SE & Co. KGaA.

<u>Approved capital 2014</u>
By resolution of the shareholder meeting on 18 June 2014, approved capital 2014 was created in the amount of EUR 18,938,495. After a portion of EUR 6,412,715 of the approved capital 2014 was exercised on 2 November 2015 by way of a capital increase in return for a non-cash contribution, approved capital 2014 now amounts to EUR 12,525,780.

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

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

(i) in order to exclude fractional amounts from the shareholders' subscription rights;

(ii) if the capital increase is made in return for non-cash contributions, especially for – but not limited to – the purpose of acquiring entities, parts of entities or investments in entities;

(iii) if the capital increase is made in return for cash contributions and the issue price of the new shares is not significantly below the market price of shares of the same class and voting rights already listed on the stock market on the date the final issue price is determined in accordance with Sec. 203 (1) and (2) and Sec. 186 (3) Sentence 4 AktG and the portion of capital stock allocable to the new shares issued in accordance with this section (iii) subject to the exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG does not exceed 10% of the total capital stock at the time that such authorization becomes effective or is exercised. The following portions of capital stock must be credited to this maximum amount: the portion which is attributable to new or own equity instruments issued or sold since 18 June 2014 and subject to the simplified exclusion of subscription rights pursuant to or by analogy to Sec. 186 (3) Sentence 4 AktG, as well as the portion of capital stock which is attributable to shares with attaching option and/or convertible bond rights/obligations from debt securities or participation certificates issued since 18 June 2014 applying Sec. 186 (3) Sentence 4 AktG as appropriate; and/or

(iv) to the extent necessary to issue subscription rights for new shares to owners of warrants or to creditors of convertible bonds or participation certificates with conversion or option rights that are issued by the Company or those entities it controls or majority owns in the scope to which they would be entitled after exercising the option or conversion rights or after fulfillment of the conversion obligation.

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

After full or partial increase in the capital stock from approved capital or after expiry of the authorization period, the supervisory board is authorized to make any amendments to the articles of incorporation and bylaws, provided that such amendments are only to the wording.

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

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

accumulated profit has been adopted by the shareholder meeting at the time of their issue. The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase unless stock options and shares are to be granted to members of the general partner's board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board is authorized to amend the articles of incorporation and bylaws to reflect the scope of the capital increase from the conditional capital 2013.

Conditional capital 2015
The capital stock is subject to a conditional increase by a maximum of EUR 2,123,445.00 by issuing a maximum of 2,123,445 bearer shares of no par value (conditional capital 2015). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6B (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 25 September 2015, rights to bearers of stock options under the Stock Option Plan 2015. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 25 September 2015 exercise these stock options and that the Company does not settle the stock options in cash. The new shares participate in profit from the beginning of the fiscal year for which no resolution on the appropriation of the accumulated profit has been adopted by the shareholder meeting at the time of their issue. The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase unless stock options and shares are to be granted to members of the general partner's board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board is authorized to amend the articles of incorporation and bylaws to reflect the scope of the capital increase from the conditional capital 2015.

Conditional capital 2016
The Company's capital stock will be subject to a conditional increase by a maximum of EUR 11,056,400.00 by issuing a maximum of 11,056,400 new bearer shares of no par value (conditional capital 2016). The purpose of the conditional capital increase is to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are being issued by the Company or an investee in return for cash contributions as a result of the authorization granted by the shareholder meeting of 23 June 2016 based on item 12 of the agenda. New bearer shares of no par value are issued at a particular conversion or option price determined by the abovementioned authorization resolution. Conditional capital is only to be increased to the extent that conversion or option rights are exercised or owners/creditors who are obliged to do so fulfill their obligation to exercise their conversion rights and provided that a cash settlement is not granted or use is not made of own equity instruments or of new shares issued from approved capital. The new bearer shares of no par value participate in profit from the beginning of the fiscal year in which they result through the exercise of options or conversion rights or the fulfillment of conversion obligations. The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase.

Capital reserves
In fiscal year 2016, the Group's capital reserves were increased by EUR 2,480k from EUR 721,240k to EUR 723,720k. This increase is attributable to the new stock option plans launched in 2013 and 2015.

Retained earnings
Retained earnings contain profits that were generated in the past by entities included in the consolidated financial statements and that have not been distributed. By resolution of the shareholder meeting on 23 June 2016, EUR 20,000k from the accumulated profit for 2015 was carried forward to new account and EUR 8,442k was allocated to other retained earnings. The shareholder meeting also resolved to distribute a dividend of EUR 0.70 per qualifying share, which corresponds to a distribution of EUR 38,698k in total.

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. The amount also includes exchange differences of EUR 3,354k (expense) (prior year: EUR 1,915k (expense)) resulting from the translation of the loans granted by Ströer SE & Co. KGaA to its foreign group entities. These loans are designated as net investments and therefore did not affect consolidated profit (including deferred taxes).

Deferred taxes on net valuation effects of hedged derivative financial instruments offset directly against equity amount to EUR 0k (prior year: EUR 0k) in total. This is due to the current absence of hedges.

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 115,312k (prior year: EUR 56,518k) have been allocated for these obligations.

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 SE & Co. KGaA.

In fiscal year 2016, the financial statements of Ströer SE & Co. KGaA reported profit for the period of EUR 36,490k (prior year: EUR 47,140k) and accumulated profit of EUR 66,490k (prior year: EUR 67,140k).

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

- Distribution of a dividend of EUR 60,811k in total (corresponding to EUR 1.10 per qualifying share); and
- Carryforward of the remainder of EUR 5,679k 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 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 adjusted operating result (operational EBITDA) as the latter is included in the determination of the applied credit margin by way of the leverage ratio. This dynamic 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 as well as in the prior year. See also operational EBITDA in note 33, "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 law.

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

27 Pension provisions and similar 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	**31.12.2016**	31.12.2015
Present value of the benefit obligation as of 1.1.	36,740	27,025
Current service cost	1,329	424
Past service cost	0	0
Net interest expense	664	561
Actuarial gains (-) / losses (+)	1,850	–1,258
Benefits paid	–1,780	–1,713
Change in the consolidated group	0	11,734
Exchange differences	–30	–23
Other changes	476	–10
Present value of the benefit obligation as of 31.12. / carrying amount	**39,249**	**36,740**

In the fiscal year, actuarial losses of EUR 1,850k were recognized directly in equity, contrasting with actuarial gains of EUR 1,258k in the prior year. This development is chiefly attributable to a year-on-year decrease in the discount rate. In the prior year, a significantly increased discount rate led to higher actuarial gains.

There were no curtailments in the fiscal year.

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 2,455k (prior year: EUR 2,258k) while lowering the interest rate by 0.5 percentage points would increase the present value of the benefit obligation by EUR 2,714k (prior year: EUR 2,544k) as of the reporting date.

In addition to a change in the interest rate, the pension trend was identified as a significant factor influencing the present value of the benefit obligation. Raising the pension trend by 0.5 percentage points would increase the present value of the benefit obligation by EUR 1,293k (prior year: EUR 1,325k) while lowering the pension trend by 0.5 percentage points would decrease the present value of the benefit obligation by EUR 1,195k (prior year: EUR 1,201k) as of the reporting date.

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

Group (in %)	**31.12.2016**	31.12.2015
Interest rate	1.80	2.10
Pension trend	1.00	1.00
Salary trend	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	2016	2015
Interest expense	664	561
Current service cost and other changes	1,805	414
Net defined benefit costs	**2,469**	**975**
Expenses for statutory pension contributions (defined contribution)	13,912	7,232
Total benefit expenses	**16,381**	**8,207**

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

Cumulative actuarial gains (+) and losses (-) recognized directly in equity amounted to EUR -4,779k after taxes at the reporting date (prior year: EUR -3,602k).

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

In EUR k	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Present value of the shortfall	**39,249**	**36,740**	**27,025**	**23,856**	**23,924**
Gain / loss for the period from					
Experience adjustments on plan liabilities	653	–105	–196	–258	111
Adjustments to actuarial assumptions	1,197	–1,153	4,191	819	–3,748

28 Other provisions

Provisions developed as follows in the fiscal year:

In EUR k	1.1.2016	Exchange differences	Change in the consoli-dated group	Allocation	Effects from unwinding the discount and changes in interest rates	Utilization	Reversal	Reclassifi cation	31.12.2016
Restoration obligations	19,084	–69	0	5,972	114	–1,511	–945	0	22,646
thereof non-current	13,358								16,893
Personnel	15,878	–37	6,877	22,748	4	–12,001	–1,942	501	32,026
thereof non-current	346								3,496
Miscellaneous	21,364	5	8,903	15,342	0	–16,642	–4,385	–522	24,064
thereof non-current	5,157								5,055
Total	**56,326**	**–101**	**15,780**	**44,062**	**118**	**–30,154**	**–7,272**	**–21**	**78,736**

The personnel provisions include management board and employee bonuses as well as severance payments. In addition, personnel provisions for restructuring measures of EUR 9,340k were recognized in fiscal year 2016.

The provision for restoration obligations is based on the anticipated costs of restoration. The provision was discounted using an interest rate of 0.62% (prior year: 1.22%).

The increase in miscellaneous other provisions is due among other things to provisions for restructuring measures of EUR 3,380k (prior year: EUR 118k).

29 Financial liabilities

Non-current financial liabilities break down as follows:

	Carrying amount	
In EUR k	**31.12.2016**	31.12.2015
Loan liabilities	356,036	256,807
Obligation to purchase own equity instruments	84,503	40,850
Liabilities from business acquisitions	14,087	4,759
Other financial liabilities	499	282
Total	**455,125**	**302,698**

Ströer SE & Co. KGaA placed a note loan with a volume of EUR 170.0m on the capital market in June 2016. The loan has several tranches with terms of five and seven years. One tranche of EUR 25,000k was scheduled to be disbursed in October 2016 provided that certain conditions were met. As these conditions were not met, the tranche was not disbursed as agreed. The tranches predominantly bear interest at the EURIBOR plus a variable margin that ranges between 100 and 150 basis points (bp).

In December 2016, Ströer SE & Co. KGaA agreed on a new credit facility of EUR 600.0m with a banking syndicate comprising selected German and foreign financial institutions, with the option to extend the volume by a further EUR 100.0m, if required. The financing that had been in place since April 2014, of which a volume of EUR 480.0m was most recently available, was repaid through this new facility. The new financing extends over a five-year period with the option of extending it by an additional two years. The total volume of EUR 600.0m is structured as a flexible revolving facility. The credit facility bears interest at the EURIBOR plus a variable margin that now ranges between 65 and 190 basis points (bp) (prior year: 95 and 215 bp) depending on the leverage ratio.

The placing of the note loan and the restructuring of the existing credit facility gave rise to transaction costs totaling EUR 2,623k in 2016 (prior year: EUR 914k) which are accrued over the term of each loan. See note 22 for more details.

Current financial liabilities break down as follows:

In EUR k	**31.12.2016**	31.12.2015
Liabilities from business acquisitions	4,852	4,913
Obligation to purchase own equity instruments	30,809	15,668
Current account liabilities	5,460	3,676
Debtors with credit balances	11,743	9,232
Interest liabilities	292	721
Loan liabilities	6,742	10,460
Other current financial liabilities	3,007	3,620
Total	**62,905**	**48,290**

See note 6 for more information on liabilities from acquisitions.

30 Trade payables

Current trade payables break down as follows:

In EUR K	**31.12.2016**	31.12.2015
Trade payables	154,573	120,548
Deferred liabilities from outstanding invoices	68,482	59,845
Total	**223,055**	**180,393**

Of the total increase of EUR 42,662k, EUR 18,117k is attributable to liabilities of the entities that were included in the Group for the first time in fiscal year 2016.

31 Other liabilities

Other current liabilities break down as follows:

In EUR k	**31.12.2016**	31.12.2015
Liabilities from other taxes	35,551	20,662
Deferred contributions	53,510	40,184
Miscellaneous other liabilities	9,365	10,412
Total	**98,426**	**71,258**

Of the total increase of EUR 27,168k, EUR 34,993k is attributable to liabilities of the entities that were included in the Group for the first time in fiscal year 2016.

32 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. The starting point for cash flows from operating activities is consolidated profit or loss, which is then reduced by the financial result and tax result in a second step. Cash flows from operating activities include, among other things, cash received from distributions by associates and joint ventures. As in the prior year, however, cash flows from operating activities do not include any other dividends received.

In addition to other amounts contained in the cash flows from investing activities, transactions within the meaning of IAS 7.43 totaling EUR 0k (prior year: EUR 6,885k) were carried out in the fiscal year. These were non-cash transactions that led to an increase in non-current assets without resulting in cash flows in the reporting period. According to IAS 7.44, typical examples of non-cash transactions are, among other things, the acquisition of assets

- by assuming directly related liabilities,
- by means of a finance lease or
- by issuing own equity instruments.

Transactions, for which only the acquired assets have not yet been fully paid for as of the reporting date, are not within the scope of this definition of IAS 7.43.

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.

33 Segment information

Reporting by operating segment
The Ströer Group has bundled its business into three segments which operate independently on the market in close cooperation with the group holding company Ströer SE & Co. KGaA. The three segments are Ströer Digital, OOH Germany and OOH International.

As of fiscal year 2016, the Ströer Group has defined a total of seven product groups on the basis of the products and services it provides, whereas it had five product groups in the prior year. The digital product group was split into three new product groups in this connection. Income from the commercialization of digital advertising is divided into traditional display advertising revenue on the one hand and video marketing on the other. The third product group comprises income from subscription and e-commerce business, which is disclosed under the transactional product group. Amounts for 2015 were restated accordingly.

Segment reporting follows the management approach under IFRS 8 according to which external segment reporting should follow the internal reporting structure. The internal reporting structure of the Ströer Group is based on the concept of proportionate consolidation of joint ventures. As a result, despite the new provisions under IFRS 11, 50.0% of the four joint ventures' earnings contributions are included in all segment figures as in the past. In contrast to the presentation in the income statement, they are not presented as a single net line item according to the equity method.

2016

In EUR k	Ströer Digital	OOH Germany	OOH International	Reconciliation	Equity method reconciliation	**Group value**
External revenue	509,586	490,355	135,207	0	–11,891	**1,123,257**
Internal revenue	5,234	10,804	390	–16,428	0	**0**
Segment revenue	514,820	501,159	135,598	–16,428	–11,891	**1,123,257**
Operational EBITDA	147,794	137,093	21,229	–20,959	0	**285,157**
Amortization, depreciation and impairment	71,607	51,887	21,347	8,161	–1,882	**151,120**
Impairment losses	0	0	10,102	0	0	**10,102**
Interest income	662	346	72	–259	–1	**820**
Interest expenses	3,843	4,623	1,025	608	–7	**10,092**
Income taxes	–220	439	–4,960	–8,446	2,386	**–10,800**

2015

In EUR k	Ströer Digital	OOH Germany	OOH International	Reconciliation	Equity method reconciliation	**Group value**
External revenue	238,163	457,200	142,356	0	–14,012	**823,706**
Internal revenue	5,295	6,798	458	–12,551	0	**0**
Segment revenue	243,458	463,998	142,814	–12,551	–14,012	**823,706**
Operational EBITDA	80,348	124,462	25,010	–21,470	0	**208,349**
Amortization, depreciation and impairment	34,476	47,821	22,098	9,327	–1,923	**111,799**
Impairment losses	0	0	0	0	0	**0**
Interest income	185	97	68	–47	–3	**301**
Interest expenses	1,528	5,046	1,261	1,162	–13	**8,985**
Income taxes	17	2,818	–1,459	–12,355	2,340	**–8,638**

<u>Ströer Digital</u>
The Ströer Digital segment comprises the Group's entire operations relating to the commercialization of digital advertising as well as the public video business.

<u>Out-of-Home Germany (OOH Germany)</u>
The OOH Germany segment comprises the Group's entire German operations in the large formats, street furniture, transport and other business.

<u>Out-of-Home International (OOH International)</u>
This segment comprises all of the operations of Ströer Turkey and Ströer Poland in addition to the giant poster business of the BlowUP Group.

Internal control and reporting is based on the IFRS accounting principles described in note 1, "General."

Intersegment income is calculated using prices on an arm's length basis.

In the revenue item, the reconciliation of revenue from all segments to the Group's revenue only includes effects from consolidation.

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 other operating income less other operating expenses (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 (e.g., due diligence transaction costs, legal advice, notarial certifications, purchase price allocations), reorganization and restructuring measures (e.g., costs for integrating entities and operations, adjustments for exceptional items from material restructuring and from performance improvement programs), capital measures (e.g., material fees for amending and adjusting loan agreements including external consulting fees) and other effects (e.g., costs for potential legal disputes, currency effects) as adjustment effects.

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

In EUR k	**2016**	2015
Gains and losses from changes in the investment portfolio	–8,047	6,980
Gains and losses from capital measures	86	–56
Reorganization and restructuring expenses	32,600	7,672
Other adjustment effects	2,120	610
Total	**26,758**	**15,207**

Gains and losses from changes in the investment portfolio comprise income from the reversal of earn-out liabilities of EUR 12,990k. The reorganization and restructuring expenses comprise expenses for the restructuring provision of EUR 12,720k attributable to the relocation of Ströer Digital Publishing GmbH. Other reorganization expenses in various areas as a result of the growth strategy also contributed to the year-on-year increase.

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

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

In EUR k	2016	2015
Total segment results (operational EBITDA)	**306,116**	**229,819**
Reconciliation items	–20,959	–21,470
Group operational EBITDA	**285,157**	**208,349**
Adjustment effects (exceptional items)	–26,758	–15,207
Adjustment effects (IFRS 11)	–4,418	–4,533
EBITDA	**253,981**	**188,609**
Amortization and depreciation	–151,119	–111,799
Impairment losses	–10,102	0
Financial result	–10,011	–9,339
Consolidated earnings before income taxes	**82,748**	**67,471**

Reporting by geographical location
Revenue and non-current assets are allocated according to the location principle (i.e., the geographical location of the revenue-generating Ströer entity).

2016

In EUR k	Germany	Turkey	Rest of world	Equity method reconciliation	**Group value**
External revenue	960,422	87,888	86,838	–11,891	**1,123,257**
Non-current assets (IFRS 8)	1,286,306	62,659	65,334	4,378	**1,418,677**

2015

In EUR k	Germany	Turkey	Rest of world	Equity method reconciliation	**Group value**
External revenue	679,276	98,247	60,196	–14,012	**823,706**
Non-current assets (IFRS 8)	1,049,249	94,776	65,824	3,054	**1,212,904**

Reporting by product group
When adjusting the structure of its segments as described above, the Ströer Group also aligned its reporting by product group to its current controlling scheme. Consequently, income from the digital product group was split into the product groups display, video and transactional for the first time in 2016. Amounts for 2015 were restated accordingly.

The Group has thus defined seven product groups on the basis of the products and services it provides.

2016

In EUR k	Large formats	Street furniture	Transport	Display	Video	Transactional	Other	Equity method reconciliation	**Group value**
External revenue	341,416	160,444	61,069	249,184	108,934	160,376	53,724	–11,891	**1,123,257**

2015

In EUR k	Large formats	Street furniture	Transport	Display	Video	Transactional	Other	Equity method reconciliation	**Group value**
External revenue	323,128	157,972	54,466	123,833	95,939	29,257	53,124	–14,012	**823,706**

Large formats
The large formats 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.

Street furniture
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 in this product group include advertisements in or on public transport vehicles and product solutions for specific use at airports and train stations.

Display
The display product group includes all income from the commercialization of advertising on desktops and on mobile devices.

Video
This product group comprises all income from the commercialization of video advertising. Its media inventory includes online videos and public videos.

Transactional
This product group comprises all income from the subscription and e-commerce business.

Sonstige
This product group comprises, in particular, 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.

34 Other notes pursuant to IFRS 7 and IFRS 13 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.

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 2016, no such risk concentrations involving significant amounts were evident.

Interest rate risk

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 liabilities bear a floating rate of interest. The interest rate trend is monitored regularly to enable a swift response to changes. Hedging measures are coordinated and executed centrally. As in the prior year, there are no interest rate hedges in a hedge relationship.

As in the prior year, no remeasurement gains on interest rate swaps were taken to equity in fiscal year 2016.

The sensitivity analysis of the interest rate risk shows the effect of an upward shift in the yield curve by 100bp and a downward shift by 10bp, ceteris paribus, on the profit or loss for the period. The yield curve was only shifted down 10bp 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 floating-rate financial liabilities and existing cash and cash equivalents. The results are summarized in the table below:

	31.12.2016		31.12.2015	
In EUR k	+100bp	–10bp	+100bp	–10bp
Change in profit or loss for the period	–2,580	258	–1,871	187

Currency risk

Following the designation of intragroup loans granted to subsidiaries in Turkey as a net investment as defined by IAS 21, with the exception of the translation of the operating results of foreign segments into euros, currency risk is of minor significance for the Ströer 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 2016 would decrease/increase the profit or loss for the period by EUR 933k (prior year: EUR 654k). 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 961k (prior year: EUR 1,285k). The effect on profit or loss for the period of all other currencies in the Group is not significant as of 31 December 2016. The designation of the euro-denominated loans as a net investment in a foreign operation (IAS 21) was considered in this analysis, which 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 SE & Co. KGaA 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 2016:

Contractual maturity of financial liabilities including interest payments as of 31.12.2016

In EUR k	Carrying amount	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	**Total**
Financial liabilities[1]	402,717	35,331	19,698	346,291	18,522	**419,842**
Trade payables	223,055	223,055	0	0	0	**223,055**
Obligation to purchase own equity instruments	115,312	30,809	74,194	10,308	0	**115,312**
Total	**741,084**	**289,195**	**93,892**	**356,599**	**18,522**	**758,208**

Contractual maturity of financial liabilities including interest payments as of 31.12.2015

In EUR k	Carrying amount	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	**Total**
Financial liabilities[1]	294,468	60,026	161,856	205,178	0	**427,060**
Trade payables	180,393	180,393	0	0	0	**180,393**
Obligation to purchase own equity instruments	56,518	15,668	21,665	19,185	0	**56,518**
Total	**531,379**	**256,087**	**183,521**	**224,363**	**0**	**663,971**

[1] Excluding the obligation to purchase own equity instruments.

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 31.12.2016**	Carrying amount pursuant to IAS 39 Amortized cost	Fair value recognized directly in equity	Fair value through profit or loss	**Fair value as of 31.12.2016**
Assets						
Cash	L&R	64,154	64,154	0	0	64,154
Trade receivables	L&R	135,887	135,887	0	0	135,887
Other non-current financial assets	L&R	5,150	5,150	0	0	5,150
Other current financial assets	L&R	8,564	8,564	0	0	8,564
Available-for-sale financial assets	AFS	578	578	0	0	n.a.
Equity and liabilities						
Trade payables	AC	223,055	223,055	0	0	223,055
Non-current financial liabilities[2]	AC	370,620	356,970	0	13,650[1]	370,620
Current financial liabilities[2]	AC	32,097	27,835	0	4,262[1]	32,097
Obligation to purchase own equity instruments	AC	115,312	0	115,312	0	115,312
Thereof aggregated by measurement category pursuant to IAS 39:						
Loans and receivables (L&R)		213,755	213,755	0	0	213,755
Available-for-sale investments (AFS)		578	578	0	0	n.a.
Financial liabilities carried at amortized cost (AC)		741,084	607,860	115,312	17,912	741,084
Financial assets at fair value through profit or loss (FVTPL)		0		0	0	0

[1] Earn-out liabilities (Level 3).
[2] Excluding the obligation to purchase own equity instruments.

In EUR k	Measurement category pursuant to IAS 39	**Carrying amount as of 31.12.2015**	Carrying amount pursuant to IAS 39: Amortized cost	Fair value recognized directly in equity	Fair value through profit or loss	**Fair value as of 31.12.2015**
Assets						
Cash	L&R	56,503	56,503	0	0	56,503
Trade receivables	L&R	119,613	119,613	0	0	119,613
Other non-current financial assets	L&R	2,133	2,133	0	0	2,133
Other current financial assets	L&R	29,737	29,737	0	0	29,737
Available-for-sale financial assets	AFS	136	136	0	0	n.a.
Equity and liabilities						
Trade payables	AC	180,393	180,393	0	0	180,393
Non-current financial liabilities[2)]	AC	261,846	256,400	0	5,446[1)]	261,846
Current financial liabilities[2)]	AC	32,622	29,838	0	2,784[1)]	32,622
Obligation to purchase own equity instruments	AC	56,518	0	56,518	0	56,518
Thereof aggregated by measurement category pursuant to IAS 39:						
Loans and receivables (L&R)		207,986	207,986	0	0	207,986
Available-for-sale investments (AFS)		136	136	0	0	n.a.
Financial liabilities carried at amortized cost (AC)		531,379	466,631	56,518	8,230	531,379
Financial assets at fair value through profit or loss (FVTPL)		0	0	0	0	0

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 taking into account Ströer's own credit risk (Level 2 fair values). Market interest rates for the relevant maturity date are used for discounting. 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: Quoted or market prices for similar financial instruments on an active market or for identical or similar financial instruments on a market that is not active or inputs other than quoted prices that are based on observable market data.
Level 3: Valuation techniques that use inputs which are not based on observable market data.

Changes in the assessment of the level to be used for measuring the assets and liabilities are made at the time any new facts are established. At present, derivative financial instruments are measured at fair value in the consolidated financial statements and are all classified as Level 2.

Purchase price liabilities from business acquisitions and put options
Additionally, there are contingent purchase price liabilities from acquisitions as well as put options for shares in various group entities that are each classified as Level 3. These liabilities – which are tied to contractually agreed conditions – are remeasured as financial liabilities at fair value as of the reporting date on the basis of the measurement model laid down in the contract. The fair values of liabilities from contingent purchase price payments or relating to the acquisition of non-controlling interests are determined on the basis of discounted cash flows using unobservable inputs. The valuation model includes the EBITDA figures forecast for the interests concerned (which are probability-weighted in individual cases) as well as risk-adjusted interest rates in line with the underlying terms. The EBITDA figures result from the respective short and medium-term business planning and are estimated and, if appropriate, adjusted on a quarterly basis. The following table shows the changes in the liabilities classified as Level 3:

In EUR k	1.1.2016	Additions	Remeasurements	Disposals	**31.12.2016**
Contingent purchase price liabilities	8,230	25,470	–12,990	–2,798	**17,912**
Liabilities from the acquisition of own equity instruments	56,518	49,691	14,188	–5,084	**115,312**

In EUR k	1.1.2015	Additions	Remeasurements	Disposals	**31.12.2015**
Contingent purchase price liabilities	4,808	4,954	0	–1,532	**8,230**
Liabilities from the acquisition of own equity instruments	20,715	45,728	134	–10,060	**56,518**

The remeasurement of contingent purchase price liabilities did not lead to any expenses, as in the prior year. Remeasurement led to income of EUR 13.0m that was reported in other operating income (prior year: EUR 0.0m). Interest expenses from write-ups amounted to EUR 0.0m (prior year: EUR 0.2m).

The valuation models are sensitive to the amount of the forecast and actual EBITDA figures. For example, if the respective EBITDA increased by 20% (or decreased by 20%), the fair values of the contingent purchase price liabilities would increase by EUR 1.7m (prior year: EUR 0.6m) (or decrease by EUR 10.8m (prior year: EUR 1.3m)). Liabilities from put options would rise by EUR 20.1m (prior year: EUR 8.8m) or fall by EUR 20.1m (prior year: EUR 8.5m). The valuation models are also sensitive to the discount rates used. However, due to the predominantly short terms, if the discount rate increased or decreased by 100 basis points, there would only be a marginal change in the liabilities. This also applies to the prior-year amounts.

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	**2016**	2015
Loans and receivables	–2,727	–1,747
Financial liabilities measured at amortized cost	–369	229

Net gains and losses on loans and receivables include the impairment losses (EUR 3,063k, prior year: EUR 1,631k), 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 820k in the fiscal year (prior year: EUR 301k). The total interest expense for financial assets or financial liabilities that are not at fair value through profit or loss came to EUR 8,843k in the fiscal year (prior year: EUR 8,176k).

35 Contingent liabilities and other financial obligations

Contingent liabilities

Guarantees and liabilities similar to guarantees amounted to EUR 17,137k as of 31 December 2016 (prior year: EUR 7,195k) and chiefly related to liabilities from a contract for services with Telekom Deutschland GmbH and collateral for bank loans.

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:

31.12.2016		thereof due in		
In EUR k	**Total**	up to 1 year	1 to 5 years	more than 5 years
Minimum leases	**591,630**	94,455	327,689	169,486
Site leases	**333,732**	64,338	252,476	16,918
Investment obligations	**36,524**	19,411	15,476	1,637
Other rental and lease obligations	**53,346**	15,975	28,555	8,816
Maintenance services	**1,282**	589	693	0
Miscellaneous other financial obligations	**11,447**	11,365	82	0

In the prior year, obligations broke down as follows:

31.12.2015		thereof due in		
In EUR k	**Total**	up to 1 year	1 to 5 years	more than 5 years
Minimum leases	**572,473**	99,003	324,767	148,703
Site leases	**345,064**	63,534	265,754	15,776
Investment obligations	**39,222**	18,622	18,288	2,312
Other rental and lease obligations	**39,369**	9,295	20,792	9,282
Maintenance services	**1,074**	464	610	0
Miscellaneous other financial obligations	**7,970**	7,834	136	0

Furthermore, the Ströer Group did not sign any agreements on the acquisition of shares in entities in fiscal year 2016 which did not take economic effect until fiscal year 2017 (prior year: six agreements). Thus, there was no related purchase price obligation as of 31 December 2016. As of 31 December 2015, the related purchase price obligations of EUR 77,870k were not yet recognized as a liability but as an "other financial obligation."

36 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 2016:

Udo Müller is a shareholder of Ströer SE & Co. KGaA as well as the president and CEO of Ströer Management SE, Düsseldorf, which is the general partner of Ströer SE & Co. KGaA. Furthermore, he holds shares in entities from which the Ströer Group procured services of EUR 0k in the fiscal year (prior year: EUR 495k). The services in the prior year were mainly expenses relating to rights of use for sites. Income of EUR 0k (prior year: EUR 17k) was also generated from transactions with these entities. The income in the prior year mainly stems from the commercialization of advertising media. As of the reporting date, there was a receivable of EUR 0k (prior year: EUR 2k) and a liability of EUR 0k (prior year: EUR 45k) from these transactions.

Dirk Ströer is a shareholder and member of the supervisory board of Ströer SE & Co. KGaA. He also holds shares in entities with which business transactions were conducted in the fiscal year, largely involving the commercialization of advertising media, the award of advertising concessions and the leasing of buildings. The expenses incurred for the services received in the fiscal year amounted to EUR 26,716k (prior year: EUR 22,683k), the income generated to EUR 7,702k (prior year: EUR 6,467k). The receivables and liabilities resulting from this trade came to EUR 374k (prior year: EUR 210k) and EUR 23,976k (prior year: EUR 12,853k), respectively, as of 31 December 2016.

Ströer SE & Co. KGaA has a business relationship with Deutsche Telekom AG. In addition, Ströer SE & Co. KGaA has been an associated company of Deutsche Telekom AG since 2 November 2015. The services received from this business relationship in 2016 amounted to EUR 12,916k (prior year: EUR 1,472k) and the income generated to EUR 3,018k (prior year: EUR 2,633k). As of 31 December 2016, these services led to receivables of EUR 664k (prior year: EUR 17,341k) and liabilities of EUR 1,091k (prior year: EUR 26k).

Ströer SE & Co. KGaA distributed a dividend totaling EUR 38,698k in the fiscal year. Udo Müller and Dirk Ströer participated in this distribution to the extent of the interests held by them.

Ströer Management SE, which is the general partner of Ströer SE & Co. KGaA, provides key management personnel services to Ströer SE & Co. KGaA. The services received from this business relationship in 2016 amounted to EUR 291k (prior year: EUR 0k) and the income generated to EUR 27k (prior year: EUR 0k). These services led to liabilities of EUR 112k as of 31 December 2016 (prior year: EUR 0k).

The services received in the fiscal year from business relationships with equity method investees amounted to EUR 5,973k (prior year: EUR 6,866k) and the income generated to EUR 1,508k (prior year: EUR 2,191k). As of 31 December 2016, these services led to receivables of EUR 1,816k (prior year: EUR 224k) and liabilities of EUR 5,685k (prior year: EUR 5,044k).

37 Auditor’s fees

The following expenses for services rendered by the group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were posted in fiscal year 2016:

In EUR k	**2016**	2015
Auditor’s fees		
Fees for audit services	822	742
Fees for audit-related services	12	22
Fees for tax services	323	504
Fees for other services	239	563
Total	**1,396**	**1,831**

The fees for other services mainly comprise expenses for advisory services in connection with purchase price allocations and the conversion to a KGaA.

38 Disclosures pursuant to Sec. 264 (3) HGB

The following incorporated subsidiaries and subsidiary partnerships 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 and/or Sec. 264b HGB:

BlowUP Media GmbH, Cologne
DERG Vertriebs GmbH, Cologne
DSM Deutsche Städte Medien GmbH, Frankfurt am Main
DSM Rechtegesellschaft mbH, Cologne
DSM Werbeträger GmbH & Co. KG, Cologne
DSM Zeit und Werbung GmbH, Cologne
INFOSCREEN GmbH, Cologne
Interactive Media CCSP GmbH, Darmstadt
SMD Rechtegesellschaft mbH, Cologne
SMD Werbeträger GmbH & Co. KG, Cologne
SRG Rechtegesellschaft mbH, Cologne
SRG Werbeträger GmbH & Co. KG, Cologne
Statista GmbH, Hamburg
Ströer Content Group GmbH, Cologne
Ströer DERG Media GmbH, Kassel
Ströer Deutsche Städte Medien GmbH, Cologne
Ströer Digital Commerce GmbH, Cologne
Ströer Digital Group GmbH, Cologne
Ströer Digital International GmbH, Cologne
Ströer Digital Media GmbH, Hamburg
Ströer Digital Publishing GmbH (formerly Digital Media Products, Darmstadt), Cologne
Ströer KAW GmbH, Cologne
Ströer Kulturmedien GmbH, Cologne
STRÖER media brands AG, Berlin
Ströer Media Deutschland GmbH, Cologne
Ströer Sales & Service GmbH, Cologne
Ströer Sales Group GmbH, Cologne
Ströer SSP GmbH (formerly adscale GmbH), Munich
Ströer Venture GmbH, Cologne
Ströer Werbeträgerverwaltungs GmbH, Cologne

39 Declaration of compliance with the German Corporate Governance Code

The board of management of Ströer Management SE, which is the general partner of Ströer SE & Co. KGaA, and the supervisory board of Ströer SE & Co. KGaA submitted the annual declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 15 December 2016. The declaration of compliance was made permanently available to shareholders on the Company’s website at http://ir.stroeer.com in the Corporate Governance section.

40 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 is presented below:

In EUR k	2016	2015
Board of management		
Short-term benefits	3,485	4,382
Other long-term benefits	1,895	1,865
Share-based payments	2,733	1,933
Total	**8,113**	**8,180**
Supervisory board		
Short-term benefits	222	151
Total	**222**	**151**

Short-term benefits comprise in particular salaries, remuneration in kind, out-of-pocket expenses and performance-linked remuneration components which are paid during the following year. Long-term benefits comprise performance-based remuneration components granted to the board of management (excluding share-based payments) that are only paid in later years. The share-based payment relates to long-term incentives (LTI) and remuneration under the stock option plan resolved in 2013, under which stock options were issued in 2013 and 2014, as well as the stock option plan resolved in 2015, under which stock options were issued in 2015.

A reference price for the shares in Ströer SE & Co. KGaA is determined at the end of each fiscal year for share-based LTI payments granted to the board of management (excluding the stock option plan).

After four fiscal years, the reference price is compared with the share price at the end of the year and the payment of remuneration is based on the share price reached (cash-settled transaction). An upper limit has been agreed for share-based payments.

Calculating the value of the share-based payment requires an estimate to be made of the future share price as of each reporting date. This is done using a Black-Scholes valuation model that was based on volatility of 36% and a dividend yield of 1% as of 31 December 2016. The interest rates used for the model are 0.04%. For the share-based payment attributable to 2016, we currently assume that the share price at the end of the vesting period will be 100% of the reference price. The 4,312 phantom stock options granted in 2016 each have a fair value of EUR 38.81. This led to an expense from allocations to provisions of EUR 248k in 2016 (prior year: EUR 627k).

The total provision for the share-based LTI payments granted to the board of management (excluding the stock option plan) as of 31 December 2016 amounts to EUR 1,736k (prior year: EUR 1,790k).

Stock Option Plan 2013
Under the stock option plan resolved by the shareholder meeting in 2013, the board of management received a total of 1,954,700 options in 2013 and 2014, which resulted in an expense of EUR 1,221k in 2016 (prior year: EUR 1,102k).

No options were granted in fiscal years 2015 and 2016 and therefore no weighted average fair value of the options granted in the fiscal year (prior year) needs to be stated.

The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.14 (prior year: EUR 2.14).

For further details, see note 41 "Share-based payment."

Stock Option Plan 2015
Under the stock option plan resolved by the shareholder meeting in 2015, the board of management received a total of 350,000 options in 2015, which resulted in an expense of EUR 1,264k in 2016 (prior year: EUR 234k).

No options were granted in fiscal year 2016 and therefore no weighted average fair value of the options granted in the fiscal year needs to be stated. The figure for the prior year amounts to EUR 12.70.

The weighted average fair value of all options granted under the Stock Option Plan 2015 was EUR 12.70 (prior year: EUR 12.70).

For further details, see note 41 "Share-based payment."

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

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

41 Share-based payment

Stock Option Plan 2013 for executives and employees
In 2013, the Group launched a stock option plan that entitles the relevant members of the board of management and executives to acquire shares in the Company.

The option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to service the stock options. The options are expected to be equity-settled.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and operational EBITDA of the Group of EUR 150m. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

As of the grant date, the fair value of the stock options granted is determined using a Black-Scholes model and taking into account the conditions at which the stock options were issued.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, stock options during the fiscal year.

in EUR	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding on 1.1.	**2,274,700**	**7.93**	2,274,700	7.93
Granted	**0**	**0**	0	0
Forfeited	**0**	**0**	0	0
Exercised	**0**	**0**	0	0
Expired	**0**	**0**	0	0
Outstanding on 31.12.	**2,274,700**	**7.93**	2,274,700	7.93
Exercisable on 31.12.	**0**	**0**	0	0

The expense recognized for employee services received during the fiscal year is shown in the following table:

In EUR k	2016	2015
Expenses arising from equity-settled share-based payment transactions	1,221	1,244

The weighted average remaining contractual life for the stock options outstanding as of 31 December 2016 is 3.8 years (prior year: 4.8 years).

No options were granted in fiscal year 2016 and therefore no weighted average fair value of the options granted in the fiscal year needs to be stated. The figure for the prior year amounts to EUR 0.00.

The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.07 (prior year: EUR 2.07).

The following table lists the inputs used to value the Stock Option Plan 2013 for the fiscal years ended 31 December 2014 and 31 December 2013 (no options were granted under the plan in fiscal years 2015 and 2016):

	Options granted in 2014		Options granted in 2013	
	Board of management members	**Executives**	Board of management members	Executives
Dividend yield (%)	**1.5**	**1.5**	1.5	1.5
Expected volatility (%)	**35**	**35**	38	38
Risk-free interest rate (%)	**0.40**	**0.60**	0.85	0.85
Expected life of stock options (years)	**5.5**	**5.5**	5.5	5.5
Share price at grant date (EUR)	**14.36**	**12.31**	7.90	7.45
Model used	**Black Scholes**	**Black Scholes**	Black Scholes	Black Scholes

The expected volatility is based on an assessment of the historical volatility of the Company's share price, in particular in the period that corresponds to the expected life. The expected life of the stock options is based on estimates by the board of management.

Stock Option Plan 2015 for executives and employees

In 2015, the Group launched another stock option plan that entitles the relevant members of the board of management and executives to acquire shares in the Company.

The option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to satisfy the stock options. The options are expected to be equity-settled.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and operational EBITDA of the Group of EUR 250m. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

As of the grant date, the fair value of the stock options granted is determined using a Black-Scholes model and taking into account the conditions at which the stock options were issued.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, stock options during the fiscal year.

in EUR	**2016 Number**	**2016 WAEP**	2015 Number	2015 WAEP
Outstanding on 1.1.	**420,000**	**50.92**	0	0
Granted	**0**	**0**	420,000	50.92
Forfeited	**0**	**0**	0	0
Exercised	**0**	**0**	0	0
Expired	**0**	**0**	0	0
Outstanding on 31.12.	**420,000**	**50.92**	420,000	50.92
Exercisable on 31.12.	**0**	**0**	0	0

The expense recognized for services received during the fiscal year is shown in the following table:

In EUR k	**2016**	2015
Expenses arising from equity-settled share-based payment transactions	1,264	234

The weighted average remaining contractual life for the stock options outstanding as of 31 December 2016 is 5.8 years (prior year: 6.8 years).

No options were granted in fiscal year 2016 and therefore no weighted average fair value of the options granted in the fiscal year needs to be stated. The figure for the prior year amounts to EUR 12.70.

The weighted average fair value of all options granted under the Stock Option Plan 2015 was EUR 12.70 (prior year: EUR 12.70).

The table below lists the inputs used to value the Stock Option Plan 2015 for the fiscal year ended 31 December 2015 (no options were granted under the plan in fiscal year 2016):

In EUR	**Options granted in 2015**		Options granted in 2014	
	Board of management members	**Executives**	Board of management members	Executives
Dividend yield (%)	**1.0**	**1.0**	0	0
Expected volatility (%)	**36**	**36**	0	0
Risk-free interest rate (%)	**0.04**	**0.04**	0	0
Expected life of stock options (years)	**5.5**	**5.5**	0	0
Share price at grant date (EUR)	**49.63**	**49.63**	0	0
Model used	**Black Scholes**	**Black Scholes**	Black Scholes	Black Scholes

The expected volatility is based on an assessment of the historical volatility of the Company's share price, in particular in the period that corresponds to the expected life. The expected life of the stock options is based on estimates by the board of management.

Cash-settled employee participation program for executives and employees

In 2016, a cash-settled employee participation program was set up as part of the acquisition of a majority shareholding in a subsidiary. This incentive system allows eligible employees to exercise phantom put options at a defined date in the future in return for cash settlement. The option holders are entitled to receive a cash settlement depending on the value of the shares. The value of the options was calculated on the basis of the business valuation performed as part of the majority acquisition. Future adjustments to the valuation are made on the basis of contractually agreed valuation formulas which are dependent on the business development and the company affiliation of the eligible employees. No other profit or market conditions have to be fulfilled to exercise the options. The options are allocated to the eligible employees and valued by the management of the subsidiary which requires the approval of its shareholders. All options with cash settlement were vested as of 31 December 2016. The carrying amount and the fair value of the liability from options with cash settlement was EUR 2,889k as of 31 December 2016 (31 December 2015: EUR 0). As part of the purchase price allocation, the liability was valued at EUR 3,289k. The difference of EUR 400k was recognized in other operating income in fiscal year 2016.

42 Executive bodies

Name	Membership in statutory supervisory boards	Membership in other oversight bodies comparable with supervisory boards
Board of management		
Udo Müller (Chairman)	STRÖER media brands AG, Berlin TARTECH eco industries AG, Berlin	
Christian Schmalzl	STRÖER media brands AG, Berlin	Internet Billboard a.s., Ostrava, Czech Republic
Dr. Bernd Metzner	Döhler GmbH, Darmstadt	Anavex Life Sciences Corp, New York (USA)
Supervisory board		
Christoph Vilanek Chairman of the board of management of freenet AG, Büdelsdorf (Chairman)	eXaring AG, Munich gamigo AG, Hamburg MEDIA BROADCAST GmbH, Cologne mobilcom-debitel GmbH, Büdelsdorf Netzpiloten AG, Hamburg Ströer Management SE, Düsseldorf	Sunrise Communications Group AG, Zurich, Switzerland
Dirk Ströer Managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne (Deputy Chairman) (since 1 March 2016)	Ströer Management SE, Düsseldorf	
Ulrich Voigt Member of the management board of Sparkasse KölnBonn	Ströer Management SE, Düsseldorf	Finanz Informatik GmbH & Co. KG, Frankfurt modernes Köln GmbH, Cologne
Anette Bronder Managing director of T-Systems International GmbH, Frankfurt (since 5 April 2016)	elumeo SE, Berlin	Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern
Martin Diederichs Lawyer (from 1 to 10 March 2016)	Ströer Management SE, Düsseldorf	DSD Steel Group GmbH, Saarlouis
Julia Flemmerer Managing director of Famosa Real Estate S.L., Ibiza (Spain) (since 1 March 2016)		
Michael Remagen Tax advisor (from 1 to 9 March 2016)		
Vicente Vento Bosch Managing director of Deutsche Telekom Capital Partners Management GmbH, Hamburg Managing director of Deutsche Telekom Capital Partners Fund GmbH, Hamburg (from 12 November 2015 to 29 February 2016 / since 5 April 2016)	Immobilien Scout GmbH, Berlin STRATO AG, Berlin Ströer Management SE, Düsseldorf	Deutsche Telekom Strategic Investments GmbH, Bonn Deutsche Telekom Venture Funds GmbH, Bonn Interactive Media CCSP GmbH, Darmstadt Telekom Innovation Pool GmbH, Bonn

43 Subsequent events

No significant events occurred after the reporting date.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, 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 group management report 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, 14 March 2017

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

Udo Müller
CEO

Dr. Bernd Metzner
CFO

Christian Schmalzl
COO

AUDIT OPINION

We have audited the consolidated financial statements prepared by Ströer SE & Co.KGaA (formerly Ströer SE), Cologne, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated 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 2016. 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, complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Cologne, 14 March 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Sgd. Muzzu
Wirtschaftsprüfer
[German Public Auditor]

Sgd. Zwirner
Wirtschaftsprüfer
[German Public Auditor]

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This annual report was published on 27 March 2017 and is available in German and English. In the event of inconsistencies, the German version shall prevail.

Disclaimer

FINANCIAL CALENDAR

28.04.2017	Ströer Capital Markets Day, Berlin
11.05.2017	Publication of the quarterly statement/ Q1 for 2017
14.06.2017	Annual shareholder meeting, Cologne
10.08.2017	Publication of the H1/Q2 report for 2017
10.11.2017	Publication of the quarterly statement/ 9M/Q3 for 2017

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