STRÖER

STRÖER SE & Co. KGaA

QUARTERLY STATEMENT 9M/Q3 2018

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

THE GROUP'S FINANCIAL FIGURES AT A GLANCE

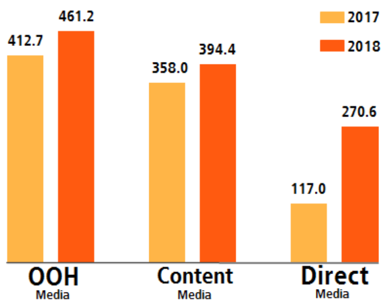
Continuing Operations

Revenue

EUR 1,112.7m

(prior year: EUR 870.4m)

SEGMENT REVENUE
In EUR m



OPERATIONAL EBITDA

EUR 363.9m

(prior year: EUR 317.2m)

OPERATIONAL EBITDA-MARGIN

32.7%

(prior year: 36.4%)

ORGANIC REVENUE GROWTH

8.1%

(prior year: 9.1%)

ADJUSTED CONSOLIDATED PROFIT

EUR 119.1m

(prior year: EUR 100.6m)

FREE CASH FLOW BEFORE M&A TRANSACTIONS

EUR 137.1m

(prior year: EUR 124.9m)

ROCE

18.0%

(prior year: 16.7%)

In EUR m	After adjustment for IFRS 11 and IFRS 16 9M 2018[1]	After adjustment for IFRS 11 and IFRS 16 9M 2017[1]	Before adjustment for IFRS 11 and IFRS 16 9M 2018	Before adjustment for IFRS 11 and IFRS 16 9M 2017
Revenue (reported)	**1,112.7**	**870.4**	**1,112.7**	**870.4**
IFRS 11 adjustment	-	-	9.4	9.7
Revenue (management view)	**1,112.7**	**870.4**	**1,122.0**	**880.1**
Operational EBITDA	**363.9**	**317.2**	**234.6**	**207.0**
Adjustment effects	23.1	16.4	23.9	17.8
IFRS 11 adjustment	-	-	3.7	3.6
EBITDA	**340.8**	**300.8**	**207.0**	**185.6**
Amortization, depreciation and impairment losses	249.5	222.3	123.4	115.6
thereof attributable to purchase price allocations and impairment	50.1	44.9	51.1	45.8
EBIT	**91.2**	**78.5**	**83.6**	**70.0**
Financial result	23.2	20.7	6.9	5.2
EBT	**68.0**	**57.8**	**76.7**	**64.8**
Taxes	9.0	5.5	11.5	8.1
Consolidated profit for the period	**59.0**	**52.4**	**65.1**	**56.7**
Adjusted consolidated profit for the period	**119.1**	**100.6**	**129.6**	**110.1**
Free cash flow (before M&A transactions)	**137.1**	**124.9**	**24.5**	**40.9**
Net debt (30 Sep)[2]	**623.2**	**545.9**	**617.7**	**540.6**

1) The "IFRS 11 adjustment" relates to the alignment of the internal reporting to the external reporting. This alignment had an effect on several non-GAAP KPIs. The "IFRS 16 adjustment" results from the first-time application of this new standard.

2) The calculation of the Ströer Group's net debt is based on its existing loan agreements with lending banks and, hence, the introduction of IFRS 16 had no impact in this regard. Against this background only the "IFRS 11 adjustment" had an impact on net debt.

CHANGES IN ACCOUNTING

As of **1 January 2018**, the Ströer Group adopted, among others, the new standard **IFRS 16, Leases**. The new standard contains substantially revised guidance on the definition and recognition of leases. It replaces the former standard IAS 17, which was previously applied for leases. The new standard was adopted for the first time applying the modified retrospective approach, i.e., the comparative period was not restated to reflect IFRS 16.

First-time application of this standard led in particular to a number of advertising concession contracts in the Ströer Group's OOH business being reclassified as a lease within the meaning of IFRS 16. These advertising concession contracts include contracts with cities and municipalities as well as with private property owners. In all of these contracts, Ströer has the right to install its advertising media on public and private land.

The reclassification of these contracts as leases within the meaning of IFRS 16 means that the Ströer Group now has to recognize the respective minimum lease payments agreed under these contracts as discounted financial liabilities in the statement of financial position. Effective 1 January 2018, the rights of use attributable to the respective land were recognized in the same amount as assets in the statement of financial position. Overall, this effect increased total assets of the Ströer Group by around EUR 1.1b at the beginning of 2018.

In the income statement, the minimum lease payments are no longer recognized in full as an expense but broken down into interest expenses and a principal portion. While the interest expenses which decrease over the term of the lease are presented as part of the financial result, the principal portion, which increases continually over the term, is no longer reflected in the income statement. Consolidated profit or loss is thus no longer directly impacted by the amount of the principal portion of the lease payment. Instead consolidated profit or loss is reduced by (straight-line) depreciation of the right-of-use asset over the term of the respective lease. Although the sum of the continually increasing principal portions is identical to the sum of the straight-line depreciation over the full term of the individual lease, the excess of the straight-line depreciation over the initially lower principal portions has a negative effect on consolidated profit or loss in the first periods. For this reason, consolidated profit declines accordingly with the adoption of IFRS 16 in 2018. The negative effect on consolidated profit for the first three quarters of 2018 totaled EUR 6.1m (upfront effect).

Lease payments in the statement of cash flows are also no longer recognized in full in cash flows from operating activities. The principal portions of the individual leases are now recognized in cash flows from financing activities. The reclassification of a portion of the lease payments thus gives rise to an improvement in cash flows from operating activities and to significantly higher outflows in cash flows from financing activities. By contrast, cash flows from investing activities are only affected in those very few cases when cash paid for investments in intangible assets and property, plant and equipment and/or cash received from the disposal of intangible assets and property, plant and equipment are treated differently under IFRS 16 than under IAS 17.

For more details also see our explanations in section 4 "Changes in accounting policies" in the notes section of our 2017 annual report.

In addition, the Ströer Group's internal reporting structure was adjusted to reflect the provisions of **IFRS 11** for the accounting of joint ventures as of **1 January 2018**. Ströer has been applying these provisions to its external reporting since 1 January 2014. By aligning the internal and external reporting, the four joint ventures in the Ströer Group are now also consolidated using the equity method in the internal reporting and no longer at 50% applying the proportionate method. Hence, Ströer has not disclosed the previously recognized reconciling item "IFRS 11 adjustment" in the calculation of operational EBITDA since the beginning of the year, which led to a corresponding decrease in operational EBITDA for the Group in the first three quarters of 2018. For 2017 as a whole, this results in a EUR 5.1m reduction in operational EBITDA. As a result of this internal change, the previously recognized reconciling item "IFRS 11 adjustment" was also omitted from the calculation of net debt of the Ströer Group which has also had a negative effect on this KPI since 1 January 2018. Net debt as of 31 December 2017 thus increased by the adjustment amount of EUR 6.2m.

In addition, the Ströer Group aligned its internal controlling and thus also its external **segmentation** as of **1 January 2018** to reflect the current developments in the Group. In this connection, the segments OOH Germany and OOH International were consolidated in a new segment OOH Media. At the same time, the previous segment Ströer Digital was split into two new segments, namely Content Media and Direct Media. This new segmentation reflects the further expansion in the digital business. The prior-year figures were restated accordingly.

Furthermore, in the third quarter of 2018, the Ströer Group resolved to sell its Turkish OOH business and focus even more keenly on the core business. As a result of this decision, the Turkish OOH business is now classified as a **discontinued operation** within the meaning of IFRS 5. Specifically, all items in the income statement and statement of cash flows including the prior-year figures were adjusted for the relevant amounts from the Turkish OOH business and presented on a net basis in a separate "Discontinued operations" line item. In the statement of financial position by contrast, only the figures as of 30 September 2018 had to be reclassified in a separate line item. Also, at the time of the reclassification in the third quarter, an additional impairment amounting to EUR 14.3m was made on the Turkish OOH business.

FINANCIAL PERFORMANCE OF THE GROUP[1,2]

In the third quarter of 2018, the Ströer Group decided to sell its Turkish OOH business.[3] As a result, the following comments initially only relate to the continuing operations. The profit or loss from discontinued operations is commented on separately at the end of this section.

With regard to the continuing operations, the Ströer Group's development was once more very pleasing in the third quarter of the fiscal year, reflected by a further increase in profitable growth. In figures, this growth for the first nine months of the fiscal year saw **revenue** rise EUR 242.3m to EUR 1,112.7m. Besides positive impetus from organic growth (8.1%), the operations acquired over the last few quarters also made a positive contribution, and significantly more than made up for the revenue lost from the sale of the Vitalsana business and the discontinuance of several units in the e-commerce business (t-online shop, stylefruits, Bodychange).

In the course of our expanding operating activities, **cost of sales** swelled from EUR 578.4m to EUR 736.8m. This was largely on account of the entities included in the consolidated financial statements for the first time, as well as the higher revenue-based publisher fees in digital marketing as well as investments in growth projects such as watson.de and Statista. By contrast, conversion to the new IFRS 16 had a positive effect on cost of sales whereas, in accordance with the modified retrospective approach, the prior-year figures were not reduced retrospectively by the effects of this new standard of EUR 8.2m. Overall, **gross profit** came to EUR 375.8m, up EUR 83.9m on the prior year, with the gross profit margin at 33.8% (prior year: 33.5%).

In light of the ongoing expansion of the Ströer Group, its **selling and administrative expenses** also climbed by EUR 59.3m to EUR 296.5m. This increase was primarily attributable to the additional costs from the newly acquired entities, the further expansion of the local sales organization in Germany, targeted investments in the Content Media segment, high integration and reorganization expenses as well as cost adjustments due to inflation. The first-time application of IFRS 16 to selling and administrative expenses played only a secondary role in this regard. Overall, selling and administrative expenses as a percentage of revenue improved from 27.2% to 26.6%. **Other operating result** was down from EUR 11.1m in the prior year to EUR 8.8m owing to an interplay of several insignificant effects. At EUR 3.1m, the **share in profit or loss of equity method investees** was unable to match the very good prior-year result of EUR 4.1m.

Owing to the Group's ongoing growth, **operational EBITDA** (excluding IFRS effects) climbed EUR 27.6m. Together with the effects from IFRS 16 (up EUR 133.0m) and IFRS 11 (EUR -3.7m), operational EBITDA increased to a total of EUR 363.9m. In addition, the positive development also contributed an additional EUR 21.2m to the Ströer Group's **EBIT**, with the increase to EUR 91.2m stemming on the one hand from the further increase in operating activities (up EUR 13.5m) and on

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[1] Within the scope of the modified retrospective method, the comparative figures (9M 2017) presented in the financial performance (previously results of operations) were not restated retrospectively to account for IFRS 16.

[2] In relation to IFRS 11, the adjustment of the internal reporting to the external reporting mainly affected several non-GAAP KPIs (operational EBITDA, operational EBITDA margin, adjusted EBIT, net income (adjusted), net debt, leverage ratio, ROCE) and the segment revenue for the OOH Media segment. The other KPIs are not affected by the transition as of 1 January 2018 as they had already been adjusted to the requirements of IFRS 11 effective 1 January 2014. As a result, the KPIs EBITDA and EBIT are not affected by the current transition.

[3] For more details, see our explanations in the "Changes in accounting" section.

the other hand to the introduction of IFRS 16 (up EUR 7.7m). The return on capital employed (**ROCE**) was 18.0% and thus once again higher year on year.

The introduction of the new lease standard also influenced the Ströer Group's **financial result** greatly. While it reported EUR -5.2m at the end of the third quarter in the prior year, EUR -23.2m had already been recorded in the same period of the current year, with EUR -16.3m of the decrease of EUR -18.0m attributable to the new IFRS 16 alone. Exchange rate fluctuations also had a slight negative effect.

In line with a further increase in profit before taxes, the **tax expense** rose to EUR 9.0m (prior year: EUR 8.1m).

Overall, the Ströer Group continued on its profitable growth course in the third quarter of the current fiscal year. However, at EUR 59.0m (prior year: EUR 56.7m), **consolidated profit or loss from continuing operations** only reflects this ongoing positive development to a small extent as the upfront effect described above from the introduction of IFRS 16 had an offsetting effect of EUR 6.1m on profit. **Adjusted consolidated profit for the period**, which only relates to the continuing operations, increased by EUR 8.9m to EUR 119.1m. At EUR -20.0m (prior year: EUR -7.3m), **consolidated profit or loss from discontinued operations** comprises the operating profit of the Turkish OOH business as well as the write-downs of EUR -14.3m made on this business in the third quarter of 2018.

FINANCIAL POSITION

In the third quarter of 2018, the Ströer Group decided to sell its Turkish OOH business. The figures in this section have therefore been adjusted for the discontinued operations in line with the provisions of IFRS 5. The prior-year figures in the statement of cash flows were adjusted accordingly.[4]

Liquidity and investment analysis

In connection with the adoption of IFRS 16 and as described above, a number of advertising concession contracts in the Ströer Group's OOH business had to be reclassified as leases within the meaning of the new standard. In this connection, a significant portion of lease payments have been classed as payment of the principal portion of a lease liability since 1 January 2018 and no longer treated as an operating lease payment. Against this backdrop, the Ströer Group's statement of cash flows has seen a corresponding shift between cash flows from operating activities and cash flows from financing activities. In addition, some cash payments pursuant to IFRS 16 are no longer presented under cash flows from investing activities but under cash flows from financing activities instead, such that there have been slight shifts here as well.[4] The following reconciliation shows the cash flows before and after IFRS 16, whereby the amounts refer exclusively to the continuing operations.

In EUR m		9M 2018	9M 2017
(1)	**Cash flows from operating activities (before IFRS 16)**	**111.0**	**125.4**
(2)	Reclassification of cash payments for the principal portion of lease liabilities (IFRS 16 effect)	115.0	88.1
(3)	**Cash flows from operating activities**	**226.0**	**213.5**
(4)	Cash received from the disposal of intangible assets and property, plant and equipment (before IFRS 16)	5.1	7.0
(5)	Cash paid for investments in intangible assets and property, plant and equipment (before IFRS 16)	-91.7	-91.5
(6)	Cash paid for investments in equity method investees and financial assets	-1.5	-2.5
(7)	Cash received from and cash paid for the acquisition of consolidated entities	-70.1	-135.2
(8)	**Cash flows from investing activities (before IFRS 16)**	**-158.2**	**-222.2**
(9)	Reclassification of cash paid for investments in and cash received from the disposal of intangible assets and PPE (IFRS 16 effect)	-2.4	-4.0
(10)	**Cash flows from investing activities**	**-160.6**	**-226.3**

[4] For more details, see our explanations in the "Changes in accounting" section.

(11)	**Cash flows from financing activities (before IFRS 16)**	**59.9**	**106.6**
(12)	Reclassification of cash payments for the principal portion of lease liabilities and of investments / desinvestments in intangible assets and PPE (IFRS 16 effect)	-112.6	-84.0
(13)	**Cash flows from financing activities**	**-52.6**	**22.5**
(14)	Change in cash	12.8	9.8
(15)	**Cash at the end of the period**	**97.0**	**73.8**
(1)+(4)+(5)	Free cash flow before M&A transactions (before IFRS 16)	24.5	40.9
(3)+(4)+(5)+(9)	**Free cash flow before M&A transactions**	**137.1**	**124.9**

In the first three quarters of the current fiscal year, the Ströer Group generated **cash flows from operating activities** of EUR 226.0m. Excluding the IFRS 16 effects therein, cash flows still came to EUR 111.0m and were thus EUR 14.4m lower year on year (prior year: EUR 125.4m). The positive development of the operating business, which – adjusted for IFRS 16 – is reflected in the further increase in EBITDA (up EUR 21.4m), was notably outweighed by higher tax payments, in particular, which were up EUR 33.0m. The increased tax payments stemmed mainly from advance tax payments for 2017 and 2018, whose payment, based on the tax authorities' practice to date, was originally not expected until 2019 and 2020.

As in the prior year, **cash flows from investing activities** were again shaped by further acquisitions in the current fiscal year, although the cash paid in the reporting period was noticeably lower than in the prior year (EUR 70.1m; prior year: EUR 135.2m). With the acquisitions of the DV-COM Group, the D+S 360 Group and the C2E Group the M&A activities focused on dialog marketing once again this year. Cash paid for investments in intangible assets and property, plant and equipment were on a par with the prior year at EUR 91.7m (prior year: EUR 91.5m). Overall, the **free cash flow before M&A transactions** came to EUR 137.1m. Adjusted for the effects of IFRS 16, this figure came to EUR 24.5m (prior year: EUR 40.9m).

In the context of noticeably reduced M&A activities, the net cash raised to finance this growth was also a significant EUR 47.5m lower than in the prior year at EUR 148.7m (prior year: EUR 196.2m). Other shifts within cash flows from financing activities almost fully offset each other by contrast. The lease payments of EUR 115.0m which had to be presented here for the first time (IFRS 16) also had a noticeable effect, with **cash flows from financing activities** amounting to EUR -52.6m. Adjusted for IFRS 16 effects, cash flows from financing activities came to EUR 59.9m, which was a year-on-year decrease of EUR 46.6m (prior year: EUR 106.6m) and reflects the reduced net cash raised from borrowings described above.

Cash stood at EUR 97.0m as of the reporting date.

Financial structure analysis

The Ströer Group's **non-current liabilities** came to almost EUR 1,808.8m at the end of the third quarter, corresponding to growth of EUR 1,062.6m against 31 December 2017. With an additional EUR 988.5m, this increase was primarily due to the initial recognition of non-current lease liabilities in accordance with IFRS 16. At the same time, non-current liabilities to banks also increased further in connection with the ongoing expansion, while liabilities from put options decreased significantly, due in particular to shifts to current liabilities.

Accounting for lease liabilities in accordance with IFRS 16 also resulted in an increase of EUR 64.2m in **current liabilities** for the Ströer Group. At the same time, liabilities to banks and liabilities from put options also increased further, with the latter increasing in particular due to the shifts from non-current to current liabilities described above. By contrast, the Group recorded a decrease of EUR 33.4m in current income tax liabilities downstream of substantial tax payments made in the first three quarters.

At EUR 634.6m, the Ströer Group's **equity** was also down by EUR 34.8m against the year-end figure, with the decrease primarily related to the distribution of a dividend of EUR 72.5m to the shareholders of Ströer SE & Co. KGaA. However, this distribution was partly compensated for by the consolidated profit of EUR 39.0m reported for the first three quarters of 2018. Due to the adoption of IFRS 16 and the substantial increase in total equity and liabilities as a result, the equity ratio fell from 35.6% to 20.9%. If the additional lease liabilities were excluded the ratio would be 32.1%.

Net debt

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

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

In connection with the change in the internal reporting structure, the previous reconciling item "IFRS 11 adjustment," which was used in the past to derive operational EBITDA, has also been omitted. In this respect too, Ströer now forgoes a share of the positive contribution of these four joint ventures, which reduced the Group's operational EBITDA by an adjustment amount of EUR 5.1m as of year-end.

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

In EUR m		30 Sep 2018	31 Dec 2017
(1)	Lease liabilities (IFRS 16)	1,052.7	-
(2)	Liabilities from the facility agreement	179.0	-
(3)	Liabilities from note loans	494.1	493.9
(4)	Liabilities from the obligation to purchase own equity instruments	78.4	96.5
(5)	Liabilities from dividends to non-controlling interests	-	5.3
(6)	Other financial liabilities	47.1	49.1
(1)+(2)+(3)+(4)+(5)+(6)	Total financial liabilities	1,851.4	644.8
(2)+(3)+(5)+(6)	Total financial liabilities excluding lease liabilities (IFRS 16) and liabilities from the obligation to purchase own equity instruments	720.2	548.3
(7)	Cash	97.0	85.0
(8)	IFRS 11 adjustment	-	6.2
(2)+(3)+(5)+(6)-(7)-(8)	**Net debt**	**623.2**	**457.1**

In the first three quarters of fiscal year 2018, net debt rose by EUR 166.1m from EUR 457.1m to EUR 623.2m. EUR 6.2m of this increase is attributable – in a first step – to EUR 463.3m from the adjustments for IFRS 11, while the remaining increase of EUR 159.9m is primarily attributable to the payment of a dividend of EUR 72.5m to the shareholders of Ströer SE & Co. KGaA and the acquisition of the DV-COM Group, the D+S 360 Group and the C2E Group. At the end of the third quarter, the leverage ratio (defined as the ratio of net debt to operational EBITDA) stood at 1.79 and was therefore up on the value at the end of the 2017 fiscal year of 1.38 (adjusted for IFRS 11: 1.42) due to seasonal effects.

NET ASSETS

Analysis of the net asset structure

Based on the adoption of the new standard IFRS 16, Leases, the Ströer Group's **non-current assets** grew significantly in fiscal year 2018. EUR 1,045.4m of this increase alone stemmed from the first-time recognition of right-of-use assets. Furthermore, the operations acquired in the last few quarters gave rise to additional goodwill of EUR 68.6m whereas the write-down (EUR 14.3m) on our Turkish OOH business and its subsequent reclassification to "Assets held for sale" reduced non-current assets. Overall, non-current assets grew by EUR 1,084.9m on the year-end figure to EUR 2,632.6m.

By contrast, the Group reported only moderate additions to **current assets** of EUR 27.0m to EUR 358.6m. A major portion of those additions comprised cash and cash equivalents (up EUR 12.0m).

FINANCIAL PERFORMANCE OF THE SEGMENTS

As of 1 January 2018, the Ströer Group consolidated its OOH Germany and OOH International segments in a new segment, OOH Media. At the same time, the previous segment Ströer Digital was split into two new segments, namely Content Media and Direct Media. The new segmentation reflects the diminished significance of the international OOH business as well as the ongoing expansion of digital business, particularly in the area of dialog marketing. The prior-year figures were restated accordingly.

In addition, the Ströer Group decided to sell its Turkish OOH business in the third quarter of 2018. The figures in this section have therefore been adjusted for the discontinued operations of the Turkish OOH business in line with the provisions of IFRS 5. The prior-year figures were restated accordingly.[6]

In addition, as of 1 January 2018, Ströer no longer includes its four joint ventures on a proportionate basis in its segment reporting. The prior-year figures were adjusted retrospectively, reducing revenue from the OOH Media segment in the first nine months of 2017 by EUR 9.7m and operational EBITDA by EUR 3.6m.

Content Media

In EUR m	Q3 2018	Q3 2017	Change		9M 2018	9M 2017	Change	
Segment revenue, thereof	**131.7**	**118.3**	**13.4**	**11.3%**	**394.4**	**358.0**	**36.4**	**10.2%**
Display	67.2	62.9	4.3	6.9%	204.6	184.8	19.8	10.7%
Video	27.5	23.4	4.1	17.7%	82.8	74.1	8.8	11.8%
Digital marketing services	37.0	32.1	4.9	15.4%	107.0	99.2	7.8	7.9%
Operational EBITDA (before IFRS 16)	41.8	35.2	6.6	18.7%	113.1	106.2	6.9	6.5%
IFRS 16 effect	3.0	3.0	0.0	-	8.8	8.4	0.3	-
Operational EBITDA	**44.8**	**38.2**	**6.6**	**17.4%**	**121.9**	**114.7**	**7.3**	**6.3%**
Operational EBITDA margin	**34.0%**	**32.3%**	**1.8 percentage points**		**30.9%**	**32.0%**	**-1.1 percentage points**	

Revenue in the Content Media segment increased significantly from EUR 358.0m to EUR 394.4m in first nine months of 2018, with all product groups contributing appreciably to this positive performance. The **display** product group for example grew its revenue by a solid 10.7% to EUR 204.6m in the first nine months. The general market pressure on desktop display marketing was more than offset in particular through the marketing of advertising formats on mobile devices and investments in automated forms of marketing. The **video** product group grew by a sizeable 11.8% to EUR 82.8m due to robust demand for moving-image formats (public video), increased demand for new online video formats such as in-text video and the targeted marketing of multi-channel moving-image campaigns. In the **digital marketing services** product group, the rapidly growing business

[6] For more details, see our explanations in the “Changes in accounting” section.

with subscription models (Statista) and local digital product marketing business with small and medium-sized customers (RegioHelden) were particularly positive and resulted in revenue growth of 7.9% to EUR 107.0m for this product group.

Overall, the segment's results matched the excellent prior-year figure, with **operational EBITDA** at EUR 121.9m (prior year: EUR 114.7m (adjusted for IFRS 16)) for the first nine months of 2018. In view of the product mix, the investments in local digital product marketing and the establishment of a new editorial team for our youth portal watson.de, the **operational EBITDA margin** of 30.9% (prior year: 32.0%) was within the target range (adjusted for IFRS 16).

Direct Media

In EUR m	Q3 2018	Q3 2017	Change		9M 2018	9M 2017	Change	
Segment revenue, thereof	**97.1**	**50.8**	**46.3**	**91.0%**	**270.6**	**117.0**	**153.6**	**>100%**
Dialog marketing	69.6	16.1	53.4	>100%	187.9	16.1	171.7	>100%
Transactional	27.5	34.7	-7.1	-20.6%	82.7	100.8	-18.2	-18.0%
Operational EBITDA (before IFRS 16)	10.6	4.7	5.9	>100%	36.2	10.6	25.6	>100%
IFRS 16 effect	2.8	0.7	2.1	-	6.9	1.1	5.8	-
Operational EBITDA	**13.4**	**5.4**	**8.0**	**>100%**	**43.1**	**11.7**	**31.4**	>100%
Operational EBITDA margin	**13.8%**	**10.5%**	**3.2 percentage points**		**15.9%**	**10.0%**	**5.9 percentage points**	

The new segment Direct Media comprises the dialog marketing and transactional product groups. As additional dialog marketing operations were newly acquired and some operations in the transactional product group were sold, the prior-year figures are currently only of limited comparative information for these two product groups.[7]

The integration of the newly acquired operations was significantly advanced in **dialog marketing** in the reporting period. Throughout the first nine months, the **transactional** product group recorded a decline in revenue (down EUR 18.2m to EUR 82.7m) in the face of the adjustments made to the portfolio. However, adjusted for the sale of the Vitalsana business and the discontinuation of e-commerce business (t-online shop and stylefruits) in December 2017, the product group has generated strong revenue growth of 23.6% compared with the same period in the prior year, with own-product business in particular posting substantial e-commerce growth (AsamBeauty and Ströer Products).

Overall, the segment generated **operational EBITDA** of EUR 43.1m (prior year: EUR 11.7m (adjusted for IFRS 16)) and an **operational EBITDA margin** of 15.9% in the reporting period (prior year: 10.0% (adjusted for IFRS 16)).

[7] Unlike the Turkish OOH business, the operations sold are not defined disposal groups such that the prior-year figures may not be restated under IFRS 5.

Out-of-Home Media

In EUR m	Q3 2018	Q3 2017	Change		9M 2018	9M 2017	Change	
Segment revenue, thereof	**162.9**	**140.0**	**22.9**	**16.3%**	**461.2**	**412.7**	**48.5**	**11.8%**
Large formats	75.2	71.2	4.0	5.7%	222.7	208.8	13.9	6.7%
Street furniture	35.8	33.4	2.4	7.2%	102.5	97.9	4.6	4.7%
Transport	15.3	15.8	-0.5	-3.3%	44.8	45.8	-1.0	-2.1%
Other	36.6	19.6	17.0	86.3%	91.1	60.1	31.0	51.5%
Operational EBITDA (before IFRS 16 and IFRS 11)	38.5	36.9	1.6	4.2%	106.7	107.8	-1.1	-1.0%
IFRS 11 effect	-1.4	-1.1	-0.2	-	-3.7	-3.5	-0.1	-
IFRS 16 effect	37.4	34.0	3.4	-	109.7	101.5	8.2	-
Operational EBITDA	**74.5**	**69.8**	**4.8**	**6.8%**	**212.8**	**205.8**	**7.0**	**3.4%**
Operational EBITDA margin	**45.7%**	**49.8%**	**-4.1 percentage points**		**46.1%**	**49.9%**	**-3.7 percentage points**	

The previous segments OOH Germany and OOH International were combined into the new OOH Media segment as of 1 January 2018. The earnings contributions to date from the Turkish OOH business, whose sale was agreed in the third quarter and executed in the fourth, are no longer included in the segment figures.

Revenue in the OOH Media segment, of which around 90% is accounted for by the former OOH Germany segment, grew strongly by EUR 48.5m to EUR 461.2m in the first nine months of 2018 despite an overall challenging market environment.

In terms of the individual product groups, performance was largely positive. The **large formats** business recorded significant growth (up EUR 13.9m to EUR 222.7m) on the back of robust demand for traditional out-of-home products and as a result of our stepped-up local sales activities. The **street furniture** product group, which mainly serves national and international customer groups in the German OOH market, reported a slight increase in revenue to EUR 102.5m in the first nine months over the relatively strong prior year (prior year: EUR 97.9m), boosted also by the good development in the third quarter. Revenue in the **transport** product group, which operates almost exclusively in the German OOH market, was largely stable year on year at EUR 44.8m (prior year: EUR 45.8m). The **other** product group gained significant ground, growing EUR 31.0m to EUR 91.1m. There were a number of different factors responsible for this positive development. First, full-service solutions (including the production of advertising materials) are traditionally in higher demand from our growth field of local and regional customers than from large national customers. These additional services are reported in the other product group. Business with our Roadside Screen product also made a positive contribution to the performance of this product group. Lastly, part of the Ambient Media business of United Ambient Media GmbH acquired at the end of 2017 is reported in this group.

Overall, the segment generated slightly higher **operational EBITDA** of EUR 212.8m (prior year: EUR 205.8m (adjusted for IFRS 11 and IFRS 16)) and an **operational EBITDA margin** of 46.1% (prior year: 49.9% (adjusted for IFRS 11 and IFRS 16)) in the first nine months of 2018.

FORECAST

For 2018 as a whole, we forecast revenue of around EUR 1.6b and operational EBITDA of around EUR 375m before taking the effects from IFRS 11 and IFRS 16 into account.

SUBSEQUENT EVENTS

Ströer Kentvizyon Reklam Pazarlama A.S.

On 4 October 2018, the Ströer Group signed an agreement on the sale of all of its shares in Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. This step sees the Ströer Group withdraw entirely from the Turkish OOH advertising market, focusing instead even more keenly on the core German business and its future growth fields. At the time of the sale, the Turkish OOH business accounted for around 2% of consolidated revenue and just under 2% of the Ströer Group's EBITDA. The value of the transaction is around EUR 15m. Since the company's full consolidation in the Ströer Group in 2010, accumulated exchange losses have reached around EUR 100m. These losses have already been deducted from Ströer's equity in the past and must now be recognized through profit and loss as of the date of the company's disposal in the fourth quarter. The resulting effects will be reported in "Profit or loss from discontinued operations."

APPENDIX

CONSOLIDATED INCOME STATEMENT

In EUR k	Q3 2018	Q3 2017[1)]	9M 2018	9M 2017[1)]
Revenue	386,818	303,620	1,112,677	870,398
Cost of sales	-256,671	-204,839	-736,838	-578,422
Gross profit	**130,146**	**98,781**	**375,839**	**291,976**
Selling expenses	-52,096	-44,907	-163,910	-134,297
Administrative expenses	-44,535	-35,674	-132,572	-102,840
Other operating income	3,431	5,863	20,194	18,814
Other operating expenses	-4,826	-2,453	-11,374	-7,719
Share in profit or loss of equity method investees	1,118	1,245	3,055	4,114
Finance income	640	569	1,434	2,307
Finance costs	-8,073	-3,114	-24,650	-7,533
Profit or loss before taxes	**25,805**	**20,310**	**68,015**	**64,822**
Income taxes	-3,212	-3,184	-9,018	-8,109
Post-tax profit or loss from continuing operations	**22,593**	**17,126**	**58,997**	**56,713**
Post-tax profit or loss from discontinued operations	**-16,503**	**-955**	**-19,974**	**-7,293**
Consolidated profit for the period	**6,090**	**16,171**	**39,023**	**49,420**
Thereof attributable to:				
Owners of the parent	4,736	15,589	34,728	49,226
Non-controlling interests	1,354	582	4,295	194
	6,090	**16,171**	**39,023**	**49,420**

[1)] Restated retroactively due to the purchase price allocations that were finalized after 30 September 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in EUR k)	30 Sep 2018	31 Dec 2017[1)]
Non-current assets		
Intangible assets	1,271,337	1,219,687
Property, plant and equipment	1,292,258	258,934
Investments in equity method investees	22,375	24,564
Financial assets	3,049	805
Trade receivables	35	34
Other financial assets	7,688	6,647
Other non-financial assets	22,447	22,671
Deferred tax assets	13,383	14,372
Total non-current assets	**2,632,572**	**1,547,713**
Current assets		
Inventories	21,609	15,522
Trade receivables	169,928	179,166
Other financial assets	12,437	9,024
Other non-financial assets	46,596	32,985
Current income tax assets	11,085	9,992
Cash	96,987	84,983
Total current assets	**358,642**	**331,672**
Assets held for sale	35,771	-
Total assets	**3,026,986**	**1,879,385**

Equity and liabilities (in EUR k)	30 Sep 2018	31 Dec 2017[1)]
Equity		
Subscribed capital	56,172	55,558
Capital reserves	735,508	728,384
Retained earnings	-75,212	-42,784
Accumulated other comprehensive income	-99,663	-86,889
	616,804	**654,270**
Non-controlling interests	17,774	15,104
Total equity	**634,579**	**669,373**
Non-current liabilities		
Provisions for pensions and other obligations	39,551	39,727
Other provisions	29,560	27,428
Financial liabilities	1,671,517	600,254
Trade payables	3,216	-
Deferred tax liabilities	64,944	78,786
Total non-current liabilities	**1,808,788**	**746,196**
Current liabilities		
Other provisions	43,748	53,320
Financial liabilities	179,851	44,758
Trade payables	220,050	215,185
Other liabilities	101,280	100,333
Current income tax liabilities	16,840	50,220
Total current liabilities	**561,770**	**463,815**
Liabilities associated with assets held for sale	21,849	-
Total equity and liabilities	**3,026,986**	**1,879,385**

[1)] Restated retroactively due to the purchase price allocations that were finalized after 31 December 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

In EUR k	9M 2018	9M 2017[1)]
Cash flows from operating activities		
Profit or loss for the period	58,997	56,713
Expenses (+)/income (-) from the financial and tax result	32,234	13,335
Amortization, depreciation and impairment losses (+) on non-current assets	123,427	115,560
Depreciation (+) of right-of-use assets under leases (IFRS 16)	126,122	-
Share in profit or loss of equity method investees	-3,055	-4,114
Cash received from profit distributions of equity method investees	4,372	5,958
Interest paid (-) in connection with leases (IFRS 16)	-16,323	-
Interest paid (-) in connection with other financial liabilities	-3,640	-3,540
Interest received (+)	30	26
Income taxes paid (-)/received (+)	-53,766	-20,791
Increase (+)/decrease (-) in provisions	-6,943	-12,684
Other non-cash expenses (+)/income (-)	-343	93
Gain (-)/loss (+) on disposals of non-current assets	-223	-2,797
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-8,681	-16,690
Increase(+)/decrease (-) in trade payables and other liabilities	-26,204	-5,627
Cash flows from operating activities (continuing operations)	**226,003**	**125,443**
Cash flows from operating activities (discontinued operations)	7,058	2,010
Cash flows from operating activities	**233,062**	**127,454**
Cash flows from investing activities		
Cash received (+) from the disposal of intangible assets and property, plant and equipment	3,385	6,977
Cash paid (-) for investments in intangible assets and property, plant and equipment	-92,290	-91,523
Cash paid (-) for investments in equity method investees	-1,539	-2,474
Cash paid for (-) the acquisition of consolidated entities	-70,133	-135,222
Cash flows from investing activities (continuing operations)	**-160,577**	**-222,243**
Cash flows from investing activities (discontinued operations)	-4,103	-2,581
Cash flows from investing activities	**-164,680**	**-224,824**
Cash flows from financing activities		
Cash received (+) from equity contributions	5,488	-
Dividend distribution (-)	-80,271	-62,254
Cash paid (-) for the acquisition of shares not involving a change in control	-11,588	-27,158
Cash received (+) from borrowings	175,863	286,409
Cash paid (-) to obtain and modify borrowings	-	-200
Cash repayments (-) of borrowings	-27,171	-90,231
Cash payments (-) for the principal portion of lease liabilities (IFRS 16)	-114,957	-
Cash flows from financing activities	**-52,635**	**106,565**
Cash flows from financing activities (discontinued operations)	-3,721	562
Cash flows from financing activities	**-56,356**	**107,127**

Cash at the end of the period		
Change in cash	12,026	9,757
Cash at the beginning of the period	84,983	64,154
Cash at the end of the period	**97,009**	**73,912**
Composition of cash		
Cash (continuing operations)	96,987	73,819
Cash (discontinued operations)	22	92
Cash at the end of the period	**97,009**	**73,912**

[1)] Restated retroactively due to the purchase price allocations that were finalized after 30 September 2017.

FINANCIAL CALENDAR

26 February 2019	Announcement of provisional results for 2018
27 March 2019	Publication of the 2018 annual report

IMPRINT

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