STRÖER SE & CO. KGAA, COLOGNE
(FORMERLY STRÖER SE)

STRÖER

ANNUAL FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT FOR 2016

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne

Balance sheet as of 31 December 2016

A S S E T S

	31 Dec 2016 EUR	31 Dec 2015 EUR
NON-CURRENT ASSETS		
Intangible assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	6,424,925.75	4,456,313.50
Prepayments	6,403,558.89	4,821,989.75
	12,828,484.64	**9,278,303.25**
Property, plant and equipment		
Other equipment, furniture and fixtures	5,662,505.41	3,857,119.48
Prepayments made and assets under construction	114,433.16	111,230.55
	5,776,938.57	**3,968,350.03**
Financial assets		
Shares in affiliates	783,896,047.56	811,358,467.56
Loans to affiliates	74,053,376.60	74,486,230.59
Equity investments	947,071.43	0.00
Loans to other investees and investors	1,585,000.00	360,000.00
Other loans	50,000.00	0.00
	860,531,495.59	**886,204,698.15**
	879,136,918.80	**899,451,351.43**
CURRENT ASSETS		
Receivables and other assets		
Trade receivables	841,457.31	93,300.53
Receivables from affiliates	470,677,008.59	126,002,399.07
Receivables from other investees and investors	32,535.53	221.44
Other assets	7,267,416.11	17,845,112.87
	478,818,417.54	**143,941,033.91**
Cash on hand and bank balances	1,813,346.94	1,050,276.86
	480,631,764.48	**144,991,310.77**
PREPAID EXPENSES	**6,909,131.72**	**4,662,175.88**
	1,366,677,815.00	**1,049,104,838.08**

E Q U I T Y A N D L I A B I L I T I E S

	31 Dec 2016 EUR	31 Dec 2015 EUR
EQUITY		
Subscribed capital	55,282,499.00	55,282,499.00
- Conditional capital: EUR 15,454,545.00 (prior year: EUR 16,174,145.00)		
Capital reserves	631,637,512.64	631,637,512.64
Retained earnings		
Other retained earnings	95,039,275.39	96,597,268.72
Accumulated profit	66,489,744.27	67,139,755.97
	848,449,031.30	**850,657,036.33**
PROVISIONS		
Provisions for pensions and similar obligations	13,975.00	20,083.00
Tax provisions	20,303,643.00	11,214,922.34
Other provisions	11,662,934.77	9,309,805.07
	31,980,552.77	**20,544,810.41**
LIABILITIES		
Liabilities to banks	360,373,939.39	64,485,285.35
- thereof due in up to one year: EUR 5,373,939.39 (prior year: EUR 4,485,285.35)		
- thereof due in more than one year: EUR 355,000,000.00 (prior year: EUR 60,000,000.00)		
Trade payables	8,011,575.95	7,077,718.26
- thereof due in up to one year: EUR 8,011,575.95 (prior year: EUR 7,077,718.26)		
Liabilities to affiliates	116,962,941.41	90,362,157.89
- thereof due in up to one year: EUR 116,962,941.41 (prior year: EUR 90,362,157.89)		
Liabilities to other investees and investors	0.00	5,500,000.00
- thereof due in up to one year: EUR 0.00 (prior year: EUR 5,500,000.00)		
Other liabilities	899,774.18	1,307,038.16
- thereof due in up to one year: EUR 899,774.18 (prior year: EUR 1,307,038.16)		
- thereof for taxes: EUR 885,275.41 (prior year: EUR 293,501.91)		
- thereof for social security: EUR 3,081.09 (prior year: EUR 2,147.43)		
	486,248,230.93	**168,732,199.66**
DEFERRED TAX LIABILITIES	**0.00**	**9,170,791.68**
	1,366,677,815.00	**1,049,104,838.08**

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne

Income statement for fiscal year 2016

	2016 EUR	2015 EUR
Revenue	19,724,854.04	0.00
Other own work capitalized	0.00	31,280.01
Other operating income	2,611,332.65	19,754,790.91
- thereof income from currency translation EUR 1,014.86 (prior year: EUR 763.29)		
Cost of materials		
Cost of purchased services	-774,984.31	0.00
Personnel expenses		
Wages and salaries	-21,557,386.42	-20,874,034.72
Social security and pension costs	-2,823,857.62	-2,241,509.58
- thereof for pensions: EUR 85,302.59 (prior year: EUR 91,754.94)		
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-6,382,441.23	-7,863,343.30
Other operating expenses	-23,034,209.25	-29,631,946.38
- thereof expenses from currency translation: EUR 5,867.17 (prior year: EUR 11,884.72)		
Income from equity investments	694,710.62	889,656.32
- thereof from affiliates: EUR 694,710.62 (prior year: EUR 889,656.32)		
Income from profit and loss transfer agreements	152,535,702.09	93,722,042.03
Income from other securities and loans classified as non-current financial assets	3,592,174.71	1,394,972.06
- thereof from affiliates: EUR 3,559,501.78 (prior year: EUR 1,387,040.23)		
Other interest and similar income	202,723.10	16,322.02
- thereof from affiliates: EUR 69.94 (prior year: EUR 53.72)		
- thereof income from discounting: EUR 0.00 (prior year: EUR 218.71)		
Impairment losses on financial assets	-42,724,000.00	0.00
Expenses from loss absorption	-30,498,189.54	-4,191,402.69
Interest and similar expenses	-5,861,666.03	-3,278,963.39
- thereof to affiliates: EUR 245,032.61 (prior year: EUR 23,533.73)		
- thereof expenses from unwinding the discount: EUR 754.55 (prior year: EUR 921.15)		
Income taxes	-9,081,156.43	-561,174.78
- thereof income from the change in deferred taxes EUR 9,170,791.68 (prior year: EUR 5,514,823.22)		
Profit after taxes	**36,623,606.38**	**47,166,688.51**
Other taxes	-133,862.11	-26,932.54
Profit for the period	**36,489,744.27**	**47,139,755.97**
Profit carryforward from the prior year	20,000,000.00	20,000,000.00
Withdrawals from other retained earnings	10,000,000.00	0.00
Accumulated profit	**66,489,744.27**	**67,139,755.97**

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne
Notes to the financial statements for fiscal year 2016

A. General

Ströer SE & Co. KGaA (formerly Ströer SE), Cologne (Ströer KGaA), was established by transforming Ströer SE, Cologne (Cologne Local Court, HRB no. 82548), by way of a change in legal form in accordance with the resolution adopted by the extraordinary shareholder meeting on 25 September 2015. Its articles of incorporation and bylaws are dated 23 June 2016. It was entered in the commercial register of Cologne Local Court on 1 March 2016 under HRB no. 86922.

These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the AktG ["Aktiengesetz": German Stock Corporation Act]. The Company is subject to the requirements for large corporations.

The income statement is classified using the nature of expense method.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Changes arose in particular due to the first-time application of the BilRUG ["Bilanzrichtlinie-Umsetzungsgesetz": German Accounting Directive Implementation Act] in fiscal year 2016.

The prior-year figures of revenue cannot be compared with the fiscal year as a result of the revision of Sec. 277 (1) HGB by the BilRUG. The application of Sec. 277 (1) HGB as amended by the BilRUG would have led to revenue of EUR 17,584k in the prior year, the total of which was reported under other operating income in the prior year.

Intangible assets and **property, plant and equipment** are recognized at acquisition or production cost and are written off on a straight-line basis over their useful lives if they have a limited life.

Amortization/depreciation is based on the following useful lives:

■ Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	3 to 5 years
■ Other equipment, furniture and fixtures	3 to 13 years

Low-value assets with an individual net value not exceeding EUR 150.00 are fully expensed in the year of acquisition, with their immediate disposal being assumed. For convenience, the collective item procedure applied for tax purposes to assets with an individual net value of more than EUR 150.00 but no greater than EUR 1,000.00 is also used in the statutory balance sheet. The collective item is depreciated by 20% in the year of acquisition and in each of the following four years. All other depreciation of additions to property, plant and equipment is charged pro rata temporis. Depreciation of the collective item amounted to EUR 181k (prior year: EUR 111k).

With regard to **financial assets**, equity investments are recognized at the lower of cost or net realizable value, while loans are disclosed at nominal value. Interest-free or low interest loans were discounted to their present value.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for foreseeable valuation risks, while the general credit risk is provided for by a general bad debt allowance. Non-interest or low-interest bearing receivables due in more than one year were discounted.

Payments made before the balance sheet date which constitute expenses for a certain period after this date are recognized as **prepaid expenses**.

Provisions for pensions and similar obligations are calculated in accordance with the projected unit credit method using the "2005 G mortality tables." The obligations were discounted at the average market interest rate of 4.01% (prior year: 3.89%) for a residual term of 15 years in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions] of 18 November 2009. As in the prior year, expected pension increases were taken into account at 1.0%.

Tax provisions and **other provisions** account for all uncertain liabilities and potential losses from pending transactions. They were recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases). Provisions with a residual term of more than one year were discounted.

Liabilities are recorded at the settlement value.

To determine **deferred taxes** arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, these differences are valued using the company-specific tax rate of 32.45% at the time they reverse; the amounts of any resulting tax charge and benefit are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

Foreign currency assets and liabilities are translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

All entities which are fully consolidated in Ströer KGaA's consolidated financial statements are classified as **affiliates**.

C. Notes to the balance sheet

1. Non-current assets

The development of the individual non-current asset items, including amortization, depreciation and impairment for the fiscal year, is shown in the statement of changes in non-current assets.

	ACQUISITION AND PRODUCTION COST					ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES				NET BOOK VALUES	
	1 Jan 2016 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec 2016 EUR	1 Jan 2016 EUR	Additions EUR	Reversals EUR	31 Dec 2016 EUR	31 Dec 2016 EUR	31 Dec 2015 EUR
INTANGIBLE ASSETS											
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	10,423,695.80	3,495,862.66	466,350.43	640,148.17	14,093,356.20	5,967,382.30	2,166,670.15	465,622.00	7,668,430.45	6,424,925.75	4,456,313.50
Prepayments	14,914,165.63	4,399,259.47	645.04	-640,148.17	18,672,631.89	10,092,175.88	2,176,897.12	0.00	12,269,073.00	6,403,558.89	4,821,989.75
	25,337,861.43	**7,895,122.13**	**466,995.47**	**0.00**	**32,765,988.09**	**16,059,558.18**	**4,343,567.27**	**465,622.00**	**19,937,503.45**	**12,828,484.64**	**9,278,303.25**
PROPERTY, PLANT AND EQUIPMENT											
Other equipment, furniture and fixtures	10,201,042.73	3,781,857.32	923,768.20	62,402.57	13,121,534.42	6,343,923.25	2,038,873.96	923,768.20	7,459,029.01	5,662,505.41	3,857,119.48
Prepayments made and assets under construction	111,230.55	65,605.18	0.00	-62,402.57	114,433.16	0.00	0.00	0.00	0.00	114,433.16	111,230.55
	10,312,273.28	**3,847,462.50**	**923,768.20**	**0.00**	**13,235,967.58**	**6,343,923.25**	**2,038,873.96**	**923,768.20**	**7,459,029.01**	**5,776,938.57**	**3,968,350.03**
FINANCIAL ASSETS											
Shares in affiliates	811,358,467.56	100,230.00	818,650.00	0.00	810,640,047.56	0.00	26,744,000.00	0.00	26,744,000.00	783,896,047.56	811,358,467.56
Loans to affiliates	74,486,230.59	152,525,784.01	136,978,638.00	0.00	90,033,376.60	0.00	15,980,000.00	0.00	15,980,000.00	74,053,376.60	74,486,230.59
Equity investments	0.00	947,071.43	0.00	0.00	947,071.43	0.00	0.00	0.00	0.00	947,071.43	0.00
Loans to other investees and investors	360,000.00	2,685,000.00	1,460,000.00	0.00	1,585,000.00	0.00	0.00	0.00	0.00	1,585,000.00	360,000.00
Other loans	0.00	50,000.00	0.00	0.00	50,000.00	0.00	0.00	0.00	0.00	50,000.00	0.00
	886,204,698.15	**156,308,085.44**	**139,257,288.00**	**0.00**	**903,255,495.59**	**0.00**	**42,724,000.00**	**0.00**	**42,724,000.00**	**860,531,495.59**	**886,204,698.15**
	921,854,832.86	**168,050,670.07**	**140,648,051.67**	**0.00**	**949,257,451.26**	**22,403,481.43**	**49,106,441.23**	**1,389,390.20**	**70,120,532.46**	**879,136,918.80**	**899,451,351.43**

a) Intangible assets

The items “Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets” and “Prepayments” mainly comprise the cost of purchased software. An impairment loss of EUR 2,177k was recognized for the item “prepayments” due to limited future usability.

b) Financial assets

Ströer KGaA holds an equity investment of 90% in the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. 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, Ströer KGaA wrote down the carrying amount of its investment in the Turkish subsidiary by a total of EUR 26,744k on a pro rata basis in 2016 and wrote off the loan granted to the subsidiary of EUR 13,000k in full.

Furthermore, intragroup loans were written down by EUR 2,980k.

2. Receivables and other assets

	31 Dec 2016 EUR k	31 Dec 2015 EUR k
Trade receivables	841	93
thereof due in more than one year	0	0
Receivables from affiliates	470,677	126,002
thereof due in more than one year	0	0
Receivables from other investees and investors	33	0
thereof due in more than one year	0	0
Other assets	7,267	17,846
thereof due in more than one year	456	477
	478,818	143,941

Receivables from affiliates relate to the profit and loss transfer agreement with Ströer Media Deutschland GmbH, Cologne (SMD) (EUR 120,894k; prior year: EUR 92,701k), as well as to the profit and loss transfer agreements in place as of 1 January 2016 with Ströer Digital Publishing GmbH, Cologne (formerly Digital Media Products GmbH; SDP) (EUR 28,407k) and with blowUP Media GmbH, Cologne (blowUP) (EUR 3,234k). There are also trade receivables of EUR 12,500k (prior year: EUR 3,603k) and receivables from short-term loans due from Ströer Digital International GmbH (EUR 760k; prior year: EUR 760k) and RZV Digital Medya ve Reklam Hizmetleri A.S., Istanbul, Turkey (EUR 220k; prior year: EUR 220k). In addition, there are receivables from cash pooling of EUR 120,708k (prior year: liability of EUR 45,225k) with SMD, of EUR 73,450k (prior year: EUR 23,174k) with Ströer Content Group GmbH, Cologne (SCG), and of EUR 8,157k (prior year: EUR 3,245k) with Ströer Digital Group GmbH, Cologne (SDG), as well as receivables of EUR 101,898k and EUR 448k from the cash pooling agreements concluded in the fiscal year with Ströer Venture GmbH, Cologne (SVE), and blowUp, respectively.

3. Equity

a) Subscribed capital

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

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

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

Approved capital 2014

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

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

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

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

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

(iii) if the capital increase is made in return for cash contributions and the issue price of the new shares is not significantly below the market price of shares of the same class and voting rights already listed on the stock market on the date the final issue price is determined in accordance with Sec. 203 (1) and (2) and Sec. 186 (3) Sentence 4 AktG and the portion of capital stock allocable to the new shares issued in accordance with this section (iii) subject to the exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG does not exceed 10% of the total capital stock at the time that such authorization becomes effective or is exercised. The following portions of capital stock must be credited to this maximum amount: the portion which is attributable to new or treasury shares 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 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, has been authorized to determine the further details of the conditional capital increase unless stock options and shares are to be granted to members of the general partner’s board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board has been authorized to amend the articles of incorporation and bylaws to reflect the scope of the capital increase from the conditional capital 2013.

Conditional capital 2015

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

The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase unless stock options and shares are to be granted to members of the general partner's board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board is authorized to amend the articles of incorporation and bylaws to reflect the scope of the capital increase from the conditional capital 2015.

Conditional capital 2016

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.

b) Capital reserves

As of the balance sheet date, the Company had capital reserves of EUR 631,638k (of which EUR 597,187k pursuant to Sec. 272 (2) No. 1 HGB and EUR 34,451k pursuant to Sec. 272 (2) No. 2 HGB), which exceeds 10% of subscribed capital.

c) Retained earnings

By resolution of the shareholder meeting on 23 June 2016, EUR 8,442k from the accumulated profit for 2015 was allocated to other retained earnings.

d) Accumulated profit

By resolution of the shareholder meeting on 23 June 2016, EUR 38,698k (EUR 0.70 per qualifying share) was distributed as a dividend and EUR 20,000k from the accumulated profit for 2015 was carried forward to new account.

4. Provisions for pensions and similar obligations

The difference pursuant to Sec. 253 (6) HGB amounts to EUR 53.

5. Other provisions

Other provisions break down as follows:

	EUR k
Personnel provisions	8,307
Outstanding invoices	2,974
Financial statement and audit fees	381
Miscellaneous	1
Total	**11,663**

6. Liabilities

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

		Thereof due in		
	Total amount EUR k	**up to one year EUR k**	**one to five years EUR k**	**more than five years EUR k**
Liabilities to banks	360,374 *(prior year: 64,485)*	5,374 *(prior year: 4,485)*	127,000 *(prior year: 60,000)*	228,000 *(prior year: 0)*
Trade payables	8,011 *(prior year: 7,078)*	8,011 *(prior year: 7,078)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Liabilities to affiliates	116,963 *(prior year: 90,362)*	116,963 *(prior year: 90,362)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Liabilities to other investees and investors	0 *(prior year: 5,500)*	0 *(prior year: 5,500)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Other liabilities	900 *(prior year: 1,307)*	900 *(prior year: 1,307)*	0 *(prior year: 0)*	0 *(prior year: 0)*
	486,248 *(prior year: 168,732)*	131,248 *(prior year: 108,732)*	127,000 *(prior year: 60,000)*	228,000 *(prior year: 0)*

Liabilities to affiliates relate to cash pooling with companies in the Ströer Group (EUR 64,207k; prior year: EUR 45,225k) as well as to a short-term loan from InteractiveMedia CCSP GmbH, Darmstadt (IAM), of EUR 6,000k (prior year: EUR 17,000k). For the first time, short-term loans were granted in the fiscal year by Permodo GmbH, Munich (EUR 5,000k), StayFriends GmbH, Erlangen (EUR 5,000k), Statista GmbH, Hamburg (EUR 3,500k), and Business Advertising GmbH, Düsseldorf (EUR 800k). This item also includes trade payables of EUR 1,957k (prior year: EUR 9,796k). In addition, liabilities include liabilities under profit and loss transfer agreements with SDG of EUR 20,005k (prior year: EUR 4,191k), with Ströer Digital International GmbH, Cologne, of EUR 5,512k (prior year: EUR 0k), with SCG of EUR 3,482k (prior year: receivable of EUR 1,021k) as well as liabilities of EUR 1,494k and EUR 4k, from the profit and loss transfer agreements concluded in fiscal year 2016 with SVE and Ströer Sales Group GmbH, Cologne, respectively.

7. Deferred taxes

Deferred taxes at the level of Ströer KGaA (tax group parent) are calculated based on the tax rate of 32.45% (prior year: 32.45%). This comprises corporate income tax of 15%, solidarity surcharge on corporate income tax of 5.5% (15.82% in total) and average trade tax of 16.625%.

As in the past, deferred taxes are attributable to the consolidation of the tax bases of the subsidiaries in the tax group at the level of Ströer KGaA, the tax group parent.

Overall, the surplus of deferred tax assets in fiscal year 2016 amounts to EUR 7,127k. The option to recognize deferred tax assets afforded by Sec. 274 HGB was not exercised.

The deferred tax assets essentially arise from the different treatment of goodwill and the different recognition of provisions for tax purposes as of 31 December 2016.

The deferred tax liabilities mainly arise from the temporary differences in respect of investments. The deferred tax liabilities are offset against the deferred tax assets.

The following table shows details regarding deferred taxes and how they were offset:

In EUR k	31 Dec 2016		31 Dec 2015		Change	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Intangible assets	7,061	0	336	2,259	6,725	-2,259
Property, plant and equipment	0	0	0	126	0	-126
Financial assets	110	2,623	0	8,584	110	-5,961
Receivables	0	34	0	0	0	34
Pension provisions	1,333	0	986	0	347	0
Other provisions	3,027	1,747	2,256	1,780	771	-33
Liabilities	0	0	0	0	0	0
Deferred taxes	**11,532**	**4,404**	**3,578**	**12,749**	**7,953**	**-8,346**
Interest carryforwards	0	0	0	0	0	0
Loss carryforwards	0	0	0	0	0	0
Total	**11,532**	**4,404**	**3,578**	**12,749**	**7,953**	**-8,346**
Offsetting	-4,404	-4,404	-3,578	-3,578	-825	-825
No exercise of the option to recognize deferred tax assets	**-7,127**	**0**	**0**	**0**	**-7,127**	**0**
Carrying amount	**0**	**0**	**0**	**9,171**	**0**	**-9,171**

D. Notes to the income statement

1. Revenue

In fiscal year 2016, revenue amounted to EUR 19,725k and was generated in Germany mainly from commercial and IT services rendered for subsidiaries of the Ströer Group (EUR 18,938k) and from rental income (EUR 787k).

2. Other operating income

Other operating income comprises out-of-period income of EUR 19k from cost reimbursements for 2015.

Extraordinary income of EUR 100k is due to compensation payments under an out-of-court settlement.

3. Other operating expenses

Other operating expenses comprise out-of-period expenses of EUR 354k relating to services received in 2014 and 2015 and billed in 2016.

This item also includes extraordinary expenses of EUR 134k (prior year: EUR 664k) incurred for the costs of converting the Company into a KGaA.

In addition, extraordinary expenses were incurred for legal and consulting fees associated with acquisitions (EUR 1,682k), for trade fair expenses (EUR 498k) and for migration expenses in connection with the integration of SDP and IAM (EUR 313k) in 2016.

4. Income taxes

Due to the Company's function as tax group parent, all of the tax bases of the subsidiaries in the tax group are transferred to the Company. Trade tax add-backs, restrictions on the deduction of interest expenses and rules on minimum taxation result in taxable profit/trade earnings.

Income taxes comprise amounts of EUR 230k and EUR 592k for corporate income tax and trade tax, respectively, that relate to prior years.

E. Other notes

1. Cash flow statement

	2016 EUR k	2015 EUR k
1. Cash flows from operating activities		
Profit or loss for the period	36,490	47,140
Amortization, depreciation and impairment losses (+)/write-ups (-) on non-current assets	49,106	7,863
Increase (+)/decrease (-) in provisions	11,608	6,220
Other non-cash expenses (+)/income (-)	-131,274	-95,495
Gains (-)/loss (+) on the disposal of non-current assets	1	-28
Increase (-)/decrease (+) in trade receivables and other assets	99,619	39,153
Increase (+)/decrease (-) in trade payables and other liabilities	-13,654	12,649
Cash flows from operating activities	51,896	17,502
2. Cash flows from investing activities		
Cash received (+) from the disposal of property, plant and equipment	-1	48
Cash paid (-) for investments in property, plant and equipment	-3,847	-2,360
Cash received (+) from the disposal of intangible assets	1	0
Cash paid (-) for investments in intangible assets	-7,895	-4,902
Cash received (+) from the disposal of non-current financial assets	30,811	45,606
Cash paid (-) for investments in non-current financial assets	-76,316	-71,643
Cash flows from investing activities	-57,247	-33,251
3. Cash flows from financing activities		
Dividends (-)	-38,698	-19,548
Cash received (+) from/cash paid (-) for cash pooling activities	-236,771	-23,856
Cash received (+) from the issue of bonds and borrowings	545,201	128,818
Cash repayments (-) of bonds and borrowings	-263,618	-82,990
Cash flows from financing activities	6,114	2,424
4. Cash at the end of the period		
Change in cash		
Change in cash (subtotal 1 to 3)	763	-13,325
Cash at the beginning of the period	1,050	14,375
Cash at the end of the period	1,813	1,050
5. Composition of cash		
Cash and cash equivalents	1,813	1,050
Cash at the end of the period	1,813	1,050

2. Contingent liabilities and other financial obligations

a) Contingent liabilities

In connection with the acquisition of Ströer DERG Media GmbH, Kassel, Ströer KGaA issued an indefinite guarantee to Deutsche Bahn AG for the obligations of Ströer DERG Media GmbH under the advertising space agreement. These relate particularly to expenses for advertising media intended for the installation and operation of digital real-time systems for information and entertainment and the upgrading of existing advertising media. Over the life of the long-term agreement, the investment volume comes to roughly EUR 20m plus ongoing operating and maintenance expenses and overheads. The volume of ongoing costs depends, on the one hand, on the scope and duration of implementation and, on the other, on the use of existing electronic media structures within the Ströer Group.

Under the contract for services for the Bremen city contract between Telekom Deutschland GmbH, Bonn, and DSM Deutsche Städte Medien GmbH, Frankfurt am Main (DSM), dated 18 December 2015, Ströer KGaA assumed an absolute guarantee for EUR 5,850k, which is limited until 31 December 2025.

Under the rental agreement concluded with Deka Immobilien Investment GmbH, Frankfurt am Main, as of 1 July 2015 for the building at Torstrasse 49, Berlin, Ströer KGaA assumed an indefinite guarantee for the tenant STRÖER media brands AG, Berlin, for EUR 107k.

Under the agreement on the exercise of advertising concessions for public faces between the city of Ravensburg and DSM dated 23 May 2015, Ströer KGaA assumed a guarantee of EUR 300k, which is limited until 31 December 2024.

With regard to an agreement concluded between SEM Internet Reklam Hiz. Ve Dan. A.S., Istanbul, Turkey, and Facebook Ireland Ltd., Dublin, Ireland, in January 2014, Ströer KGaA assumed an indefinite guarantee of USD 500k on 19 August 2015.

In connection with the sale of shares in ADselect GmbH, Duisburg, on 22 May 2015 by Mr. Martin Reichardt (seller), Ströer KGaA assumed an absolute guarantee of EUR 480k for the obligation by Business Advertising GmbH, Düsseldorf, to pay the purchase price, which expires upon payment of the last purchase price installment on 28 February 2017.

On 20 December 2016, Ströer KGaA issued letters of comfort in favor of Statista GmbH, Ströer Digital Commerce GmbH, Ströer SSP GmbH, Munich (formerly adscale GmbH), and IAM. Under these letters of comfort, Ströer KGaA undertakes to ensure that the entities above will be able to meet their financial obligations from operating their businesses. All letters of comfort are limited until 31 December 2017.

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

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

In addition to contingent liabilities, the Company has other financial obligations of EUR 25,187k (of which to affiliates EUR 0k and to associates EUR 11,035k). These obligations include the following items:

Lease payments:

■	up to 1 year:	EUR	2,035k
■	1 to 5 years	EUR	7,369k
■	more than 5 years:	EUR	984k

The lease payments mainly relate to the administrative building in Cologne used by the Company. The building was leased to avoid cash outflows and financing which would have been required if the building had been purchased. These benefits are contrasted by fixed and contractually agreed payment obligations over the term of the lease.

The Company also has other financial obligations from the lease of storage and administrative buildings. The remaining terms break down as follows:

- up to 1 year: EUR 1,626k
- 1 to 5 years EUR 7,515k
- more than 5 years: EUR 5,658k

For supplies of advertising media in 2017 by UAB BaltLED, Vilnius, Lithuania, and Programm Contractors Ltd., Kowloon, Hong Kong, Ströer KGaA signed two letters of intent in 2016. They come to EUR 608k.

c) Financial instruments within the meaning of Sec. 285 No. 15a HGB

There are obligations to non-controlling shareholders from put options for which the vesting conditions had not been met as of 31 December 2016. The theoretical value of potential liabilities under these options came to EUR 5,611k as of the balance sheet date. It is not possible to say when these obligations will fall due as Ströer KGaA does not have any control over the exact date on which the options will be exercised by the holders. However, all option agreements are structured in such a way that the outflow of cash will not have a significant effect on the Company's financial position.

3. Related party transactions

The following significant transactions with related parties were conducted:

Type of relationship	Subsidiaries	Other related parties
Type of transaction	EUR k	EUR k
Performance of services	1,156	160
Provision of other services	568	34
Purchase of other services	1,193	1,115
Loss absorption under profit and loss transfer agreements	20,005	0
Loans granted	8,992	2,685
Repayment of loans granted	750	1,460
Loans received	26,000	6,000
Repayment of loans received	33,500	11,500

Other related parties comprise companies that are not fully included in Ströer KGaA's consolidated financial statements and companies in which persons with Ströer KGaA board functions have an equity interest. Furthermore, other related parties also includes companies which can exercise significant influence over Ströer KGaA, as well as members of management in key positions.

The Company provides product development services for advertising media, IT services, central procurement and personnel services.

In addition, the Company provides other services in the form of interest-bearing loans to subsidiaries (EUR 525k).

The purchase of other services mainly relates to allocated expenses from subsidiaries.

For information on further transactions with the board of management and the supervisory board, see our disclosures in E.5.

4. Audit and consulting fees

The total fee charged by the auditor for the fiscal year pursuant to Sec. 285 No. 17 HGB is included in the relevant disclosure made in the notes to the consolidated financial statements.

5. Board of management and supervisory board

The composition of the board of management of the general partner, Ströer Management SE, Düsseldorf (the board of management), and of the supervisory board of Ströer KGaA as well as membership in statutory supervisory boards and other oversight bodies comparable with a supervisory board is shown in the table below:

Name	Membership in statutory supervisory boards	Membership in other oversight bodies comparable with a supervisory board
Board of management		
Udo Müller (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 freenet AG, Büdelsdorf (Chairman)	eXaring AG, Munich gamigo AG, Hamburg MEDIA BROADCAST GmbH, Cologne Netzpiloten AG, Hamburg mobilcom-debitel GmbH, Büdelsdorf 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

Mr. Müller, Dr. Metzner and Mr. Schmalzl exercised their board of management functions on a full-time basis.

The benefits granted under payment arrangements with the board of management and the supervisory board (excluding share-based payments) are presented below for the fiscal years 2016 and 2015:

	2016	2015
Board of management	**EUR k**	**EUR k**
Short-term benefits	3,485	4,382
Other long-term benefits	1,895	1,865
	5,380	**6,247**

	2016	2015
Supervisory board	**EUR k**	**EUR k**
Short-term benefits	222	151
	222	**151**

Short-term benefits comprise in particular salaries, remuneration in kind and performance-linked remuneration components which are only paid in later years. Long-term benefits comprise performance-based remuneration components granted to the board of management – excluding share-based payments – that are only paid in later years. A reference price for the shares in Ströer KGaA is determined at the end of each fiscal year for share-based payments granted to the board of management (excluding the stock option plan). After four fiscal years, the reference price is compared with the share price at the end of the year and the payment of remuneration is based on the share price reached (cash-settled transaction). An upper limit has been agreed for share-based payments.

Calculating the value of the share-based payment requires an estimate to be made of the future share price as of each reporting date. This was 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 rate used for the model is 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.

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

Stock option plan:

Under the stock option plan resolved by the shareholder meeting in 2013 (SOP 2013), the board of management was granted a total of 1,954,700 options. In 2015, another stock option plan (SOP 2015) was resolved by the shareholder meeting, under which the board of management was granted 350,000 options.

Option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to satisfy the stock options. The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and a minimum operational EBITDA of the Group of EUR 150m (SOP 2013) or EUR 250m (SOP 2015). The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

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

The weighted average fair value of options granted under the SOP 2015 was EUR 12.70. The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.14.

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.

6. Employees

An average of 286 staff were employed in fiscal year 2016 (prior year: 242).

7. List of shareholdings

The disclosures pursuant to Sec. 285 No. 11 HGB on entities in which the Company holds an equity interest of at least 20% as well as the disclosures pursuant to Sec. 285 No. 11b HGB on investments in large corporations exceeding 5% of the voting rights are presented in the following list of shareholdings.

	Equity interest 31 Dec 2016 %	Equity as of 31 Dec 2016 EUR k	Profit or loss 2016 EUR k
Direct investments			
blowUP Media GmbH, Cologne	100	953	*3,234
eValue 2nd Fund GmbH, Berlin	33.3	2,565	-151
Ströer Content Group GmbH, Cologne	100	25	*-3,482
Ströer Digital Commerce GmbH, Cologne	100	-1,741	-1,766
Ströer Digital International GmbH, Cologne	100	10,343	*-5,512
Ströer Digital Publishing GmbH, Cologne (formerly Digital Media Products GmbH, Darmstadt)	100	111,982	*28,407
Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey	90	47,800	-9,972
Ströer Media Deutschland GmbH, Cologne	100	121,245	*120,894
Ströer Polska Sp. z o.o., Warsaw, Poland	100	17,374	-860
Ströer Sales Group GmbH, Cologne	100	25	*-4
Ströer Venture GmbH, Cologne	100	-33	*-1,494
Indirect investments			
4EVER YOUNG GmbH, Unterföhring	75	816	791
Adscale Laboratories Ltd., Christchurch, New Zealand	100	406	167
AD-Vice Sp. z.o.o., Warsaw, Poland	100	297	84
Ahuhu GmbH, Unterföhring	70	181	156
ApDG Handels- und Dienstleistungsgesellschaft mbH, Ulm	100	1,187	8
ARGE Aussenwerbung Schönefeld GbR, Berlin	50	61	85
Asam GmbH, Beilngries	51	80	54
Asam GmbH & Co. Betriebs-KG, Beilngries	100	8,510	4,501
ASAMBEAUTY GmbH, Unterföhring	100	450	425
B.A.B. Maxiposter Werbetürme GmbH, Hamburg	100	2,828	35
BHI Beauty & Health Investment Group Management GmbH, Unterföhring	51	32,459	984
blowUP Media Belgium BVBA, Antwerp, Belgium	80	546	-82
blowUP Media Benelux B.V., Amsterdam, Netherlands	100	1,573	924
blowUP Media Espana S.A., Madrid, Spain	100	-1,051	-14
blowUP Media U.K. Ltd., London, UK	100	2,209	2,182
Boojum Kft., Budapest, Hungary	60	123	101
Business Advertising GmbH, Düsseldorf	71.2	930	190
Conexus AS, Drammen, Norway	54.83	5,896	578
Conexus Norge AS, Drammen, Norway	100	1,116	-781
Content Fleet GmbH, Hamburg	92.52	-2,703	-1,730
DERG Vertriebs GmbH, Cologne	100	50	*865
DSM Decaux GmbH, Munich	50	10,742	9,184
DSM Deutsche Städte Medien GmbH, Frankfurt am Main	100	12,611	*24,155
DSM Krefeld Aussenwerbung GmbH, Krefeld	51	1,636	167
DSM Rechtegesellschaft mbH, Cologne	100	25	*101,257
DSM Werbeträger GmbH & Co. KG, Cologne	100	31,226	400
DSM Zeit und Werbung GmbH, Frankfurt am Main	100	1,453	*1,438
ECE flatmedia GmbH, Hamburg	75.1	4,929	4,740
Erdbeerlounge GmbH, Cologne	100	-928	-96
European Web Video Academy GmbH, Düsseldorf	50.1	-559	-629
evidero GmbH, Cologne	65	-748	-377
FaceAdNet GmbH, Berlin	52	1,461	1,436
Fahrgastfernsehen Hamburg GmbH, Hamburg	100	394	337
Foodist GmbH, Hamburg	100	-542	-1,742
Graceland SP. z o.o., Warsaw, Poland	100	1	0
Hamburger Verkehrsmittel-Werbung GmbH, Hamburg	75.1	2,699	851

	Equity interest 31 Dec 2016 %	Equity as of 31 Dec 2016 EUR k	Profit or loss 2016 EUR k
iBillBoard Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Turkey	96	12	-36
iBillBoard Poland Sp. z o.o., Warsaw, Poland	100	127	72
INFOSCREEN GmbH, Cologne	100	8,227	*41,247
InnoBeauty GmbH, Unterföhring	100	200	175
Instytut Badań Outdooru IBO SP. z o.o., Warsaw, Poland	40	-199	-89
InteractiveMedia CCSP GmbH, Darmstadt	100	100,334	3,753
Internet BillBoard a.s., Ostrava, Czech Republic	90	1,707	503
INTREN Informatikai Tanacsado es Szolgaltato Kft., Budapest, Hungary	50.89	641	296
kajomi GmbH, Planegg	51	314**	161**
Kinolo GmbH, Munich	100	-38	-29
Klassenfreunde.ch GmbH, Berne, Switzerland	100	832	105
Klassträffen Sweden AB, Stockholm, Sweden	100	469	64
Klitschko Performance GmbH, Munich (in liquidation)	50	-3	53
Konya Inter Tanitim ve Reklam Hizmetleri Anonim Sti., Istanbul, Turkey	100	114	-5
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen, Hamburg	51	338	263
Linkz Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S., Istanbul, Turkey	100	-215	-202
M.Asam GmbH, Unterföhring	100	7,991	7,966
MBR Targeting GmbH, Berlin	100	-5,044	-1,478
Media-Direktservice GmbH, Cologne	25.1	-1,046	-1,071
mediateam Werbeagentur GmbH/ Ströer Media Deutschland GmbH - GbR, Cologne	50	92	92
MT Mobile Ticketing GmbH, Berlin	100	319	214
MT Mobile Ticketing j.d.o.o., Zagreb, Croatia	100	12	2
mYouTime AS, Drammen, Norway	64.25	-203	-78
Nachsendeauftrag DE Online GmbH, Berlin	60	52	33
Omnea GmbH, Berlin	80	-3,097	-2,133
OMS Vermarktungs GmbH & Co. KG, Düsseldorf	100	0	0
OMS Vermarktungs-Beteiligungsgesellschaft mbH, Düsseldorf	100	34	1
OnlineFussballManager GmbH, Cologne	50.1	-623	-95
OSD Holding Pte. Ltd., Singapore, Republic Singapore	36.46	1,132	201
Permodo GmbH, Munich (formerly Permodo International GmbH, Munich)	51	5,955	7,079
RegioHelden GmbH, Stuttgart	90	-9,824	-6,029
RZV Digital Medya ve Reklam Hizmetleri A.S., Istanbul, Turkey	100	-6,231	-3,453
SEM Internet Reklam Hizmetleri ve Danismanlik A.S., Istanbul, Turkey	100	1,727	433
SF Beteiligungs GmbH, Cologne	75.4	2,027	-4
SMD Rechtegesellschaft GmbH, Cologne	100	25	*45,883
SMD Werbeträger GmbH & Co. KG, Cologne	100	9,785	154
Social Media Interactive GmbH, Munich	58.8	-642	-2,106
SRG Rechtegesellschaft GmbH, Cologne	100	25	*47,127
SRG Werbeträger GmbH & Co. KG, Cologne	100	14,465	134
Statista GmbH, Hamburg	81.3	2,106	-1,814
Statista Inc., New York, USA	100	-860	1
Statista Ltd., London, UK	100	-33	-612
StayFriends GmbH, Erlangen	100	4,550	3,122

	Equity interest 31 Dec 2016 %	Equity as of 31 Dec 2016 EUR k	Profit or loss 2016 EUR k
Ströer DERG Media GmbH, Kassel	100	5,492	*21,221
Ströer Deutsche Städte Medien GmbH, Cologne	100	500	*14,785
Ströer Digital Group GmbH, Cologne	100	93,692	*-20,005
Ströer Digital Media GmbH, Hamburg	100	819	*-1,675
Ströer Digital Operations Sp. z. o.o., Warsaw, Poland (formerly Goldbach Holding Sp. z. o.o., Warsaw, Poland)	100	1,047	153
Ströer Digital Services Sp. z. o.o., Warsaw, Poland (formerly Goldbach Audience Services Sp. z. o.o., Warsaw, Poland)	100	-355	-70
Ströer KAW GmbH, Cologne	100	1,538	*2,698
Ströer Kulturmedien GmbH, Cologne	100	180	*837
STRÖER media brands AG, Berlin (formerly GIGA Digital AG, Berlin)	100	1,508	*-479
Ströer Media Sp. z o.K., Warsaw, Poland	100	3,393	1,889
Ströer Media Sp. z o.o., Warsaw, Poland	100	1	2
Ströer Mobile Performance GmbH, Cologne (formerly KissMyAds GmbH)	100	-566	-253
Ströer Netherlands B.V., Amsterdam, Netherlands	100	4	2
Ströer Netherlands C.V., Amsterdam, Netherlands	100	1,021	621
Ströer Products GmbH, Berlin (formerly GIGA fixxoo GmbH, Berlin)	75	1,927	-1,452
Ströer Sales & Services GmbH, Cologne	100	272	*11,247
Ströer SSP GmbH, Munich (formerly adscale GmbH, Munich)	100	7,825	-2,004
Ströer Werbeträgerverwaltungs GmbH, Cologne	100	25	*4
stylefruits GmbH, Munich	100	3,161	-2,545
T&E Net Services GmbH, Berlin	60	1,272	922
Trierer Gesellschaft für Stadtmöblierung mbH, Trier	50	1,081	109
Trombi Acquisition SARL, Paris, France	100	-1,222	-397
TUBE ONE Networks GmbH, Hamburg	74.99	642	-603
twiago GmbH, Cologne	51	1,549	1,285
VITALSANA B.V., Heerlen, Netherlands	100	-1,864	-767
X-City Marketing Hannover GmbH, Hanover	50	12,038	1,810

*Result before profit and loss transfer **Prior-year figures

8. Consolidated financial statements

The Company prepares the consolidated financial statements for the largest and smallest group of entities. The consolidated financial statements are published in the *Bundesanzeiger* [German Federal Gazette].

9. General partner

Ströer Management SE, Düsseldorf, which is the general partner, reported subscribed capital of EUR 120k as of 31 December 2016.

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

Dirk Ströer holds 21.80% and Udo Müller 21.70% of the Company's shares. Moreover, according to the notifications made to the Company as of the date of preparation of these notes to the financial statements on 14 March 2017, the following parties reported to us that they hold more than 3% of the voting rights in the Company: Deutsche Telekom AG (11.60%), Allianz Global Investors Europe (6.15%) and Credit Suisse (4.63%).

See also our disclosures in exhibit 1 to the notes.

11. Proposal for the appropriation of profit

The general partner and the supervisory board propose to the shareholder meeting of Ströer SE & Co. KGaA that the accumulated profit of EUR 66,489,744.27 disclosed in the financial statements as of 31 December 2016 be appropriated as follows:

- Distribution of a dividend of EUR 1.10 per qualifying share, which makes EUR 60,810,748.90 in total (with 55,282,499 shares); and
- Carryforward of the remainder of EUR 5,678,995.37 to new account

12. Subsequent events

There were no events after the close of the fiscal year which have a significant financial effect.

13. Declaration pursuant to Sec. 161 AktG on the Corporate Governance Code

The board of management of the general partner of Ströer SE & Co. KGaA, Ströer Management SE, Düsseldorf, and the supervisory board of Ströer SE & Co. KGaA submitted the annual declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 15 December 2016. The declaration was made permanently available to shareholders on the Company's website (www.ir.stroeer.com).

14. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the combined management report of the Company and the Group includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected future development of the Company.

Cologne, 14 March 2017

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

Udo Müller   Christian Schmalzl   Dr. Bernd Metzner

Exhibit 1 to the notes to the financial statements of Ströer SE & Co. KGaA (formerly Ströer SE), Cologne

Disclosures pursuant to Sec. 160 (1) No. 8 AktG ["Aktiengesetz": German Stock Corporation Act]

The Company issued the following notifications pursuant to Sec. 26 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]:

1. Details of the issuer

Ströer SE Ströer Allee 1 50999 Cologne Germany

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in aggregate number of voting rights
X	Other reason: Statement of holdings in accordance with Sec. 41 (4f) WpHG

3. Details of the party subject to mandatory notification

Name:	City and country of registered office:
Allianz Global Investors GmbH	Frankfurt am Main Germany

4. Names of shareholders

holding 3% or more voting rights, if different from 3

5. Date when threshold was met

26 November 2015

6. Total share of voting rights

	Share of voting rights (total of 7.a.)	Share of instruments (total of 7.b.1. + 7.b.2.)	Total share (total of 7.a. + 7.b.)	Total number of voting rights
new	6.12%	0.03%	6.15%	55282499
Most recent notification	5.88%	%	%	/

7. Details of the share of voting rights

a. Voting rights (Secs. 21, 22 WpHG)

ISIN	absolute		in %	
	direct (Sec. 21 WpHG)	allocated (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	allocated (Sec. 22 WpHG)
DE0007493991	0	3384405	0%	6.12%
Total	3384405		6.12%	

b.1. Instruments within the meaning of Sec. 25 (1) No. 1 WpHG

Type of instrument	Maturity/expiration date	Exercise period/term	Voting rights absolute	Voting rights in %
Right for redelivery of shares being subject to open overnight securities lending	none	Cancellation possible on each trading day	14300	0.03%
		Total	14300	0.03%

b.2. Instruments within the meaning of Sec. 25 (1) No. 2 WpHG

Type of instrument	Maturity/expiration date	Exercise period/term	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total	0	0%

8. Information on the party subject to mandatory notification

	The party subject to mandatory notification (3.) is not controlled and does itself not control any other undertaking(s) holding any reportable voting rights in the issuer (1.).
X	Full chain of controlled companies starting with the ultimate controlling natural person or legal entity:

Companies	Voting rights in %, if equal to or higher than 3%	Instruments in %, if equal to or higher than 5%	Total in %, if equal to or higher than 5%
Allianz SE	%	%	%
Allianz Asset Management AG	%	%	%
Allianz Global Investors GmbH	6.12%	%	6.15%

9. In case of proxy voting in accordance with Sec. 22 (3) WpHG

(only applicable when allocating pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG)

Date of shareholder meeting:	
Total share of voting rights after the shareholder meeting:	% (corresponding to voting rights)

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.

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.

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

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.

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.
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.

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.

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.

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

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.

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

Q1	226.2
Q2	276.2
Q3	263.3
Q4	357.6
Q1 – Q4	**1,123.3**

Operational EBITDA development by quarter

In EUR m

Q1	46.2
Q2	69.2
Q3	63.3
Q4	106.4
Q1 – Q4	**285.2**

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

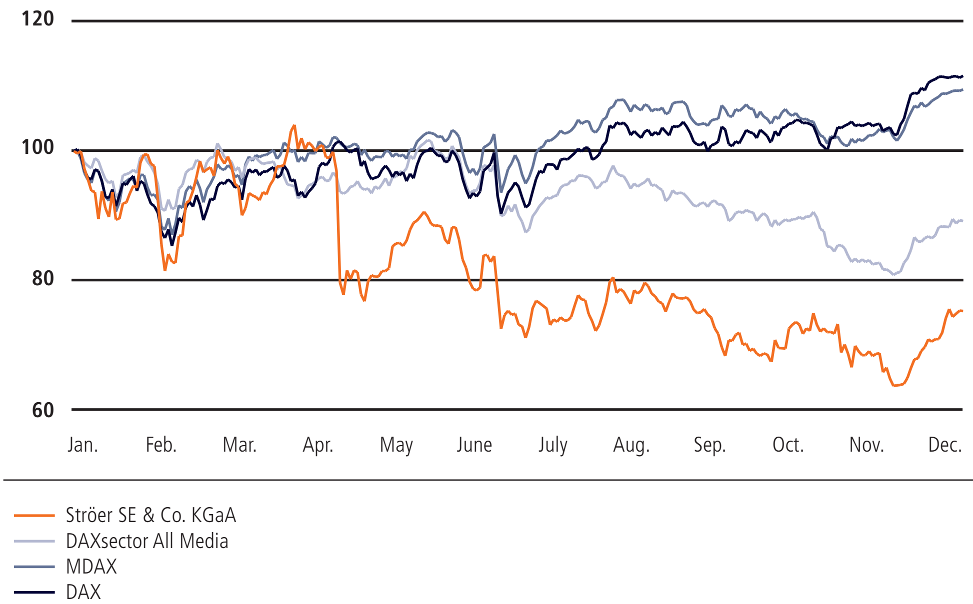
Due to its role as group parent, the anticipated development of Ströer SE & Co. KGaA depends on the development of the Group as a whole. Based on the Group's expected development of the results of operations for 2017 presented under "Forecast," we expect the subsidiaries to generate even higher earnings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

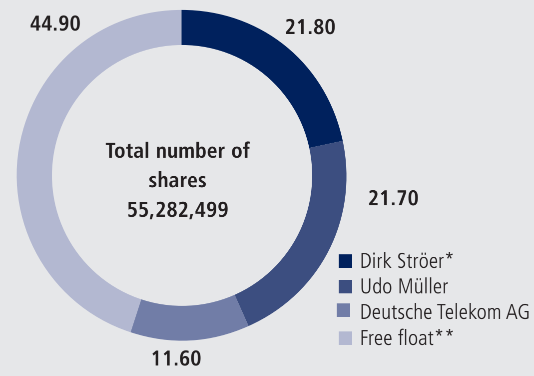
*As of 30 December 2016

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.

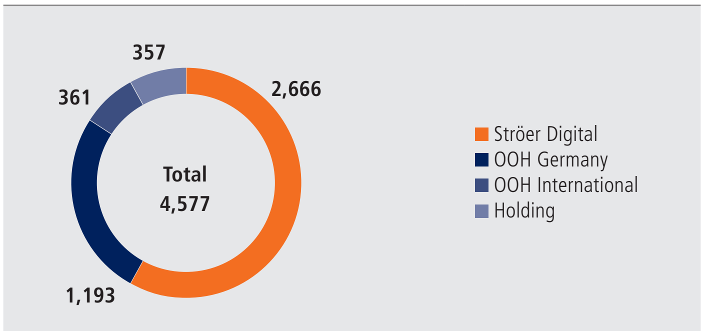
Employment situation

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

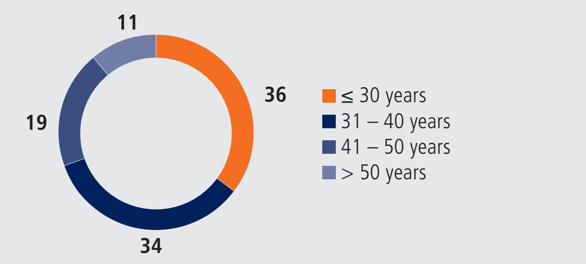
As of the reporting date, employees had been working for an average of 5.6 years (prior year: 6.5 years) for the Ströer Group. The decline is due to the increase in headcount in the digital segment which almost entirely comprises companies that were only established in the last few years.

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 %



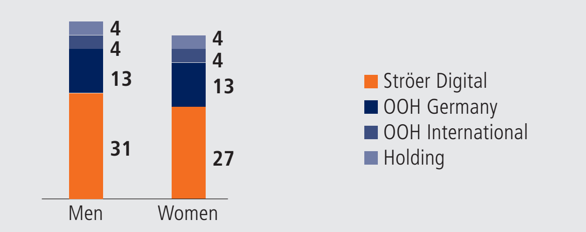
Gender structure

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.

→ 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

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:

Short Term Incentives (STI)
- Cash flows from operating activities

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

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

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

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

Share price
This LTI component is linked to the development of the Company's share price over a four-year period against the reference price set at the beginning of this period. The agreed amount for 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 compensati-on (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.

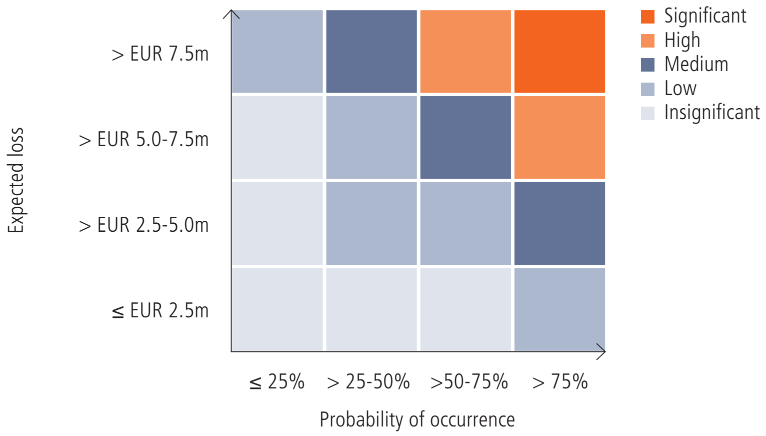
We believe that, as of the publication date of this report, the risks currently identified and described below are manageable. There are no recognizable individual risks that could jeopardize the Company's ability to continue as a going concern. We are also confident that Ströer is in a good strategic 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.

Ströer SE & Co. KGaA
Ströer Allee 1 . 50999 Cologne
Phone +49 (0) 2236 . 96 45-0
Fax +49 (0) 2236 . 96 45-299
www.stroeer.com