

**Joint Report of the Management Board of
Ströer Media AG, Cologne
and
the Management of
Ströer Digital Group GmbH, Cologne
in accordance with § 293 (a)
of the German Public Companies Act
on the Profit and Loss Transfer Agreement**

In accordance with § 293(a) of the German Public Companies Act, the Management Board of Ströer Media AG and the Management of Ströer Digital Group GmbH hereby submit the following report on the profit and loss transfer agreement concluded by both companies. The purpose of the report is to provide information to the shareholders of Ströer Media AG in preparation for the General Meeting on August 8, 2013.

1. Conclusion of the Profit and Loss Transfer Agreement, Outline Data

The profit and loss transfer agreement (hereinafter referred to as "the agreement") between Ströer Media AG (the controlling company) and its direct, 100%-owned subsidiary Ströer Digital Group GmbH (the subsidiary company) was concluded on June 26, 2013. The General Meeting of Ströer Digital Group GmbH agreed to the notarised form of the draft agreement on June 25, 2013. To be valid, the agreement also requires the approval of the General Meeting of Ströer Media AG and entry into the Commercial Register of Ströer Digital Group GmbH.

2. Partners to the Profit and Loss Transfer Agreement

Ströer Digital Group GmbH

Ströer Digital Group GmbH is based in Cologne. It was formed in December 2012 as a subsidiary of Altstadtsee 185. V V GmbH and acquired by Ströer Media AG on June 3, 2013. The acquisition was carried out in the form of a non-cash capital increase at Ströer Media AG in which all shares in Ströer Digital Group GmbH were transferred to Ströer Media AG in return for shares in Ströer Media AG.

The share capital in Ströer Digital Group GmbH currently totals EUR 25,300.00 and, after the entry in the Commercial Register of the capital increase is approved on

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June 25, 2013, will total EUR 25,400.00. Ströer Digital Group GmbH is a wholly-owned subsidiary company of Ströer Media AG.

The purpose of Ströer Digital Group GmbH is the marketing of internet services, in particular advertising and e-commerce services for its own and other companies, the purchase, sale, holding and administration of holdings and concessions of all kinds in the field of internet services, and the supply of services of all kinds to affiliated companies within the meaning of §§ 15 ff. of the German Public Companies Act, in particular in the fields of sales, commercial administration, law, information technology and all related activities. The company may conduct all business transactions suitable for promoting the purpose of the company.

Ströer Digital Group GmbH is a holding company with holdings in various other companies active in the field of online advertising.

Ströer Media AG

Ströer Media AG is based in Cologne. It has share capital of EUR 48,869,784.00 which is divided into 48,869,784 no-par value bearer shares.

The essential purpose of Ströer Media AG is to act as a managing holding company, in other words merging companies, providing advice to and performing other management tasks and services for companies active in the fields of media, advertising, marketing, communication and related services. In particular, these services include, but are not restricted to, companies active in the fields of outdoor advertising (managing advertising media of the respective company and third-party companies and marketing the advertising space of these advertising media) and online advertising (brokering online advertising space and providing and further developing technology). The company may also act in these areas itself and, in particular, may carry out in all related business transactions and measures.

3. Legal and Commercial Reasons for Concluding the Profit and Loss Transfer Agreement, Effects

The conclusion of the profit and loss transfer agreement makes it possible to design a tax-optimised corporate structure as the agreement is, among other things, the prerequisite for forming a fiscal unit for corporate tax purposes in accordance with §§ 17 of the German Corporate Tax Act in conjunction with § 14 para. 1 No. 3 of the German Corporate Tax Act, without affecting the continued existence of Ströer Digital Group GmbH as an independent legal entity. The formation of the fiscal unit will ultimately result in a fiscal consolidation of the trading results for tax purposes. This will be advantageous in the sense that Ströer Digital Group GmbH will be able to simultaneously offset positive or negative trading results against positive or negative trading results on the part of Ströer Media AG and other companies in the same entity. This will prevent profits of one company having to be taxed while the other company may possibly suffer non-tax-deductible losses or may only suffer these later. As a result, this group-wide offsetting of profits and losses will reduce total tax liability and

will be ultimately used for group financing. In addition, this will avoid taxation of the distribution of profits in accordance with § 8b para. 1 and para. 5 of the German Corporate Tax Act which would otherwise occur, since a positive operating result of Ströer Digital Group GmbH would not be transferred to Ströer Media AG as the result of a declaration of dividend; instead, it would be transferred directly under the terms of the Profit and Loss Transfer Agreement. The formation of a fiscal unit may also ensure that the expenditure incurred in connection with participation in Ströer Media AG is deductible as a company expense for tax purposes. Risks exceeding the usual business risks are not apparent in this connection.

There is no reasonable commercial alternative to this agreement being concluded. The conclusion of a controlling agreement does not constitute a preferable alternative since no combined taxation of the parties to the agreement can be achieved in a controlling agreement. In addition, any instruction from Ströer Media AG to the Management of Ströer Digital Group GmbH can also be given in the form of a resolution by the shareholders. Neither would a merger of Ströer Digital Group GmbH with Ströer Media AG constitute a preferable alternative as Ströer Digital Group GmbH would then lose its legal independence, which is precisely not what is wanted.

4. Explanation of the Profit and Loss Transfer Agreement

Essentially, the profit and loss transfer agreement regulates the following:

§ 1 para. 1 of the agreement regulates the normal obligation for a profit and loss transfer agreement: to transfer the entire profits to the other contractual partner. According to this agreement, Ströer Digital Group GmbH undertakes to transfer its entire profits to Ströer Media AG for the term of the agreement; it will do this for the first time as from the business year beginning on July 1, 2013. The provisions of § 301 of the German Public Companies Act concerning the maximum amount of profits that may be transferred are included in the latest applicable version of the agreement, in other words by means of a dynamic reference. This is in line with the statutory guidelines. In addition, it is pointed out for the purposes of clarification that, subject to the formation or dissolution of reserves described in greater detail, the resulting annual profit, excluding the transferred profits, is reduced by any loss brought forward from the previous year.

In accordance with **§ 1 para. 2**, Ströer Digital Group GmbH may, with the agreement of Ströer Media AG, transfer monies from the annual profits to other retained earnings (§ 272 para. 3 of the German Commercial Code) if this is permitted by German commercial law and is also justified from a commercially reasonable point of view. This provision fulfils the requirements of § 14 para. 1 No. 4 of the German Corporate Tax Act. There must therefore be a concrete reason for forming the reserves. The profits transferred from Ströer Digital Group GmbH will therefore be reduced by that amount. In addition, Ströer Media AG may require certain reserves to be dissolved and used to offset an annual deficit or be transferred as profits.

However, in this context, according to **§ 1 para. 3**, monies from the dissolution of free reserves which were formed before the agreement began are excluded from transfer, which is conversely also provided for in accordance with the corresponding § 301 Sentence 2 of the German Public Companies Act.

§ 2 regulates the obligation on the part of Ströer Media AG to assume the losses of Ströer Digital Group GmbH, which is a further essential provision of a profit and loss transfer agreement. According to this requirement, Ströer Media AG undertakes to compensate Ströer Digital Group GmbH for annual deficits as provided by the latest applicable version of § 302 of the German Public Companies Act provided these are not compensated for by the transfer of so-called other retained earnings transferred to it during the term of the agreement. This obligation to offset losses is to be agreed compulsorily so that the agreement can lead to the formation of the desired fiscal entity. The reference to the statutory provisions of § 302 of the German Public Companies Act contained in § 2 of the agreement has been formulated dynamically. Reference is made to the respective version of the statutory provision alluded to. The background to this dynamic reference is the amendment to § 17 Sentence 2 No. 2 of the German Corporate Tax Act. According to this amendment, a profit and loss transfer agreement with a German limited liability company as a subsidiary company is only recognised for tax purposes if the agreement itself refers explicitly to the assumption of losses in a reference to the provisions of the latest applicable version of § 302 of the German Public Companies Act.

§ 3 regulates the modalities by which the annual accounts of Ströer Digital Group GmbH are to be prepared; this § 3 is used in this manner to regulate the transfer of profits or the obligation to assume the losses. In accordance with **§ 3 para. 1**, Ströer Digital Group GmbH is required to prepare its annual accounts in such a way that the profits to be transferred or the losses to be assumed are shown in the accounts as liabilities or a claim against Ströer Media AG.

In addition, in accordance with **§ 3 para. 2 and 3**, the annual accounts of Ströer Digital Group GmbH are to be prepared and approved before those of Ströer Media AG and must be submitted to Ströer Media AG for the latter's information, inspection and consultation before being approved.

3 para. 4 subsequently provides that, if the business years of both companies end at the same time, the operating result of Ströer Digital Group GmbH is nevertheless to be included in the annual accounts of Ströer Media AG for the same business year. This provision only reflects the usual fulfilment of the agreement as well.

The arrangements on when the agreement is to enter into force, the term of the agreement and the termination modalities are regulated in § 4 of the Profit and Loss Transfer Agreement.

§ 4 para. 1 specifies that the agreement requires the approval of the General Meeting of Ströer Media AG, the approval of the General Meeting of Ströer Digital Group

GmbH and entry of Digital Group GmbH in the Commercial Register in order to be valid in German civil law. These requirements satisfy the provisions of §§ 293 and 294 of the German Public Companies Act. In order for the agreement to enter into force, **§ 4 para. 1** also provides for the agreement to apply retrospectively, namely for the period of the business year of Ströer Digital Group GmbH beginning on July 1, 2013. Ströer Digital Group GmbH's business year differs from the calendar year, starting on July 1 of any given year and running to June 30 of the following year.

In accordance with **§ 4 para. 2**, the agreement may be terminated with a notice period of six months to the end of Ströer Digital Group GmbH's business year and may be terminated for the first time of June 30, 2018. Should Ströer Digital Group GmbH's business year have changed before the first regular termination date for the first time, the agreement may be terminated for the first time with six months' notice following the end of the first business year that expires after June 30, 2018. If the agreement is not terminated, it will be extended for a further business year with the same notice period. **§ 4 para. 2** takes into account the circumstance that, in order to be recognised for tax purposes, a profit and loss transfer agreement must be concluded for a minimum period of at least five years and must actually be performed during this period. This provision ensures that the agreement may not be terminated with the normal notice period during this fixed agreement period.

In accordance with **§ 4 para. 3** of the agreement, the right to terminate the agreement prematurely for a major reason remains unaffected. That means that the agreement may also be terminated without notice for a major reason during the aforementioned minimum term of five years. In particular, a major reason will be said to exist if Ströer Media AG sells at least so many shares in Ströer Digital Group GmbH that the conditions for financial integration of Ströer Digital Group GmbH into Ströer Media AG no longer exist under German tax law. Major reasons for terminating the agreement are also the conversion, merger or liquidation of Ströer Media AG or of Ströer Digital Group GmbH.

§ 4 para. 4 of the agreement provides that if the agreement is terminated for an extraordinary reason, Ströer Media AG will be only be obliged to reimburse the pro rata losses of Ströer Digital Group GmbH incurred by the time this agreement ends under German commercial law.

§ 4 para. 5 merely standardises the already-existing obligation on the part of Ströer Media AG in corresponding application of § 303 of the German Public Companies Act, to furnish the creditors of Ströer Digital Group GmbH with security when the agreement ends.

§ 5 para. 1 to 3 contain general provisions (final provisions) of the agreement such as the requirement for the written form for amendments to the agreement, agreement on Cologne as the place of jurisdiction and a so-called saving clause which ensures the effectiveness and the workability of the agreement in case individual parts of the agreement were either invalid or unworkable when it was concluded or if they be-

come invalid or unworkable later, for example as the result of a change in the law or a court decision.

5. No Compensation, No Indemnity, No Review of the Agreement

The profit and loss transfer agreement made no provision for compensation or financial settlement for external partners of Ströer Digital Group GmbH as there are no external partners of Ströer Digital Group GmbH. Ströer Media AG has a direct 100% interest in its subsidiary company Ströer Digital Group GmbH. An assessment of the participating companies for the purposes of determining an appropriate amount of compensation and appropriate indemnity could not therefore be carried out. For these reasons as well, the review of the agreements in accordance with § 293 b of the German Public Companies Act was not necessary.

We therefore recommend that the profit and loss transfer agreement between Ströer Media AG and Ströer Digital Group GmbH be approved.

Cologne, 27 June 2013

Ströer Media AG

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Cologne, 27 June 2013

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