

**Joint Report of the Management Board of  
Ströer Media SE, Cologne  
and  
the Management of  
Ströer Venture GmbH  
(in future under the name of Ströer Content Group GmbH) Cologne  
in accordance with § 293 (a)  
of the German Public Companies Act  
on the Profit and Loss Transfer Agreement**

The Management Board of Ströer Media SE and the Management of Ströer Venture GmbH, in future under the name of Ströer Content Group GmbH (referred to hereinafter as "Ströer Venture GmbH"), hereby submit the following report concerning the Profit and Loss Agreement concluded between both companies in accordance with Section 293(a) of the German Public Companies Act. The report will be for the information of the shareholders of Ströer Media SE in preparation for the Annual General Meeting on 30 June 2015.

**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 SE (the controlling company) and its direct, 100%-owned subsidiary Ströer Venture GmbH (the subsidiary company) was concluded on May 5, 2015. To be valid, the Agreement will require the consent of the Meeting of Shareholders of Ströer Venture GmbH, the consent of the General Meeting of Ströer Media SE and the entry of Ströer Venture GmbH in the Commercial Register.

**2. Partners to the Profit and Loss Transfer Agreement**

**Ströer Venture GmbH**

Ströer Venture GmbH, whose registered offices are located in Cologne, was formed in February 2014 by Ströer Media SE. As the result of a resolution by the Meeting of Shareholders on 30 April 2015, Ströer Venture GmbH was renamed Ströer Content Group GmbH. The change of name will take effect when the company is entered in the Commercial Register.

The equity capital of Ströer Venture GmbH is EUR 25,000.00. Ströer Venture GmbH is a wholly-owned subsidiary of Ströer Media SE.

The purpose of Ströer Venture GmbH is to own and manage investments in the field of new media, to market products and services of third-party service providers, to market and place advertising space in the internet and the other media, to develop software, software programming, operate and market online platforms, to provide online and marketing consulting services and other services (commercial, technical) in the aforementioned areas and all related business.

Ströer Venture GmbH is essentially a holding company with investments in other companies which themselves are active in the aforementioned fields. It may also become active in these aforementioned fields.

### **Ströer Media SE**

Ströer Media SE, whose registered offices are located in Cologne, has authorised capital of EUR 48,869,784.00 which is divided into 48,869,784 non-par value bearer shares representing EUR 1.00 each of authorised capital. Ströer Media SE was converted from Ströer Media AG in a change of legal form to Societas Europaea (SE) which was decided at the Annual General Meeting of Ströer Media AG on 18 June 2014 and which took effect on its entry in the Commercial Register on 15 October 2014. Ströer Media SE was entered in the Commercial Register of the Cologne Local Court under the Commercial Register number HRB 82548.

The essential purpose of Ströer Media SE 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.

Along with its subsidiaries, Ströer Media SE is one of the leading providers of marketing outdoor and online advertising space and offers clients in the advertising business customised and integrated communications solutions. In this context, Ströer Media SE functions as a holding company and coordinates the strategic direction of the Ströer Group and its financing and liquidity.

### **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 Venture 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 Venture GmbH will be able to simultaneously offset positive or negative trading results against positive or negative trading results on the part of Ströer Media SE 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 Venture GmbH would not be transferred to Ströer Media SE 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 SE 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 SE to the Management of Ströer Venture GmbH can also be given in the form of a resolution by the shareholders. Neither would a merger of Ströer Venture GmbH with Ströer Media SE constitute a preferable alternative as Ströer Venture 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:

**Paragraph 1 Subparagraph 1** of the Agreement governs the obligation characteristic for a Profit and Loss Agreement to transfer its entire profits to the other contractual partner. Under the terms of the Agreement, Ströer Venture GmbH undertakes to

transfer its entire profits to Ströer Media SE during the term of the Agreement and for the first time from the beginning of the current business year but specifically from the date the Agreement is entered in the Commercial Register.

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 Venture GmbH may, with the agreement of Ströer Media SE, 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 Venture GmbH will therefore be reduced by that amount. In addition, Ströer Media SE 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 SE to assume the losses of Ströer Venture GmbH, which is a further essential provision of a profit and loss transfer agreement. According to this requirement, Ströer Media SE undertakes to compensate Ströer Venture 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 Venture 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 Venture 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 SE.

In addition, in accordance with **§ 3 para. 2 and 3**, the annual accounts of Ströer Venture GmbH are to be prepared and approved before those of Ströer Media SE and must be submitted to Ströer Media SE 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 Venture GmbH is nevertheless to be included in the annual accounts of Ströer Media SE 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 SE, the approval of the Shareholder Meeting of Ströer Venture GmbH and entry in the Commercial Register of Ströer Venture GmbH in order to be valid in German civil law. These requirements satisfy the provisions of §§ 293 and 294 of the German Public Companies Act.

When the Agreement takes effect, **Paragraph 4 Subparagraph 1** provides further that the Agreement will apply retrospectively, specifically for the period from the beginning of the business year of Ströer Venture GmbH, and specifically from the date this Agreement is entered in the Commercial Register. Ströer Venture GmbH's business year will correspond to the calendar year.

According to Paragraph 4, Subparagraph 2, the Agreement may be duly terminated with a notice period of six months to the end of the business year of Ströer Venture GmbH but no earlier than the end of the business year following the end of which the company tax and business tax entity to be formed through this Agreement will have fulfilled its tax-related minimum term (according to current legislation five full years;

Section 14, Subsection 1, No. 3, in conjunction with Section 17 of the German Company Tax Act and Section 2, Subsection 2, Sentence 2, of the German Business Tax Act). If the Agreement is not terminated, it will be automatically extended by a further business year with the same notice period. Paragraph 4, Subparagraph 2 reflects the fact that, to be recognised for tax purposes, a Profit and Loss Transfer Agreement must be concluded for a minimum period of at least five years currently and, during this period, must also be actually operated. In this minimum contractual period, the Agreement may not be duly terminated, which is ensured by this provision.

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 SE sells at least so many shares in Ströer Venture GmbH that the conditions for financial integration of Ströer Venture GmbH into Ströer Media SE no longer exist under German tax law. Major reasons for terminating the agreement are also the conversion, merger or liquidation of Ströer Media SE or of Ströer Venture GmbH.

**§ 4 para. 4** of the agreement provides that if the agreement is terminated for an extraordinary reason, Ströer Media SE will be only be obliged to reimburse the pro rata losses of Ströer Venture 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 SE in corresponding application of § 303 of the German Public Companies Act, to furnish the creditors of Ströer Venture 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 become 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 Venture GmbH as there are no external partners of Ströer Venture GmbH. Ströer Media SE has a direct 100% interest in its

subsidiary company Ströer Venture 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 SE and Ströer Venture GmbH be approved.

Cologne, 18 May 2015

**Ströer Media SE**

Udo Müller  
(CEO)

Dr. Bernd Metzner  
(CFO)

Christian Schmalzl  
(COO)

Cologne, 18 May 2015

**Ströer Venture GmbH**

Dr. Bernd Metzner  
(Managing Director)

Frederic Komp  
(Managing Director)

Anne Ossenberg  
(Managing Director)