STRÖER
out of home media

Separate financial statements for 2011

Ströer Out-of-Home Media AG

Balance sheet as of 31 December 2011

ASSETS

	31 Dec 2011 EUR	31 Dec 2010 EUR
NON-CURRENT ASSETS		
Non-current assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	918.575,09	1.217.717,68
Prepayments	0,00	36.691,96
	918.575,09	**1.254.409,64**
Property, plant and equipment		
Other equipment, furniture and fixtures	1.543.495,95	2.063.213,94
Prepayments and assets under construction	654.661,09	226.984,01
	2.198.157,04	**2.290.197,95**
Financial assets		
Shares in affiliates	348.462.790,84	329.204.189,53
Loans to affiliates	90.564.569,90	87.721.361,86
Other loans	372.334,04	469.248,94
	439.399.694,78	**417.394.800,33**
	442.516.426,91	**420.939.407,92**
CURRENT ASSETS		
Receivables and other assets		
Trade receivables	1.488,69	109.077,26
Receivables from affiliates	45.115.690,81	45.471.197,24
Receivables from other investees and investors	0,00	3.570,00
Other assets	3.184.547,23	3.952.851,00
	48.301.726,73	**49.536.695,50**
Cash on hand and bank balances	110.585.107,54	42.771.973,63
	158.886.834,27	**92.308.669,13**
PREPAID EXPENSES	**473.088,48**	**610.502,98**
	601.876.349,66	**513.858.580,03**

EQUITY AND LIABILITIES

	31 Dec 2011 EUR	31 Dec 2010 EUR
EQUITY		
Subscribed capital	42.098.238,00	42.098.238,00
- Conditional capital: EUR 11,776,000.00 (prior year: EUR 11,776,000.00)		
Capital reserves	298.921.773,64	298.921.773,64
Retained earnings		
Other retained earnings	20.416.342,52	90.916,99
Accumulated profit	46.042.932,40	40.325.425,53
	407.479.286,56	**381.436.354,16**
PROVISIONS		
Provisions for pensions and similar obligations	28.190,00	0,00
Tax provisions	8.825.012,38	3.251.536,31
Other provisions	8.190.548,85	8.285.895,75
	17.043.751,23	**11.537.432,06**
LIABILITIES		
Liabilities to banks	10.883.833,22	10.844.583,75
- thereof due in up to one year: EUR 333,833.22 (prior year: EUR 294,583.75)		
Trade payables	1.733.526,09	1.216.189,68
- thereof due in up to one year: EUR 1,733,526.09 (prior year: EUR 1,216,189.68)		
Liabilities to affiliates	131.913.567,95	75.219.744,03
- thereof due in up to one year: EUR 131.913.567,95 (prior year: EUR 75.219.744,03)		
Liabilities to other investees and investors	0,00	224,03
- thereof due in up to one year: EUR 0.00 (prior year: EUR 224.03)		
Other liabilities	12.141.622,61	12.102.051,32
- thereof due in up to one year: EUR 1,341,622.61 (prior year: EUR 1,302,051.31)		
- thereof for taxes: EUR 405,017.43 (prior year: EUR 241,507.20)		
	156.672.549,87	**99.382.792,81**
DEFFERED TAX LIABILITIES	**20.680.762,00**	**21.502.001,00**
	601.876.349,66	**513.858.580,03**

Income statement

	2011 EUR	2010 EUR
Other operating income	20.486.074,99	18.939.869,53
- thereof income from currency translation: EUR 878,75 (prior year: EUR 1.486,86)		
Personnel expenses		
Wages and salaries	-12.594.765,27	-12.424.562,17
Social security and pension costs	-1.363.742,24	-1.180.951,55
- thereof for old-age pensions: EUR 47,707.25 (prior year: EUR 21,247.18)		
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-1.344.986,99	-1.339.637,88
Other operating expenses	-19.724.595,47	-20.571.177,68
- thereof expenses from currency translation: EUR 5,025.04 (prior year: EUR 3,143.58)		
Income from profit and loss transfer agreements	41.545.865,16	39.376.879,92
Income from loans classified as non-current financial assets	8.746.675,34	2.510.333,15
- thereof from affiliates: EUR 8,708,588.26 (prior year: EUR 2,487,993.11)		
Other interest and similar income	618.764,63	379.887,02
- thereof from affiliates: EUR 0.00 (prior year: EUR 33,796.30)		
Impairment losses on financial assets	-74.012,93	-186.585,46
Interest and similar expenses	-4.821.478,72	-5.096.222,43
- thereof to affiliates: EUR 1,004,772.67 (prior year: EUR 357,670.81)		
- thereof expenses from discounting: EUR 1,574.37 (prior year: EUR 134.73)		
Result from ordinary activities	**31.473.798,50**	**20.407.832,45**
Extraordinary income	0,00	8.652,28
Extraordinary expenses	-67,00	-16.225.320,10
- thereof expenses from applying Articles 66 and 67 (1) to (5) EGHGB (transitional BilMoG provisions): EUR 67.00 (prior year: EUR 0.00)		
Extraordinary result	**-67,00**	**-16.216.667,82**
Income taxes	-5.361.003,39	-24.814.544,88
- thereof income/expenses from the change in deferred taxes: EUR 821,239.00 income (prior year: EUR 21,502,001.00 expenses)		
Other taxes	-69.795,71	-34.252,05
Profits transferred under a partial profit and loss transfer agreement	0,00	-748.038,32
Profit or loss for the period	**26.042.932,40**	**-21.405.670,62**
Profit carryforward from the prior year	40.325.425,53	61.731.096,15
Allocations to other retained earnings	-20.325.425,53	0,00
Accumulated profit	**46.042.932,40**	**40.325.425,53**

A. General

Ströer Out-of-Home Media AG, Cologne (the Company or SOH), was established under its articles of association and bylaws dated 29 May 2002. It was entered in commercial register B on 29 July 2002 under HRB no. 41548.

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.

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 years
■ Other plant and equipment	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 on additions to property, plant and equipment is charged pro rata temporis. Depreciation of the collective item amounted to EUR 45k (prior year: EUR 34k).

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 bearing or low-interest 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 5.13% for a residual term of 15 years in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions] of 18 November 2009. Expected salary increases were taken into account at 2.0%, expected pension increases at 1.0%. Employee turnover was not taken into account.

Exercising the option under Art. 67 (1) Sentence 1 EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code], the allocation amount resulting from the change in the accounting for provisions pursuant to Sec. 249 (1) Sentence 1 and Sec. 253 (1) Sentence 2 and (2) HGB due to the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act] is spread evenly over the maximum period of 15 years.

The assets, which serve exclusively to fulfill the pension obligations and which are protected against claims asserted by all other creditors (covering assets as defined by Sec. 246 (2) Sentence 2 HGB), were offset at their fair value against the provisions. The employer's pension liability insurance was valued using actuarial principles.

Tax provisions and **other provisions** account for all uncertain liabilities and onerous contracts. 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 timing or temporary (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, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Deferred tax assets and liabilities are offset.

Foreign currency assets and liabilities are translated using the average 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 SOH'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 WRITE-DOWNS				NET BOOK VALUES	
	1 Jan 2011 EUR	Additions EUR	Disposals EUR	Changes EUR	31 Dec 2011 EUR	1 Jan 2011 EUR	Allocations EUR	Reversals EUR	31 Dec 2011 EUR	31 Dec 2011 EUR	31 Dec 2010 EUR
INTANGIBLE ASSETS											
Purchased concessions, industrial and similar rights and assets, and licenses in such right and assets	3.902.092,36	362.886,00	11.210,07	402,98	4.254.171,27	2.684.374,68	660.334,25	9.112,75	3.335.596,18	918.575,09	1.217.717,68
Prepayments	36.691,96	0,00	36.690,96	-1,00	0,00	0,00	0,00	0,00	0,00	0,00	36.691,96
	3.938.784,32	**362.886,00**	**47.901,03**	**401,98**	**4.254.171,27**	2.684.374,68	660.334,25	9.112,75	3.335.596,18	918.575,09	1.254.409,64
PROPERTY, PLANT AND EQUIPMENT											
Other equipment, furniture and fixtures	4.974.187,52	156.849,48	191.267,74	12.206,05	4.951.975,31	2.910.973,58	684.652,74	187.146,96	3.408.479,36	1.543.495,95	2.063.213,94
Prepayments and assets under construction	226.984,01	650.235,85	209.950,74	-12.608,03	654.661,09	0,00	0,00	0,00	0,00	654.661,09	226.984,01
	5.201.171,53	**807.085,33**	**401.218,48**	**-401,98**	**5.606.636,40**	2.910.973,58	684.652,74	187.146,96	3.408.479,36	2.198.157,04	2.290.197,95
FINANCIAL ASSETS											
Shares in affiliates	329.768.053,60	2.000.171,26	0,00	17.258.430,05	349.026.654,91	563.864,07	0,00	0,00	563.864,07	348.462.790,84	329.204.189,53
Loans to affiliates	87.721.361,86	20.101.638,09	0,00	-17.258.430,05	90.564.569,90	0,00	0,00	0,00	0,00	90.564.569,90	87.721.361,86
Equity investments	7.317.813,54	0,00	7.317.813,54	0,00	0,00	7.317.813,54	0,00	7.317.813,54	0,00	0,00	0,00
Loans to other investees and investors	66.667,00	74.012,93	140.679,93	0,00	0,00	66.667,00	74.012,93	140.679,93	0,00	0,00	0,00
Other loans	469.248,94	0,00	96.914,90	0,00	372.334,04	0,00	0,00	0,00	0,00	372.334,04	469.248,94
	425.343.144,94	**22.175.822,28**	**7.555.408,37**	**0,00**	**439.963.558,85**	7.948.344,61	74.012,93	7.458.493,47	563.864,07	439.399.694,78	417.394.800,33
	434.483.100,79	**23.345.793,61**	**8.004.527,88**	**0,00**	**449.824.366,52**	13.543.692,87	1.418.999,92	7.654.753,18	7.307.939,61	442.516.426,91	420.939.407,92

a) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets

This item mainly comprises the cost of purchased software.

b) Financial assets

The change in financial assets resulted primarily from an addition to shares in affiliates due to the EUR 19,259k increase in the carrying amount of the investment in Ströer Kentvizyon Reklam Pazarlama A.S. (Ströer Kentvizyon), Istanbul, Turkey, to EUR 90,286k in the course of a capital increase in return for the contribution of outstanding shareholder receivables. In addition, interest receivables from Ströer Polska Sp. z.o.o., Warsaw, Poland, of EUR 4,102k from fiscal years 2009 to 2011 were reclassified from short-term receivables from affiliates to loans from affiliates due to the adjustment of the underlying loan agreement.

2. Receivables and other assets

	31 Dec 2011 EUR k	31 Dec 2010 EUR k
Trade receivables	1	109
thereof due in more than one year	(0)	(0)
Receivables from affiliates	45,116	45,471
thereof due in more than one year	(0)	(0)
Receivables from other investees and investors	0	4
thereof due in more than one year	(0)	(0)
Other assets	3,185	3,953
thereof due in more than one year	(555)	(576)
	48,302	49,537

EUR 41,546k (prior year: EUR 39,377k) of receivables from affiliates related to the profit and loss transfer agreement with Ströer Media Deutschland GmbH, Cologne (SMD), and EUR 3,570k (prior year: EUR 2,139k) to trade. Other assets primarily included tax assets of EUR 2,755k (prior year: EUR 3,126k) and deposits amounting to EUR 329k (prior year: EUR 339k).

3. Prepaid expenses

Prepaid expenses mainly include administrative fees charged by banks of EUR 206k (prior year: EUR 288k), which are reversed pro rata over the term of the original and the renewed loan until June 2014.

4. Equity

a) Subscribed capital

Subscribed capital remained unchanged at EUR 42,098k.

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

Approved capital I

By resolution of the shareholder meeting on 13 July 2010, the board of management is authorized, subject to the approval of the supervisory board, to increase the Company's capital stock once or several times until 12 July 2015 by a maximum of EUR 18,938k in total by issuing new bearer shares of no par value for contributions in cash or in kind (approved capital I).

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

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

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

iii) if the capital increase is made in return for cash contributions and the issue price of the new shares is not significantly below the market price of shares of the same class and voting rights already listed on the stock market on the date the final issue price is determined in accordance with Sec. 203 (1) and (2) and Sec. 186 (3) Sentence 4 AktG and the portion of capital stock allocable to the new shares issued in accordance with this section (iii) subject to the exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG does not exceed 10% of the total capital stock at the time that such authorization becomes effective or is exercised. The portion of capital stock must be credited to this maximum amount, which is attributable to new or treasury shares issued or sold since 13 July 2010 and subject to the simplified exclusion of subscription rights pursuant to or by analogy to Sec. 186 (3) Sentence 4 AktG, as well as the portion of capital stock which is attributable to shares with attaching option and/or convertible bond rights/obligations from debt securities or participation certificates issued since 13 July 2010 applying Sec. 186 (3) Sentence 4 AktG as appropriate; and/or

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

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

Conditional capital

The Company’s capital stock has been increased conditionally by a maximum of EUR 11,776k by issuing a maximum of 11,776,000 new bearer shares of no par value (conditional capital 2010). The purpose of the conditional capital increase is to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are being issued by the Company or an investee as a result of the authorization granted by the shareholder meeting of 13 July 2010. New bearer shares of no par value are issued at particular conversion and option prices determined by the abovementioned authorization resolution. Conditional capital is only to be increased to the extent that conversion or option rights are exercised or owners/creditors fulfill their obligation to exercise their conversion rights and provided that a cash settlement is not granted or use is not made of treasury shares or new shares from utilizing approved capital. The new bearer shares of no par value participate in profit from the beginning of the fiscal year in which they result through the exercise of options or conversion rights or the fulfillment of conversion obligations. The board of management, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase.

b) Capital reserves

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

c) Retained earnings

By resolution of the shareholder meeting on 15 June 2011, EUR 20,325k from the accumulated profit for 2010 was carried forward to other retained earnings.

(d) Accumulated profit

By resolution of the shareholder meeting on 15 June 2011, EUR 20,000k from the accumulated profit for 2010 was carried forward to new account.

5. Provisions for pensions and similar obligations

The Company agreed on a retirement benefit plan for one member of the board of management in fiscal year 2010. However, these benefit obligations will be fully financed by the member of the board of management as part of a deferred compensation scheme, such that the Company will not incur any additional expenses. The amount of the pension provision corresponds in full to the amount of the employer's pension liability insurance. The value of the employer's pension liability insurance came to EUR 571k as of 31 December 2011 (prior year: EUR 502k).

Provisions for pensions of EUR 28k were also transferred from SMD to SOH in the course of a personnel change. The deficit to be eliminated in future periods pursuant to Art. 67 (2) EGHGB (transitional provisions for the BilMoG) amounts to EUR 1k.

6. Tax provisions

Tax provisions mainly include provisions for trade tax of EUR 5,379k (prior year: EUR 2,150k), provisions for corporate income tax of EUR 3,396k (prior year: EUR 1,101k) and provisions for other taxes of EUR 50k (prior year: EUR 1k).

7. Other provisions

Other provisions break down as follows:

	EUR k
Potential losses from interest rate hedges	3,738
Personnel provisions	2,601
Outstanding invoices	954
Provision for potential claims for damages	500
Financial statement and audit fees	393
Miscellaneous	5
Total	**8,191**

Personnel provisions mainly comprise bonus and premium payments from 2010 and 2011 of EUR 2,340k.

8. 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	*10,884 (prior year: 10,845)*	334 *(prior year: 295)*	10,550 *(prior year: 10,550)*	0 *(prior year: 0)*
Trade payables	1,734 *(prior year: 1,216)*	1,734 *(prior year: 1,216)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Liabilities to affiliates	*131,913 (prior year: 75,220)*	*131,913 (prior year: 75,220)*	0 *(prior year: 0)*	0 *(prior year: 0)*
Other liabilities	12,142 *(prior year: 12,102)*	1,342 *(prior year: 1,302)*	10,800 *(prior year: 10,800)*	0 *(prior year: 0)*
	156,673 *(prior year: 99,383)*	135,323 *(prior year: 78,033)*	21,350 *(prior year: 21,350)*	0 *(prior year: 0)*

a) Liabilities to banks

Liabilities to banks (EUR 10,550k) relate to a loan from NRW.BANK, Düsseldorf, which matures on 30 December 2014 and short-term interest liabilities stemming from the loan of EUR 334k.

b) Liabilities to affiliates

EUR 129,787k (prior year: EUR 74,241k) of liabilities to affiliates is attributable to cash pooling with SOH group entities and EUR 2,126k (prior year: EUR 979k) to trade.

c) Other liabilities

This item includes a loan of EUR 10,800k from SKB Kapitalbeteiligungsgesellschaft KölnBonn mbH, Cologne, which matures on 30 December 2014. In addition, the Company disclosed interest liabilities of EUR 921k, of which EUR 579k relates to interest rate swaps.

9. Deferred taxes

Deferred taxes at the level of SOH (tax group parent) are calculated based on the unchanged tax rate of 32.45%. This comprises corporate income tax of 15%, solidarity surcharge of 5.5% and average trade tax of 16.6%.

The Company recognized an excess of deferred tax liabilities of EUR 20,681k (prior year: EUR 21,502k), which is the amount by which they exceeded deferred tax assets of EUR 29,899k (prior year: EUR 38,369k). This excess is chiefly due to the transfer of the tax group subsidiaries' tax bases and to the carrying amount of an investment in a subsidiary which was different for tax purposes (see financial assets table below) as well as the carrying amount of recognized rights of use that was different for tax purposes (see intangible assets table below). The deferred tax assets used for offsetting are mainly due to deferred tax assets on unused tax losses and the interest carryforward as of 31 December 2011.

The following table shows how deferred tax assets were offset against deferred tax liabilities and SOH's resulting deferred taxes:

In EUR k	31 Dec 2011		31 Dec 2010	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	0	13,819	0	16,878
Property, plant and equipment	108	260	114	325
Financial assets	0	34,321	0	40,472
Pension provisions	137	0	110	0
Other provisions	4,388	2,180	5,097	2,196
Deferred taxes	**4,633**	**50,580**	**5,321**	**59,871**
Interest carryforwards	10,750	0	9,110	0
Loss carryforwards	14,516	0	23,938	0
Total	**29,899**	**50,580**	**38,369**	**59,871**
Offsetting	-29,899	-29,899	-38,369	-38,369
Carrying amount	**0**	**20,681**	**0**	**21,502**

As of 31 December 2011, there were tax loss carryforwards for corporate income tax of EUR 63,970k (prior year: EUR 88,248k) and for trade tax totaling EUR 24,457k (prior year: EUR 58,021k). An interest carryforward of EUR 34,134k (prior year: EUR 29,079k) was also recorded as of 31 December 2011. Including unused tax losses, the minimum taxation in 2011 and deferred tax assets on the existing interest carryforward, SOH's tax rate amounts to 17.03%.

D. Notes to the income statement

1. Other operating income

Other operating income mainly comprises the following:

	2011 EUR k	2010 EUR k
Income from commercial and technical services	16,965	15,081
Income from cost allocations	2,961	3,520
Income from the reversal of provisions	457	132
Other income	103	207
	20,486	**18,940**

The growth in income from commercial and technical services is attributable to the increased scope of services in R&D (up EUR 739k), central procurement (up EUR 466k) and the IT department (up EUR 188k) as well as the services provided by corporate communications after its intragroup transfer to SOH (up EUR 420k).

Other income comprises income of EUR 6k relating to other periods, primarily due to reimbursements of legal fees from prior years.

2. Other operating expenses

Other operating expenses mainly contain IT expenses (EUR 6,185k), product development costs (EUR 1,445k), travel expenses (EUR 1,087k), legal and consulting fees (EUR 2,139k), rent (EUR 875k) and expenses which are charged on to affiliates (EUR 2,961k).

3. Income from profit and loss transfer agreements

Income from profit and loss transfer agreements stems from absorption of SMD's profit or loss for the period. The Company entered into a corresponding profit and loss transfer agreement effective 1 January 2010.

4. Impairment losses on financial assets

As in the prior year, impairment losses on financial assets relate to non-controlling interests in XOREX Beteiligungs GmbH, Cologne, which was sold toward the end of the fiscal year, and XOREX GmbH, Cologne.

5. Extraordinary expenses

The application of Art. 66 and Art. 67 (1) to (5) EGHGB (transitional provisions for the BilMoG) led to extraordinary expenses of EUR 67 for the restatement of provisions for pensions and similar obligations.

6. 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. This leads to trade tax add-backs, restrictions on deduction of interest expenses and rules on minimum taxation for taxable profit.

Income taxes primarily comprise corporate income tax expenses including solidarity surcharge of EUR 2,293k, trade tax expenses of EUR 3,740k and expenses for other taxes of EUR 150k. They also include income of EUR 821k for the recognition of deferred taxes.

7. Profits transferred under a partial profit and loss transfer agreement

In the prior year, this item comprised the compensation paid on the contributions of the silent partners until the silent investments were terminated in October 2010.

E. Other notes

1. Cash flow statement

	2011 EUR k	2010 EUR k
1. Cash flows from operating activities		
Profit or loss before extraordinary items and profit and loss transfer	26.043	-4.441
Write-downs (+)/write-ups (-) of non-current assets	1.419	1.526
Increase (+)/decrease (-) in provisions	5.963	-1.240
Other non-cash expenses (+)/income (-)	-42.824	-18.016
Gain (-)/loss (+) on disposals of non-current assets	249	100
Increase (-)/decrease (+) in trade receivables and other assets	32.376	15.890
Increase (+)/decrease (-) in trade payables and other liabilities	1.744	-374
Cash received (+) from/cash paid (-) for extordinary items	0	-13.784
Cash flows from operating activities	24.970	-20.339
2. Cash flows from investing activities		
Cash received (+) from disposals of property, plant and equipment	2	162
Cash paid (-) for investments in property, plant and equipment	-807	-372
Cash received (+) from disposals of intangible assets	2	7
Cash paid (-) for investments in intangible assets	-363	-1.571
Cash received (+) from disposals of non-current financial assets	97	0
Cash paid (-) for investments in non-current financial assets	-11.634	-208.918
Cash flows from investing activities	-12.703	-210.692
3. Cash flows from financing activities		
Dividends (-)	0	-3
Cash received (+) from the issue of capital	0	287.891
Cash paid (-) to silent partners	0	-748
Cash paid (+) for equity-raising measures	0	-2.425
Cash received (+) from/cash paid (-) for cash pooling activities	55.546	14.253
Cash repayments (-) of bonds and borrowings	0	-25.906
Cash flows from financing activities	55.546	273.062
4. Cash at the end of the period		
Change in cash (subtotal 1 to 3)	67.813	42.031
Cash at the beginning of the period	42.772	741
Cash at the end of the period	110.585	42.772
5. Composition of cash		
Cash	110.585	42.772
Cash at the end of the period	110.585	42.772

2. Contingent liabilities and other financial obligations

a) Contingent liabilities

Under the facility agreement between SOH, SMD and other entities of the Ströer Group (guarantors), and the lending syndicate, the Company, as contracting party (guarantor) to the facility agreement, as evidenced by an independent guarantee, has joint and several liability for liabilities of EUR 395,000k owed by SMD.

The Company assigned all its trade receivables, loan receivables from affiliates and rights and receivables from claims against insurers as collateral for the above liabilities under a global assignment agreement.

Under an account pledge agreement, all the Company's credit bank balances were pledged as collateral for SMD's liabilities.

In addition, under an intellectual property rights security assignment, all industrial rights and rights of use were assigned as collateral.

Furthermore, all the shares in SMD and Ströer Polska Sp. z.o.o., Warsaw, Poland, were assigned as collateral for the liabilities.

In connection with the acquisition of Ströer DERG Media GmbH, Kassel, SOH issued an indefinite guarantee to Deutsche Bahn AG for the obligations of Ströer DERG Media GmbH under the advertising space agreement. These relate principally 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.

In addition, a letter of credit amounting to EUR 2,581k was agreed for the acquisition of advertising media in Asia by SOH.

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

In addition to contingent liabilities, the Company has other financial obligations of EUR 21,428k (of which to affiliates EUR 0k). These obligations include the following items:

Lease payments

- up to one year: EUR 1,926k
- 1 to 5 years: EUR 7,371k
- more than 5 years: EUR 9,985k

The lease payments mainly relate to the Company's administrative building. 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 totaling EUR 2,146k. The remaining terms break down as follows:

- up to one year: EUR 787k
- 1 to 5 years: EUR 1,359k

There are also obligations to non-controlling interests from put options for which the vesting conditions had not been met as of 31 December 2011. The current value of potential liabilities under these options comes to EUR 14,569k. It is not possible to say when these obligations will fall due as the Company does not have any control over the vesting conditions.

3. Derivative financial instruments

In order to hedge the interest obligations arising from the floating-rate loans of EUR 21,350k granted by NRW.BANK, Düsseldorf, and SKB Kapitalbeteiligungsgesellschaft KölnBonn mbH, Cologne, with effect as of 1 January 2009, the Company entered into two interest rate swap contracts totaling EUR 40,000k in fiscal year 2008, which fall due on 1 January 2015.

Category	Type	Amount TEUR	Fair value, including accrued interest	Carrying amount of the balance sheet item
Interest-linked	Swap	20,000	EUR – 2,246k	EUR 305k, other liabilities EUR 1,941k, other provisions
Interest-linked	Swap	20,000	EUR – 2,070k	EUR 273k, other liabilities EUR 1,797k other provisions

The above fair values were calculated using a discounted cash flow method based on the relevant market data (yield curves) as of 31 December 2011.

4. Off-balance sheet transactions

The Company has outsourced operating functions to a group entity which, as a shared service center, performs these services for most of the Ströer group entities in order to leverage synergy effects by centralizing and standardizing processes, leading to quantitative and qualitative advantages. In fiscal year 2011, this led to expenses totaling EUR 240k for the Company.

5. 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
Capital increase	19,259	0
Performance of services	1,456	149
Purchase of services	220	7
Provision of other services	8,937	3
Purchase of other services	6	3

Other related parties comprise companies that are not fully included in SOH's consolidated financial statements and companies in which persons with SOH board functions have an equity interest.

The capital increase relates to the capital increase and the related growth in the carrying amount of the investment in Ströer Kentvizyon.

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

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

In addition, the Company provides other services in the form of interest-bearing loans to foreign subsidiaries (EUR 8,709k).

For information on transactions with the board of management and the supervisory board, see our disclosures in E.7.

6. 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.

7. Board of management and supervisory board

The composition of the board of management and the supervisory board as well as membership of statutory supervisory boards and other oversight bodies comparable with a supervisory board is shown in the table below:

Name	Membership of statutory supervisory boards	Membership of other oversight bodies comparable with a supervisory board
Board of management		
Udo Müller (Chairman)	TARTECH eco industries AG, Berlin	Ströer Kentvizyon Reklam Pazarlama A. S., Istanbul (Turkey) (until 17 February 2011)
Alfried Bührdel (Deputy chairman)	TARTECH eco industries AG, Berlin	Ströer Kentvizyon Reklam Pazarlama A. S., Istanbul (Turkey) (until 17 February 2011) Kölner Aussenwerbung GmbH, Cologne
Dirk Wiedenmann (Member of the board of management)		Kölner Aussenwerbung GmbH, Cologne
Supervisory board		
Prof. Dr. h. c. Dieter Stolte, (Chairman (since 12 August 2011)), journalist, retired director of ZDF		ZDF Enterprises GmbH, Mainz
Dieter Keller, (Deputy chairman (since 20 September 2011)), auditor and tax advisor		
Dirk Ströer, Managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne		
Dietmar Peter Binkowska, Chairman of the board of management of NRW.BANK AöR, Düsseldorf	GALERIA Kaufhof GmbH, Cologne InCity Immobilien AG, Frankfurt am Main WestLB AG, Düsseldorf	Corpus Sireo Holding GmbH & Co. KG, Düsseldorf European Association of Public Banks (EAPB), Brussels (Belgium) Fiege Logistik AG, Münchenstein (Switzerland) Investitionsbank des Landes Brandenburg AöR, Potsdam
Martin Diederichs, Lawyer		DSD Steel Group GmbH, Saarlouis
Dr. Stefan Seitz (since 9 September 2011) Lawyer	Kick-Media AG, Cologne	

Mr. Müller, Mr. Bührdel and Mr. Wiedenmann exercise their board of management functions on a full-time basis.

Total remuneration paid to the board of management in fiscal year 2011 was EUR 3,356k (prior year: EUR 5,137k), of which EUR 2,911k (prior year: EUR 2,862k) was attributable to short-term benefits, EUR 199k (prior year: EUR 650k) to other long-term benefits and EUR 246k (prior year: EUR 160k) to share-based payments. In the prior year, total remuneration also included EUR 1,465k relating to the issue of new phantom stock from share-based payments for a phantom stock program that ended and was paid out as part of the IPO. For the information in accordance with Sec. 285 No. 9 a HGB, see the disclosures in the remuneration report included in the management report. By resolution dated 14 May 2010, the shareholder meeting waived the disclosure of the remuneration paid to each member of the board of management. This means that the remuneration of the board of management is disclosed as a total amount in accordance with Sec. 286 in conjunction with Sec. 285 No. 9 a Sentences 5 to 8 HGB. This resolution is valid for five fiscal years.

The total remuneration paid to the supervisory board members in fiscal year 2011 was EUR 200k.

8. Employees

An average of 146 staff were employed in fiscal year 2011 (prior year: 124).

9. 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% are presented in the following list of shareholdings.

	Equity interest as of 31 Dec 2011 %	Equity as of 31 Dec 2011 EUR k	Profit or loss 2011 EUR k
Direct investments			
Ströer Media Deutschland GmbH, Cologne	100.00	121,245	*41,546
Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey	90.00	65,402	-17,743
Ströer Polska Sp. z o.o., Warsaw, Poland	99.00	27,265	5,313
blowUP Media GmbH, Cologne	75.00	4,950	92
Indirect investments			
ARGE Aussenwerbung Schönefeld GbR, Berlin	50.00	34	72
blowUP Media Belgium N.V., Antwerp, Belgium	100.00	-37	2
blowUP Media Benelux B.V., Amsterdam, Netherlands	100.00	61	209
blowUP Media Espana SA, Madrid, Spain	87.50	-741	-60
blowUP Media France SAS, Paris, France	100.00	226	-7
blowUP Media UK Ltd., London, UK	100.00	3,334	1,468
CBA Iletisim ve Reklam Pazarlama Ltd. Sti. Istanbul, Turkey	100.00	-142	28
City Design Gesellschaft für Aussenwerbung mbH, Cologne	100.00	36,773	*5,146

	Equity interest as of 31 Dec 2011 %	Equity as of 31 Dec 2011 EUR k	Profit or loss 2011 EUR k
Indirect investments			
City Lights Reklam Pazarlama Ltd. Sti., Istanbul, Turkey	100.00	4,004	-163
CulturePlak Marketing GmbH, Berlin	**51.00	31	*39
DERG Vertriebs GmbH, Cologne	100.00	50	*1,179
DSM Krefeld Aussenwerbung GmbH, Krefeld	51.00	1,479	10
DSMDecaux GmbH, Munich	50.00	17,066	8,830
DSM Deutsche Städte Medien GmbH, Frankfurt am Main	100.00	12,611	*24,497
DSM Mediaposter GmbH, Cologne	100.00	209	*-21
DSM Zeit und Werbung GmbH, Frankfurt am Main	100.00	1,453	*1,716
Dünya Tanitim Hizmetleri ve Turizm Ticaret Ltd. Sti., Istanbul, Turkey	100.00	2,819	-486
ECE flatmedia GmbH, Hamburg	100.00	-190	-1,761
Gündem Matbaacilik Organizasyon Gazetecilik Reklam San. Tic. Ltd. Sti., Antalya, Turkey	100.00	19,329	-2,095
Hamburger Verkehrsmittel-Werbung GmbH, Hamburg	75.10	-1,260	453
INFOSCREEN Hamburg Gesellschaft für Stadtinformationssysteme mbH, Hamburg	100.00	-1,339	352
Ilbak Neon Kent Mobilyalari Ltd. Sti., Istanbul, Turkey	99.99	17,887	4,088
Inter Tanitim Hizmetleri San ve Ticaret Anonim Sti., Istanbul, Turkey	66.59	1,093	-3,219
Kölner Aussenwerbung Gesellschaft mit beschränkter Haftung, Cologne	51.00	4,448	3,696
Konya Inter Tanitim ve Reklam Hizmetleri Anonim Sti., Istanbul, Turkey	50.00	496	3
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen, Hamburg	51.00	571	496
mediateam Werbeagentur GmbH/Ströer Media Deutschland GmbH - GbR, Cologne	50.00	110	110
Megaposter UK Ltd., Brighton, UK	100.00	826	48
Medya Grup Tanitim Halkla Iliskiler Organizasyon Ltd. Sti., Istanbul, Turkey	72.50	1,074	114
Mega-Light Staudenraus & Ströer GbR, Cologne	50.00	150	1
Meteor Advertising Ltd., London, UK	100.00	79	6
Objektif Kentvizyon Reklam Pazarlama Ticaret Ltd. Sti., Istanbul, Turkey	80.00	229	93
Ströer City Marketing Sp. z.o.o., Warsaw, Poland	100.00	1,469	1,523
Ströer Kulturmedien GmbH, Cologne (formerly Stadt-Kultur Rhein-Ruhr GmbH, Büro für Kultur und Produktinformation)	100.00	230	*176

	Equity interest as of 31 Dec 2011 %	Equity as of 31 Dec 2011 EUR k	Profit or loss 2011 EUR k
Indirect investments			
Ströer Akademi Reklam Pazarlama Ltd. Sti., Istanbul, Turkey	99.99	4,186	444
Ströer DERG Media GmbH, Kassel	100.00	5,492	*14,852
Ströer Deutsche Städte Medien GmbH, Cologne	100.00	500	*-419
Ströer Digital Media GmbH, Cologne (formerly Ströer Infoscreen GmbH)	100.00	8,227	*13,730
Ströer Media Sp. z.o.K., Warsaw, Poland	99.00	-2,141	105
Ströer Media Sp. z.o.o., Warsaw, Poland	100.00	7	-3
Ströer Sales & Services GmbH, Cologne	100.00	272	*5,154
Trierer Gesellschaft für Stadtmöblierung mbH, Trier	50.00	518	84
X-City Marketing Hannover GmbH, Hanover	50.00	6,993	1,554

* Profit or loss before transfer

** 49% is managed on a trustee basis

10. Consolidated financial statements

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

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

The board of management and supervisory board of SOH submitted the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 4 January 2012. The declaration was made permanently available to shareholders on the Company's website (www.stroeer.de/investor-relations).

12. 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 management report 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, 19 March 2012

The Board of Management

Udo Müller	Alfried Bührdel	Dirk Wiedenmann

Management report of Ströer Out-of-Home Media AG for fiscal year 2011

1. Business and operating environment

General economic developments in 2011

Following the strong recovery of the global economy in 2010, growth slowed substantially over the course of fiscal year 2011. This was mainly due to the uncertainties in connection with the euro crisis, high sovereign debt both within and outside of the eurozone, and slower growth in key emerging economies. This picture can also be seen in the global trade figures, which were flat in 2011 according to the Kiel Institute for the World Economy.

In Europe, too, growth dropped significantly at the end of the reporting period. According to the ifo Institute, the eurozone saw an increase in gross domestic product (GDP) of 1.5% for the full year; however, this was primarily thanks to growth in the first half of the year. Overall, there was wide variation in the performance of the eurozone economies. Our three core markets were all well above the European and OECD average in the reporting period.

Business activities of Ströer Out-of-Home Media AG

Ströer Out-of-Home Media AG (or the Company) is a pure-play holding company that does not operate on the market itself. However, its annual results are affected indirectly by macroeconomic developments and the situation on the advertising markets because they are largely determined by the profits or losses transferred by the Company's operating subsidiaries. This means that the deterioration in the macroeconomic environment due to the euro crisis also impacts the economic situation of Ströer Out-of-Home Media AG.

In addition to the effects from profit or loss transfers, Ströer Out-of-Home Media AG generates income from intragroup advisory, financial and other services. These include central financing measures on the capital markets as well as the provision and allocation of sufficient liquidity in the Group. Ströer Out-of-Home Media AG performs other intragroup services in the areas of procurement, product development, legal advice, human resources, IT, capital market communication, public relations work and corporate finance.

2. Results of operations

The **result from ordinary activities** increased sharply by EUR 11.1m year on year to EUR 31.5m (prior year: EUR 20.4m). More than half of this growth is due to higher income from loans classified as non-current financial assets granted to foreign subsidiaries. The rise in income from domestic profit and loss transfer agreements (up EUR 2.2m) and in other operating income (up EUR 1.5m) is also reflected in the result.

Ströer Out-of-Home Media AG significantly improved on its loss of EUR 21.4m in the prior year by EUR 47.4m to generate **profit for the period** of EUR 26.0m. In addition to the higher result from ordinary activities (up EUR 11.1m), the Company's profit for the period mainly reflects positive changes in income taxes (up EUR 19.5m) and in the extraordinary result (up EUR 16.2m), which in the prior year included expenses relating to the IPO.

In EUR k	**2011**	**2010**
Other operating income	20,486	18,940
Personnel expenses	-13,959	-13,606
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-1,345	-1,340
Other operating expenses	-19,724	-20,571
Income from profit and loss transfer agreements	41,546	39,377
Income from loans classified as non-current financial assets	8,747	2,510
Impairment losses on financial assets	-74	-186
Financial result	-4,203	-4,716
Result from ordinary activities	**31,474**	**20,408**
Extraordinary result	0	-16,217
Income taxes	-5,361	-24,815
Other taxes	-70	-34
Profits transferred under a partial profit and loss transfer agreements	0	-748
Profit or loss for the period	**26,043**	**-21,406**
Profit carryforward	40,325	61,731
Allocation to retained earnings	-20,325	
Accumulated profit	**46,043**	**40,325**

The main changes in the above items are explained in detail below. For more information, see the relevant sections in the notes to the financial statements.

The change in **other operating income** (up EUR 1.5m) is attributable to various services provided by Ströer Out-of-Home Media AG for the group entities. The year-on-year increase relates to almost all services, with product development accounting for a significant proportion (up EUR 0.7m). The largest single item in the EUR 20.5m of other operating income is the provision of intragroup IT services (EUR 8.1m).

Personnel expenses were up slightly by EUR 0.4m compared with the prior year due to the increased scope of services provided by Ströer Out-of-Home Media AG and the increased organizational requirements of the capital markets.

Other operating expenses decreased by EUR 0.8m against 2010 to EUR 19.7m. This is due to numerous minor changes in individual components of other operating expenses that were partially offset by opposing effects. The largest single item is IT expenses of EUR 6.2m.

As in the prior year, the change in **income from profit and loss transfer agreements** (up EUR 2.2m) includes the profit transferred by Ströer Media Deutschland GmbH to Ströer Out-of-Home Media AG for fiscal year 2011. The profit and loss transfer agreement between the two companies has been in force since 1 January 2010. The increase in the profit transferred is due to the German group's improved business situation.

The substantial rise in **income from loans** classified as non-current financial assets (up EUR 6.2m) is primarily attributable to loans that Ströer Out-of-Home Media AG granted to foreign group entities at the end of 2010 to finance the acquisition of shares or to repay bank loans and that bore interest for the entire year. The volume of the loans was virtually unchanged in the reporting period. As of 31 December 2011, EUR 51.3m in loans was extended to Ströer Kentvizyon Reklam Pazarlama A.S. (Ströer Kentvizyon), Istanbul, Turkey, and EUR 39.3m in loans was granted to Ströer Polska Sp. z.o.o. (Ströer Polska), Warsaw, Poland.

The **financial result** improved by EUR 0.5m year on year. EUR 0.6m of this change relates in particular to lower interest payments due to the partial repayment (down EUR 21.1m) of the subordinated loan to NRW.BANK in 2010. This was mainly offset by the increase in interest expenses from the cash pooling interest vis-à-vis affiliates (down EUR 0.6m).

The **extraordinary result** in the prior year (EUR -16.2m) was attributable to one-time costs relating to the Company's IPO. In contrast, there were no items that could be classified as extraordinary in 2011.

Income taxes improved significantly by EUR 19.4m from EUR -24.8m in the prior year to EUR -5.4m. This is due to the absence of the special effects that occurred in the prior year in connection with the first-time recognition of a net liability position for deferred taxes. On the one hand, due to the initial application of the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act], a deferred tax liability had to be recognized in 2010 on the quasi-permanent difference between the carrying amount of the investment in Ströer Media Deutschland GmbH in the statutory and tax accounts. On the other, Ströer Media Deutschland GmbH was transformed into a corporation effective 1 January 2010, which meant that the portion of the deferred tax liability relating to trade tax had to be recognized in profit or loss. In addition, due to the tax group for income tax purposes, all deferred taxes had to be recognized at the level of the tax group parent. Rolling forward these deferred taxes led to only marginal effects in fiscal year 2011. As a consequence, the tax result from deferred taxes improved by EUR 22.3m from EUR -21.5m in the prior year to EUR 0.8m. In contrast, the tax expense from current income taxes increased by EUR 2.9m from EUR 3.3m in the prior year to EUR 6.2m. This effect is attributable to an improved result at Ströer Out-of-Home Media AG as well as to higher results recorded by the tax group companies.

3. Net assets and financial position

Ströer Out-of-Home Media AG's total assets increased by EUR 88.0m year on year to EUR 601.9m (prior year: EUR 513.9m). On the assets side, this increase is due to the EUR 22.0m rise in financial assets and the EUR 67.8m increase in bank balances. The increase in total equity and liabilities relates mainly to the rise in equity (EUR 26.0m), provisions (EUR 5.5m) and liabilities to affiliates (EUR 56.7m).

In EUR k	2011	2010
Assets		
Non-current assets		
Intangible assets and property, plant and equipment	3,116	3,544
Financial assets	439,400	417,395
	442,516	**420,939**
Current assets		
Receivables and other assets	48,302	49,537
Cash on hand and bank balances	110,585	42,772
	158,887	**92,309**
Prepaid expenses	**473**	**611**
Total assets	**601,876**	**513,859**
Equity and liabilities		
Equity	**407,479**	**381,436**
Provisions		
Provisions for pensions and similar obligations	28	0
Tax provisions	8,825	3,252
Other provisions	8,191	8,286
	17,044	**11,537**
Liabilities		
Liabilities to banks	10,884	10,845
Trade payables and other liabilities	13,875	13,318
Liabilities to affiliates	131,914	75,220
	156,673	**99,383**
Deferred tax liabilities	**20,680**	**21,502**
Total equity and liabilities	**601,876**	**513,859**

Analysis of the net asset structure

The increase in **financial assets** is due in particular to a capital increase of EUR 19.3m at Ströer Kentvizyon in return for a non-cash contribution of corresponding receivables. The Company's shareholding in Ströer Kentvizyon is unchanged at 90%. Financial assets also reflect the higher volume of long-term loans granted to affiliates which, at EUR 4.1m, relates mainly to the reclassification of interest receivables from Ströer Polska.

Under current assets, **bank balances** rose by EUR 67.8m to EUR 110.6m. This change results primarily from the EUR 55.5m rise in balances from the Group's cash pooling, which Ströer Out-of-Home Media AG manages. It essentially represents cash flows from financing activities. It should be noted here that the subsidiary Ströer Media Deutschland GmbH largely passed on its bank balances from the prior year to Ströer Out-of-Home Media AG via cash pooling and therefore caused a shift in cash within the Group. In addition, liquidity increased due to the improved business situation and beneficial working capital measures.

Receivables and other assets decreased by EUR 1.2m year on year to EUR 48.3m. The decline is attributable to the EUR 0.4m reduction in prepayments for corporate income tax, among other things. At EUR 45.1m, a significant proportion of the EUR 48.3m is attributable to receivables from affiliates (prior year: EUR 45.5m).

Analysis of the financial structure

The EUR 26.0m growth in **equity** corresponds to the Company's profit for the period. This results in an equity ratio of 67.7% (prior year: 74.2%). By way of a resolution of the shareholder meeting dated 15 June 2011, the structure of equity was changed with the result that EUR 20.3m was transferred from the accumulated profit for 2010 to other retained earnings.

In fiscal year 2011, there were net additions of EUR 5.5m to **provisions**. This was due almost exclusively (EUR 5.6m) to higher provisions for income taxes. The reason for the increase is the considerable year-on-year improvement in taxable income compared with the tax prepayments made in 2011, which remained at the low prior-year level. **Liabilities to affiliates** rose by EUR 56.7m from EUR 75.2m in the prior year to EUR 131.9m in 2011. EUR 55.5m of this growth relates to higher liabilities from the Group's cash pooling, which Ströer Out-of-Home Media AG manages. See our disclosures on the change in bank balances.

Trade payables increased marginally by EUR 0.5m to EUR 1.7m.

Liquidity analysis

In EUR m	2011	2010
Cash flows from operating activities	25.0	-20.3
Cash flows from investing activities	-12.7	-210.7
Free cash flow	**12.3**	**-231.0**
Cash flows from financing activities	55.5	273.1
Change in cash	**67.8**	**42.1**
Cash at the end of the period	110.6	42.8

At EUR 25.0m, **cash flows from operating activities** reflect the profit transferred by Ströer Media Deutschland GmbH for fiscal year 2010. The related proceeds amounted to EUR 39.4m in 2011. They were contrasted by the payments made by the Company to fulfill its holding functions. These included personnel expenses and interest and other ongoing costs. In the prior year, cash flows from operating activities comprised lower investment income and the expenses for the IPO.

Cash flows from investing activities totaled EUR -12.7m in 2011. At EUR -11.6m, the bulk of payments related to loans granted to Ströer Kentvizyon, some of which were used as non-cash contribution in a capital increase implemented at Ströer Kentvizyon in 2011. For more information, see our comments on financial assets. The remaining EUR 1.1m of cash paid is primarily composed of EUR 0.4m for investments in intangible assets and EUR 0.7m for prepayments on property, plant and equipment. In the prior year, cash flows from investing activities (EUR -210.7m) reflected the capital increases at Ströer Media Deutschland GmbH (EUR -75.0m), the acquisition of 40% of the shares in Ströer Kentvizyon (EUR -55.0m) and the granting of additional loans to subsidiaries in Poland and Turkey.

Free cash flow, which is defined as the difference between cash flows from operating activities and cash flows from investing activities, totaled EUR 12.3m in the reporting period.

At EUR 55.5m, **cash flows from financing activities** relate almost exclusively to higher cash pool liabilities to Ströer Media Deutschland GmbH. Overall, **cash** increased by EUR 67.8m from EUR 42.8m to EUR 110.6m in fiscal year 2011 due to the significantly improved free cash flow in the German group.

In EUR m	31 Dec 2011	31 Dec 2010
(1) Non-current financial liabilities	-21.4	-21.4
(2) Current financial liabilities (incl. intragroup financial liabilities)	-133.2	-75.8
(1)+(2) Total financial liabilities	**-154.6**	**-97.2**
(3) Intragroup financial receivables	135.7	133.2
(1)+(2)-(3) Financial liabilities (less intragroup financial receivables)	**-18.9**	**36.0**
(4) Cash	110.6	42.8
(1)+(2)-(3)-(4) Surplus cash	**91.7**	**78.8**
Equity ratio (in %)	**67.7**	**74.2**

The surplus of cash over financial liabilities (excluding intragroup financial receivables) increased from EUR 78.8m in the prior year to EUR 91.7m.

In our view, the above key figures on the results of operations, net assets and financial position mean that both the Company and Group are well positioned to meet future challenges. As the holding company, Ströer Out-of-Home Media AG is closely linked to the performance of the entire Ströer Group. It believes that it is well equipped despite the mixed economic environment.

4. Declaration of corporate governance

The declaration of corporate governance comprises explanations on key corporate governance practices. The current version is available, together with the declaration of compliance pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on Ströer Out-of-Home Media AG's website (www.stroeer.de/investor-relations under Investor Relations/Corporate Governance).

5. Remuneration report

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

I. Remuneration of the board of management

The remuneration of the members of the board of management is determined by the supervisory board and reviewed on a regular basis. In accordance with the provisions of the VorstAG ["Gesetz zur Angemessenheit der Vorstandsvergütung": German Act on the Adequacy of Management Board Remuneration], the supervisory board deliberated on the decisions to be made regarding the board of management's remuneration for 2011 and made appropriate resolutions.

In fiscal year 2011, the board of management's remuneration comprised two significant components:

- A fixed basic salary
- Variable compensation linked to the achievement of targets and broken down into:
  - an annual short-term incentive (STI)
  - a long-term incentive (LTI)

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

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

Business targets in fiscal year 2011 were based on the following metrics:

Short-term incentive (STI)

- Cash flows from operating activities

Long-term incentive (LTI)

- Ströer value added
- EBITA growth
- Share price

Ströer value added (SVA) (calculation: adjusted EBIT-(WACC x capital employed))

The supervisory board sets the SVA target for three fiscal years. If the actual SVA target, accumulated over the respective period of three fiscal years, exceeds the SVA target set by the supervisory board for these fiscal years, the SVA portion of the total LTI is paid out. If the SVA is below target, the LTI is adjusted by the percentage shortfall and paid out. It cannot fall below a value of EUR 0. If the SVA is above target, the LTI is adjusted by the percentage increase and paid out, but only up to a maximum of double the amount.

EBITA growth

The supervisory board sets the EBITA growth target for three fiscal years. If the EBITA growth target is achieved at the end of the three years, the EBITA growth portion of the total LTI is paid out. If EBITA growth is below target, the EBITA portion of the LTI is adjusted by the percentage shortfall and paid out. It cannot fall below a value of EUR 0. If EBITA growth is above target, the LTI is adjusted by the percentage increase and paid out, but only up to a maximum of double the amount.

Share price

This LTI component is linked to the development of the Company's share price against the reference price set. The average price of the Company's stock in November/December of a given fiscal year is used as the reference price. If the average price of the Company's stock reaches the reference share price in the period November/December as at the end of the fourth fiscal year after the cut-off date, the share price portion of the total LTI is paid out. If the reference share price target is not met, the share price portion of the LTI is adjusted by the percentage shortfall and paid out. It cannot fall below a value of EUR 0. If the share price exceeds the reference price, the LTI is adjusted by the percentage increase and paid out, but only up to a maximum of double the amount. However, the Company is entitled to pay compensation for a higher share price development in exceptional cases. If the Company's situation should deteriorate to such an extent that continuing to grant remuneration to the board of management would be unfair, the supervisory board is authorized to reduce the remuneration to an appropriate amount.

In fiscal year 2010, the supervisory board set the targets for the short-term incentives and the targets for the long-term incentives for 2010 and 2011. The LTI targets span a period of three to four years and carry a greater weighting than the STI targets. With regard to the long-term incentive period which began at the start of 2011, the remuneration upon reaching a target (100%) amounts to EUR 880k in total.

By resolution dated 14 May 2010, the shareholder meeting waived the disclosure of the remuneration paid to each member of the board of management for a period of five years. Total remuneration for fiscal year 2011 is presented in the table below:

Remuneration in EUR

Fixed remuneration	Fringe benefits	STI	LTI	Total
2,125,000	120,596	665,000	412,000	3,322,596

II. Post-employment benefits for members of the board of management

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

Retirement benefits

A retirement benefit plan is in place for one member of the board of management. These benefit obligations will be fully financed by the member of the board of management as part of a deferred compensation scheme, such that the Company will not incur any additional expenses.

Severance payments

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

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

Severance payments

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

3. Non-compete clause

Non-compete clauses have been agreed with two 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.

III. Remuneration of the supervisory board

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

Following a resolution adopted by the annual shareholder meeting on 15 June 2011, the annual remuneration of the supervisory board starting from the third quarter of 2011 is as follows:

	Remuneration in EUR
Chairman of the supervisory board	60,000.00
Deputy chairman of the supervisory board	40,000.00
Chairman of the audit committee	40,000.00
Member of the audit committee	30,000.00
Member of the supervisory board	25,000.00

Total remuneration in fiscal year 2011 came to EUR 200k (excluding any VAT).

6. Strategy and management

Value-based strategy

Ströer Out-of-Home Media AG's strategy is aimed at growth and increasing value. Via our subsidiaries, we focus on systematically developing the geographical markets in which we are already active. In our three core markets of Germany, Turkey and Poland, we have reached market positions that allow us to actively shape the local out-of-home markets. It remains our primary objective to grow organically on these strong platforms and to drive forward the professionalization of the markets from this position. This crucially includes further expanding the competitiveness of the out-of-home advertising industry compared with other types of media in the relevant advertising market. Our targeted investments in innovative premium formats, market research, and sales capacities make a key contribution to establishing out-of-home advertising as an attractive format for advertising customers and agency partners and to continuously increasing its share of advertising budgets.

Our entire value chain is focused on profiting from the megatrends of digitalization, mobility and urbanization and further increasing the reach of our media among attractive consumer groups. We are not only building on our close partnerships with cities and operators of train stations and shopping centers, but also on our cooperation with private land owners with whom we conclude long-term advertising concessions. Our portfolio of advertising rights is comprehensive and constitutes a stable platform for further growth. We have not ruled out extending our portfolio to other European out-of-home advertising markets with potential to ensure a balanced mix of countries in various stages of development.

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

- Active management of our international portfolio of advertising concessions with regard to term, quality and profitability
- Use of economies of scale in the design and creation of attractive advertising media through centrally controlled supply chain management
- Further development of the product range with a focus on digitalization and other premium advertising media
- Expansion of our market position among the leading advertisers via active sales and innovative cross-media concepts
- Support for our value-based growth path through forward-looking financial and risk management
- Establishment of important process-related organizational components based on standardized workflows and innovative IT systems
- Acceptance of responsibility towards the main stakeholder groups in the interests of sustainable business development

International portfolio management

Our subsidiaries' 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 highly frequented sites. Of particular importance are the agreements with municipalities, for which we, as a system provider, develop smart and tailored infrastructure solutions that also enhance cityscapes. The long-term agreements with Deutsche Bahn and local public transport providers are also highly significant.

The group portfolio, which currently comprises more than 20,000 advertising concessions on public and private land, is actively managed. Our objective is to secure our portfolio of first-class advertising faces for the long term, exploit the existing potential to the greatest possible extent, and increase our volume of advertising concessions on an international scale. We aim for long terms for city contracts, which are especially important for us. This provides us with a firm, secure platform to continue developing our business.

From a geographical perspective, we are concentrating at present on three attractive and fast-growing core regions of Europe: Germany, Turkey and Poland. In all three countries, the goal is to expand our portfolio of long-term advertising concessions by extending contracts and building up sufficient new business. In addition, we constantly evaluate strategic opportunities in other European markets. We aim to be one of the three leading providers of out-of-home advertising in our markets.

In the **German market**, the largest advertising market in Europe, we want to consolidate our subsidiaries' leading market position in out-of-home advertising and, above all, achieve further growth by expanding our digital moving-picture network. In this context, by the end of 2011 Ströer Digital Media GmbH set up a network comprising more than 800 digital HD screens at the most frequented train stations in Germany – in 2012 it will become approximately 1,000 screens. On top of this, from the start of 2012, our new subsidiary ECE flatmedia will market screens at around 50 shopping centers (see page 44).

In **Turkey**, we managed to reinforce our leading market position in the Turkish out-of-home advertising market in the fiscal year by building up capacities in key cities. In Istanbul in particular, we now have the option of almost doubling our local billboard offering after winning the marketing rights from the billboard contract. In this regard, we are not only focusing our efforts on our national advertising customers, but rather are also pressing ahead with business with regional customers. Another central component of our strategic focus is the marketing of advertising rights in shopping centers, where we use digital products in addition to traditional advertising media.

Our national company, Ströer Kentvizyon, is the leading provider in the growth market of Turkey, and moreover is the only provider able to carry out nationwide out-of-home advertising campaigns. The introduction of a process comparable with POSTAR, the internationally recognized audience measurement system in the UK, which we launched in the fiscal year together with other companies from the industry, should make a positive contribution in the future to differentiating out-of-home advertising media from other media and further strengthening their competitiveness.

In the not yet fully consolidated **Polish market**, we want to further strengthen the prominent position of our national company Ströer Polska. To do this, we intend to actively drive forward the professionalization of the out-of-home advertising market through new product formats and sales initiatives. This is supported by the trend towards awarding urban advertising concessions, which are beginning to approach the regulations in our other core markets in terms of quality standards and the list of services. We support the initiative of the leading out-of-home advertising providers with regard to the systematic analysis of reach and the future introduction of an audience measurement system comparable to POSTAR, in order to increase the relative competitiveness of out-of-home advertising compared with other media. Due to the still unbalanced market structures, we see ourselves as a potential consolidator in the Polish market and are essentially positive about economically viable takeover opportunities.

Outside of its three core markets, the Ströer Group currently primarily operates through **blowUP**, which has a network of giant posters on building facades in western Europe. Due to the shorter concession terms, this poses different challenges for portfolio management to those that arise in traditional out-of-home advertising. In the reporting period, blowUP Media Benelux took over the giant poster portfolio of the production and media group of a smaller Dutch provider. The acquired network of sites comprises more than 30 spaces in the largest Dutch cities. Overall, blowUP operates a pool of approximately 300 giant poster sites, which are booked either individually or in blocks, both nationally and internationally, by renowned national advertisers. blowUP is actively involved in the increasing digitalization of the media landscape and is vigorously driving forward the expansion of digital giant posters in Germany and abroad.

Efficient offering of attractive advertising media

Our group-wide supply chain management allows us to shape the set-up and ongoing operation of our efficient advertising media networks, including the service organization, in an efficient way. Thus procurement, production and logistics make a key contribution to the ongoing competitiveness of the Ströer Group.

In fiscal year 2011, we especially drove forward the professionalization of procurement. The central procurement group function now pools procurement responsibility not only for activities in Germany, but also for those in Poland and Turkey. The central management of supplier selection and procurement brings with it tangible cost synergies and economies of scale.

As another central element of increasing efficiency in procurement, the Ströer Group uses an internationally focused sourcing strategy. For this purpose, we maintain a representative office in Shanghai, where employees support the sourcing and logistics process and carry out quality assurance on site. The development office in China enabled us to significantly expand our supplier portfolio in the reporting period. Professional tender processes promoted competition between suppliers, which ultimately led to falling unit costs for high-quality components and improved bid terms and conditions for our municipal contract partners.

Leveraging economies of scale requires the cross-product standardization of components via intelligent platform concepts, which is driven forward by product development. In order to achieve cross-product standardization for the construction parts and construction groups used in street furniture, we rely on a critical assessment of the production and process costs as well as stringent complexity management. In doing so, it is our express aim on the one hand to meet the individual needs of our partners and, on the other, to reduce the associated complexity. The modular design of components means we achieve substantial savings in material consumption and weight. Since fiscal year 2011, all external production processes have been monitored by the newly created quality management department.

Product development

The Ströer Group sees itself as an innovation leader in the industry. We feel an obligation to develop forward-looking product and service solutions for our customers and to continuously optimize our existing range. Since our innovations do not entail any basic research in the narrower sense, but can mainly be described as development services, we limit the information provided in the management report to product development.

Overall, 36 people are employed in the Company’s internal product development department. Our developers work continuously on extremely powerful, functional and maintenance-friendly solutions that win over customers with their modern design. In 2011, our activities in product development were dominated by the roll-out of the out-of-home channel, the premium billboard and the optimization of existing products in the street furniture segment.

In 2011, we invested a double-digit million figure in our out-of-home channel. Our subsidiary Ströer Digital Media GmbH is the only company in the world to offer its customers in Germany digital moving-picture displays with a relevant reach at the largest German train stations. The nationwide roll-out of the channel required the development of some special solutions to meet certain site conditions (e.g., fire protection regulations). In further developing our out-of-home channel, we continued the modularization of components, which will impact positively on procurement costs in the future.

Since our acquisition of ECE flatmedia GmbH, a leading provider of digital brand communication and sales promotion in shopping centers in November 2011, our digital moving-picture network has additionally been extended to cover some of the largest shopping centers in Germany. The more than 1,000 flat screens operated by ECE flatmedia in some 50 shopping centers reach around 10 million people per week. Ströer will enhance its portfolio of advertising and information solutions and also install a critical network of the out-of-home channel in shopping centers. All German campaigns offered on digital Ströer advertising media will be coordinated and operated centrally in the final stage of expansion by the Ströer Digital segment at our Munich office.

In the area of traditional out-of-home media, which will continue to make up the lion's share of our business for the foreseeable future, we also rely on development and innovation. The quality of the printed medium, especially in backlit advertising media, is clearly superior to the digital technologies available today for use in out-of-home advertising. Thus traditional advertising media will retain their right to exist for the foreseeable future and, moreover, constitute a mainstay of our out-of-home product mix. Enhancing the premium billboard was therefore a major priority. This new, high-quality billboard format with scrolling technology and backlit display case in a glass and aluminum design was developed in accordance with the new European directive on machinery. Hence, it meets European standards in terms of product safety and guarantees a high level of technological quality.

At the same time, we are driving forward the individualization of bus and tram stop shelter configurations to meet the different needs of cities quickly and comprehensively. A key goal of our development activities was also the technical and resource-friendly optimization of our products and services. By using energy-saving technologies, reducing material consumption, and standardizing and modularizing components, we achieved substantial cost benefits and saved resources. In 2011, a whole host of advertising media and street furniture was reviewed with regard to their efficient energy consumption. In bus and tram stops and illuminated advertising columns, more highly-efficient, long-life and high intensity LEDs will be used, which will save significant amounts of electrical energy.

The introduction of the new "Vooh!" app (virtual out-of-home) for iPhones and Android smartphones was further proof of our innovative power. This app links traditional out-of-home advertising media with attractive online content. A software feature identifies the photographed campaign motif and adds mobile web content, such as competitions or moving-picture advertisements. In this way, advertising customers can interact directly with their mobile consumers and generate additional high-quality contact.

Expanding our market position with leading advertisers

Validated and accepted audience measurements as well as the effectiveness of out-of-home media near to the point of sale, as proven in numerous studies, make Ströer a first-choice partner for the advertising industry. Our German sales organization is in close contact with media specialists, media agencies, and advertisers themselves. The strategic focus here is primarily on the leading 200 advertising customers on the Nielsen list, which represents around 40% of advertising spending. According to Nielsen Research, this customer group allocated just 3.9% of its gross advertising spending to out-of-home media in 2011, although this was a substantial increase against the prior-year figure of 3.2%. The reason for this is the relatively late consolidation of the German out-of-home market in comparison to the rest of Europe, which enabled national reach in out-of-home advertising from a single source for the first time, and allowed systematic sales positioning of out-of-home media vis-à-vis other media for the first time. Through our intensive sales activities and with the help of the out-of-home channel and our premium formats, we generated significant sales successes in this segment via our subsidiaries in 2011. We also substantially expanded our business relationships with regional advertising customers in the reporting period, thanks to intensified sales efforts and appropriate product offerings. Central arguments for both national key accounts and regional customers are, and will be in the future, our attractive contact figures together with a high reach in the advertising-relevant target groups and high contact quality.

Forward-looking risk management

Information on the risk strategy and risk management can be found in the opportunities and risk report (see page 49).

Optimization of process workflows

To further optimize our business workflows, we are working on the key levers of a strong process-based organization that complements our existing structure. An organization with a greater focus on standardized processes will help to lower our process and IT system costs, reduce our throughput times and increase flexibility. In this way, we will increase our focus on value-adding activities that are recognized by customers. Improving the structure of workflows also entails consolidating processes into transparent organizational units, which simplifies administration and coordination. This includes not only core business processes, but also supporting and administrative process steps. At the same time as designing these organizational principles, the Group's information technologies must be adapted accordingly. To leverage the potential for optimization here, we will increase the standardization and automation of our IT landscape over the new few years.

Responsibility to stakeholders

Ströer Out-of-Home Media AG takes its responsibility towards its main stakeholder groups – shareholders, customers and business partners, employees and social groups – very seriously. Our corporate social responsibility extends to supporting charitable, sporting and social activities. We believe that a permanent and balanced commitment has a positive impact on our brand image and helps add value to the Company in the long term.

Value-based management

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

We meet strict capital market requirements with our detailed and transparent quarterly reports as well as through extensive reporting in the separate and consolidated financial statements and the management report and group management report. In this way, our owners and potential investors can find out about the Company's and the Group's situation at any time.

As a value driver, we understand the main internal and external factors affecting business development. Key financial indicators for the Group and therefore indirectly for the holding company are revenue, operational EBITDA, the development of contracts on hand, net debt and the leverage ratio derived from it. Of the abovementioned ratios, the development of contracts on hand is particularly suited as an early operating indicator of expected revenue over the next two to three months. We believe that operational EBITDA gives the best insight into the sustainable development of earnings of our Group as it excludes one-time effects in expenses and income. The main one-time effects, which we eliminate to determine operational EBITDA, primarily result from reorganization and restructuring measures, changes in the investment portfolio (including M&A measures), and capital measures (including debt and equity capital market transactions).

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

7. Employees

Qualified and motivated staff are vital for a company's success. Ströer therefore places great importance on being an attractive employer by pursuing a sustainable HR policy that reflects the growth strategy of Ströer Out-of-Home AG and of the entire Group and uses HR tools from talent, performance, training and retention management. Taking a systematic approach to staff development enables Ströer to meet the requirements of its organization and the various markets. The Company aims to increasingly fill management positions from its own ranks. Our action and performance-driven corporate culture – which is based on equal opportunities and goal achievement – forms the basis of Ströer's personnel development system.

Headcount

As of 31 December 2011, Ströer Out-of-Home Media AG, Cologne, had 149 employees (prior year: 133) in full and part-time employment. The increase in the headcount was mainly due to the integration of a subsidiary's department into the holding company.

Length of service

As of the end of 2011, employees had been working for an average of 4.9 years for Ströer Out-of-Home Media AG. Compared with the prior year, this figure increased by 1.0 years due to lower staff turnover.

Age structure

Like the other German companies in the Ströer Group, Ströer Out-of-Home Media AG, Cologne, has a balanced age structure. We place high importance on attracting young employees and integrating them into the Company in the long term. As part of our talent management, we offer university graduates a first step on the career ladder as well as promising development opportunities within the Company.

A good 35.6% of the holding company's employees are younger than 36; 54.4% are between 36 and 50. One in 10 employees is older than 50.

8. Opportunities and risk report

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

Media spending by companies depends on business expectations and actual macroeconomic developments. Advertising expenditure is therefore tied to sentiment and is an early indicator of economic trends. This means that the Ströer Group – as a partner for the advertising industry – is always exposed to a discernible economic risk. For example, any further spreading of the debt crisis or the occurrence of other events of global economic relevance, such as a military conflict in the Persian Gulf, could have tangible effects on advertising markets or the economic situation of key business partners – with potentially negative consequences for the Company's earnings as well as its financial position and net assets.

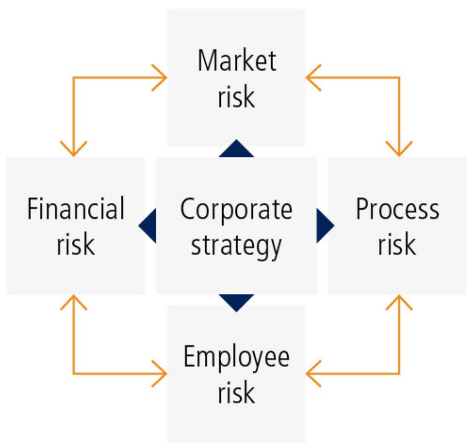
However, our basic assumption is that governments will succeed in calming the situation on the financial markets in the first half of 2012, which should allow sentiment to improve and markets to gradually regain momentum in the course of the year. Our strategic investments in forward-looking products such as our out-of-home channel and premium billboards, together with the attractive advertising concessions we have signed or extended, are a sound basis from which to increasingly profit from such an upturn in the markets. If a less favorable scenario were to occur, the Ströer Group should be able to respond rapidly and implement internal measures to stabilize its investment and cost budget – like it did in the crisis year 2009. All in all, we are therefore cautiously optimistic about the near future. At present, we are not aware of any risks to the Company's ability to continue as a going concern.

Risk management

The Ströer Group's success is heavily influenced by the conscious management of opportunities and risks arising from business activities. Risks represent all events, actions or inaction that result in the failure to achieve the planned results of business activities, while opportunities are defined as the possibility of positive deviations from targets.

In order to recognize risks early on, analyze them systematically and control them appropriately, the Ströer Group has a group-wide risk management system in place for which the Group's board of management is responsible. It is being continually developed and is in compliance with the legal requirements for an early warning system for the detection of risk pursuant to Sec. 91 (2) AktG. The key components of our comprehensive risk management system include the risk management process, reporting and the Group's internal guidelines.

Based on the Group's risk strategy, the risk management process comprises the phases of identifying, evaluating, controlling and monitoring risk. Risk management is based on the strategic success factor concept, which is derived from the Ströer Group's corporate strategy. We define strategic success factors as latent or visible potential in the market or within the Company that will crucially determine Ströer's future success. Each success factor comprises both opportunity and risk potential. The group risk management department systematizes risk potential in the Ströer risk scorecard, which enables each risk to be assigned to one of the following areas: "market," "process," "employee" and "finance."



All risks are assigned to one of three risk categories (low, medium, high) according to their expected damage value, with each category having various strategic rules for how to manage the risk. A risk officer is appointed for each group unit and is responsible for managing the risk situation in his/her unit (decentralized risk management). In line with management responsibility for handling risk, all risk officers at the group headquarters and the German and foreign entities are classified as executive employees. The group risk management department has the methodological and system expertise to operate our comprehensive risk management system. 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 every quarter about current risks to which the Group is exposed. All risk officers are obligated to report to the board of management and the group risk management department immediately in the event of any unexpected risks that exceed the specific materiality thresholds.

We have an extensive risk reporting system that spans all group areas and levels. In a quarterly reporting process, each risk officer reports on the current risk situation in his/her area to the group risk management department. This reporting mainly comprises a detailed description of the specific risks, a presentation of the risk assessment on a gross and net basis and selected control measures. The group risk management department examines all incoming risks for interdependencies and summarizes them into core risks. The quarterly risk report presents the core risks at the time of their identification. It addresses their various causes, probability of occurrence and potential effects, as well as explaining how they have changed over time. Extensive action plans reflecting the significance of the specific risks are drawn up and primarily document implementation progress.

Our comprehensive risk management policies are summarized in a group manual. It defines the group-wide methods for risk management, responsibilities for performing risk management activities as well as reporting and monitoring structures. This enables the group risk management department to ensure that the risk management process is transparent and verifiable at all times thanks to internal and external reporting. At the same time, all employees are made aware of the importance of taking a responsible approach to risks. In addition, regular risk-related expert interviews and workshops promote risk awareness and the ongoing development of a risk and monitoring culture.

The Ströer Group’s risk management system is being continually developed and is compliant with the legal requirements for an early warning system for the detection of risk pursuant to Sec. 91 (2) AktG.

The accounting-related internal control and risk management system is an important part of the Group's comprehensive risk management. It is not legally defined. We understand it to be a comprehensive system, referring to the definition by the Institute of Public Auditors in Germany, Düsseldorf ["Institut der Wirtschaftsprüfer in Deutschland e.V.": IDW].

According to the definition, an internal control system comprises the policies, procedures and measures installed within an organization 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 organization. The internal control system also aims to help internal and external reporting convey a true and fair view of Ströer Out-of-Home Media AG's net assets, financial position and results of operations.

In addition, we 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].

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

- The Group's board of management has overall responsibility for the internal control and risk management system in relation 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 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 group management report to be significant. Those elements include:

- Identification of the main risk fields and control areas relevant to the group financial reporting process
- Controls for monitoring the group financial reporting process and the results thereof at the level of the board of management and the consolidated entities

- Preventative and investigative control measures in the finance and accounting functions of the Group and the entities included in the consolidated financial statements and in operating processes which generate key information for the preparation of the consolidated financial statements (and the group management report)
- Measures to ensure that group financial reporting issues and data are processed using appropriate IT systems
- Measures to monitor the Group's accounting-related internal control and risk management system

Below we present the risk fields, taking all the risks recorded in the Ströer risk scorecard into account (see page 50), that could, from today's perspective, have a significant negative effect on the net assets, financial position and results of operations. However, opportunities for the Ströer Group may also arise from symmetrical risks – potential events allowing the possibility of positive deviations from the plan.

Market risk

In view of the sovereign debt and banking crisis in the eurozone as well as political uncertainty, current macroeconomic developments represent a much higher core risk for all national Ströer group entities than in the year under review. We cannot rule out that a collapse in confidence could adversely affect the investment appetite of advertising customers. Any deterioration in the advertising climate is likely to impact our future business. Such a situation could also occur if the countries in which we operate are affected by heightened geopolitical tensions or the destabilization of political systems.

Business risks of an industry-specific nature could primarily arise in connection with procurement, commercialization and existing legislation.

As regards procurement, there could primarily be negative deviations from plan in the future caused by the loss of advertising concessions from cities, public transport operators and municipal facilities, the inadequate profitability of advertising concessions contracts with minimum, fixed or guaranteed lease arrangements, or the loss of advertising spaces in cities, trams or train stations. In individual cases, 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. We mitigate these risks through professional acquisition management.

The Ströer Group has long-standing business relationships with some suppliers. However, it cannot be ruled out that the loss of a key supplier could have a negative effect on our business in the short term. To adequately manage this risk, our central procurement department has developed and implemented a group-wide sourcing strategy.

With regard to commercialization, negative deviations from plan could arise through losses in income from orders placed by major customer groups, the loss of customers in intra and intermedia competition or reduced margins as a result of higher discounting in the media industry. The Ströer Group counters these risks by continually adjusting and developing its sales organization. Our "Out-of-Home Channel" and "Premium Billboard" projects remain instrumental for our planned growth path. If these strategic projects were not to develop as planned, this could represent a significant risk in the future. However, the required positive momentum should be provided by our increased communication with agencies and the successful establishment of performance records demonstrating the reach of our out-of-home channel.

Process risk

In general, the Ströer Group's value chain can be broken down into the stages of innovation and operational performance, which range from identifying customer wishes to satisfying them.

With regard to the innovation process that is anchored in the Group's strategy, there is the risk of current or future customer wishes not being sufficiently identified and the risk of misconception concerning the development of new products or services. Also a critical success factor in the production process is close observation of patents or other industrial rights of third parties.

The subsequent operating process includes all activities from receipt of the order to the delivery of the product or rendering of the service. The Ströer Group places particular focus on quality risks in connection with ensuring the high quality and best management of advertising media and street furniture. The same applies to potential disruptions to the proper and efficient handling of quote and proposal preparation, order processing and complaints and receivables management.

We counter the risks arising from the innovation process by thoroughly assessing the market situation, among other things. The ongoing projects to optimize core business processes and the internal control system are also having a positive effect at group level. We responded to the high demands placed on an internal control system by establishing a group-wide "operating organization" department.

Business processes and internal and external 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 major disruption or system failure could in particular result in the loss of data and negatively affect IT-based business processes. The Ströer Group counters IT risks using a range of mitigating measures that will also be specially incorporated in the new group-wide IT environment that we have begun to implement.

It is also extremely important to us that our business activities comply with existing laws. Depending on the issue at hand, we minimize these risks using a variety of measures. Compliance with the law and internal guidelines is ensured by a compliance organization under the umbrella of our group legal department. Its main focuses are to ensure that antitrust and capital market regulations as well as upstanding business practices are regularly adhered to in our processes. Preventive measures include making employees aware of these issues and providing them with information and advice. Other measures include regular support from business experts, law firms and tax advisors.

Employee risk

Highly qualified employees and executives form the basis for our sustainable economic success. A significant risk could arise from the unwanted turnover of key management personnel if they are not replaced or not replaced in good time by in-house or new staff. We take a range of measures to mitigate this risk. These include strengthening our reputation as an employer, offering a performance-based remuneration system, training courses, developing talent pools, mentoring and coaching programs as well as deputization arrangements. We also underline our profile as an innovative company by cooperating closely with a number of universities.

Finance risk

Debt poses a financing risk to the Ströer Group. The occurrence of this risk essentially depends on the Group meeting the financial covenants set out in the loan agreement. At the same time, there are a number of covenants and information duties vis-à-vis the lenders. The breaching of covenants or other duties may lead to sanctions being imposed.

The Ströer Group’s international activities entail currency risks, in particular a risk that arises from the translation of cash flows generated in foreign currency by our foreign operations and that could lead to a write-down of shares in affiliates. Any depreciation in the Turkish lira and the Polish zloty against the euro would also have an adverse effect in respect of the existing euro-denominated loans granted to our foreign group entities (transaction risk). However, other currency risks affecting the Group are not as relevant.

If the subsidiaries and other investees generate losses, the investment risk could have a negative effect on Ströer Out-of-Home Media AG's results of operations and liquidity. It cannot be completely ruled out that this, too, could lead to the write-down of shares in affiliates or other investees if, for example, a segment's business performance falls short of expectations.

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

The Ströer Group is mainly exposed to interest rate risks in connection with non-current floating-rate financial liabilities and existing cash and cash equivalents. This risk can be eliminated or mitigated using hedging transactions. By using interest rate swaps, the interest rates were fixed for the majority of floating-rate financial liabilities.

Opportunity management

Like risk management, opportunity management focuses on the market, process, employee and financial targets derived from our corporate strategy. The operational management of each business division is responsible for opportunity management in close cooperation with the Group's board of management. As with the risk management function, opportunity management is embedded in the Ströer Group's planning and control process. We use the knowledge gained here to identify opportunities and to prepare and implement appropriate action plans.

General economic opportunities for the Ströer Group are based primarily on an increase in the net advertising volume in our core markets of Germany, Turkey and Poland. Such a development could occur in 2012 if the uncertainty in the eurozone subsides more quickly than expected because, for example, the debt and confidence crisis gradually recedes or the global economy rapidly overcomes its weakness due to suitable monetary and fiscal policy measures. On the other hand, it is possible that, contrary to the cyclical conditions, advertising customers may have larger budgets at their disposal for communication purposes or, as in recent years, they may focus more on out-of-home media.

We believe that industry-specific opportunities will arise primarily from the roll-out of digital formats and a larger number of advertising media featuring scrolling technology. Both products are likely to have a positive effect on out-of-home media in general and on leading advertising companies in particular. The intensity of the structural change in media use – which has proved beneficial for out-of-home media in Germany – could be greater than expected in a prospering overall environment. In Poland, we also see opportunities arising if there is further consolidation in the country's out-of-home advertising market. In our view, industry-validated methods for measuring the audience reach of out-of-home media that are already being put into operation in the Polish and Turkish markets will help increase the attractiveness of our customer offering in the future.

From a geographical perspective, our strategic opportunities result from our systematic focus on countries that appear to significantly lag behind in terms of spending on advertising in the out-of-home media segment. We see opportunities to gain new customers not least through the roll-out of our out-of-home channel in Germany. This digital moving-picture platform with a nationwide reach is mainly geared to major advertising customers. Our acquisition of ECE flatmedia has enabled us to further expand our digital out-of-home media portfolio to include shopping centers. We could record positive deviations from plan in our advertising concessions portfolio in Germany and abroad if we are able to acquire new advertising concessions from cities, public transport operators and municipal facilities as well as from private landlords in addition to our current portfolio.

Operational opportunities are essentially based on increasing the satisfaction of our national and regional customers and agency groups through our communications solutions. Our projects to optimize core processes and the internal control system could also have a positive effect as they will simplify and enhance the quality of our business workflows. Our IT infrastructure plays a key role here since its performance significantly determines how efficient and compliant our procedures are. The completion of the integration of SRG into the SMD division could also have a positive effect on a functionally optimized organizational structure. At the same time, the merger of the business activities of News Outdoor Poland and our core business in Poland should again lead to economies of scale in 2012. We also see considerable potential in the systematic continuing professional development of our staff and in the further development of our advertising media products.

9. Forecast

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

We remain positive about the outlook for Ströer Out-of-Home Media AG in the coming years despite the current economic uncertainty. We are well positioned in our core markets and are working continuously to leverage potential from out-of-home media using our compelling product range and to further strengthen our subsidiaries' portfolio of advertising rights in Germany and abroad. Ströer is in a strong competitive position thanks to our investments in future-proof products and innovative services. We expect these activities to also result in earnings growth for Ströer Out-of-Home Media AG in the coming years and to further improve the Company's financial position. Our medium-term growth opportunities will come primarily from the following factors:

- Structural growth in Germany's out-of-home media segment
- The increase in advertising spending per head in Turkey and Poland due to a comparative rise in market growth
- The expansion of space capacity for premium products or in key cities in our core markets
- The extension of existing advertising concessions and sales rights and the acquisition of new ones
- A higher proportion of digital products in the mix of out-of-home media used by our subsidiaries

In addition, we will seize operational opportunities that arise from our operating business through cost management and efficiency gains. For example, these include further optimizing procurement processes and continuously improving workflows in operating areas.

We have significantly improved the Group's financial position in recent years. The ratio of net debt to operational EBITDA (leverage ratio) was 2.3 as of 31 December 2011, which is within our disclosed target corridor of 2.0 to 2.5. Excluding any major M&A measures, we expect the leverage ratio to continue to fall over the next few years. Our forecast reflects the significant factors that were known at the time the financial statements were prepared and that could influence our business development in 2012 and beyond. Significant risks are explained in the risk report. As in the past, we will make every effort to achieve our targets.

Future macroeconomic conditions

Higher commodity prices, the fallout of the earthquake in Japan, the sovereign debt crisis in the eurozone and increasingly restrictive economic policies in emerging economies to curb inflationary trends led to muted global economic growth in 2011.

The beginning of 2012 is likely to be plagued by further market uncertainty. European governments have not yet succeeded in winning back lasting confidence in the stability of the euro among the financial markets, companies and consumers. The austerity packages adopted in the eurozone countries are dampening further economic growth. The International Monetary Fund (IMF) expects the eurozone to slide into a mild recession (-0.5%) and forecasts global economic growth of only 3.3%. The IMF predicts the main causes of this will be a further slowdown in the emerging economies in Asia and Latin America, as well as a pronounced decrease in growth rates in central and eastern Europe and in Asia. In 2013, however, we expect economic growth to pick up in our core markets of Germany, Turkey and Poland as government measures to limit the euro crisis and accompanying programs to strengthen economic growth are expected to have a positive effect.

In **Germany**, economic growth is forecast to slow sharply in 2012. The weakening of the global economic expansion makes a decline in German exports likely. The ifo Institute expects a "mild recession" in Germany at the beginning of 2012, before momentum increases again in the second quarter. ifo experts and the German Council of Economic Experts are predicting a rise in GDP of only 0.4% for the year as a whole. These forecasts assume that there will be no further turbulence on the financial and capital markets.

In **Turkey**, the developments in the European Union – the country's most important trading partner – and the measures taken by the government and central bank in 2011 to curb domestic demand should lead to a substantial cooling of the economy. The IMF expects Turkey's gross domestic product to increase by 2.3% in 2012 and by 3.2% in the following year, both in real terms. The OECD is more optimistic about the situation in 2013 and is predicting 5% growth in real terms. This would allow Turkey to remain one of the fastest growing economies out of the OECD member states in the medium term, as its fundamentals continue to be seen as positive. The high proportion of young, mobile and aspiring population groups in Turkish society and the concentration of the groups with the highest purchasing power in the country's largest cities promote favorable conditions for the Turkish economy to grow steadily. The country's risk factors remain its foreign trade deficit, which increased in the year under review, and its high inflation rate. The central bank's inflation target for 2012 to 2014 is around 5.0% p.a.

According to the IMF, the **Polish economy** will grow by 2.5% in real terms in 2012 provided that there are no further negative effects from the euro crisis. This figure matches the OECD's growth forecast. However, the Polish central bank is expecting a slightly higher increase of 3.0%. After an expansion of 4.2% in 2011, this would be a relatively moderate decrease. Despite its declining dependence on exports from other central European countries, Poland also recorded a fall in its business climate indices and a slowdown in foreign trade due to the sovereign debt crisis in the eurozone. Nevertheless, these forecasts mean that the country remains one of the fastest growing markets in the EU. Poland will benefit particularly from the EU Structural Funds, which will make substantial funding available to it for construction investments in the run-up to the European soccer championships in 2012. However, the government that was re-elected in the year under review has announced its intention to reduce the budget deficit to below 3.0% in 2012 (2011: approximately 5.5%) in order to comply with the Maastricht criteria. The IMF also expects Poland's inflation rate to fall below 3%.

Future industry performance

The global advertising market has recovered from the effects of the global financial and economic crisis in 2009 and has grown in the past two years, but not yet returned to the pre-crisis level of 2007. The most recent Advertising Expenditure Forecast published by ZenithOptimedia (dated December 2011) predicts a 3.5% global increase in net advertising spending in the reporting period.

In times of increasing media convergence, content-dominated media offer a large number of advertising opportunities, although their reach is extremely limited. This content-driven environment is therefore forcing advertisers to use more and more advertising channels to reach the same number of consumers. This means that expanding a product's advertising reach among its target groups is becoming more complex and is raising the cost of an advertising presence. This fragmentation will accelerate due to growing mobile internet use and the significant change in media consumption that this is causing. In Europe, for example, 50% of all mobile phone users own smartphones – a trend that is on the increase.

Out-of-home advertising is the only medium that does not have to embed advertising messages in a content environment to expand a product's reach. Rather, reach is achieved by the frequency of visitors/passers-by at the physical location of the advertising medium. This factor is making out-of-home advertising resistant to the negative effects of the growing fragmentation of content-based advertising channels. Society's increasing level of mobility is expanding the reach of out-of-home advertising. We expect the out-of-home sector to benefit more and more from these structural factors over the next few years. The macrotrend in urbanization is also increasing audience frequencies in metropolitan regions. Out-of-home advertising is the only form of advertising in public that delivers large-format images with a substantial reach that cannot be suppressed or avoided by consumers. In fact, mobile consumers accept out-of-home advertising as an integral part of their environment, which underlines the high approval rates recorded in a recent survey by TNS Infratest.

The increasing digitalization of out-of-home advertising offers additional growth potential, allowing advertisers to place advertising messages at certain times and for specific target groups, depending on consumers' daily routines. A growing number of services and applications are being offered that link traditional out-of-home advertising with digital functions. The agency group OMD indicates that digitalized out-of-home media in combination with the mobile web are also becoming a medium for dialog which intensively uses interactivity elements with digital added value. Cross-media marketing is thus likely to gain in influence and out-of-home media should benefit from the steady growth in the mobile internet.

According to various industry assessments, digital out-of-home advertising currently accounts for less than 5% of the total global out-of-home advertising market. However, all market studies unanimously forecast further above-average double-digit growth in the future. In the medium term, these studies predict that digital out-of-home advertising will account for a double-digit percentage share of total spending on out-of-home advertising worldwide.

Development of advertising spending

All forecasts to date also point to mid-single-digit growth in global advertising spending in 2012 despite the worsening of the economic environment. According to the ZenithOptimedia agency, this means that, for the first time, global net advertising spending will return to – and probably even exceed – the pre-crisis level of 2007. Magna's recently published figures for western Europe indicate a 1.1% increase in net advertising spending. The trend in western Europe will again be shaped by a north-south divide. Based on this growth scenario, Germany ranks among the four largest advertising markets worldwide, a position it will continue to hold in the future. ZenithOptimedia expects global net advertising spending to continue to grow in 2013, rising by 5.3% to a higher level compared with 2012.

Development of the German advertising market

Despite gloomy macroeconomic forecasts, Zenith and Magna expect net advertising spending to increase by 1.5% to 2.2% in Germany in 2012. According to Zenith, this consistently positive trend is due to historically low unemployment and a robust consumer climate. Experts continue to see the internet as an important driver of advertising spending that is gaining momentum due to increased advertising in social networks. Both TV and out-of-home advertising are also expected to perform positively, while the negative trend in print advertising will continue in 2012 according to Zenith. The Central Association of the German Advertising Industry ["Zentralverband der deutschen Werbewirtschaft": ZAW] is taking a comparatively cautious view of the development of the German media market in 2012 and is not ruling out a slight downturn of up to 2%.

Zenith predicts that the out-of-home sector will record net growth of 2% in 2012, which is at the upper end of the expected overall market performance. The *Herbstprognose* survey by the media agencies organization OMG also reveals that out-of-home media will become increasingly important over the next few years, with its growth only being beaten by online media. PWC's study also predicts net growth rates of around 2% for 2012 and 2013. This forecast is additionally based on new digital offerings in the sector, such as the out-of-home channel launched by Ströer. Furthermore, PWC believes that out-of-home advertising will benefit from people's increasing mobility. ZAW has not issued a concrete forecast on the development of out-of-home advertising in 2012; however, it indicated that any temporary contraction in the overall media market would impact the growth prospects of the out-of-home sector.

Development of the Turkish advertising market

We believe that the advertising market in Turkey – one of the most dynamic markets in central and eastern Europe – will require much more support in 2012 to match the double-digit growth seen in the past two years. Forecasts published by ZenithOptimedia in December 2011 indicated that the country's advertising market would increase by a similar rate. The online and TV segments as well as out-of-home media were seen as the main growth drivers. However, the irregularities in the measurement of the reach of TV advertising that were identified in December 2011 – and are due to be adjusted in the course of the year – will dampen growth in advertising spending. Despite recently reduced economic growth forecasts in Turkey, we think that the country's overall advertising market and the out-of-home advertising segment can achieve net growth in the mid-single-digit percentage range in 2012. In the coming years, the development of the out-of-home market will go hand in hand with the further expansion of space capacity. We expect volume growth from additional public advertising concessions that were awarded in the past 12 to 18 months and others that will be tendered in the coming 12 months. At the same time, the increase in capacity at existing locations due to the use of scrolling technology should have a positive effect. For 2013, we expect the media and out-of-home advertising market to record a typical growth rate of at least double the percentage increase in GDP on the back of improved economic conditions.

Development of the Polish advertising market

According to PWC, Poland is the second-largest advertising market in central and eastern Europe after Russia. ZenithOptimedia forecasts moderate net growth rates of 3.8% in 2012 and 3.4% in 2013. As the Polish market is also being driven by media convergence, growth will come primarily from the online sector, which is expected to see double-digit expansion. However, the increase in the Polish advertising market is also based on higher bookings in the TV sector. According to Zenith, print media will record a decline in the mid to high single-digit range. Market studies differ substantially in their assessments of how the Polish media market will perform in 2012 and 2013. ZenithOptimedia takes a more cautious view of out-of-home media in Poland. After contracting by approximately 2.6% in 2011, the out-of-home market is forecast to grow by 1.7% in 2012 (net figures). In 2013, PWC expects an increase in the out-of-home advertising market that significantly exceeds the abovementioned growth rates.

In the medium term, we expect the market consolidation in the Polish out-of-home advertising sector to continue, further boosting market momentum. A less fragmented market will ultimately lead to greater standardization of the advertising media formats on offer and bring them in line with western European quality standards. This development will increase the competitiveness of out-of-home media in comparison to other advertising forms in Poland. We also believe that public advertising concessions in the area of street furniture will become increasingly important.

Future direction of Ströer Out-of-Home Media AG

Ströer Out-of-Home Media AG remains firmly committed to the strategy it formulated during its IPO in 2010 (see "Strategy and management"). We see our subsidiaries as well equipped to gain additional market share by combining the structural advantages of out-of-home media and an extended range of products and services. Our main focus is on serving national customers who use our companies' advertising networks for regional and nationwide advertising campaigns to expand their reach. At the same time, these companies will step up cooperation with their regional customers who use our advertising media for their advertising messages or for directional media advertising in a local environment, and who are already a cornerstone of our business as a result.

Business focus in Germany

As the country's largest provider of out-of-home media, we aim to play a key role in driving forward the market in Germany with our products and innovations. In 2012, we intend to expand our out-of-home channel – Germany's most frequented digital out-of-home network at the end of 2011 with over 800 large-format HD screens – to a total of around 1,000 screens. We expect a continued high level of customer interest in the third, independent pillar in the moving-picture market because, for the first time, this combines the benefits of out-of-home advertising with those of the highest-quality moving pictures: a significant reach and moving pictures in HD quality, packaged in a digital medium with suitably short advance booking times and cross-media marketing prospects. We hope that, in the future, our advance into the moving-picture market will give us access to advertising budgets outside of the traditional out-of-home sector.

We will also expand our digital media portfolio via ECE flatmedia, which we acquired in the fourth quarter of 2011. In 2012, we will roll out the company's digital advertising media concept in shopping centers – a project that entails investing a high single-digit million figure. Here, too, our goal is to further expand the reach of our out-of-home channel format in Germany.

In addition, we are continuously working to optimize our range of traditional out-of-home media, which will account for the majority of our business for the foreseeable future and are the cornerstone of our product mix. In the coming year, we will gradually continue the premium billboard program we launched after our IPO. This involves replacing traditional billboards at highly frequented and sought-after locations with backlit glass-encased display cases with scrolling technology. In 2012 we will install up to 500 more of these premium billboards, which will increase our network to well over 1,000 locations. We will continuously adjust the future stages in the expansion of our premium billboard program to reflect ongoing economic developments in 2013 and beyond.

Although we expect to benefit from the abovementioned structural factors in the out-of-home advertising segment in Germany, we are closely monitoring the overall economic indicators. The resulting uncertainty about future developments is reflected in highly volatile expectations and forecasts. The advertising industry is currently seeing its customers take a generally cautious, wait-and-see approach, although there has not yet been an overall reduction in advertising budgets. If the financial and capital markets do not experience any additional turbulence and there is no further slowdown in the global economy, we expect the advertising spending in Germany attributable to the Ströer Group to increase slightly in 2012, while advance booking times will tend to be shorter due to the cautious approach taken by our customers. In line with the forecast improvement in economic conditions in 2013, we expect increasing momentum in our business activities.

Business focus in international markets

At the beginning of the new fiscal year, uncertainty about the ongoing economic outlook was also affecting our core foreign markets, which have a variety of business and trade relationships with eurozone countries. Our forecasts for total advertising spending in both markets assume that the economic environment will stabilize. As a relatively cyclical industry, the advertising sector is naturally exposed to higher volatility in the emerging markets. With the exception of our giant poster activities, which are less significant in terms of volume, our foreign business is limited to Turkey and Poland.

In the Turkish market, we expanded our portfolio in major cities in the reporting period and strengthened our leading position in the out-of-home market. We therefore extended our advertising media network to reflect the expected growth in the country's overall advertising market, from which the out-of-home market will also benefit. Advertising spending per capita in Turkey is currently only around a ninth of the figure in Germany. This significant gap should be closed by comparatively higher growth rates in the coming years. In 2012 and 2013, we expect a steadier development of the advertising market than in the reporting period. 2011 was dominated by new legal requirements to limit TV advertising times and the related changes in the supply and demand structure.

In the fiscal year, we expanded our portfolio of contracts to install and commercialize advertising faces throughout Turkey. In particular, we further strengthened our position in the emerging cities of Anatolia, such as Izmir and Antalya. We are also pushing ahead with developing advertising opportunities in key shopping centers in Turkey with a team that was specially formed for this task in the reporting period.

In both countries, we are progressing with the introduction of audience measurement systems based on internationally accepted standards. In 2011, we began classifying advertising media and measuring data in Turkey. This will strengthen our position in out-of-home media in the future, particularly against TV, radio and print, and we will gradually incorporate the results gained in the course of the project into our sales activities.

In Poland, we followed up the successful integration of News Outdoor Poland, which we acquired in 2010, by defining new advertising networks and developing new customer offerings based on our combined portfolio. Our goal is now to leverage this potential in our customer marketing activities.

Anticipated earnings development

Ströer Out-of-Home Media AG's future earnings development depends primarily on how advertising spending develops in Germany, Turkey and Poland as well as on the total market share of out-of-home media. Forecasts must therefore focus on the effect of economic fluctuations on advertising investments and the intensity of consumer spending. Furthermore, the short-term booking behavior of advertising customers, which looks only a few months into the future at a time, also limits the reliability of any forecasts. These uncertainties, typical of the industry, prove a hindrance when determining quantified forecasts of earnings.

Germany segment

In out-of-home media, although we cannot see any signs of pessimism among our customers, they appear to be taking a more cautious basic stance due to the existing uncertainty. Assuming the macroeconomic situation in Europe stabilizes, we expect Ströer Germany to increase its revenue by a low single-digit percentage in 2012. We also believe that the structural conditions in the German out-of-home market will continue to be positive in 2013. As a result, we expect further growth in our out-of-home media in Germany of two to three percentage points above the actual performance of the advertising market at net prices.

Turkey segment

Assuming the same conditions, we expect Ströer Turkey to record a further increase in revenue that significantly exceeds the average growth rate forecast for the Group. Overall, we are predicting mid-single-digit revenue growth for Ströer Turkey in 2012. In the next one to two years, the segment will gradually benefit from the effects of rolling out additional advertising media in the reporting period and of acquiring marketing rights in Istanbul. This will promote organic revenue growth in 2013. We believe that Ströer Turkey is on a long-term growth path which, although at a relatively low level at the moment, should far exceed the average for the Ströer Group. If the economic environment is intact, Ströer Turkey is likely to profit from higher market volumes and new concessions from 2013 onwards, and its revenue should grow faster than of late. The operational EBITDA margin is expected to decrease in 2012, primarily due to higher fixed rental payments under new city and sales contracts that will only be gradually offset by revenue from the roll-out of advertising media. If the forecast upturn in the global economic environment is confirmed in 2012, we expect the segment's operational EBITDA margin to improve at the latest in fiscal year 2013.

Other segment

In Poland, we aim to continue exploiting our leading position in the important 18m^2 billboard segment to meet the needs of our nationally operating customers by shortening sales cycles while expanding our network's reach. However, we are also facing persistently fierce competition from other providers of out-of-home advertising. Assuming the environment in the eurozone stabilizes, we expect our Polish business to increase its organic revenue by a low single-digit percentage in 2012 and 2013.

We also expect the blowUP Group to make positive earnings contributions. The activities of blowUP continue to focus on the existing regions in Germany, the UK, Spain and the Benelux countries. As individual projects in the UK have already shown, large-format digital advertising faces offer increasing business potential. Overall, we are forecasting ambivalent trends in the economies in blowUP's country portfolio. Assuming a stabilized eurozone, we expect revenue to grow by a low to mid-single-digit percentage in 2012 and 2013.

The economies of scale resulting from the integration of News Outdoor Poland and the business opportunities offered by a moderate increase in our giant poster business should allow us to achieve an operational EBITDA margin in 2012 that is at the previous-year level, and that we aim to gradually expand in 2013.

Profit or loss for the period

The anticipated increase in the operating result will also have a positive impact on profit after taxes. However, the sharp rise in investing activities by our subsidiaries in the reporting period due to the roll-out of advertising media in Germany (including the out-of-home channel and premium billboard projects) and Turkey will result in increased amortization and depreciation at our subsidiaries in 2012 and beyond.

However, we expect the interest expense for bank loans raised by our subsidiary Ströer Media Deutschland GmbH, which fell by up to 100 basis points year on year following the renegotiation of our loan agreements, to have a positive effect on profit. From the end of 2012, our earnings will also be boosted by the gradual expiration of derivative contracts entered into by our subsidiary to hedge interest rates that had been concluded at a comparatively high interest rate before the financial crisis hit.

Overall, we therefore expect an improvement in profit for 2012 and 2013. However, this forecast does not include any effects from potentially converting part of our bank financing to more capital market-oriented facilities.

Expected financial position

Ströer Out-of-Home Media AG's syndicated credit lines have a final due date in mid-2014. The Group's leverage ratio, measured as the ratio between net debt and operational EBITDA, again decreased year on year as of 31 December 2011 (factor 2.3). Excluding any major M&A measures, we continue to expect falling leverage ratios in the coming years. Should the Group's financial needs increase as a result of substantial M&A transactions, the leverage ratio would have to be reassessed in light of the situation on the capital markets. Our operating cash flow and liquidity – i.e., available cash and unutilized credit lines – give us sufficient financial headroom to take advantage of planned investment opportunities and those that present themselves in 2012 and 2013.

Dividend policy

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

Planned investments

Ströer will continue to make suitable investments in its media portfolio in the future as a way of offering its customers attractive products to reach their communication targets in public spaces. These investments will primarily be used to roll out new advertising media networks and to maintain and modernize existing ones. In addition, we will continue to focus on installing digital advertising media in Germany. We aim to complete the installation of our out-of-home channel in Germany with a target of approximately 1,000 screens in the largest train stations, while continuing to roll out the HD screen formats in ECE's shopping centers. In Turkey, we will primarily invest in advertising media and street furniture on the basis of the additional concessions we have gained in emerging cities and in newly acquired shopping centers. A large proportion of our Turkish investments in 2012 are likely to focus on expansion and optimization in the greater Istanbul area. In the "other" segment, we mainly expect targeted expenditure on digital, large-format advertising media locations that relate to the business area of the blowUP group, which is part of this segment. Beyond advertising media requirements, investments will be made over the next few years for necessary maintenance and expansion of the IT environment. Overall, we expect our subsidiaries' renewal and replacement investments in the broader sense to account for 4% to 5% of consolidated revenue each year. For 2012 and 2013, we expect the Group's total investments – excluding acquisitions – to amount to somewhere between EUR 50m and EUR 60m.

10. Subsequent events

There were no significant events or developments after the 2011 reporting date.

11. Information required under takeover law

Information in accordance with Sec. 289 HGB and explanatory report of the board of management of Ströer Out-of-Home Media AG

The following information required under takeover law is presented in accordance with Sec. 289 (4) HGB.

Composition of subscribed capital

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

Restrictions concerning voting rights or the transfer of shares

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

Investments in capital exceeding 10% of voting rights

Udo Müller holds 28.12% and Dirk Ströer 28.43% of total stock. Both shareholders are resident in Germany. The board of management has not received any notification as required by the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] of other investments which exceed 10% of voting rights.

Special rights granting control authority

There are no shares with special rights granting control authority.

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

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

Authorization of the board of management to issue or reacquire shares

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

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

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

Facility agreement

A facility agreement is in place between Ströer Out-of-Home Media AG and a syndicate of various banks and credit institutions. The syndicate granted the Company a loan of EUR 457.5m and a second loan of EUR 20m which has not been issued yet. The Ströer Group provided the syndicate with collateral as security for the loan in line with market conditions.

Subordinated loans

NRW.BANK AöR and SKB Kapitalbeteiligungsgesellschaft KölnBonn mbH granted the Company subordinated loans of approximately EUR 21m in total.

The provisions in the two agreements in the event of 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.

Employment contract for a member of the board of management

The employment contract between the board of management member Dirk Wiedenmann and Ströer Out-of-Home Media AG contains an extraordinary right to termination for Dirk Wiedenmann, under which he may terminate his employment contract giving notice of 12 months in the event of a change in control.

Publisher
Ströer Out-of-Home Media AG
Ströer Allee 1 . 50999 Cologne
+49 (0)2236 . 96 45-0 Phone
+49 (0)2236 . 96 45-299 Fax
info@stroeer.com

Cologne Local Court
HRB No. 41 548
VAT registration number: DE811763883