STRÖER

STRÖER MEDIA AG

OUTDOOR **MEDIA IMPACT** IN MIND

SEPARATE FINANCIAL STATEMENTS FOR 2012

Exhibit 1

Ströer Media AG (formerly Ströer Out-of-Home Media AG), Cologne
Balance sheet as of 31 December 2012

A S S E T S

	31 Dec 2012 EUR	31 Dec 2011 EUR
NON-CURRENT ASSETS		
Intangible assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	2,350,201.74	918,575.09
Prepayments	3,910,384.67	0.00
	6,260,586.41	**918,575.09**
Property, plant and equipment		
Other equipment, furniture and fixtures	2,463,822.85	1,543,495.95
Prepayments and assets under construction	95,283.29	654,661.09
	2,559,106.14	**2,198,157.04**
Financial assets		
Shares in affiliates	348,462,790.84	348,462,790.84
Loans to affiliates	95,249,259.74	90,564,569.90
Other loans	0.00	372,334.04
	443,712,050.58	**439,399,694.78**
	452,531,743.13	**442,516,426.91**
CURRENT ASSETS		
Receivables and other assets		
Trade receivables	4,080.15	1,488.69
Receivables from affiliates	35,877,255.12	45,115,690.81
Other assets	5,409,600.26	3,184,547.23
	41,290,935.53	**48,301,726.73**
Cash on hand and bank balances	3,017,315.68	110,585,107.54
	44,308,251.21	**158,886,834.27**
PREPAID EXPENSES	**3,393,193.71**	**473,088.48**
	500,233,188.05	**601,876,349.66**

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

	31 Dec 2012 EUR	31 Dec 2011 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	46,459,274.92	20,416,342.52
Accumulated profit	39,986,719.34	46,042,932.40
	427,466,005.90	**407,479,286.56**
PROVISIONS		
Provisions for pensions and similar obligations	30,629.00	28,190.00
Tax provisions	12,093,147.38	8,825,012.38
Other provisions	9,466,206.42	8,190,548.85
	21,589,982.80	**17,043,751.23**
LIABILITIES		
Liabilities to banks	29,013,680.59	10,883,833.22
- thereof due in up to one year: EUR 4,013,680.59 (prior year: EUR 333,833.22)		
Trade payables	3,418,289.15	1,733,526.09
- thereof due in up to one year: EUR 3,418,289.15 (prior year: EUR 1,733,526.09)		
Liabilities to affiliates	982,108.00	131,913,567.95
- thereof due in up to one year: EUR 982,108.00 (prior year: EUR 131,913,567.95)		
Other liabilities	1,099,417.34	12,141,622.61
- thereof due in up to one year: EUR 1,099,417.34 (prior year: EUR 1,341,622.61)		
- thereof for taxes: EUR 323,347.87 (prior year: EUR 405,017.43)		
	34,513,495.08	**156,672,549.87**
DEFERRED TAX LIABILITIES	**16,663,704.27**	**20,680,762.00**
	500,233,188.05	**601,876,349.66**

Ströer Media AG (formerly Ströer Out-of-Home Media AG), Cologne
Income statement for fiscal year 2012

	2012 EUR	2011 EUR
Other own work capitalized	398,922.56	0.00
Other operating income	21,345,706.08	20,486,074.99
- thereof income from currency translation: EUR 1,078.12 (prior year: EUR 875.75)		
Personnel expenses		
Wages and salaries	-13,929,360.86	-12,594,765.27
Social security and pension costs	-1,423,065.64	-1,363,742.24
- thereof for old-age pensions: EUR 26,978.76 (prior year: EUR 47,707.25)		
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	-1,503,858.87	-1,344,986.99
Other operating expenses	-20,198,090.08	-19,724,595.47
- thereof expenses from currency translation: EUR 14,668.29 (prior year: EUR 5,025.04)		
Income from equity investments	740,057.54	0.00
- thereof from affiliates: EUR 740,057.54 (prior year: EUR 0.00)		
Income from profit and loss transfer agreements	30,395,753.75	41,545,865.16
Income from loans classified as non-current financial assets	7,870,844.57	8,746,675.34
- thereof from affiliates: EUR 7,866,810.93 (prior year: EUR 8,708,588.26)		
Other interest and similar income	275,180.56	618,764.63
- thereof from affiliates: EUR 15,229.74 (prior year: EUR 0.00)		
Impairment losses on financial assets	0.00	-74,012.93
Interest and similar expenses	-4,378,160.74	-4,821,478.72
- thereof to affiliates: EUR 262,079.75 (prior year: EUR 1,004,772.67)		
- thereof expenses from discounting: EUR 1,635.58 (prior year: EUR 1,574.37)		
Result from ordinary activities	**19,593,928.87**	**31,473,798.50**
Extraordinary expenses	-873.00	-67.00
- thereof expenses from applying Articles 66 and 67 (1) to (5) EGHGB (transitional BilMoG provisions): EUR 873.00 (prior year: EUR 67.00)		
Extraordinary result	**-873.00**	**-67.00**
Income taxes	570,584.37	-5,361,003.39
- thereof income/expenses from the change in deferred taxes: EUR 4,017,057.13 income (prior year: EUR 821,239.00 income)		
Other taxes	-176,920.90	-69,795.71
Profit for the period	**19,986,719.34**	**26,042,932.40**
Profit carryforward from the prior year	46,042,932.40	40,325,425.53
Allocations to other retained earnings	-26,042,932.40	-20,325,425.53
Accumulated profit	**39,986,719.34**	**46,042,932.40**

Ströer Media AG (formerly Ströer Out-of-Home Media AG), Cologne
Notes to the financial statements for fiscal year 2012

A. General

Ströer Media AG, Cologne, (formerly Ströer Out-of-Home Media AG) (Ströer AG, 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 equipment, furniture and fixtures	3 to 13 years

Low-value assets with an individual net value not exceeding EUR 150.00 are fully expensed in the year of acquisition, with their immediate disposal being assumed. For convenience, the collective item procedure applied for tax purposes to assets with an individual net value of more than EUR 150.00 but no greater than EUR 1,000.00 is also used in the statutory balance sheet. The collective item is depreciated by 20% in the year of acquisition and in each of the following four years. All other depreciation on additions to property, plant and equipment is charged pro rata temporis. Depreciation of the collective item amounted to EUR 50k (prior year: EUR 45k).

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

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

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

Provisions for pensions and similar obligations are calculated in accordance with the projected unit credit method using the "2005 G mortality tables." The obligations were discounted at the average market interest rate of 5.06% 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.

The allocation amount of EUR 1k 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] was fully allocated to provisions in fiscal year 2012.

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

All entities which are fully consolidated in 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 IMPAIRMENT LOSSES				NET BOOK VALUES	
	1 Jan 2012 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec 2012 EUR	1 Jan 2012 EUR	Additions EUR	Reversals EUR	31 Dec 2012 EUR	31 Dec 2012 EUR	31 Dec 2011 EUR
INTANGIBLE ASSETS											
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	4,254,171.27	2,316,551.05	21,497.43	0.00	6,549,224.89	3,335,596.18	882,137.10	18,710.13	4,199,023.15	2,350,201.74	918,575.09
Prepayments	0.00	3,910,384.67	0.00	0.00	3,910,384.67	0.00	0.00	0.00	0.00	3,910,384.67	0.00
	4,254,171.27	**6,226,935.72**	**21,497.43**	**0.00**	**10,459,609.56**	3,335,596.18	882,137.10	18,710.13	4,199,023.15	6,260,586.41	918,575.09
PROPERTY, PLANT AND EQUIPMENT											
Other equipment, furniture and fixtures	4,951,975.31	939,357.48	100,547.76	612,393.69	6,403,178.72	3,408,479.36	621,721.77	90,845.26	3,939,355.87	2,463,822.85	1,543,495.95
Prepayments and assets under construction	654,661.09	61,894.66	8,878.77	-612,393.69	95,283.29	0.00	0.00	0.00	0.00	95,283.29	654,661.09
	5,606,636.40	**1,001,252.14**	**109,426.53**	**0.00**	**6,498,462.01**	3,408,479.36	621,721.77	90,845.26	3,939,355.87	2,559,106.14	2,198,157.04
FINANCIAL ASSETS											
Shares in affiliates	349,026,654.91	0.00	0.00	0.00	349,026,654.91	563,864.07	0.00	0.00	563,864.07	348,462,790.84	348,462,790.84
Loans to affiliates	90,564,569.90	4,684,689.84	0.00	0.00	95,249,259.74	0.00	0.00	0.00	0.00	95,249,259.74	90,564,569.90
Other loans	372,334.04	4,033.64	376,367.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	372,334.04
	439,963,558.85	**4,688,723.48**	**376,367.68**	**0.00**	**444,275,914.65**	563,864.07	0.00	0.00	563,864.07	443,712,050.58	439,399,694.78
	449,824,366.52	**11,916,911.34**	**507,291.64**	**0.00**	**461,233,986.22**	7,307,939.61	1,503,858.87	109,555.39	8,702,243.09	452,531,743.13	442,516,426.91

a) Intangible assets

The items "Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets" and "Prepayments" mainly comprise the cost of purchased software.

b) Financial assets

The change in financial assets is mainly attributable to additions to loans to affiliates, of which EUR 2,685k relates to interest receivables due in fiscal year 2012 from Ströer Polska Sp. z o.o., Warsaw, Poland, and EUR 2,000k to the increase in the loan granted to Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

2. Receivables and other assets

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Trade receivables	4	1
thereof due in more than one year	0	0
Receivables from affiliates	35,877	45,116
thereof due in more than one year	0	0
Other assets	5,410	3,185
thereof due in more than one year	-533	-555
	41,291	48,302

EUR 30,396k (prior year: EUR 41,546k) of receivables from affiliates related to the profit and loss transfer agreement with Ströer Media Deutschland GmbH, Cologne (SMD), EUR 2,628k (prior year: EUR 0k) to cash pooling and EUR 2,853k (prior year: EUR 3,570k) to trade. Other assets primarily included tax assets of EUR 4,714k (prior year: EUR 2,755k) and deposits amounting to EUR 326k (prior year: EUR 329k).

3. Prepaid expenses

Prepaid expenses mainly include fees charged by banks and consultants in connection with the new refinancing arrangement of EUR 2,836k (prior year: EUR 206k), which are expensed pro rata over the term of the new loan concluded in 2012 until 27 July 2017. See our explanations in section 8. a) iii).

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 or (7) KWG ["Kreditwesengesetz": German Banking Act] subject to the requirement that they are offered indirectly to shareholders for subscription in accordance with Sec. 186 (5) AktG. However, the 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 21 June 2012, EUR 26,043k from the accumulated profit for 2011 was carried forward to other retained earnings.

(d) Accumulated profit

By resolution of the shareholder meeting on 21 June 2012, EUR 20,000k from the accumulated profit for 2011 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 are fully financed by the member of the board of management as part of a deferred compensation scheme, such that the Company does not incur any additional expenses. The amount of the provision for pensions 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 639k as of 31 December 2012 (prior year: EUR 571k). In 2012, expenses and income were offset (EUR 68k).

Provisions for pensions of EUR 31k were also recognized by SOH. The deficit of EUR 1k resulting from the application of the provisions of the BilMoG was fully allocated to provisions in fiscal year 2012.

6. Tax provisions

Tax provisions mainly include provisions for trade tax of EUR 7,258k (prior year: EUR 5,379k), provisions for corporate income tax of EUR 4,637k (prior year: EUR 3,396k) and provisions for other taxes of EUR 198k (prior year: EUR 50k).

7. Other provisions

Other provisions break down as follows:

	EUR k
Potential losses from interest rate hedges	3,342
Personnel provisions	3,331
Outstanding invoices	1,876
Provision for potential claims for damages	500
Financial statement and audit fees	360
Miscellaneous	57
Total	**9,466**

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	*29,014* *(py: 10,884)*	4,014 *(py: 334)*	25,000 *(py: 10,550)*	0 *(py: 0)*
Trade payables	3,418 *(py: 1,734)*	3,418 *(py: 1,734)*	0 *(py: 0)*	0 *(py: 0)*
Liabilities to affiliates	*982* *(py: 131,913)*	*982* *(py: 131,913)*	0 *(py: 0)*	0 *(py: 0)*
Other liabilities	1,099 *(py: 12,142)*	1,099 *(py: 1,342)*	0 *(py: 10,800)*	0 *(py: 0)*
	34,513 *(py: 156,673)*	9,513 *(py: 135,323)*	25,000 *(py: 21,350)*	0 *(py: 0)*

a) Liabilities to banks

(i) Loan liability

On 27 July 2012, SOH and SMD obtained a syndicated loan in the amount of EUR 500,000k (including revolving credit facility) from a banking syndicate (facility agreement). The syndicate consists of 10 commercial banks and is led by Commerzbank AG, Luxembourg branch, as the loan agent. The loan replaces the previous financing arrangement. The syndicated loan has a term of five years until 27 July 2017 and consists of a term loan of EUR 275,000k and a revolving credit facility (RCF) of EUR 225,000k. It bears interest at the EURIBOR reference rate plus a variable margin. This variable margin depends on defined financial covenants and the type of loan (term loan or RCF) and ranges between 175 and 360 basis points (bp). As of 31 December 2012, the margin was 310 bp for the term loan and 260 bp for the RCF.

While the term loan is allocated to SMD, SOH holds the RCF, of which EUR 28,641k had been drawn down as of 31 December 2012. The next interest payment on the RCF tranche will be made on 2 May 2013.

(ii) Interest from the facility agreement

At the end of the fiscal year, the interest calculation for the period from 2 November 2012 to 2 May 2013 for the RCF tranche was not yet available. An interest liability of EUR 125k was disclosed in this connection as of the balance sheet date.

iii) Fees from the facility agreement

Fees for banks and consultants of EUR 6,875k were incurred in connection with the new refinancing arrangement. Of this amount, EUR 3,094k was borne and recognized by SOH in line with its share in the refinancing. The amount is amortized over the term of the facility agreement on a straight-line basis. As a result, the Company recognized an amount of EUR 2,836k as of 31 December 2012.

b) Liabilities to affiliates

Liabilities to affiliates exclusively relate to trade payables of EUR 982k (prior year: EUR 2,126k). In the prior year, there was an additional liability from the cash pooling with SOH group entities of EUR 129,787k.

c) Other liabilities

Other liabilities primarily include interest liabilities, of which EUR 752k relates to interest rate swaps. As of the balance sheet date, there were also liabilities from wage and church taxes for fiscal year 2012 (EUR 323k).

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%.

After offsetting deferred tax assets against deferred tax liabilities, the Company recognized net deferred tax liabilities of EUR 16,664k (prior year: EUR 20,681k). As in the past, deferred tax liabilities are attributable to the transfer of the tax bases of the subsidiaries in the tax group to SOH as tax group parent. Material items in this context are the carrying amount of an investment in a subsidiary which was treated differently for tax purposes, and the carrying amounts of recognized rights of use that were different for tax purposes. The deferred tax assets of EUR 24,411k (prior year: 29,899k) used for offsetting are mainly due to unused tax losses and the interest carryforward as of 31 December 2012.

The following table shows how deferred taxes were offset:

In EUR k	**31 Dec 2012**		**31 Dec 2011**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	0	10,764	0	13,819
Property, plant and equipment	119	68	108	260
Financial assets	0	28,063	0	34,321
Pension provisions	198	0	137	0
Other provisions	3,945	2,180	4,388	2,180
Liabilities	62	0	0	0
Deferred taxes	**4,324**	**41,075**	**4,633**	**50,580**
Interest carryforwards	11,428	0	10,750	0
Loss carryforwards	8,659	0	14,516	0
Total	**24,411**	**41,075**	**29,899**	**50,580**
Offsetting	-24,411	-24,411	-29,899	-29,899
Carrying amount	**0**	**16,664**	**0**	**20,681**

As of 31 December 2012, there were tax loss carryforwards for corporate income tax (EUR 50,620k; prior year: EUR 63,970k) and for trade tax (EUR 3,900k; prior year: EUR 24,457k) as well as an interest carryforward (EUR 35,218k; prior year: EUR 34,134k). Including unused tax losses, the minimum taxation in 2012 and deferred tax assets on the existing interest carryforward, SOH’s tax rate is -2.91%.

D. Notes to the income statement

1. Other own work capitalized

In fiscal year 2012, personnel expenses of EUR 399k (prior year: EUR 0k) were recognized in connection with the purchase of a uniform IT application environment for the Ströer Group.

2. Other operating income

Other operating income breaks down as follows:

	2012 **EUR k**
Income from commercial and technical services	16,913
Income from cost allocations	3,274
Income from the reversal of provisions	1,054
Miscellaneous income	105
	21,346

Income from the reversal of provisions mainly relates to the reversal of provisions of EUR 656k for management bonuses for 2011.

Miscellaneous income comprises out-of-period income of EUR 69k, primarily due to the reimbursement of employee travel expenses for the years 2007 to 2010.

3. Other operating expenses

Other operating expenses mainly contain IT expenses (EUR 5,274k), legal and consulting fees (EUR 4,177k), expenses which are charged on to affiliates (EUR 3,274k), travel expenses (EUR 894k), product development costs (EUR 832k), premises expenses (EUR 691k) and commercial services provided by group entities (EUR 433k).

4. Income from equity investments

Income from equity investments is largely attributable to a dividend payment of EUR 736k made by blowUP Media UK Ltd., London, UK, to SOH by shareholder resolution dated 17 December 2012.

5. 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.

6. 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 873 in connection with the restatement of provisions for pensions and similar obligations. The deficit resulting from the application of the provisions of the BilMoG was fully allocated to provisions in fiscal year 2012. As a result, no extraordinary expenses relating to this item will be recognized in subsequent years.

7. Income taxes

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

Income taxes primarily comprise corporate income tax expenses including solidarity surcharge of EUR 1,237k and trade tax expenses of EUR 2,308k. They also include income of EUR 4,017k for the recognition of deferred taxes.

E. Other notes

1. Cash flow statement

	2012 EUR k	2011 EUR k
1. Cash flows from operating activities		
Profit or loss before extraordinary items and profit and loss transfer	19,988	26,043
Amortization, depreciation and impairment losses (+) on/write-ups (-) of non-current assets	1,504	1,419
Increase (+)/decrease (-) in provisions	5,599	5,963
Other non-cash expenses (+)/income (-)	-35,095	-42,824
Gain (-)/loss (+) on disposals of non-current assets	19	249
Increase (-)/decrease (+) in trade receivables and other assets	29,882	32,376
Increase (+)/decrease (-) in trade payables and other liabilities	2,593	1,744
Cash flows from operating activities	24,490	24,970
2. Cash flows from investing activities		
Cash received (+) from the disposal of property, plant and equipment	1	2
Cash paid (-) for investments in property, plant and equipment	-1,001	-807
Cash received (+) from the disposal of intangible assets	1	2
Cash paid (-) for investments in intangible assets	-6,227	-363
Cash received (+) from the disposal of non-current financial assets	376	97
Cash paid (-) for investments in non-current financial assets	-84	-11,634
Cash flows from investing activities	-6,934	-12,703
3. Cash flows from financing activities		
Cash received (+) from/cash paid (-) for cash pooling activities	-132,415	55,546
Cash received (+) from the issue of bonds and borrowings	38,641	0
Cash repayments (-) of bonds and borrowings	-31,350	0
Cash flows from financing activities	-125,124	55,546
4. Cash at the end of the period		
Change in cash (subtotal 1 to 3)	-107,568	67,813
Cash at the beginning of the period	110,585	42,772
Cash at the end of the period	3,017	110,585
5. Composition of cash		
Cash	3,017	110,585
Cash at the end of the period	3,017	110,585

2. Contingent liabilities and other financial obligations

a) Contingent liabilities

Under the new loan agreement between SOH, SMD (both of them borrowers) and other entities of the Ströer Group (guarantors), and the banking syndicate, the Company, as contracting party (guarantor) to the facility agreement, as evidenced by an independent guarantee, has joint and several liability for loan liabilities of EUR 275,000k owed by SMD.

The assignments and pledges provided as collateral for the previous financing arrangement were released by the new banking syndicate.

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.

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

In addition to contingent liabilities, the Company has other financial obligations of EUR 19,470k (of which to affiliates EUR 0k). These obligations include the following items:

Lease payments

■ up to one year:	EUR	1,894k
■ 1 to 5 years	EUR	6,996k
■ more than 5 years:	EUR	7,570k

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. The remaining terms break down as follows:

- up to 1 year: EUR 1,080k
- 1 to 5 years EUR 1,358k

In addition, the Company has short-term other financial obligations of EUR 572k from purchase commitments relating to goods delivered by various suppliers.

There are also obligations to non-controlling interests from put options for which the vesting conditions had not been met as of 31 December 2012. The theoretical value of potential liabilities under these options came to EUR 5,619k as of the balance sheet date. It is not possible to say when these obligations will fall due as the Company does not have any control over the vesting conditions.

On 16 May 2012, SOH concluded a purchase agreement for a further 15% of the shares in blowUP Media GmbH, Cologne. The acquisition was deferred to take effect as of 1 January 2013 and increased Ströer's shareholding in the company from the current 75% to 90%. The minimum purchase price for the additional shares is in the mid-single-digit million range and was settled in January 2013. The effect of the purchase price adjustment clauses contained in the purchase agreement cannot be assessed at present and, in the event of a clearly positive business performance, could lead to further payments in the coming years.

For information on the other financial obligations resulting from the acquisition of Ströer Interactive GmbH, Hamburg, freeXmedia GmbH, Hamburg, and Business Advertising GmbH, Düsseldorf, see our comments in section E.5.

3. Derivative financial instruments

The interest rate swap contracts totaling EUR 40,000k originally concluded to hedge the interest obligations arising from two loans are still in effect and will not expire until 1 January 2015 despite the Group's new financing structure and the repayment of the loans in 2012. They are not in a hedging relationship.

Category	Type	Amount EUR k	Fair value, including accrued interest EUR k	Carrying amount of the balance sheet item
Interest-linked	Swap	40,000	EUR -4,094k	EUR 752k, other liabilities EUR 3,342k, other provisions

The above fair value was calculated using a discounted cash flow method based on the relevant market data (yield curves) as of 31 December 2012.

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 2012, this led to expenses totaling EUR 433k 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**
Performance of services	900	148
Purchase of services	258	48
Provision of other services	7,935	0
Purchase of other services	30	1

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 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 7,867k).

The Ströer Group also concluded agreements to acquire shares in Ströer Interactive GmbH, freeXmedia GmbH and Business Advertising GmbH in 2012. Mr. Udo Müller and Mr. Dirk Ströer had previously held indirect equity interests in these companies. The maximum purchase price totals EUR 63.1m. For further details on the business purpose of the three companies as well as the content of the purchase agreement and its pricing provisions, see our comments in the "Subsequent events" section.

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	
Alfried Bührdel (Deputy chairman)	TARTECH eco industries AG, Berlin	ECE flatmedia GmbH, Hamburg Sparkasse KölnBonn, Cologne Stiftung Deutsche Sporthilfe, Frankfurt am Main Kölner Aussenwerbung GmbH, Cologne DSM Krefeld Aussenwerbung GmbH, Krefeld
Dirk Wiedenmann, (Member of the board of management) (until 31 December 2012)		Fachverband Aussenwerbung e.V., Frankfurt am Main Kölner Aussenwerbung GmbH, Cologne
Christian Schmalzl, (Member of the board of management) (since 15 November 2012)		
Supervisory board		
Prof. Dr. h. c. Dieter Stolte, (Chairman), journalist, retired director of ZDF		
Dieter Keller, (Deputy chairman), 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 (until 6 January 2013)	GALERIA Kaufhof GmbH, Cologne InCity Immobilien AG, Frankfurt am Main Portigon 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, Lawyer	Kick-Media AG, Cologne	

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

The cost of payment arrangements with the board of management and the supervisory board of the Ströer Group (excluding share-based payments) is presented below:

Board of management	2012 EUR k	2011 EUR k
Short-term benefits	3,510	2,911
Other long-term benefits	163	199
	3,673	**3,110**

Supervisory board	2012 EUR k	2011 EUR k
Short-term benefits	210	200
	210	**200**

Short-term benefits comprise in particular salaries, severance payments, remuneration in kind and performance-linked remuneration components which are only paid in later years. The amount reported for 2012 includes a severance payment of EUR 263.5k and provisions of EUR 263.3k for benefits due in the future, both of which are attributable to a member of the board of management who departed in fiscal year 2012. Short-term benefits also increased due to the fact that the board of management temporarily comprised four members as of the end of the year. The resulting effect amounted to EUR 103.4k. Excluding these factors, the total remuneration of the board of management decreased year on year. Long-term benefits comprise performance-based remuneration components granted to the board of management – excluding share-based payment – that are only paid in later years. The members of the board of management had not received any payments from long-term benefits as of 31 December 2012.

A reference price for the shares in Ströer AG is determined at the end of each fiscal year for share-based payments granted to the board of management. After four fiscal years, the reference price is compared with the share price at the end of the year and the payment of remuneration is based on the share price reached. An upper limit is agreed for share-based payments.

Calculating the value of the share-based payment requires an estimate to be made of the future share price. This is done using a Black-Scholes valuation model that was based on volatility of 45% and a dividend yield of 0% as of 31 December 2012. The interest rates used for the model are between 0.3%

and 0.5%. For the share-based payment attributable to 2012, we currently assume that the share price at the end of the vesting period will be 60% of the reference price. This will lead to an expense from allocations to provisions of EUR 152k in 2012 (prior year: 246k). This expense contrasts with income from the reversal of provisions of EUR 268k (prior year: EUR 0k) relating to share-based payments in 2010 and 2011.

As of 31 December 2012, a total of EUR 2,475k (prior year: EUR 1,904k) was recognized as liabilities for all potential future short and long-term bonus entitlements of the board of management, EUR 263k of which is attributable to current entitlements from share-based payments (prior year: EUR 379k). 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.

8. Employees

An average of 152 staff were employed in fiscal year 2012 (prior year: 146).

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 2012 %	Equity as of 31 Dec 2012 EUR k	Profit or loss 2012 EUR k
Direct investments			
Ströer Media Deutschland GmbH, Cologne	100.00	121,245	*30,396
Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey	90.00	56,720	-10,709
Ströer Polska Sp. z o.o., Warsaw, Poland	99.00	25,846	-1,865
blowUP Media GmbH, Cologne	75.00	7,896	2,946
Indirect investments			
ARGE Aussenwerbung Schönefeld GbR, Berlin	50.00	37	72
blowUP Media Belgium N.V., Antwerp, Belgium	100.00	-143	-106
blowUP Media Benelux B.V., Amsterdam, Netherlands	100.00	483	422
blowUP Media Espana S.A., Madrid, Spain	87.50	-880	-139
blowUP Media France SAS, Paris, France	100.00	213	-13
blowUP Media UK Ltd., London, UK	100.00	382	692
CBA Iletisim ve Reklam Pazarlama Ltd. Sti. Istanbul, Turkey	100.00	2,010	-39
City Design Gesellschaft für Aussenwerbung mbH, Cologne	100.00	36,773	*5,308
City Lights Reklam Pazarlama Ltd. Sti., Istanbul, Turkey	100.00	2,586	-1,616
CulturePlak Marketing GmbH, Berlin	**51.00	31	*47
DERG Vertriebs GmbH, Cologne	100.00	50	*1,378
DSM Krefeld Aussenwerbung GmbH, Krefeld	51.00	1,516	46
DSMDecaux GmbH, Munich	50.00	17,374	8,308
DSM Deutsche Städte Medien GmbH, Frankfurt am Main	100.00	12,611	*13,527
DSM Mediaposter GmbH, Cologne	100.00	209	*49
DSM Zeit und Werbung GmbH, Frankfurt am Main	100.00	1,453	*827
Dünya Tanitim Hizmetleri ve Turizm Ticaret Ltd. Sti., Istanbul, Turkey	100.00	4,281	179
ECE flatmedia GmbH, Hamburg	90.00	-760	-968
Fahrgastfernsehen Hamburg GmbH, Hamburg (formerly INFOSCREEN Hamburg Gesellschaft für Stadtinformationssysteme mbH)	100.00	-965	374
Gündem Matbaacilik Organizasyon Gazetecilik Reklam San. Tic. Ltd. Sti., Antalya, Turkey	100.00	17,703	-2,366
Hamburger Verkehrsmittel-Werbung GmbH, Hamburg	75.10	1,233	2,540
Ilbak Neon Kent Mobilyalari Ltd. Sti., Istanbul, Turkey	99.99	23,124	4,679
Inter Tanitim Hizmetleri San ve Ticaret Anonim Sti., Istanbul, Turkey	99.92	4,293	-847

	Equity interest as of	Equity as of	Profit or loss
	31 Dec 2012	31 Dec 2012	2012
	%	EUR k	EUR k
Kölner Aussenwerbung Gesellschaft mit beschränkter Haftung, Cologne	51.00	3,900	3,148
Konya Inter Tanitim ve Reklam Hizmetleri Anonim Sti., Istanbul, Turkey	50.00	191	-2
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen, Hamburg	51.00	428	353
mediateam Werbeagentur GmbH/Ströer Media Deutschland GmbH - GbR, Cologne	50.00	75	75
Megaposter UK Ltd., Brighton, UK	100.00	879	34
Medya Grup Tanitim Halkla Iliskiler Organizasyon Ltd. Sti., Istanbul, Turkey	72.50	864	161
Mega-Light Staudenraus & Ströer GbR, Cologne	50.00	150	0
Meteor Advertising Ltd., London, UK	100.00	87	5
Objektif Kentvizyon Reklam Pazarlama Ticaret Ltd. Sti., Istanbul, Turkey	80.00	157	87
Ströer City Marketing Sp. z o.o., Warsaw, Poland	100.00	3,861	2,238
Ströer Kulturmedien GmbH, Cologne	100.00	180	*435
Ströer Akademi Reklam Pazarlama Ltd. Sti., Istanbul, Turkey	99.99	4,339	9
Ströer DERG Media GmbH, Kassel	100.00	5,492	*16,357
Ströer Deutsche Städte Medien GmbH, Cologne	100.00	500	*2,386
Ströer Digital Media GmbH, Cologne	100.00	8,227	*8,963
Ströer Media Sp. z o.K., Warsaw, Poland	100.00	-2,988	-621
Ströer Media Sp. z o.o., Warsaw, Poland	100.00	7	-1
Ströer Sales & Services GmbH, Cologne	100.00	272	*5,297
Trierer Gesellschaft für Stadtmöblierung mbH, Trier	50.00	629	111
X-City Marketing Hannover GmbH, Hanover	50.00	5,567	1,274

* Profit or loss for the period before profit and loss 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. Proposal for the appropriation of profit

In fiscal year 2012, the financial statements of SOH reported profit for the period of EUR 19,987k and accumulated profit of EUR 39,987k.

It will be proposed at the shareholder meeting on 20 June 2013 that EUR 19,987k of the accumulated profit will be allocated to retained earnings and EUR 20,000k will be carried forward to new account.

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

Dirk Ströer holds 25.34% and Udo Müller 28.18% of the Company's shares. According to the notifications made to the Company as of the date of preparation of these notes on 12 March 2013, the following parties reported to us that they hold more than 3% of the voting rights in the Company: DWS Investment (5.05%), Credit Suisse (3.50%) and J O Hambro Capital Management Limited (3.01%).

See our disclosures in exhibit 1 to the notes.

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

The board of management and supervisory board of SOH submitted the annual declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 15 January 2013. The declaration was made permanently available to shareholders on the Company's website (www.stroeer.de/investor-relations)).

14. Responsibility statement

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

Cologne, 12 March 2013

The Board of Management

Udo Müller Alfried Bührdel Christian Schmalzl

Exhibit 1 to the notes to the financial statements of Ströer Media AG (formerly Ströer Out-of-Home Media AG), Cologne

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

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

Mr. Udo Müller, Germany, notified the Company pursuant to Sec. 21 (1a) WpHG that his share of the voting rights of Ströer AG, Cologne, Germany, ISIN: DE0007493991, German SIN: 749399, amounted to 28.56% (corresponding to 11,838,500 voting rights) on 14 July 2010.

Mr. Dirk Ströer, Germany, notified the Company pursuant to Sec. 21 (1a) WpHG that his share of the voting rights of Ströer AG, Cologne, Germany, ISIN: DE0007493991, German SIN: 749399, amounted to 28.77% (corresponding to 11,926,000 voting rights) on 14 July 2010.

College Retirement Equities Fund, New York, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 5% reporting threshold on 13 March 2012 and amounted to 4.87% (2,048,488 voting rights) on this date.

TIAA-CREF Investment Management, LLC, New York, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 5% reporting threshold on 13 March 2012 and amounted to 4.87% (2,048,488 voting rights) on this date.

This 4.87% (2,048,488 voting rights) is attributable to TIAA-CREF Investment Management, LLC, New York, USA, in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

Voting rights are attributed to TIAA-CREF Investment Management, LLC, from the following shareholders, whose share of the voting rights of Ströer AG is 3% or more:

- College Retirement Equities Fund, New York, USA

DWS Investment GmbH, Frankfurt, Germany, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 14 March 2012 and amounted to 3.15% (1,326,500 voting rights) on this date.

DWS Investment GmbH, Frankfurt, Germany, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 5% reporting threshold on 30 March 2012 and amounted to 5.05% (2,126,500 voting rights) on this date.

Credit Suisse Group AG, Zurich, Switzerland, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 1 June 2012 and amounted to 3.39% (1,426,881 voting rights) on this date.

Of these voting rights, 3.37% (1,417,452 voting rights) is attributable to Credit Suisse Group AG in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Voting rights are attributed to Credit Suisse Group AG from the following companies, which are controlled by Credit Suisse Group AG and whose share of the voting rights of Ströer AG is 3% or more:

- Credit Suisse AG
- Credit Suisse Investments (UK)
- Credit Suisse Investment Holdings (UK)
- Credit Suisse Securities (Europe) Limited

0.02% (9,429 voting rights) is attributable to Credit Suisse Group AG in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

Credit Suisse AG, Zurich, Switzerland, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 1 June 2012 and amounted to 3.39% (1,426,881 voting rights) on this date.

Of these voting rights, 3.37% (1,417,452 voting rights) is attributable to Credit Suisse AG in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Voting rights are attributed to Credit Suisse AG from the following companies, which are controlled by Credit Suisse AG and whose share of the voting rights of Ströer AG is 3% or more:

- Credit Suisse Investments (UK)
- Credit Suisse Investment Holdings (UK)
- Credit Suisse Securities (Europe) Limited

0.02% (9,429 voting rights) is attributable to Credit Suisse AG in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

Credit Suisse Investments (UK), London, UK, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 1 June 2012 and amounted to 3.37% (1,417,452 voting rights) on this date.

This 3.37% (1,417,452 voting rights) is attributable to Credit Suisse Investments (UK) in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Voting rights are attributed to Credit Suisse Investments (UK) from the following companies, which are controlled by Credit Suisse Investments (UK) and whose share of the voting rights of Ströer AG is 3% or more:

- Credit Suisse Investment Holdings (UK)
- Credit Suisse Securities (Europe) Limited

Credit Suisse Investment Holdings (UK), London, UK, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 1 June 2012 and amounted to 3.37% (1,417,452 voting rights) on this date.

This 3.37% (1,417,452 voting rights) is attributable to Credit Suisse Investment Holdings (UK) in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Voting rights are attributed to Credit Suisse Investment Holdings (UK) from the following companies, which are controlled by Credit Suisse Investment Holdings (UK) and whose share of the voting rights of Ströer AG is 3% or more:

- Credit Suisse Securities (Europe) Limited

Credit Suisse Securities (Europe) Limited, London, UK, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 1 June 2012 and amounted to 3.37% (1,417,452 voting rights) on this date.

Credit Suisse Group AG, Zurich, Switzerland, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 5% reporting threshold on 21 June 2012 and amounted to 6.59% (2,775,419 voting rights) on this date.

Of these voting rights, 6.57% (2,765,990 voting rights) is attributable to Credit Suisse Group AG in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Voting rights are attributed to Credit Suisse Group AG from the following companies, which are controlled by Credit Suisse Group AG and whose share of the voting rights of Ströer AG is 3% or more:

- Credit Suisse AG
- Credit Suisse Investments (UK)
- Credit Suisse Investment Holdings (UK)
- Credit Suisse Securities (Europe) Limited

0.02% (9,429 voting rights) is attributable to Credit Suisse Group AG in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

Credit Suisse AG, Zurich, Switzerland, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 5% reporting threshold on 21 June 2012 and amounted to 6.59% (2,775,419 voting rights) on this date.

Of these voting rights, 3.48% (1,465,990 voting rights) is attributable to Credit Suisse AG in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Voting rights are attributed to Credit Suisse AG from the following companies, which are controlled by Credit Suisse AG and whose share of the voting rights of Ströer AG is 3% or more:

- Credit Suisse Investments (UK)
- Credit Suisse Investment Holdings (UK)
- Credit Suisse Securities (Europe) Limited

0.02% (9,429 voting rights) is attributable to Credit Suisse AG in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

Credit Suisse Securities (Europe) Limited, London, UK, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 4 July 2012 and amounted to 0.39% (164,381 voting rights) on this date.

Credit Suisse Investments (UK), London, UK, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 4 July 2012 and amounted to 0.39% (164,381 voting rights) on this date.

This 0.39% (164,381 voting rights) is attributable to Credit Suisse Investments (UK) in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Credit Suisse Investment Holdings (UK), London, UK, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 4 July 2012 and amounted to 0.39% (164,381 voting rights) on this date.

This 0.39% (164,381 voting rights) is attributable to Credit Suisse Investment Holdings (UK) in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Credit Suisse AG, Zurich, Switzerland, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 5% reporting threshold on 4 July 2012 and amounted to 3.50% (1,474,578 voting rights) on this date.

Of these voting rights, 0.39% (165,149 voting rights) is attributable to Credit Suisse AG in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

0.02% (9,429 voting rights) is attributable to Credit Suisse AG in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

Credit Suisse Group AG, Zurich, Switzerland, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 5% reporting threshold on 4 July 2012 and amounted to 3.50% (1,474,578 voting rights) on this date.

Of these voting rights, 3.48% (1,465,149 voting rights) is attributable to Credit Suisse Group AG in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

Voting rights are attributed to Credit Suisse Group AG from the following companies, which are controlled by Credit Suisse Group AG and whose share of the voting rights of Ströer AG is 3% or more:

- Credit Suisse AG

0.02% (9,429 voting rights) is attributable to Credit Suisse Group AG in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

College Retirement Equities Fund, New York, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 3 August 2012 and amounted to 2.81% (1,181,339 voting rights) on this date.

TIAA-CREF Investment Management, LLC, New York, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 3 August 2012 and amounted to 2.81% (1,181,339 voting rights) on this date.

This 2.81% (1,181,339 voting rights) is attributable from College Retirement Equities Fund, New York, USA, to TIAA-CREF Investment Management, LLC, New York, USA, in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

GMT Capital Corp., Atlanta, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 22 June 2012 and amounted to 3.10% (1,303,050 voting rights) on this date.

This 3.10% (1,303,050 voting rights) is attributable to GMT Capital Corp. in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

J O Hambro Capital Management Limited, London, UK, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 4 September 2012 and amounted to 3.01% (1,268,776 voting rights) on this date. This 3.01% (1,268,776 voting rights) is attributable to J O Hambro Capital Management Limited in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

Tiger Global Investments, L.P., c/o Citco Fund Services (Cayman Islands) Limited, Grand Cayman, Cayman Islands, notified us that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 1 January 2012 and amounted to 3.02% (1,270,000 voting rights) on this date.

These 1,270,000 voting rights were held directly by Tiger Global Investments, L.P.

Tiger Global Investments, L.P., c/o Citco Fund Services (Cayman Islands) Limited, Grand Cayman, Cayman Islands, notified us that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 26 September 2012 and amounted to 2.97% (1,249,500 voting rights) on this date.

These 1,249,500 voting rights were held directly by Tiger Global Investments, L.P.

Tiger Global Performance, LLC, c/o Corporation Service Company, Wilmington, USA, notified us that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 26 September 2012 and amounted to 2.97% (1,249,500 voting rights) on this date. These 1,249,500 voting rights were attributable to Tiger Global Performance, LLC, c/o Corporation Service Company via Tiger Global Investments, L.P. in accordance with Sec. 22 (1) Sentence 1 No. 1, Sentence 3 WpHG.

Tiger Global Management, LLC, c/o Corporation Service Company, Wilmington, USA, notified us that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 26 September 2012 and amounted to 2.97% (1,249,500 voting rights) on this date. These 1,249,500 voting rights were held directly by Tiger Global Investments, L.P. and were attributable to Tiger Global Management, LLC in accordance with Sec. 22 (1) Sentence 1 No. 6 WpHG.

Charles P. Coleman III, USA, notified us that his share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 26 September 2012 and amounted to 2.97% (1,249,500 voting rights) on this date.

These 1,249,500 voting rights were held directly by Tiger Global Investments, L.P. and were attributable to Charles P. Coleman III via Tiger Global Investments, L.P. and Tiger Global Performance, LLC in accordance with Sec. 22 (1) Sentence 1 No. 1, Sentence 3 WpHG. These 1,249,500 voting rights were also attributable to Charles P. Coleman III in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

GMT Capital Corp., Atlanta, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 2 October 2012 and amounted to 2.88% (1,213,599 voting rights) on this date.

This 2.88% (1,213,599 voting rights) is attributable to GMT Capital Corp. in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG.

BlackRock Holdco 2, Inc., Wilmington, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 8 November 2010 and amounted to 3.11% (1,308,935 voting rights) on this date.

This 3.11% (1,308,935 voting rights) was attributable to BlackRock Holdco 2, Inc. in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

BlackRock Financial Management, Inc., New York, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had exceeded the 3% reporting threshold on 8 November 2010 and amounted to 3.11% (1,308,935 voting rights) on this date. This 3.11% (1,308,935 voting rights) was attributable to BlackRock Financial Management, Inc. in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

BlackRock Holdco 2, Inc., Wilmington, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 8 April 2011 and amounted to 2.90% (1,218,886 voting rights) on this date.

This 2.90% (1,218,886 voting rights) was attributable to BlackRock Holdco 2, Inc. in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

BlackRock Financial Management, Inc., New York, USA, notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights of Ströer AG had fallen below the 3% reporting threshold on 8 April 2011 and amounted to 2.90% (1,218,886 voting rights) on this date.

This 2.90% (1,218,886 voting rights) was attributable to BlackRock Financial Management, Inc. in accordance with Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

COMBINED MANAGEMENT REPORT

The references made in this combined management report of Ströer Media AG (formerly "Ströer Out-of-Home Media AG", hereinafter "Ströer AG") and of the Group to page numbers refer to the numbering in the annual report.

Combined management report

SIGNIFICANT DEVELOPMENTS

The economic conditions and the state of the media markets in our core countries deteriorated further compared with the prior year. The trend on the financial markets has also not helped to build confidence. Against this background, the results of operations in our segments in Germany and abroad were weaker than in the prior year, although our net assets and financial positions remained stable.

Consolidated revenue decreased by 2.9% from EUR 577.1m in the prior year to EUR 560.6m. Slight growth in Turkey was contrasted by declining revenue in other segments.

→ For more information on the development of revenue, see page 51

Operational EBITDA[1], which is a central indicator of the Group's sustainable earnings development, fell short of the prior-year level, mainly due to a decrease in gross profit (revenue minus direct costs), which was not fully offset by savings in other cost items. Thus operational EBITDA declined by EUR 25.3m to EUR 107.0m in the reporting year.

→ For more information on the development of operational EBITDA, see pages 44 and 52

The Ströer Group's **profit or loss** for 2012 improved by EUR 1.8m to a loss of EUR 1.8m. The decrease in the operating result was more than offset by positive effects in the financial and tax result.

→ For more information on the development of consolidated profit for the period, see page 53

At EUR 54.9m, **cash flows from operating activities** did not match the high prior-year level (EUR 95.0m). The drop is primarily attributable to the decrease in the operating result. The positive effects from the working capital also declined in comparison to the prior year. By contrast, interest payments recorded further improvements.

→ For more information on the development of operating cash flows, see page 59

Net debt, which is another key performance indicator for the Group, fell slightly in the reporting year by EUR 2.1m to EUR 302.1m, largely due to a cautious investment policy. The leverage ratio (the ratio between net debt and operational EBITDA) amounted to 2.8 as of the reporting date.

→ For more information on the development of net debt, see page 60

Key performance indicators

EUR m	**2012**	2011	Change (%)
Revenue	560.6	577.1	−2.9
Operational EBITDA	107.0	132.3	−19.1
Consolidated profit or loss for the period	−1.8	−3.6	49.6
Cash flows from operating activities	54.9	95.0	−42.2
Net debt	302.1	304.3	−0.7

[1] Earnings before interest, taxes, depreciation and amortization adjusted for exceptional items

GROUP STRUCTURE AND BUSINESS ACTIVITIES

Business model

The Ströer Group is a leading provider of out-of-home advertising in its core markets and aims to play a leading role in online display advertising in Germany. The out-of-home advertising business is based on an attractive portfolio of agreements with private and public-sector owners of land and buildings, which furnish us with advertising concessions for high-reach sites. Of particular importance are the agreements with municipalities, for which we, as a system provider, develop smart and tailored infrastructure solutions that also enhance cityscapes. The long-term agreements with Deutsche Bahn, the ECE group and local public transport providers are also highly significant.

Our portfolio currently comprises more than 290,000 marketable advertising faces in Europe. Agreements with private owners of land and buildings generally provide for the payment of a fixed lease, whereas the majority of the concession contracts with municipalities entail revenue-based rent payments. We currently have more than 20,000 advertising concession contracts for public and private land.

The agreements to acquire adscale and the Ströer Interactive group, which are scheduled to be executed in the second quarter of 2013, will give us marketing rights for around 5,000 websites in Germany's online segment, some of which we will have exclusive access to under multi-year agreements. Our online activities will then be built around a transparent, high-reach marketplace for the exchange of online display advertising, complemented by a broad range of online advertising services which will catapult the new business segment into the top three providers in the industry.

Our more than 70 offices across Europe maintain close relationships with our contracting partners, while offering our advertising customers a wide range of communication opportunities. Our product portfolio for out-of-home advertising covers all forms of outdoor advertising media, from traditional posters and advertisements at bus and tram stop shelters and on public transport through to digital and interactive offerings. When we begin our online activities, our business will be divided into five product groups: billboard, street furniture, transport, online and other. The sales organizations in each country manage the sales and marketing activities that are flanked by target group analyses and market research, and serve regional and national advertisers, media agencies and media specialists.

Segments and organizational structure

In accordance with International Financial Reporting Standards (IFRS 8), the Ströer Group has bundled its business into three reportable segments, which are expected to increase to four from the second quarter of 2013. Our segments operate independently on the market in close cooperation with the group holding company Ströer AG. This cooperation relates in particular to the Group's central strategic focus and enables a targeted transfer of expertise between the different segments.

→ For more information on the strategy and the group internal management, see page 40

The Group's financing and liquidity are also managed centrally. The resulting refinancing of the segments and their central provision with sufficient liquidity gives the operating units the flexibility they need to exploit market opportunities quickly.

The Ströer Group is represented with its soon-to-be four segments in important key European regions. To ensure long-term market success, the Ströer Group systematically leverages its economies of scale. On the sales side, unlike many of its competitors, Ströer has the market presence needed to offer national customers nationwide out-of-home advertising. On the cost side, the Group leverages positive economies of scale arising in areas such as procurement, development, information technology, legal advice and human resources.

Ströer Germany segment

The Ströer Germany segment is managed operationally by Ströer Media Deutschland GmbH. Management is based at the headquarters in Cologne. Together with its many subsidiaries, Ströer Media Deutschland GmbH is active in all of the Group's product groups (street furniture, billboard, transport, other) with the exception of online. While day-to-day business is conducted from the individual regional locations and our headquarters in Cologne, key operating decisions and all accounting and financial control functions are managed centrally by the management company in Cologne. With some 230,000 marketable advertising faces in more than 600 cities, we generate by far the highest net revenue in the largest out-of-home advertising market in Europe.

Ströer Turkey segment

The Ströer Turkey segment is operationally managed by Ströer Kentvizyon Reklam Pazarlama A.S., in which the Ströer Group holds a 90% interest. Ströer Turkey has a presence in 7 of the 10 largest Turkish cities and operates in all product groups. With some 43,000 marketable advertising faces in more than 25 cities and provinces, we also generate the highest revenue in our sector in Turkey and thus have a much larger share of the Turkish market than any other competitor.

Our national company Ströer Kentvizyon is also the only provider that can carry out nationwide poster campaigns. In 2012, the company substantially expanded its portfolio by signing a new agreement to set up and market billboards on public land in Istanbul.

Other segment

The "Other" segment comprises the Ströer Poland and blowUP Media sub-segments.

The Ströer Poland sub-segment is managed by Ströer Polska Sp. z.o.o., with Ströer City Marketing as its main subsidiary. In terms of like-for-like revenue, Ströer is the joint leader of the Polish market with a similar-sized competitor. Our national company has a presence in approximately 195 cities and municipalities with some 17,000 marketable advertising faces and operates in all of the Group's product groups.

The blowUP Media sub-segment is the leading western European provider of giant posters of more than 1,000m² positioned on building façades. The company currently markets around 200 sites, some of which are digitalized, which are booked either individually or in blocks, both nationally and internationally, by well-known advertisers. The normally shorter concession terms pose different challenges for portfolio management to those that arise in traditional out-of-home advertising. In Europe, blowUP Media has operations in Germany, the UK, the Netherlands, Spain and Belgium.

Online segment

Once the transfer of online activities to the Ströer Group becomes legally effective in 2013, we will expand our segment reporting accordingly. The operations of the new online segment will be managed by an intermediate holding company, which will hold the equity investments in adscale GmbH and the Ströer Interactive group. On adscale, advertisers can filter out target groups for their campaigns from a portfolio of around 5,000 websites: Overall, adscale records around 43 million unique visitors per month and some 12 billion ad impressions. The Ströer Interactive group counts approximately 28 million unique visitors per month and more than 500 websites in a wide range of areas, most of which it markets exclusively. Ströer Interactive's service offering covers banner advertising as well as moving-picture marketing and mobile advertising.

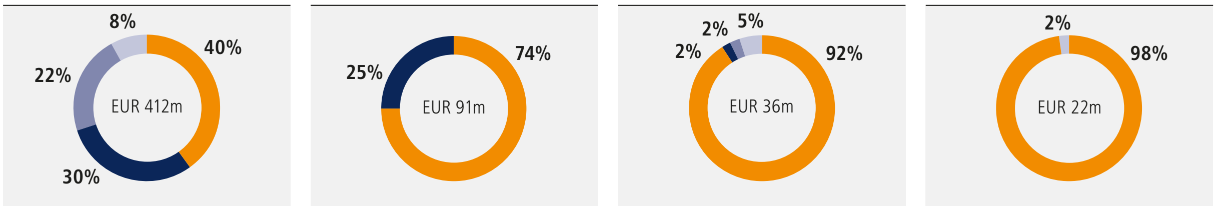
Shareholdings and activities

The following overview outlines the main investment structure and its allocation to the Group's core markets as of 31 December 2012.

Ströer Media AG

	100%	90%	99%	75%
	Ströer Germany	**Ströer Turkey**	**Ströer Poland**	**blowUP**
Management company	Ströer Media Deutschland GmbH	Ströer Kentvizyon Reklam Pazarlama A.S.	Ströer Polska Sp. z.o.o.	blowUP Media GmbH
Geographical activity				
Subsidiaries [1]	23	9	4	9

Revenue in 2012 broken down by product group



Billboard ■ Street Furniture ■ Transport ■ Other

[1] Number of fully and proportionately consolidated companies

Management and control

Board of management and supervisory board
The board of management of Ströer AG currently comprises three members: Udo Müller (CEO), Alfried Bührdel (CFO) and Christian Schmalzl (COO). Dirk Wiedenmann left the board of management effective 31 December 2012. The following overview shows the responsibilities of each member of the board of management in the Group:

Name	Member since	Appointed until	Responsibilities
Udo Müller	July 2002	March 2015	Chairman Strategy R&D
Alfried Bührdel	July 2002	March 2015	Chief Financial Officer Group finance Group organization Group HR Group IT Group procurement Group legal
Christian Schmalzl	November 2012	November 2015	Management and supervision of national and international subsidiaries

The members of the board of management collectively bear responsibility for management.

The supervisory board of Ströer AG currently comprises five members elected by the shareholders at the shareholder meeting. A sixth seat is unoccupied at present since Dietmar Binkowska resigned from the supervisory board as of 6 January 2013. Resolutions require a simple majority. In the event of a tied vote, the chairman of the supervisory board casts the deciding vote. In order to increase efficiency, three members of the supervisory board also form the audit committee and three the executive committee.

For more information on the cooperation between the board of management and the supervisory board and on other standards of corporate management and control, see the corporate governance report pursuant to Sec. 289 HGB ["Handelsgesetzbuch": German Commercial Code], which also includes the declaration of compliance with the German Corporate Governance Code pursuant to Sec. 16 AktG ["Aktiengesetz": German Stock Corporation Act]. In addition, the board of management and supervisory board issue a joint corporate governance report each year in accordance with 3.10 of the German Corporate Governance Code. All documents are published on the website of Ströer AG (www.stroeer.de/investor-relations).

Significant factors

The Ströer Group's business performance is mainly determined by the extent to which it commercializes its advertising inventory. In turn, this depends heavily on economic conditions and general market sentiment. The attractiveness of out-of-home advertising compared with other forms of advertising is also an important factor. In the last 10 years, out-of-home advertising has improved its position in relation to other traditional media, especially in Germany, although it has not matched the momentum of online advertising. Outside of the long-term positive trend for out-of-home advertising, external events can cause negative special effects. In 2012, for example, advertising budgets were partially diverted to television due to major sporting events.

→ For more information on the business performance see page 54

Customers in the out-of-home advertising industry currently place bookings with a lead time of not much more than eight weeks, thereby underlining the trend toward ever shorter advance booking times. Seasonal fluctuations in the order intake are in line with the trend on the rest of the media market. There is generally a concentration of out-of-home activities in the second and fourth quarters. In terms of costs, the development of rental and lease payments, personnel expenses and other overheads are key factors. In the online segment, advance booking times by customers are much shorter due to the high degree of automation compared with out-of-home advertising. In the online industry, the highest revenue activity generally falls in the fourth quarter. A key factor for online advertising is the further penetration of the market using targeting / re-targeting, real-time bidding (RTB) and moving-picture offerings. Apart from the commissions paid to website owners, the main cost drivers are personnel and IT operating expenses.

The regulatory environment also impacts on the economic situation of the Ströer Group. The content of advertising is subject to different legal restrictions and conditions in the countries in which we operate. In Turkey and (with the exception of beer) Poland, out-of-home advertising of tobacco and alcohol is prohibited, whereas in Germany, these products can be advertised in out-of-home campaigns. We believe it is unlikely that the prohibitions on advertising in Germany will be extended for the time being. If, contrary to expectations, regulatory amendments are made, we will be able to mitigate the impact on our business volume thanks to the usual lead times applicable to changes in legislation through appropriate marketing and sales activities.

In 2012, the out-of-home advertising industry in Turkey still felt the effects of the tighter regulation in the TV advertising market imposed in the prior year. Despite the resulting price increases in this segment, advertisers have shifted media expenditure from other forms of advertising to TV in order to achieve their original TV media objectives on the same budget.

In France, legislation regulating out-of-home advertising in relation to cityscapes came into force in February 2012. This primarily provides for a reduction in the size of billboards from $16m^2$ to $12m^2$ in cities with more than 100,000 inhabitants. A similar development in Germany with potentially negative effects for out-of-home advertising is not expected, since a smaller billboard size ($9m^2$) has already been established there.

Ströer essentially takes a positive view of the high level of regulation in the out-of-home advertising industry as it ensures planning security in our core markets and the prevailing technical and administrative standards also act as barriers to entry for competitors.

The regulatory environment in the online advertising segment is mainly determined by data privacy aspects at European and national level, which give national legislators leeway in drafting guidelines.

STRATEGY AND MANAGEMENT

Value-based strategy

The Ströer Group's strategy is aimed at growth and increasing value. Our entire value chain aims to profit from the megatrends of digitalization, mobility and urbanization, to further increase the reach of our media among attractive consumer groups, and to improve our relevance for media agencies. Since digitalization is increasingly blurring the boundaries between different media types, we want to offer our customers not only products to support branding campaigns, but also solutions in the area of performance campaigns. While media procurement is primarily still following old paradigms, in the future it will be based on criteria such as moving vs. static pictures and indoor vs. outdoor. In view of increasing digitalization, it is vital that media companies expand their business models at the right time and to a sufficient extent. We believe that the planned launch of our dedicated segment for marketing online display advertising means that we are well positioned for this. We have summarized our strategic focus in "Ströer 3.0".

In out-of-home advertising, we are focusing on organic growth in our three core markets of Germany, Turkey and Poland. The size we have already achieved enables us to actively shape those markets and to advance their professionalization on the basis of our strong presence. In addition, we aim to achieve a leading market position as an independent provider of online display advertising in Germany.

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.
- Further development of our product range with a focus on digitalization and other premium advertising media as well as the expansion of systems for audience measurement.
- Entry into the online advertising business on the basis of the aforementioned transactions.
- Expansion of our market position among the leading advertisers via active national and regional sales management.
- Leveraging of economies of scale and synergies within the Group as well as the advantages of group-wide financing.

International portfolio management

Our extensive, actively managed portfolio of advertising concessions constitutes a stable platform for further growth. The 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. This provides us with a firm, secure platform to continue developing our business. However, we are not only building on our close partnerships with cities and operators of train stations and shopping malls, but also on our cooperation with private land owners with whom we conclude long-term advertising concessions.

From a geographical perspective, we are concentrating at present on three core regions of Europe: Germany, Turkey and Poland. In all three countries, our goal is to permanently maintain our portfolio of long-term advertising concessions through tenders for existing contracts and to expand the acquisition of new contracts. In addition, we evaluate strategic opportunities in other high-potential European markets. At the same time, we aim to be one of the leading providers of out-of-home advertising in each of our markets.

In **Germany**, the largest advertising market in Europe, we want to consolidate our leading market position in out-of-home advertising and, in the future, also in online advertising. In the reporting year, we bolstered and strengthened our contract portfolio in part by winning eight tenders, among other things, in Ingolstadt, Braunschweig, Salzgitter and Bamberg. As a result, our tender performance is significantly above our internal targets. The expansion of our digital moving-picture network also contributes to our growth. The number of high-quality HD screens at the most frequented train stations (OC Station) in Germany increased by around 200 to approximately 1.000. At the same time, the Group began marketing screens and digital columns in 60 shopping malls (OC Mall) in 2012 through the subsidiary ECE flatmedia, which it acquired at the end of 2011. Ströer has therefore created one of the world's largest digital product offerings with a national reach and established a third pillar in the moving-picture market (video) for customers.

In **Turkey**, Ströer is continuing to work on expanding its leading position in the Turkish out-of-home advertising market, primarily by increasing the utilization of existing capacities. We will continue to prudently expand our advertising media portfolio in key cities. In terms of sales, we are not only focusing our efforts on our national advertising customers, but are also pressing ahead with regional business. Another central component of our strategic focus is the marketing of advertising concessions in shopping malls, where we increasingly use digital products in addition to traditional advertising media.

In the **Polish market**, we want to further strengthen the prominent position of our national company Ströer Polska. To do this, we are actively driving forward the professionalization of the out-of-home advertising market through new product formats and sales initiatives. This is supported by the tendency 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, provided they are awarded on reasonable commercial terms. 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 primarily operates through its subsidiary **blowUP**, which is actively involved in the increasing digitalization of the media landscape and is also vigorously driving forward the expansion of digital giant posters in Germany and abroad.

Product development

The Ströer Group sees itself in particular as an innovation leader in digital out-of-home media business. In addition, our targeted investments in innovative premium formats, market research, audience measurement 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.

Overall, 33 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 2012, our activities in product development were dominated by the enhancement and network expansion of the Out-of-Home Channel (OC). Product development also focused on optimizing our premium billboards as well as existing product ranges in the street furniture segment.

In the past year, Ströer again invested a double-digit million figure in the Out-of-Home Channel. The focus was on fitting shopping malls (OC Mall) with around 1,400 screens by the end of 2012. Crucial to the attractiveness of the OC for advertising and media agencies is the synchronization of the screens, which ensures an attention-grabbing brand presence and visually dominant video advertising messages. All German campaigns featured on Ströer's digital advertising media are coordinated and operated centrally by the Ströer Digital segment at our Munich office.

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. New studies published in the reporting year by renowned, independent Institutions show that information that is presented using out-of-home advertising has a significant influence on implicit memory and thus on the spontaneous brand preferences of consumers.

We also support the initiative of the leading out-of-home advertising providers with regard to the systematic analysis of reach in our core markets. In Turkey and Poland, Ströer is currently involved in the introduction of measurement systems that are comparable with the internationally recognized audience measurement system POSTAR.

Entry into the online advertising business

In December 2012, Ströer announced its entry into the independent marketing of display and video advertising on the internet. In this context, following approval from the supervisory board, agreements were concluded to acquire adscale GmbH (91%), a leading trading platform for digital advertising faces, as well as an agreement with Media Ventures GmbH to acquire three online marketers: Ströer Interactive GmbH (100%), freeXmedia GmbH (100%) and Business Advertising GmbH (50.4%). In case of adscale GmbH, 91% of the shares will be aquired initially, option rights were agreed for the other remaining shares held by management. Now that the Federal Cartel Office has granted its approval, the agreements are expected to be executed in the second quarter of 2013.

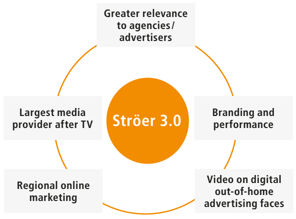
The transactions will catapult Ströer into a relevant position in Germany's online advertising market, complementing its core business of out-of-home advertising. In this way, we are entering the online advertising segment and, building on this, will develop attractive online offerings based on integrated booking and sales platforms. This makes us the first major provider to offer the complete value chain within the online advertising business, from inventory and technology through to audience targeting. All the companies will be managed in a dedicated fourth reporting segment. While the purchase price for the adscale booking platform is to be paid in cash, the basic purchase price for Media Ventures' three shareholdings will be settled in return for a non-cash contribution by means of a capital increase from authorized capital. For the purpose of this transaction, Ströer AG will exclude the subscription rights of the other shareholders. Any variable purchase price components from subsequent earn-out arrangements in relation to adscale or Ströer Interactive will be settled in cash. Ströer AG and Media Ventures have agreed that the valuation of the three share packages will be reviewed on the basis of valuation reports pursuant to valuation standard IDW S1. This will ensure a fair valuation in the interests of the shareholders of Ströer AG.

Expanding our market position as an independent marketer

Until now, we have acted exclusively as an independent marketer of advertising faces in the out-of-home advertising sector. In the future, we will expand these activities to include a broad service offering centered on the independent marketing of websites. Our new online operations will draw on our existing contacts and marketing strategies in out-of-home advertising. In this way, we will create an attractive and high-growth product and service portfolio for nationwide and regionally positioned customers in Germany.

In addition to further increasing revenue from major customers, our online activities will concentrate in particular on our more than 40,000 regional customers in Germany, mainly focusing on the development of regional products with attractive growth potential. Central arguments for national key accounts and regional customers are more than ever our attractive contact figures together with our high reach, both online and offline, and high contact quality in the advertising-relevant target groups.

Key objectives of out-of-home plus online



Source: company information

Capitalizing on the Group's advantages

As central group functions, procurement, product development, IT and logistics make a key contribution to the ongoing competitiveness of the Ströer Group.

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. The central procurement group function pools procurement responsibility for activities in the three core markets. The central management of supplier selection and procurement brings with it tangible cost synergies and economies of scale. A key component is an internationally focused sourcing strategy, including a representative and development office in Shanghai, China.

Leveraging economies of scale also requires the cross-product standardization of advertising media components via intelligent platform concepts, which is driven forward by product development. In doing so, it is our express aim both to meet the individual needs of our largely municipal contracting partners and to reduce the associated complexity. The modular design of components means we achieve substantial savings in material consumption and weight.

An organization with a greater focus on standardized processes aims to help lower our process and IT system costs, reduce our throughput times and increase flexibility. The Group's information technologies will be adapted accordingly. The group-wide IT project ONE aims to develop standardized cross-regional IT processes and to improve the effectiveness of cooperation between the international entities. One of the first steps taken here in 2012 was to relocate the server landscape to a state-of-the-art data center.

→ For more information on the financing strategy, see page 57

Financing, which is managed on a group-wide basis, also makes a decisive contribution to the competitiveness of the Ströer Group. During the reporting year, Ströer laid the foundation for stable, long-term financing with a new loan agreement totaling EUR 500m over five years. This enables us to flexibly implement growth projects and limit our borrowing costs for the long term. Along with the improvement of the covenants, we were able to release all collateral and secure additional interest savings.

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.

As a value driver, we understand the main internal and external factors affecting business development. The key financial indicators for the Group compared with prior-year and target figures are as follows:

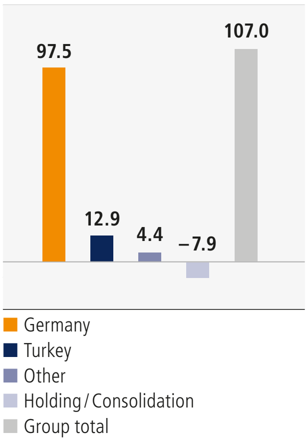
- Development of order intake during the year
- Revenue
- Operating result (operational EBITDA or operational EBITA)
- Cash flows from operating activities
- Net debt and the leverage ratio derived from it
- Return on capital employed (Ströer value added or ROCE)

The above indicators are based on the following considerations: Order intake is an indicator for the Company's future revenue based on orders already recorded. During the year, revenue for the next two to three months is estimated based on the orders booked by each reporting segment and product group. The volume of revenue for subsequent quarters can be derived from comparisons with seasonal booking patterns from prior years, although accuracy falls substantially for periods of more than two months. Revenue adjusted for consolidation effects and currency fluctuations is the main basis for more detailed analyses of sales controlling. In addition to operational EBITDA, revenue is an important input for determining return on sales as well as an indicator for the Ströer Group's corporate strategy, which is focused on profitable growth.

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). Furthermore, operational EBITDA is a key input for determining the leverage ratio to be reported to the syndicate of banks on a quarterly basis as one of several covenants. In addition, sustainable operational EBITDA is used on the capital market as part of the multiplier process for simplifying the determination of business value.

Operational EBITDA 2012

In EUR m



The Ströer Group also uses operational EBITA as an indicator for management and incentivization purposes because it reflects the degree of investment activity through the amortization charges incurred. This metric mainly serves as a comparison for companies that have grown both organically and via acquisitions. The latter often have – as in the case of the Ströer Group – a large volume of intangible assets that are taken into account when an acquired entity is consolidated for the first time and normally entail significant regular amortization charges.

Cash flows from operating activities show the surplus cash flows generated from ongoing operations and thus serve as a key indicator of the financial strength and debt repayment capacity of the Ströer Group. This also enables Ströer to determine the level of its cash flow return on revenue.

The Company's net debt and net debt ratio are also key performance indicators for the Group, since ongoing growth in earnings and revenue is only possible if there is an adequate capital structure. It is measured as the ratio of net debt to operational EBITDA.

Our aim is to sustainably increase our return on capital employed. To achieve this, we have systematically enhanced our management and financial control systems. Ströer value added and return on capital employed (ROCE) provide us with tools that enable value-based management of the Group and its segments. Ströer value added and ROCE are the key indicators for the return on capital. Positive value added and thus an increase in the Company's value are achieved when ROCE exceeds the cost of capital. To ensure a value-based focus, ROCE has been a key component of the board of management's performance-related remuneration since 2012.

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 track 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.

BUSINESS ENVIRONMENT

General economic developments in 2012

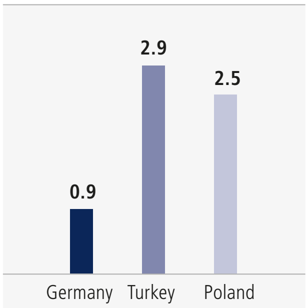
In fiscal year 2012, Ströer AG's economic environment was marked by major uncertainties. The global economy was overshadowed by the euro crisis, high sovereign debt both within and outside of the eurozone, and a slowdown in key Asian and European emerging markets. As a result, the markets were unable to provide any growth momentum.

In Europe, the sovereign debt crisis led to substantial turbulence on the financial markets and in the real economy. The necessary adjustment processes in the debtor countries had a negative impact on domestic demand and caused the eurozone to slide into a mild recession in the reporting year. According to a joint report by 10 of the most prominent European economic research institutes (EUROFRAME), European gross domestic product fell by 0.5%, mainly due to the negative economic trends in the southern European countries of Spain, Italy, Portugal and Greece.

Our three key markets of Germany, Poland and Turkey also saw economic growth weaken substantially year on year. Nevertheless, all three core markets recorded GDP growth on average for the year, and therefore outperformed the European average. However, the difficult macroeconomic environment also had an adverse effect on the advertising climate in these markets.

Economic development

Anticipated real change in GDP in the key regional markets of the Ströer Group (2012)
In %



Source: OECD Economic outlook 92, Dec. 2012

Germany
In 2012, the German economy proved itself robust in a challenging economic environment. After getting off to a good start, however, it lost more and more momentum as the year progressed. According to the German Federal Statistical Office ["Statistisches Bundesamt"], GDP declined by 0.6% in the fourth quarter compared with Q3, after increasing by 1.7% year on year in the first quarter. Following strong GDP growth of 3.0% in 2011, economic output grew by just 0.7% in full-year 2012. Apart from consumer and public spending, this trend is mainly attributable to foreign trade, despite the slowdown in the rate of growth toward the end of the year. Consumer spending profited from the continued recovery in the labor market and rising real incomes. Unemployment averaged 5.3% for the year, its lowest rate for many years, accompanied by a record number of employed people. However, the increase in net wages and salaries was offset by a rise of 2.0% in consumer prices.

Turkey
In Turkey, the economic upturn slowed significantly in the reporting period. According to OECD estimates, GDP growth stood at only around 2.9% in 2012, compared with 8.5% in 2011. The lower growth in 2012 was largely due to domestic demand, which was flat at first, before declining as the year went on. Consumer spending in particular was much more muted than in the prior years. This was partly attributable to a more restrictive monetary policy by the Turkish central bank, which aimed to lower the rate of inflation and restrict lending. By contrast, exports recorded double-digit growth. Although the percentage of exports to the European Union declined, according to the Turkish Statistical Institute (TÜIK) this still accounted for more than a third of Turkey's exports (38.8%) in the first 11 months of 2012. Nevertheless, the weaker demand from EU countries was more than offset by exports to other regions. The current account deficit fell sharply in 2012 as a result of reduced import activities and the continued strength of exports.

The rise in consumer prices slowed considerably in the course of the year following the high prior-year level, standing at only 6.2% as of year-end.

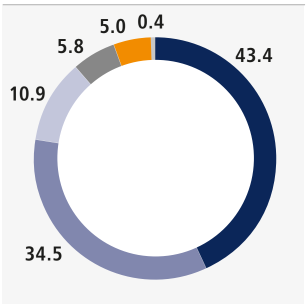
Poland

Poland was also unable to escape the weakening trend in the global economy and the EU in the reporting year. Following an increase of 4.3% in 2011, the country's real GDP growth rate fell to 2.5% in 2012. This trend is due in part to a decline in foreign trade, but also to ever weaker domestic demand. In the prior year, substantial government projects and infrastructure measures in the run-up to the European football championship contributed to an economic recovery. In 2012, however, the government took steps to reduce the country's budget deficit by cutting public spending. After a strong spring, growth slowed over the course of the year, as also seen in falling business climate indexes. The rate of inflation is expected to have averaged at 3.7% for the year, which was higher than the government target of 2.8%.

Development of the out-of-home advertising industry in 2012

Market share of advertising media in Germany (2012)

In %



- Televisioin
- Print
- Internet
- Radio
- Out-of-home
- Cinema

Source: Nielsen Media Research

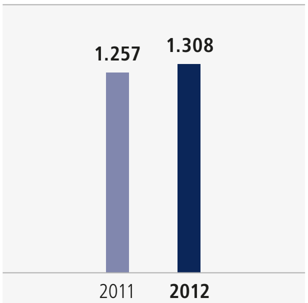
In western Europe, the effects of the crisis in public finances and fears about the future of the euro-zone fed through to the advertising market in 2012. ZenithOptimedia, for example, estimates that net advertising spending on the main media declined by 2.2% in this region, primarily driven by the clear double-digit drop on the advertising markets of the PIIGS countries (Portugal, Ireland, Italy, Greece, Spain), while in other countries in northern and central Europe[1], the advertising industry remained flat (up 0.2%).

Germany

In Germany, the momentum seen on the advertising market in the last two years slowed in 2012. An initial indicator of this is the rise in gross advertising spending identified by Nielsen Media Research, which was just 0.9% in 2012 (prior year: 3.5%). Gross advertising spending in the out-of-home segment was up slightly by 2.6%. In our view, the gross advertising data provided by Nielsen indicate trends but can only be used to a limited extent to draw conclusions about net figures due to differing definitions and market territories. We currently expect net advertising investments to have fallen slightly in 2012 – in line with the most recently announced forecasts of the Central Association of the German Advertising Industry ["Zentralverband der deutschen Werbewirtschaft e.V.": ZAW]. ZAW is scheduled to publish the official net media spending figures in May 2013. We anticipate that the market share of the TV segment will have increased slightly, not least thanks to the televised sporting events of 2012 (European football championship in Poland and Ukraine as well as the Summer Olympics in London). The internet segment is also expected to have kept up its substantial growth, while the biggest loser in the past year was most likely the print segment once again. Reliable estimates of any shifts in market share in out-of-home, radio and cinema advertising cannot be made until the net market figures are published. We anticipate that a rising share of digital revenue in out-of-home advertising will have had a stabilizing effect.

Germany: Gross advertising expenditure in the out-of-home segment[1]

In EUR m



[1] Out-of-home = Poster + Transport + At-Retail-Media
Source: Nielsen Media Research

Turkey

The Turkish advertising market also lost a great deal of momentum in 2012 due to macroeconomic uncertainties. The ZenithOptimedia report published in December 2012 forecasts growth of only 3.5% in the overall advertising market in 2012. Similar indications can be gleaned from intra-year publications by the Turkish Association of Advertising Agencies (TAAA). Although the association has not yet published its statement on the performance of the media market in 2012 as a whole, growth in this market is only expected to be in the low single-digit range, significantly lower than the double-digit rate of the prior year. Consistent information on the net development of the Turkish out-of-home media market is not available. Based on ZenithOptimedia's data, the internet segment is also expected to have gained further market share in 2012, mainly at the expense of the print segment, whose decline in market share in recent years looks set to continue.

[1] Includes the remaining countries of western Europe as well as selected central European countries with a moderate growth profile and strong economic connections to western Europe, such as the Czech Republic, Hungary and Poland.

Poland

The economic slowdown in the course of the reporting year also had a negative impact on the Polish advertising industry. According to the ZenithOptimedia report from December 2012, a 5.5% drop in advertising spending is expected in the reporting year. Even the European football championship in July 2012 could not prevent this weak performance. ZenithOptimedia forecasts a shift in market share from print media to online media in 2012, although it believes that the market share of the other relevant media, including out-of-home advertising, is likely to have remained largely stable despite a fall in industry revenue. Following a good start to the year, the performance of out-of-home advertising deteriorated in the course of 2012, reaching a low in the third quarter, which was followed by a slight market recovery in the fourth quarter. Budgets for out-of-home advertising were reduced in particular by the major televised sporting events (UEFA European football championship and Olympics). In the prior year, out-of-home advertising also profited from poster campaigns by political parties in the run-up to the parliamentary elections. The total number of available advertising media is expected to have fallen again slightly in 2012 and shifted in favor of higher-quality products.

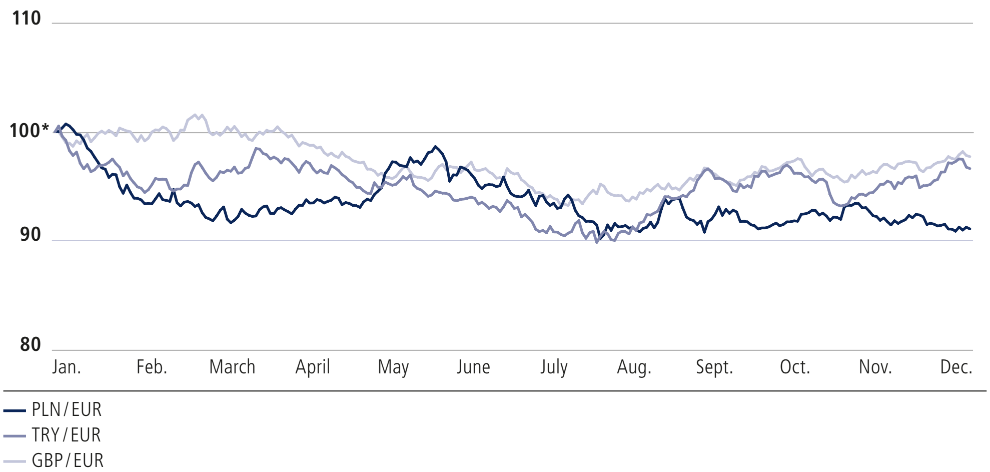
Development of the exchange rate

The development of the euro exchange rate against the Turkish lira, the Polish zloty and the pound sterling are primarily relevant for our business. After depreciating sharply in 2011, the Turkish lira remained stable in the reporting year. In a comparison to year-end values, the currency even appreciated slightly by 4% to 2.36 TRY/EUR in 2012, bolstered by the stabilizing monetary policy of the Turkish central bank. The Polish zloty was largely characterized by an upward trend in the reporting period. In the first six months of 2012, the currency was quoted at an average rate of 4.24 PLN/EUR, which was down on the prior-year level. By the end of the year, however, it increased to 4.07 PLN/EUR, thus gaining a good 9% over the course of 2012.

Despite the weak economic situation and an expansive monetary policy in the UK, the pound sterling proved relatively stable against the euro over the year. This was due more to the weakness of the euro as a result of the financial crisis than to the strength of the pound sterling. The average exchange rate for 2012 of 0.81 GBP/EUR is 7% up on the prior-year level. As of year-end, the currency was quoted at 0.82 GBP/EUR, which was still slightly higher than its initial level at the start of the year.

Development of the exchange rate in 2012

Indexed



* 2 January 2012 = 100, exchange rate indexed
Source: German Central Bank

BUSINESS PERFOMANCE AND RESULTS OF OPERATIONS OF THE GROUP AND THE SEGMENTS

Overall assessment of the board of management on the economic situation

In view of the difficult economic environment, our Group performed well in fiscal year 2012. We deem it a success that we were able to implement the key measures we planned at the start of the fiscal year. They include not only the major roll-out of digital infrastructure in German train stations and shopping malls, but also the increase in capacities in Istanbul and putting the Group's financing on a long-term footing. The last of these measures not only gives Ströer financial security until 2017, but at the same time simplifies the credit documentation, eases the covenants and saves interest costs. We assess the development of our net assets and financial position as positive overall. The volume of replacement and expansion investments in the reporting year was again financed completely from cash flows from operating activities. With an improved equity ratio of 32.4% and net debt at its lowest level in five years (EUR 302.1m), we can present a sound financial position as of the end of 2012.

By contrast, our results of operations remained well below our expectations in all segments, due in particular to the cautious approach to bookings taken by our major national customers in Germany and abroad, while business with our regional customers remained stable. The decrease in revenue combined with a less profitable sales mix and various start-up costs from the initiation of capacity increases resulted in a substantial contraction in operational EBITDA and downstream earnings indicators at group level. Overall, we believe that the Ströer Group is well positioned both operationally and financially to make appropriate use of the opportunities arising from the structural changes in the media market in the future, despite the economic uncertainty.

Comparison of forecast and actual business development

The Ströer Group had drawn up its targets for fiscal year 2012 as presented in its prior-year forecast on the basis of a mainly positive assessment of the economic conditions. In particular, we shared the view taken by market research institutes that net advertising spending would rise in our core markets of Germany, Turkey and Poland. However, annual forecasts in our industry are naturally subject to major uncertainties due to extremely short-term bookings by our customers, volatile market sentiment and economic fluctuations. According to preliminary figures, net advertising spending in the specified markets fell sharply overall, contrary to expectations. This trend also affected out-of-home advertising. Because conditions did not develop as expected over the year, Ströer largely fell short of its targets. In light of the difficult environment, the economic development was nevertheless satisfactory.

In terms of the Group's **organic revenue growth**, we expected an increase in the low to mid-single-digit range in fiscal year 2012. In fact, the Ströer Group ended the year with organic revenue down by 4.0%. A significant share of this decrease was attributable to a major customer in Germany, which substantially reduced and in some cases completely discontinued its advertising activities, including its out-of-home campaigns, from April 2012.

In our forecast, we also anticipated an increase in operational earnings before interest, taxes, depreciation and amortization **(operational EBITDA)**. Operational EBITDA also fell considerably short of expectations at EUR 107.0m (prior year: EUR 132.3m) due to the decrease in revenue combined with a higher cost of sales, which in Turkey was primarily attributable to our expansion measures and inflation, and resulted from a less advantageous product mix in Germany.

We had forecast that the **operational EBITDA margin** for 2012 would be at a similar level to the prior year. Due to the effects described above, the operational EBITDA margin actually achieved by our operating segments did not match the prior-year level.

In addition, our prior-year forecast assumed an improved **consolidated result** for fiscal year 2012. Despite the contraction in the operating business, the loss for the year improved by EUR 1.8m. Nevertheless, the Group closed fiscal year 2012 with a loss of EUR 1.8m, compared with a loss of EUR 3.6m in the prior year.

The economic situation in our segments is explained in detail below. An overview of the development of the Group in the last five years can be found in the presentations under the financial ratios and the five-year overview.

Results of operations of the Group

Consolidated income statement

In EUR m	**2012**	2011	2010	2009	2008
Continuing operations					
Revenue	560.6	577.1	531.3	469.8	493.4
Cost of sales	−386.5	−372.1	−332.7	−300.7	−300.1
Gross profit	**174.1**	**205.0**	**198.6**	**169.1**	**193.2**
Selling expenses	−75.4	−74.5	−70.7	−67.3	−74.5
Administrative expenses	−71.8	−75.1	−88.0	−64.6	−70.0
Other operating income	16.5	15.9	79.5	13.7	20.1
Other operating expenses	−9.6	−14.3	−8.3	−11.9	−10.8
Share in profit or loss of associates	0.0	0.0	0.0	0.0	−4.1
EBIT	**33.7**	**56.9**	**111.2**	**38.9**	**53.9**
EBITDA	**100.4**	**121.1**	**165.2**	**93.3**	**91.6**
Operational EBITDA	**107.0**	**132.3**	**127.3**	**100.0**	**102.5**
Financial result	−31.9	−49.8	−52.8	−47.3	−54.8
EBT	**1.8**	**7.1**	**58.3**	**−8.3**	**−0.8**
Income taxes	−3.6	−10.7	−0.2	9.6	−13.7
Post-tax profit or loss from continuing operations	**−1.8**	**−3.6**	**58.1**	**1.2**	**−14.5**
Post-tax profit or loss from discontinued operations	**0.0**	**0.0**	**0.0**	**−0.1**	**0.0**
Consolidated profit or loss for the period	**−1.8**	**−3.6**	**58.1**	**1.1**	**−14.5**

Development of revenue

The Ströer Group's **revenue** fell by EUR 16.5m in fiscal year 2012 from EUR 577.1m to EUR 560.6m. This decrease relates to the uncertain economic situation and the uneven development of the advertising markets in our core countries. The following table presents the development of external revenue by segment:

In EUR m	**2012**	2011
Ströer Germany	411.4	427.1
Ströer Turkey	91.3	88.8
Other	57.9	61.2
Total	**560.6**	**577.1**

While domestic revenue declined by 3.6% to EUR 418.9m (prior year: EUR 434.7m), the percentage decrease in external revenue was more moderate at 0.4%, thanks to slightly higher revenue in Turkey, falling to EUR 141.7m (prior year: EUR 142.3m). Thus the percentage of revenue attributable to foreign operations increased to 25.3% (prior year: 24.7%).

Our major national customers in particular displayed a cautious approach to bookings. They include an important customer from the mobile communications sector in Germany, which temporarily suspended its out-of-home activities from April 2012, but became active again at the start of fiscal year 2013. The decline in revenue from this major customer accounted for a low double-digit million euro figure in the reporting year. These adverse effects were only partially compensated by increased revenue from the Out-of-Home Channel growth project and the regional business. In addition, our segments were hit by special effects from the shifting of budgets to coincide with the European football championship and the Olympics, at a time when Ströer Poland in particular was facing ongoing competitive pressure in a market that remained fragmented.

Revenue development in the out-of-home advertising industry as well as in our Company is subject to similar seasonal fluctuations as the rest of the media industry. While the second and fourth quarters are generally marked by higher revenue and earnings contributions, the first and third quarters are usually weaker. This pattern is reflected in the table below, which shows the quarterly distribution of revenue and operational EBITDA.

Revenue development 2012 by quarter

In EUR m

Q1	118.6
Q2	148.8
Q3	130.0
Q4	163.2
Q1-Q4	**560.6**

Operational EBITDA development 2012 by quarter

In EUR m

Q1	9.3
Q2	31.5
Q3	17.7
Q4	48.5
Q1-Q4	**107.0**

Earnings development

Gross profit decreased by EUR 30.9m year on year to EUR 174.1m. This is due to the drop in revenue combined with the increase in cost of sales by 3.9% to EUR 386.5m (prior year: EUR 372.1m). The gross profit margin fell accordingly by 4.5 percentage points to 31.1%. The increase in cost of sales was mainly attributable to higher lease payments in Germany and Turkey, some of which related to new capacities.

→ For more information on the cost of sales, see page 53

The decrease in gross profit also had a negative impact on the Ströer Group's **profit or loss** for 2012. However, this was more than offset by lower administrative expenses and improvements in the financial and tax result.

Overall, the loss for the year improved slightly year on year by EUR 1.8m to EUR – 1.8m.

The earnings indicators adjusted for exchange gains/losses and other exceptional items reflect losses of earnings in the operating business. **Net adjusted income**[1)] declined by EUR 16.3m year on year to EUR 24.0m, driven chiefly by the inclusion of **Operational EBITDA**[2)], which fell substantially by EUR 25.3m compared with the prior year to EUR 107.0m.

→ For more information on the adjusted income statement, see page 162

1) Adjusted EBIT before non-controlling interests net of the financial result adjusted for exceptional items and the normalized tax expense

2) Earnings before interest, taxes, depreciation and amortization adjusted for exceptional items

Development of key income statement items
The increase in **cost of sales** rom EUR 372.1m to EUR 386.5m was principally due to additional rent for newly acquired advertising concessions as well as price adjustments for inflation-linked rental agreements in Turkey. In addition, price and volume effects in relation to electricity costs (partially due to a higher number of digital advertising faces) as well as a higher proportion of revenue from rent-intensive products contributed to the increase in costs. Cost of sales also includes higher depreciation and amortization resulting from the roll-out of digital advertising media begun in fiscal year 2011 and driven forward in 2012.

Selling expenses increased slightly in the reporting year by EUR 0.9m to EUR 75.4m, due in part to salary adjustments. Furthermore, our growth projects required the hiring of additional staff. Due to the decline in revenue, selling expenses as a percentage of revenue increased slightly for the first time since 2008, rising 50 basis points to 13.5%.

The EUR 3.3m decrease in **administrative expenses** to EUR 71.8m more than offset the increase in selling expenses. This was mainly attributable to lower personnel expenses and savings in IT costs. Administrative expenses as a percentage of revenue fell from 13.0% in 2011 to 12.8%.

Other operating income is shaped by income from the reversal of provisions as well as exchange gains from operating activities. Compared with the prior year, it increased by EUR 0.6m to EUR 16.5m. The increase is also attributable to income from renting out advertising media owned by a subsidiary to third parties.

→ A detailed presentation of other operating income and expenses can be found in notes 13 and 14 to the consolidated financial statement on page 121

→ More detail on the financial result, can be found in the note 15 to the consolidated financial statement on page 122

Other operating expenses include bad debt allowances, exchange losses from operating activities, and losses from the disposal of assets. The EUR 4.7m decline to EUR 9.6m primarily relates to the absence of a special tax expense in the prior year in Turkey, which resulted in lump-sum payments for past assessment periods of around EUR 3.4m.

The **financial result** improved by EUR 17.9m year on year to EUR –31.9m (prior year: EUR –49.8m), primarily due to the appreciation of the Turkish lira and the Polish zloty. This had positive valuation effects for intragroup loans denominated in euros that the group holding company provides to group entities. As a result, Ströer recorded an exchange gain of EUR 5.6m in 2012, following an exchange loss of EUR 14.6m in the prior year. In addition, the interest result improved by EUR 5.1m due to the optimized loan structure, falling interest rates on the capital markets and the expiry of fixed-interest commitments. However, this positive trend in the interest result was offset by non-recurring non-cash expenses relating to the replacement of the previous group financing. In this context, transaction costs of EUR 7.5m from the replaced loans that had not been fully amortized were recognized as other interest expense, reducing the interest result by EUR 2.4m year on year.

The **income tax expense** declined from EUR 10.7m in the prior year to EUR 3.6m, due on the one hand to the weaker operating business, which led to a corresponding reduction in the tax assessment base, and on the other hand to the fact that we recognized the unused tax losses of a German subsidiary for the first time. The trade tax additions of lease expenses and operating expenses that are non-deductible under Turkish tax law continue to affect the determination of the Group's tax rate.

Business performance and results of operations of the segments

→ More details on the segments can be found in the note 34 to the consolidated financial statement on page 144.

Ströer Germany

In EUR m	2012	2011	Change (%)
Segment revenue	**411.7**	427.3	−3.7
Billboard	164.4	179.6	−8.5
Street furniture	123.4	127.2	−3.0
Transport	90.6	87.9	3.0
Other	33.3	32.6	2.0
Operational EBITDA	**97.5**	115.3	−15.4
Cash flows from investing activities	**21.7**	38.0	−42.9

The Ströer Germany segment was unable to match its prior-year revenue in fiscal year 2012. **Segment revenue** fell by EUR 15.6m to EUR 411.7m, due in particular to the performance of the billboard and street furniture product groups, which together were down by EUR 19.0m year on year. The two areas were clearly impacted by the cautious approach to bookings taken by our major national customers, which led to lower utilization of our advertising media capacity. The high-margin billboard product group was especially affected by this. By contrast, the regional business performed well, recording a slight revenue increase. Unlike the billboard and street furniture areas, the transport product group achieved revenue growth of EUR 2.7m. This was largely attributable to the significant increase in contributions from the Out-of-Home Channel.

Operational EBITDA in the Ströer Germany segment fell by EUR 17.8m against the prior year to EUR 97.5m. In addition to lower revenue, shifts in the product mix contributed to this decrease, which had resulted in a disproportionate increase in lease expenses. At the same time, running costs increased substantially, especially electricity costs and start-up costs in connection with digital and regional growth projects. Although, by contrast, administrative expenses decreased slightly, overall it was not possible to prevent a decline in operational EBITDA and the **operational EBITDA margin** by 3.3 percentage points to 23.7%.

In view of the challenging operational business performance, the Ströer Germany segment adjusted its investment pace in fiscal year 2012 accordingly, focusing its expansion investments on the Out-of-Home Channel network. Overall, **cash flows from investing activities** in the Ströer Germany segment amounted to EUR 21.7m (prior year: EUR 38.0m).

Ströer Turkey

In EUR m	2012	2011	Change (%)
Segment revenue	**91.3**	89.0	2.6
Billboard	67.7	65.1	4.1
Street furniture	23.2	23.0	0.6
Transport	0.2	0.9	−76.1
Other	0.2	0	n/a
Operational EBITDA	**12.9**	20.3	−36.7
Cash flows from investing activities	**13.7**	13.5	1.5

The Ströer Turkey segment generated **revenue** of EUR 91.3m in fiscal year 2012, a slight increase of EUR 2.3m year on year. This was attributable not only to positive exchange rate effects of EUR 1.4m in the reporting year, but also to a clear improvement in business activities in the fourth quarter. This growth contrasted with decreases in revenue of EUR 2.5m from discontinued low-margin sales agreements. Adjusted for exchange rate fluctuations and the termination of the sales agreements, organic revenue grew by 2.7%. In Turkey, too, our major customers initially took a very cautious approach to bookings, although a positive sentiment emerged by the end of the year. From a full-year perspective, national revenue declined slightly, while regional business recorded a clear positive trend.

Despite the slight revenue growth, **operational EBITDA** in the Turkish segment fell by EUR 7.5m to EUR 12.9m, primarily due to the higher cost of sales resulting from increased lease expenses driven by capacities and inflation. For example, the extension of the advertising concession in Istanbul in 2012 led to substantial start-up costs in the form of fixed marketing expenses, which were only gradually offset by additional revenue. This also resulted in the squeezing of margins, as did the inflation adjustment clauses included in some of the Turkish advertising rights contracts. A rising rate of inflation in Turkey automatically leads to an increase in the relevant lease expenses in the following year. In addition, general running costs rose slightly due to inflation. These cost rises were only partially offset by savings in administrative and selling expenses. Overall, the **operational EBITDA margin** declined by 8.8 percentage points to 14.1%.

Cash flows from investing activities in the Turkey segment were up slightly in the reporting year by EUR 0.2m from EUR 13.5m in 2011 to EUR 13.7m. This figure includes investments of EUR 2.7m (prior year: 2.8m) from outstanding purchase price payments for the complete acquisition of CBA Iletisim ve Reklam Pazarlama Ltd. Sti. in the prior year. The majority of the investments related to the expansion of capacities in various Turkish cities, including for the first time several hundred premium billboards in Istanbul.

Other

In EUR m	**2012**	2011	Change (%)
Segment revenue	**57.9**	61.4	−5.6
Billboard	54.5	57.3	−4.8
Street furniture	0.6	0.5	14.2
Transport	0.7	0.4	68.4
Other	2.1	3.2	−32.5
Operational EBITDA	**4.4**	5.7	−23.1
Cash flows from investing activities	**0.3**	1.4	−85.7

The “Other” segment includes our Polish out-of-home activities and the western European giant poster business of the blowUP division.

The **Poland** sub-segment saw a mid-single-digit percentage decrease in revenue compared with 2011, mainly due to a decline in the out-of-home advertising market in connection with ongoing price pressure. This was only partially offset by improved capacity utilization rates. The European football championship and the Olympics which took place in the reporting year also impacted negatively on out-of-home advertising due to budgets being shifted or cut. In addition, the prior year included positive special effects from party political advertising in the run-up to the Polish parliamentary elections. However, the decline in revenue was more than offset in terms of earnings by substantial savings in administrative expenses, which meant that operational EBITDA increased slightly year on year.

The **blowUP** sub-segment was unable to repeat the high revenue level of the prior year. While the group profited significantly from high-margin, international campaigns in the prior year, this customer activity fell sharply in fiscal year 2012. Not even the additional giant poster orders received by our UK subsidiary in connection with the Olympics were sufficient to offset this effect. As a result, the blowUP group’s revenue recorded a mid-single-digit percentage decrease. At the same time, its operational EBITDA was also down year on year.

The “Other” segment closed fiscal year 2012 with a EUR 1.3m decline in **operational EBITDA** to EUR 4.4m. **Cash flows from investing activities** amounted to EUR 0.3m in the reporting year after EUR 1.4m in the prior year. The prior-year amount related, among other things, to the acquisition of a giant poster portfolio in the Netherlands.

NET ASSETS AND FINANCIAL POSITION

Main features of the financing strategy

Securing financial flexibility is the top priority of the Ströer Group's financing strategy. We ensure this through a selection of financing instruments that adequately reflects criteria such as market capacity, investor diversification, flexibility in utilization, covenants and the maturity profile.

The main objectives of the Ströer Group's financial management include:

- Safeguarding liquidity and its efficient management throughout the Group
- Maintaining and continuously optimizing the Group's financing capabilities
- Reducing financial risks, including by using financial instruments
- Optimizing the cost of capital for debt and equity

In view of the ongoing uncertainty on the international financial markets, we still consider it essential that the Company has a strict liquidity focus. Our financing is structured in such a way that it provides us with a sufficient degree of business flexibility to react appropriately to changes in the market or competition. We also see the ongoing optimization of our financing costs and loan covenants as a further important financing objective.

As part of our financing components, we ensure that our financial liabilities have an appropriate maturity profile and the portfolio of banks with which we work is balanced. We ourselves operate on the basis of binding standards that ensure transparency and fairness for lenders.

The Ströer Group currently obtains its external financing from a syndicate of banks comprising 10 selected national and international institutions. The financing comprises a long-term bullet loan of EUR 275m granted until July 2017 and a revolving working capital facility of EUR 225m with the same maturity. As of the reporting date, no single bank accounted for more than 20% of all loan amounts, hence there is a balanced diversification of the loan provision. Since we only utilized a small amount of the working capital facility for bank guarantees, we have substantial unutilized financing facilities available beyond the cash on hand (EUR 23.5m) existing as of the reporting date (31 December 2012). In the course of the refinancing agreed in July 2012, we not only further reduced the financing costs for the syndicated loan, but also secured an improvement in the covenants and the release of all collateral. The credit margins for the different loan tranches range between 175 and 360 basis points, depending on the leverage ratio. The financial covenants reflect customary market conditions and comprise two key performance indicators (leverage ratio and fixed charge ratio), which were met as of the end of the year with plenty of leeway to the relevant covenant limit. As of 31 December 2012, the Group had unutilized short and long-term credit facilities of EUR 193.5m (prior year: EUR 76.2m).

The subordinated loans recognized in the prior year totaling some EUR 21m were repaid prematurely as of the date of the refinancing.

The remaining liabilities largely have a floating rate of interest. There are still fixed interest rate swaps for around EUR 110m of these syndicated credit facilities, although their terms will end in 2013 and 2015. A large proportion (EUR 300m) of the interest rate derivatives concluded before the financial crisis expired in fiscal year 2012. As part of the financing strategy, the board of management regularly discusses whether to continue using such fixed-interest derivatives.

In cash management, we focus on managing our liquidity and optimizing the cash flows within the Group. The financing requirements of subsidiaries, if they cannot be covered by the entity's internal financing, are primarily met by intercompany loans. In exceptional circumstances, credit facilities are also agreed with locally based banks in order to meet legal, tax or operational requirements. In accordance with these guiding principles, the subsidiaries were once again mainly financed via the group holding company in 2012. Within the business units, any liquidity surpluses are pooled in automatic cash pools, where legally possible, and managed by the Group's treasury department. Through the group holding company, we ensure at all times that the financing requirements of the individual Ströer group entities are adequately covered.

In the past year, we succeeded in reducing our total net financial liabilities (EUR 302.1m) to slightly below the prior-year level, despite the drop in earnings. In 2012, Ströer AG and its group entities complied with all loan covenants and obligations from financing agreements.

→ For more information on our financial liabilities, see page 141

In the medium term, we intend to diversify our bank financing in favor of more capital market-oriented debt. For this purpose, we will periodically examine various financing options as part of our financing management (such as borrower's note loans and corporate bonds) and also take into account the further optimization of the maturity profile of our financial liabilities.

The Ströer Group only makes limited use of off-balance sheet financing instruments in the form of factoring. There is currently such an agreement in place for the sale of trade receivables between a Turkish group entity and a bank based in Turkey. Other instruments (e.g., asset-backed securities, sale-and-lease back and various other forms) are not currently used in the Ströer Group. We primarily use operating leases for IT equipment and vehicles. Due to the low volumes involved, however, operating leases do not have a significant effect on the economic situation of the Group.

Overall assessment of net assets and financial position

The Ströer Group has a balanced and sound financial position and net assets. In fiscal year 2012, the Group's financing was put on a secure footing for another five years by the conclusion of a new syndicated credit facility. The credit facilities granted provide Ströer with ample financing to enable it to remain flexible on the market in the future. At the same time, freely available cash was used to repay loans to permanently reduce interest expenses. As of the reporting date, the Group had cash of EUR 23.5m (prior year: EUR 134.0m) as well as unutilized long-term agreed credit facilities of EUR 193.5m (prior year: EUR 76.2m). The leverage ratio – the ratio of net debt to operational EBITDA – amounted to 2.8 as of the end of the reporting year (prior year: 2.3). While net debt remained almost unchanged, this leverage ratio was negatively impacted by operational EBITDA. By contrast, the Ströer Group's equity gearing remains very comfortable, with the equity ratio rising by 4.5 percentage points to 32.4% (prior year: 27.8%).

Financial position

In EUR m	**2012**	2011	2010	2009	2008
Cash flows from operating activities	54.9	95.0	30.3	36.1	21.2
Cash flows from investing activities	–44.1	–57.0	–98.5	–19.5	–62.7
Free cash flow	10.8	38.0	–68.2	16.6	–41.5
Cash flows from financing activities	–121.4	–10.1	117.1	–1.9	6.0
Change in cash	–110.6	27.9	48.9	14.8	–35.5
Cash at the end of the period	23.5	134.0	106.1	57.3	42.5

Liquidity and investment analysis

During the reporting year, **cash flows from operating activities** stood at EUR 54.9m, remaining EUR 40.1m behind the prior-year level of EUR 95.0m. This is primarily attributable to the weaker business volume and reduced profitability. In addition, improved working capital management had a positive effect on cash flows in the prior year. This positive trend continued in 2012, but did not match the volume of the prior year. Although prepayments received for services to be rendered in 2013 improved the working capital again, this effect was partly offset by higher trade receivables. The year-on-year reduction in interest expenses due to the fall in market interest rates and the new capital structure led to lower interest payments and thus had a positive effect on cash flows from operating activities.

We significantly scaled back our investments in fiscal year 2012 due to the weaker business development. **Cash flows from investing activities** fell EUR 12.9m year on year to EUR –44.1m. Our investments focused on growth projects such as the Out-of-Home Channel and the capacity expansion in Instanbul. Investments for these two projects amounted to a low double-digit million Euro figure. In addition, around EUR 8m was invested in the development of advertising media and an improved IT landscape. Subsequent purchase price payments of EUR 2.7m were also made for companies acquired in prior years. Since the crisis year of 2008, the Ströer Group has financed its replacement and expansion investments of some EUR 145.6m entirely from cash flows from operating activities. In the same period, cash flows from operating activities also covered all payments for business combinations, apart from a mid-single-digit million figure. This clearly proves the Group’s internal financing capability.

In the reporting year, **cash flows from financing activities** of EUR –121.4m were dominated by the Group’s new financing structure after Ströer replaced its previous refinancing by a new syndicated credit facility. At the time of the replacement, cash of around EUR 94.8m was used to repay the previous loan liabilities. The new refinancing incurred transaction costs of EUR 6.9m, which were also reflected in cash flows from financing activities. Further payments related to distributions to German non-controlling interests (EUR 2.1m) as well as to the purchase of additional shares in a Turkish group entity that is already fully consolidated.

Cash decreased from EUR 134.0m to EUR 23.5m in fiscal year 2012 due to the repayment of loan liabilities. In light of additional credit facilities of EUR 193.5m that are available for the long term, the Ströer Group’s liquidity remains comfortable.

Financial structure analysis

As of the end of 2012, around 79% of the Ströer Group's **financing** was covered by equity and non-current debt. Even after the optimization of the Group's capital structure, well over 100% of the current liabilities of EUR 180.9m (prior year: EUR 193.3m) is financed by current assets of EUR 130.5m (prior year: EUR 228.4m) as well as available, long-term agreed credit facilities of EUR 193.5m (prior year: EUR 76.2m).

As of 31 December 2012, **financial liabilities** amounted to EUR 342.5m, which is EUR 123.1m down on the prior-year level of EUR 465.7m. This decrease is largely due to the repayment of loan liabilities using freely available cash, which fell accordingly by EUR 110.6m over the year. In addition, liabilities from present values recognized for derivatives declined by EUR 10.4m; a substantial proportion of this related to hedging instruments that expired in October 2012.

In EUR m	**31 Dec 2012**	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
(1) Non-current financial liabilities	311.0	413.1	426.6	555.9	500.7
(2) Current financial liabilities	31.6	52.6	39.2	26.5	77.3
(1) + (2) Total financial liabilities	342.5	465.7	465.7	582.4	578.0
(3) Derivative financial instruments	16.9	27.4	39.5	29.8	10.0
(1) + (2) – (3) Financial liabilities excluding derivative financial instruments	325.6	438.3	426.2	552.6	568.0
(4) Cash	23.5	134.0	106.1	57.3	42.5
(1) + (2) – (3) – (4) Net debt	**302.1**	**304.3**	**320.1**	**495.4**	**525.5**
Leverage ratio	**2.8**	**2.3**	**2.5**	**5.0**	**5.1**
Equity ratio (in %)	**32.4**	**27.8**	**29.8**	**–6.4**	**–5.7**

Despite a decline in cash flows from operating activities, the Ströer Group reduced its **net financial liabilities** by EUR 2.1m in fiscal year 2012, thereby reaching the lowest level in the last five years. Despite the slight decrease in net financial liabilities, the leverage ratio, defined as the ratio of net debt to operational EBITDA, increased from 2.3 to 2.8 in the reporting year. This was primarily attributable to the decline in operational EBITDA which, at EUR 107.0m, remained EUR 25.3m behind the prior-year level of EUR 132.3m.

→ For a more detailed information of the Group's debt financing instruments, see page 141

Deferred tax liabilities decreased by EUR 16.3m year on year to EUR 55.1m. The main reasons for this decline are, on the one hand, greater offsetting against deferred tax assets, and on the other, the ongoing amortization of advertising concessions acquired in prior years in connection with business combinations.

The EUR 5.2m increase in **other current liabilities** to EUR 34.3m is largely due to prepayments received for services to be provided in 2013.

→ For more information on our other current liabilities, see page 143

The Ströer Group's **equity** developed positively in the reporting year, increasing by EUR 6.1m against the prior-year figure to EUR 279.6m. This is due to the absence of interest rate hedges with negative fair values, which led to a reduction in equity at the end of 2011. Since the main items of these hedging instruments expired in 2012, the hedged items in equity were taken to profit or loss. In addition, positive exchange rate effects in the translation of our Turkish and Polish group entities contributed to the increase in equity. Other changes in equity were of minor significance. The equity ratio improved to 32.4% as of the 2012 reporting date (prior year: 27.8%).

Capital structure costs

→ More comments, see page 128

In the Ströer Group, cost of capital relates to risk-adjusted return on investment requirements and, for the purpose of measurement in the consolidated financial statements, is determined in accordance with the capital asset pricing model and the WACC (weighted average cost of capital) approach. Cost of equity is derived from capital market information as the return expected by shareholders. We base borrowing costs on returns on long-term corporate bonds. In order to account for the different return/risk profiles of our main activities, we calculate individual cost of capital rates before income taxes for our business units.

Net assets

Consolidated statement of financial position

In EUR m	**31 Dec 2012**	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Assets					
Non-current assets					
Intangible assets	262.0	278.4	306.5	213.1	222.8
Goodwill	226.1	224.2	225.0	180.2	184.8
Property, plant and equipment	225.9	221.8	212.8	180.9	184.0
Tax assets	5.0	15.5	9.4	31.4	15.2
Receivables and other assets	14.3	14.4	10.7	9.1	5.4
Subtotal	**733.3**	**754.3**	**764.5**	**614.7**	**612.2**
Current assets					
Receivables and other assets	96.7	85.8	107.2	68.2	87.4
Cash	23.5	134.0	106.1	57.3	42.5
Tax assets	4.8	3.1	4.2	4.2	6.5
Inventories	5.5	5.4	5.1	4.1	4.5
Subtotal	**130.5**	**228.4**	**222.6**	**133.8**	**140.9**
Total assets	**863.7**	**982.6**	**987.1**	**748.6**	**753.1**
Equity and liabilities					
Equity and non-current liabilities					
Equity	**279.6**	**273.5**	**294.4**	**−48.1**	**−42.7**
Financial liabilities	311.0	413.1	426.6	555.9	500.7
Deferred tax liabilities	55.1	71.4	64.9	75.6	78.9
Provisions	37.2	31.3	36.8	31.9	26.1
Subtotal	**403.2**	**515.8**	**528.3**	**663.4**	**605.7**
Current liabilities					
Trade payables	80.5	77.5	67.9	50.9	58.3
Financial and other liabilities	65.9	81.7	70.3	52.2	100.4
Provisions	18.6	21.0	17.7	23.6	19.2
Income tax liabilities	16.0	13.1	8.4	6.5	12.2
Subtotal	**180.9**	**193.3**	**164.3**	**133.3**	**190.1**
Total equity and liabilities	**863.7**	**982.6**	**987.1**	**748.6**	**753.1**

Analysis of the net asset structure

The Ströer Group's total assets fell by EUR 118.9m in fiscal year 2012 to EUR 863.7m, mainly due to the effects of the refinancing agreed in July 2012 (reduction in gross debt using cash).

Non-current assets decreased by 2.8% in the reporting year to EUR 733.3m. This was mainly attributable to the decline in intangible assets from EUR 278.4m to EUR 262.0m, which largely resulted from the ongoing amortization of advertising concessions. This amortization was partly offset by positive exchange rate effects from the translation of intangible assets in the statements of financial position of our Turkish and Polish group entities. Investments in the Ströer Group's IT landscape also had a partial offsetting effect. The slight increase in property, plant and equipment from EUR 221.8m to EUR 225.9m was due in part to ongoing investments in additional advertising media, the volume of which exceeded depreciation on all property, plant and equipment. This increase also reflects exchange rate effects that increase carrying amounts at the foreign group entities. As of the reporting date, non-current deferred tax assets amounted to EUR 4.4m, down EUR 10.4m against the prior year. This decrease is chiefly attributable to higher offsetting against deferred tax liabilities in some subsidiaries and the utilization of unused tax losses recognized in prior years. The first-time recognition of previously unused tax losses by a German subsidiary had an offsetting effect.

Current assets fell 42.9% year on year to EUR 130.5m. This substantial drop was attributable to the optimization of the capital structure in fiscal year 2012, in the course of which a large proportion of the liquidity in the Group was used to repay loan liabilities. As a result, cash decreased by EUR 110.6m year on year to EUR 23.5m. By contrast, receivables and other assets increased by EUR 11.0m compared with 2011 to EUR 96.7m. This growth primarily related to trade receivables, which were up by some EUR 9m overall against the prior year, due in part to the higher revenue volume towards the end of the year in Turkey, where receivables generally have much longer payment deadlines, as well as to the positive development of exchange rates, which increased the items in the statements of financial position of foreign group entities. In individual cases, major customers also delayed their payments beyond the reporting date.

The Ströer Group's **off-balance sheet assets** include a substantial portfolio of internally generated advertising concessions with municipalities and private landlords. However, such advertising concessions are only recognized as intangible assets if they were acquired as part of business combinations. Thanks to our strong market position, we also have a broad-based portfolio of sustainable customer relationships on the sales side. The majority of these customer relationships can also be classified as off-balance sheet assets. Other financial obligations mainly related to minimum leases, site leases and obligations from not yet completed investments as well as to leases based on operating lease agreements. The resulting obligations amounted to EUR 1,163.7m (prior year: EUR 1,180.4m) as of 31 December 2012. Due to the selected agreement structures, the latter may not be recognized as finance leases in non-current assets.

→ For more information on the off-balance sheet assets, see pages 73 (human capital) and 155 (financial liabilities)

STRÖER MEDIA AG

The management report of Ströer Media AG (formerly "Ströer Out-of-Home Media AG", hereinafter "Ströer AG") and the group management report for fiscal year 2012 have been combined pursuant to Sec. 315 (3) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 298 (3) HGB. The separate financial statements and the combined management report of the Company and the Group are published at the same time in the elektronischer Bundesanzeiger [Electronic German Federal Gazette].

Description of the Company

Ströer AG operates as the holding company. It exclusively performs group management duties and renders administrative and other services for the Group. These include in particular finance and group accounting, corporate and capital market communication, IT services, group financial control and risk management, product development as well as the legal and compliance and corporate development functions.

The following figures and comments relate to the separate financial statements of Ströer AG which were prepared in accordance with the provisions of the HGB and the AktG ["Aktiengesetz": German Stock Corporation Act].

Results of operations

The **result from ordinary activities** decreased by EUR 11.9m to EUR 19.6m, mainly due to lower income from profit and loss transfer agreements (EUR – 11.2m) as well as higher personnel expenses (EUR – 1.4m). Almost half of the decline in the result from ordinary activities was offset by lower income taxes (EUR +5.9m). Ströer AG's **profit for the period** of EUR 20.0m was therefore EUR 6.1m lower than in the prior year (EUR 26.0m).

In EUR k	**2012**	2011
Other own work capitalized	399	0
Other operating income	21,346	20,486
Personnel expenses	– 15,352	– 13,959
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	– 1,504	– 1,345
Other operating expenses	– 20,198	– 19,724
Income from equity investments	740	0
Income from profit and loss transfer agreements	30,396	41,546
Income from loans classified as non-current financial assets	7,871	8,747
Impairment losses on financial assets	0	– 74
Interest and similar expenses / income	– 4,103	– 4,203
Result from ordinary activities	**19,594**	**31,474**
Extraordinary result	– 1	0
Income taxes	571	– 5,361
Other taxes	– 177	– 70
Profit for the period	**19,987**	**26,043**
Profit carryforward	46,043	40,325
Allocation to retained earnings	– 26,043	– 20,325
Accumulated profit	**39,987**	**46,043**

Other operating income mainly contains revenue from intragroup services, income from cost allocations and income from the reversal of provisions. The largest single item is the provision of intragroup IT services (EUR 8.9m). The EUR 0.9m increase in other operating income to EUR 21.3m resulted primarily from higher cost allocations (EUR +0.3m) as well as the reversal of provisions (EUR +0.6m).

In connection with moderate salary adjustments and severance payments, Ströer AG's **personnel expenses** rose by EUR 1.4m year on year.

Other operating expenses increased by EUR 0.5m against 2011 to EUR 20.2m. This partly reflects higher costs for legal and advisory services relating to the replacement of the old credit facility and the increased level of acquisitions.

Income from equity investments is largely attributable to a dividend payment by blowUP Media UK Ltd., London, UK.

Income from profit and loss transfer agreements (EUR 30.4m) includes the profit transferred by Ströer Media Deutschland GmbH to Ströer AG for fiscal year 2012 on the basis of the profit and loss transfer agreement concluded in 2010. The decrease in the profit transferred (EUR –11.2m) is due to the change in the German group's business situation.

Income from loans classified as non-current financial assets primarily relates to loans that Ströer AG has granted to foreign group entities for the purpose of business expansion or to repay bank loans. The decrease (EUR –0.9m) is mainly due to the fact that, at the end of 2011, a capital increase was carried out at Ströer Kentvizyon Reklam Pazarlama A.S. (Ströer Kentvizyon), Istanbul, Turkey, by converting loans.

Interest and similar expenses / income improved slightly by EUR 0.1m year on year.

Although the prior-year figure for **income taxes** included a negative effect of EUR 5.4m, in the reporting year the Company recorded a positive effect from income taxes of EUR 0.6m. This mainly results from the reversal of deferred tax liabilities of EUR 4.0m as well as lower earnings at Ströer AG and the subsidiaries in its tax group.

Net assets and financial position

Ströer AG's total assets of EUR 500.2m were EUR 101.6m lower than in the prior year (EUR 601.9m). On the assets side, this decrease was chiefly due to the reduction in cash (EUR –107.6m), primarily for the purposes of optimizing the structure of the Group's syndicated financing. By contrast, increases were recorded in intangible assets and property, plant and equipment (EUR +5.7m), financial assets (EUR +4.3m) and prepaid expenses (EUR +2.9m). The corresponding decline on the equity and liabilities side mainly related to decreases in liabilities to affiliates (EUR – 130.9m) and trade payables and other liabilities (EUR – 9.4m). By contrast, equity (EUR +20.0m), liabilities to banks (EUR +18.1m) and tax and other provisions (EUR +4.5m) increased compared with the prior year.

In EUR k	**2012**	2011
Assets		
Non-current assets		
Intangible assets and property, plant and equipment	8,820	3,116
Financial assets	443,712	439,400
	452,532	**442,516**
Current assets		
Receivables and other assets	41,291	48,302
Cash on hand and bank balances	3,017	110,585
	44,308	**158,887**
Prepaid expenses	**3,393**	**473**
Total assets	**500,233**	**601,876**
Equity and liabilities		
Equity	**427,466**	**407,479**
Provisions		
Provisions for pensions and similar obligations	31	28
Tax provisions	12,093	8,825
Other provisions	9,466	8,191
	21,590	**17,044**
Liabilities		
Liabilities to banks	29,014	10,884
Trade payables and other liabilities	4,518	13,875
Liabilities to affiliates	982	131,914
	34,513	**156,673**
Deferred tax liabilities	**16,664**	**20,680**
Total equity and liabilities	**500,233**	**601,876**

Analysis of the net asset structure
The increase in **intangible assets and property, plant and equipment** (EUR 5.7m) results in particular from investments, mainly in the form of capitalized expenses for the expansion and restructuring of the IT landscape.

Financial assets were impacted by the higher volume of long-term loans granted to affiliates abroad. EUR 2.7m was attributable to the conversion of interest receivables from Ströer Polska and EUR 2.0m to an additional loan to Ströer Kentvizyon.

Receivables and other assets decreased by EUR 7.0m year on year to EUR 41.3m. This is chiefly attributable to the EUR 9.2m decrease in receivables from affiliates, which is principally the result of lower profit transfers from Ströer Media Deutschland GmbH. By contrast, corporate income tax receivables increased from EUR 2.6m to EUR 4.5m.

Under current assets, **bank balances** fell by EUR 107.6m to EUR 3.0m as a consequence of the restructuring of the Group's financing in July 2012.

→ For more information on the change in bank balances, see liquidity analysis on page 67.

The increase in **prepaid expenses** (EUR +2.9m) primarily resulted from transaction costs in connection with the new syndicated credit facility (EUR 2.8m), which are recognized over its five-year term.

Financial structure analysis

The EUR 20.0m growth in **equity** corresponds to the Company's profit for the period. In light of the decrease in total equity and liabilities, this gives a much improved equity ratio of 85.5% (prior year: 67.7%). By way of a resolution of the shareholder meeting on 21 June 2012, the structure of equity was changed with the result that EUR 26.0m was transferred from the accumulated profit for 2011 to other retained earnings and EUR 20.0m was carried forward to new account.

The year-on-year increase in **provisions** (EUR +4.5m) is chiefly attributable to higher tax provisions (EUR +3.3m) and other provisions (EUR +1.3m). The rise in tax provisions is due to the previously low level of tax prepayments made for the years 2010 to 2012, for which no tax assessments have yet been made. The increase in other provisions largely relates to a higher level of outstanding invoices as of year-end as well as an increase in personnel provisions compared with the prior year.

The growth in **liabilities to banks** (EUR +18.1m) is principally attributable to the Group's new financing structure. This item includes some EUR 29m from the utilization of a working capital facility totaling EUR 225m that has been granted until 2017 under the new syndicated credit facility concluded in July 2012. This was partially offset by the repayment of the liability to NRW.Bank, Düsseldorf (EUR –10.6m).

→ For more information on the change in liabilities to banks, see liquidity analysis on page 67.

Trade payables and **other liabilities** decreased by EUR 9.4m overall to EUR 4.5m. EUR 10.8m of the change in this item was attributable to the repayment of a loan from SKB Kapitalbeteiligungs-gesellschaft Köln/Bonn mbH as part of the optimization of the capital structure.

→ For more information on the change in other liabilities, see liquidity analysis on page 67.

Liabilities to affiliates fell by EUR 130.9m to EUR 1.0m in the reporting year, which can be seen as the mirror image of the decline in cash. EUR 129.8m of this decrease relates to lower liabilities from the Group's cash pooling, which Ströer AG manages.

→ For more information on the change in liabilities to affiliates, see liquidity analysis on page 67.

Liquidity analysis

In EUR m	2012	2011
Cash flows from operating activities	24.5	25.0
Cash flows from investing activities	–6.9	–12.7
Free cash flow	**17.6**	**12.3**
Cash flows from financing activities	–125.1	55.5
Change in cash	**–107.6**	**67.8**
Cash at the end of the period	3.0	110.6

At EUR 24.5m, **cash flows from operating activities** reflect the profit transferred by Ströer Media Deutschland GmbH for fiscal year 2011. The related proceeds amounted to EUR 41.5m in 2012. They were contrasted by the payments made by the group holding company to fulfill its holding functions. These included personnel expenses and interest and other ongoing costs.

Cash flows from investing activities amounted to EUR –6.9m in fiscal year 2012. The prior-year figure of EUR –12.7m was dominated by a capital increase (EUR –11.6m) at Ströer Kentvizyon. In the reporting year, cash paid primarily related to investments in intangible assets for capitalized product and IT developments (EUR –6.2m) as well as property, plant and equipment (EUR –1.0m).

Free cash flow, which is defined as the difference between cash flows from operating activities and cash flows from investing activities, totaled EUR 17.6m in the reporting period.

→ For detailed comments on the refinancing, see "Main features of the financing strategy" in the section on the group's "Financial position an net assets".

The changes in **cash flows from financing activities** and in **cash** are closely related to the restructuring of the Group's financing in 2012. The primary aim was to reduce liabilities to banks at Ströer Media Deutschland GmbH using the freely available cash at Ströer AG. Cash flows from financing activities include the repayment of liabilities to affiliates (EUR –130.9m), the repayment of the liability to SKB Kapitalbeteiligungsgesellschaft Köln/Bonn mbH, Cologne, (EUR –10.8m) and the repayment of the liability to NRW.Bank, Düsseldorf (EUR –10.6m). This was contrasted by the utilization of credit facilities of some EUR 29m that had been granted to the Company for the long term as part of the newly agreed credit facility. Together with the free cash flow, the cash flows from financing activities resulting from the changes led to a EUR 107.6m decrease in cash.

Ströer AG's net financial assets break down as follows:

In EUR m	**31 Dec 2012**	31 Dec 2011
(1) Non-current financial liabilities	–25.0	–21.4
(2) Current financial liabilities (including intragroup financial liabilities)	–2.1	–133.2
(1)+(2) Total financial liabilities	**–27.1**	**–154.6**
(3) Intragroup non-current and current financial receivables	131.1	135.7
(1)+(2)–(3) Financial assets / liabilities (less intragroup financial receivables)	**104.0**	**–18.9**
(4) Cash	3.0	110.6
(1)+(2)–(3)–(4) Net financial assets	**107.0**	**91.7**
Equity ratio (in %)	**85.5**	**67.7**

Net financial assets increased by EUR 15.3m year on year to EUR 107.0m (prior year: EUR 91.7m). This rise largely corresponds to the free cash flow generated by the Company.

As the holding company, Ströer AG is closely linked to the performance of the entire Ströer Group. Thanks to its improved free cash flow and optimized financing strategy, we believe that the holding company, like the Group as a whole, is well positioned to meet future challenges in a changeable economic environment.

Anticipated development of the Company

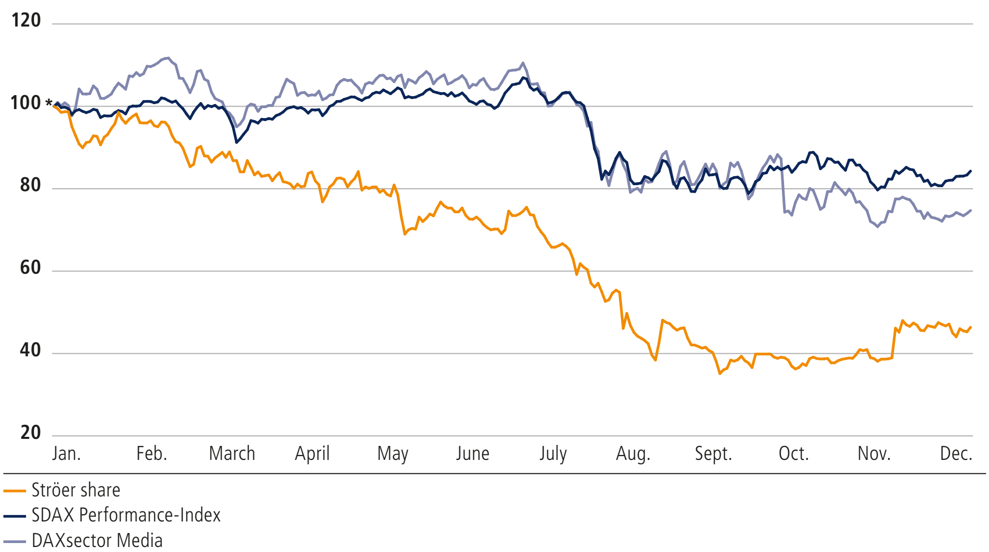
Due to its role as group parent, the anticipated development of Ströer AG depends on the development of the Group as a whole. Based on the Group's predicted results of operations for 2013 and 2014 presented under "Forecast," we expect the subsidiaries to generate higher earnings contributions overall and Ströer AG to improve its profit or loss in the following years.

INFORMATION ON THE SHARE

In the first three months of fiscal year 2012, stock markets recorded upward movements in share prices. This trend reversed in the second quarter due to ongoing uncertainty about the stability of the eurozone, leaving share indexes close to their annual lows by mid-year. In the second half of the year, the action taken by the European Central Bank to safeguard the single currency led to a substantial reduction in uncertainty on the stock and financial markets. As a result, share indexes recovered again, even climbing to new highs towards the end of the fiscal year.

Ströer AG stock recorded price gains from the second half of February on the back of a generally positive stock market trend, reaching a high for the reporting period of EUR 14.86 on 27 March. However, the share fell sharply following the publication of cautious revenue forecasts for the first and second quarters. It then began a moderate recovery at the start of Q3, in parallel with discussions with investors and roadshows. By the end of the year, the share price saw another downturn as a result of persistently challenging conditions on the advertising market. The Ströer share reached its low for 2012 of EUR 6.38 on 26 November and closed the year at EUR 6.60.

The Ströer share compared with the SDAX and DAXsector Media in 2012



*2 Jan 2012 = 100, exchange rates indexed
Source: Bloomberg

Extensive investor relations

The central starting point for our investor relations work is continuous, trust-building dialog with the capital market in the form of transparent, regular communication. Since our IPO in 2010, we have consistently broadened our shareholder structure and systematically increased the number of research houses that track our performance. In the past year, the board of management and investor relations team of Ströer AG presented the Company's business performance and corporate strategy on 28 dates at 21 roadshows and capital market conferences in 14 different cities. The countries we visited included Germany, the UK, France, the Benelux and Scandinavian countries, Switzerland, Austria, Italy, Spain and the US. We also informed capital market players of the publication of our financial reports in telephone conferences, at individual meetings at our Cologne headquarters and via special press releases and media work.

The internet is another mainstay of our corporate communication. At www.stroeer.de/investor-relations we report promptly and extensively on developments in the Group and make all the relevant documents available there. These include financial reports, a financial calendar, press releases and ad hoc reports as well as other mandatory reports. Presentations from investor conferences or roadshows are always made available for download on the same day they take place. Conference calls in connection with the publication of our financial reports are streamed live to our website and can also be downloaded as an audio webcast.

Shareholder meeting

The second annual general meeting of Ströer AG since the IPO was held on 21 June 2012. Overall, approximately 87% of the capital stock was represented. All resolutions proposed by the supervisory board and board of management were accepted by majorities of more than 99%.

Stock exchange listing, market capitalization and trading volume

Ströer AG stock is listed in the Prime Standard of the Frankfurt Stock Exchange and has been listed in the SDAX, a selection index of Deutsche Börse, since September 2010. Based on the share price on 30 December 2012, market capitalization came to EUR 277.85m.

We are continuing our efforts to boost the attractiveness of the Ströer share for investors by improving its liquidity and increasing the level of trading in our shares on Xetra, among other things. The average daily volume of Ströer stock traded on German stock exchanges in fiscal year 2012 was 41,454 shares. Including over-the-counter trading (OTC) between investors and brokers, just under 118,000 shares were traded daily. Thus trading was slightly down against the prior year. Overall, OTC transactions accounted for 62% of trading in the course of the year (prior year: 66%). The proportion traded on German stock markets remained constant at 34% (prior year: 33%), while other European exchanges continued to only account for a limited volume.

Analysts' coverage remains constant

The number of analysts that tracked Ströer AG in the past year remained constant at 13. Based on the most recent assessments, 3 of the analysts are giving a "buy" or "overweight" recommendation, 6 say "hold" and 4 say "sell." The latest analyst assessments are available at www.stroeer.de/investor-relations and are presented in the following table as of 12 March 2013:

Investment bank	Recommendation
Bank of America Merrill Lynch	Sell
Berenberg Bank	Hold
Citigroup Global Markets	Hold
Close Brothers Seydler Research	Hold
Commerzbank	Hold
Crédit Agricole Chevreux	Sell
Deutsche Bank	Buy
DZ BANK	Sell
Goldman Sachs	Hold
Hauck & Aufhäuser Institutional Research	Buy
J.P. Morgan	Buy
Morgan Stanley	Hold
Viscardi	Sell

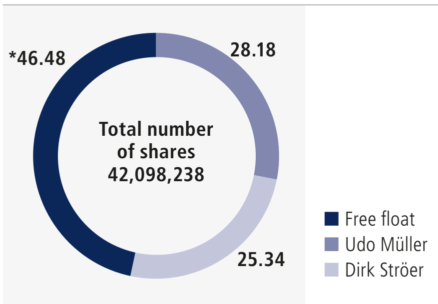
Shareholder structure

The total number of Ströer shares issued remained unchanged as of the end of the fiscal year at 42,098,238. Supervisory board member Dirk Ströer holds 25.34%, CEO Udo Müller holds 28.18% and CFO Alfried Bührdel, former board of management member Dirk Wiedenmann and Christian Schmalzl, who was appointed to the board of management in November, together hold around 0.20% of Ströer AG shares. As of 31 December 2012, the free float as defined by Deutsche Börse came to 46.48%. Institutional investors holding our shares in their funds are registered, among other places, in the US, the UK and Germany. According to the notifications made to the Company as of the date of preparation of this report on 12 March 2013, the following parties reported to us that they hold more than 3% of the voting rights in Ströer AG: DWS Investment (5.05%), Credit Suisse (3.50%) and J O Hambro Capital Management Limited (3.01%).

Information on the current shareholder structure is permanently available at www.stroeer.de/investor-relations.

Shareholder structure of Ströer AG

In %



* Free float as defined by Deutsche Börse, thereof

Alfried Bührdel, Christian Schmalzl and former board of management member Dirk Wiedenmann	0.20%
DWS Investment**	5.05%
Credit Suisse**	3.50%
JO Hambro Capital Management Ltd.**	3.01%

** According to voting right notifications in accordance with Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]

Key data for Ströer AG stock

Capital stock	EUR 42,098,238
Number of shares	42,098,238
Class	Bearer shares of no par value (share in capital stock of EUR 1.00 per share)
ISIN	DE0007493991
SIN	749399
Stock ticker	SAX
Reuters	SAXG.DE
Bloomberg	SAX:GR
Market segment	Regulated market
Transparency level	Prime Standard
Sector	DAXsector All Media (Performance)
Index	SDAX
First listing	15 July 2010
Designated sponsors	Close Brother Seydler
Opening price 2012 (2 January)	EUR 12.92
Closing price 2012 (28 December)*	EUR 6.60
HIghest price 2012 (27 March)*	EUR 14.86
Lowest price 2012 (26 November)*	EUR 6.38

* Closing price in Xetra in EUR

EMPLOYEES

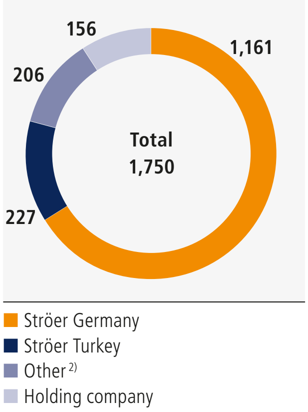
Training and developing our employees is at the heart of our activities. Our main tool is differentiated talent management. Demographic change and the altered expectations of young graduates mean that requirements are constantly increasing for the recruitment and internal development of suitable employees, especially for future management roles. Ströer therefore places great importance on being an attractive employer by pursuing a sustainable HR policy.

Headcount

As of 31 December 2012, the Ströer Group had 1,750 (prior year: 1,730) full and part-time employees, an increase against the prior year. In the German segment, new positions were added in the sales units.

Employees[1] by segment

as of 31 December 2012



[1] Headcount (full and part-time employees)
[2] Other: blowUP & Poland

Length of service

As of the reporting date, employees had been working for an average of 7.9 years for the Ströer Group.

Vocational training

We pushed ahead with our vocational training strategy. As of the reporting date, Ströer provided a total of 37 young talents throughout Germany with vocational training as media designers, office assistants, office communications assistants, marketing communications assistants and IT specialists. We recruited 16 new trainees in Germany in the course of 2012.

Our trainees receive practical training at our group headquarters and at large regional offices. In addition to traditional vocational training, Ströer offers places on cooperative study programs (at vocational colleges). Going forward, Ströer aims to increase the number of these places as it has found this training model to be extremely practical and to serve the Company well as a way of ensuring the supply of qualified young staff.

Ströer offers students at vocational colleges and trainees good chances of receiving permanent positions. In 2012, we again hired a large number of them in the areas of marketing, accounting and advertising media portfolio management.

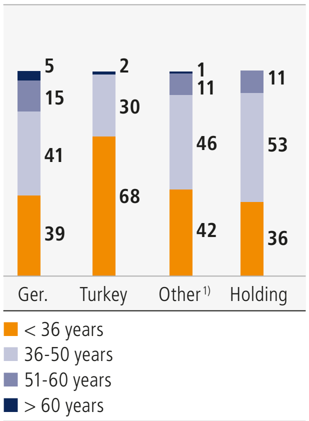
We began recruiting our next trainee intake for 2013 at the end of 2012.

Age Structure

Our German divisions continue to have a balanced age structure. In Turkey, the higher percentage of younger employees adequately reflects the composition of the population. We aim to retain young employees through targeted training programs and to sustain their enthusiasm for our Company in the long term. At the same time, they work with mentors who can support them in their careers while drawing on their own extensive professional experience.

Age structure of employees

2012 in %



[1] Other: blowUP & Poland

Gender structure

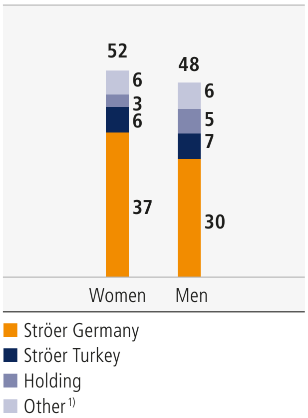
Proportion of women / men

The percentage of female employees stabilized at a high level, recording a minimal decrease of 0.3%.

This is due not least to our attractive working time models that help our staff combine work and family life, for example, and make us a modern media company.

Gender structure by segment

2012 in %



[1] Other: blowUP & Poland

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 a component of the consolidated financial statements.

Remuneration of the board of management

The remuneration of the members of the board of management is determined by the 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 and made appropriate resolutions.

In fiscal year 2012, the board of management's remuneration once again comprised two significant components:

1. A fixed basic salary
2. Variable compensation, broken down into:
   – an annual short-term incentive (STI)
   – a long-term incentive (LTI)

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

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

During the year under review, the significant ratios for the LTI ("Ströer value added" and "EBITA growth") for fiscal years 2010 and 2011 were more precisely defined by the supervisory board for 2012 and subsequent years. This will even more closely link the development of the board of management's variable remuneration to the Company's key performance indicators. Under the modified definition, the criterion "return on capital" was replaced by "return on capital employed (ROCE)" and the criterion "growth" was replaced by "revenue growth." The LTI metric "share price" remained unchanged.

The more precise definition did not result in a change in the amount of remuneration. The long-term incentives span a period of three to four years and carry a greater weighting than the short-term incentives.

Ströer value added (SVA) and ROCE on the basis of adjusted EBIT / capital employed
The supervisory board set SVA targets for the variable remuneration based on SVA for fiscal years 2010 and 2011. Once the respective three fiscal years have passed, the performance and therefore the amount of the variable remuneration for these years will be measured against these targets.

A more specific calculation was defined for the variable remuneration for 2012 and subsequent fiscal years. As a result, the performance and thus the amount of variable compensation now depend directly on the return on capital achieved in the following respective three years. The benchmark for this is the achievement of a return equivalent to the Company's cost of capital.

In all cases, the variable remuneration related to these criteria is limited to a maximum of double the amount, which would require a return that is considerably above the cost of capital during the three-year period. Conversely, if the benchmark is not met, the variable portion is adjusted by the percentage shortfall but cannot decrease below EUR 0.

EBITA growth and revenue growth targets
The supervisory board set EBITA targets for the variable remuneration based on growth for fiscal years 2010 and 2011. Once the respective three fiscal years have passed, the performance and therefore the amount of the variable remuneration for these years will be measured against these targets.

For 2012 and subsequent fiscal years, the basis of calculating the variable remuneration was changed to revenue growth as this is the key driver of business development and therefore profitability.

The benchmark in this case is the average growth of the advertising market in the markets served by Ströer, which is primarily measured by the development of gross domestic product in the relevant countries. If the Company's average revenue growth in the three-year period exceeds this comparative value, the variable remuneration component based on this criterion can increase to a maximum of double the amount. Conversely, if this growth target is not met, the variable portion is adjusted by the percentage shortfall but cannot decrease below EUR 0.

Share price
The third criterion and LTI component is the share price development over a period of four years. If the price of the shares at the end of this four-year period is higher than the average price at the beginning of the period, the variable remuneration based on this criterion increases by the same percentage as the share price, but is limited to double the amount. However, the Company is entitled to pay compensation for a higher share price development in exceptional cases. If the share price is below this reference price, the variable portion is adjusted by the percentage shortfall but cannot decrease below EUR 0.

The members of the board of management can also decide to have the share price-based LTI remuneration paid out in shares in the Company.

If the Company's situation should deteriorate to such an extent that continuing to grant remuneration to the board of management would be unfair, the supervisory board is authorized to reduce the remuneration to an appropriate amount.

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. The effect on earnings for the total remuneration for fiscal year 2012 is presented in the table below:

In EUR

Fixed remuneration	Fringe benefits	Other personnel expenses	STI	LTI	**Total**
2,457,000	113,000	263,500	676,400	47,000	3,556,900

The LTI effect on earnings of EUR 47k includes EUR 675k in reversals of provisions recognized in the prior year for remuneration. Since 2010, when the contractual arrangements were set out, no payments related to the LTI have been made to the members of the board of management.

The reported remuneration for 2012 includes two extraordinary effects: the temporary addition of another member of the board of management in November 2012 and the departure of a member of the board of management at the end of the fiscal year. These two effects resulted in additional expenses of EUR 630k in comparison to the prior year. Excluding these two extraordinary effects, the remuneration of the board of management declined by 12% year on year as a result of lower expenses for the STI and considerably reduced expenses for the LTI.

Post-employment benefits for members of the board of management

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

Retirement benefits
A retirement benefit plan is in place for a member of the board of management who left the board during the fiscal year. These benefit obligations are fully financed by the member of the board of management as part of a deferred compensation scheme, such that the Company does 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.

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.

Non-compete clause

With one exception, non-compete clauses have been agreed with the members of the board of management. The Company undertakes to pay compensation corresponding to half of the last contract-based remuneration for each full year of the non-compete clause.

Remuneration of the supervisory board

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.

In EUR	
Chairman of the supervisory board	60,000
Deputy chairman of the supervisory board	40,000
Chairman of the audit committee	40,000
Member of the audit committee	30,000
Member of the supervisory board	25,000

Total remuneration in fiscal year 2012 came to EUR 210k (excluding any VAT).

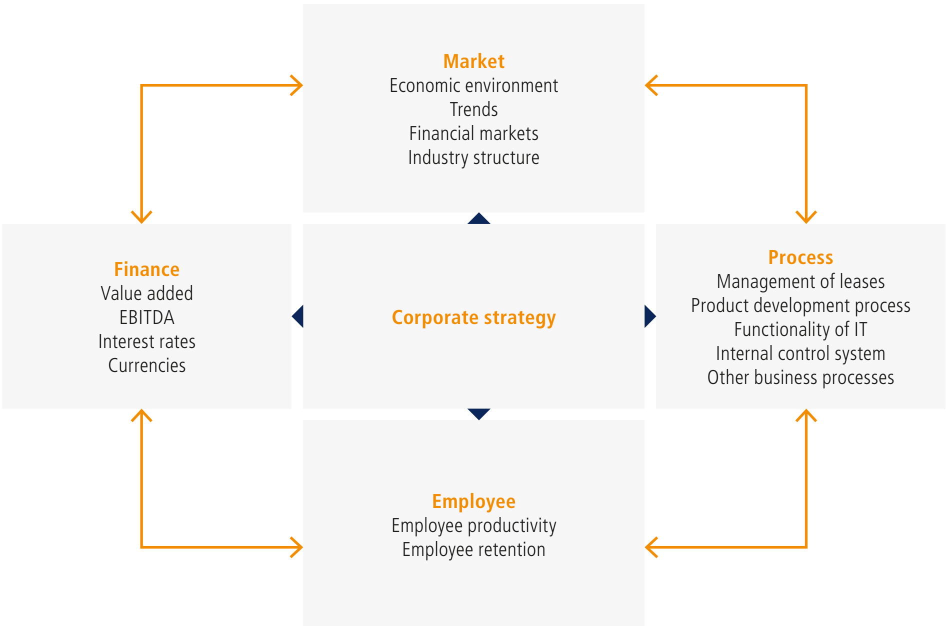
OPPORTUNITIES AND RISK REPORT

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

The Ströer Group's risk management system forms the basis for our board of management's overall risk assessment. It groups all of the risks identified by the risk officers into core risks that could pose a threat to the Group's strategic success factors. We believe that the risks described as of the publication date of this report are manageable. There are no recognizable individual risks that could jeopardize the Company's ability to continue as a going concern. We are also confident that Ströer is in a good strategic and financial position and will take advantage of opportunities that arise. However, owing to the ongoing sovereign debt and banking crisis and the sluggish improvement in economic conditions, the market environment is not expected to recover significantly in the current fiscal year. If a less favorable scenario were to occur, the Ströer Group would be able react quickly and implement internal measures to stabilize its investment and cost budgets.

Opportunity and risk management system

Our business strategy is designed to ensure the Ströer Group's ability to continue as a going concern and to grow the long-term value of the business. This requires us to weigh up the opportunities and risks associated with our business activities. Opportunities are defined as positive deviations from targets and risks as negative deviations. The board of management bears overall responsibility for group-wide opportunity and risk management, which is an integral part of corporate governance. Opportunity management is based on the success factors identified in the corporate strategy. Each success factor can be assigned to one of four perspectives: "market," "process," "employee" and "finance."



Depending on the strategic concept defined by the individual segments, responsibility for opportunity management lies with the segment's operational management or the management of the holding entities. The regular and early identification and analysis of opportunities is an integral component of the group-wide planning and control process. We use the resulting findings to create realistic opportunity profiles and to develop appropriate action plans and implement them in a structured manner.

In addition to opportunity management, we also have an extensive risk management system. In order to recognize risks at an early stage, analyze them systematically and manage them appropriately, we have established a group-wide system that complies with the legal requirements and is regularly updated. The individual components of our 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 includes the identification, evaluation, management and monitoring of risks across all segments and hierarchy levels. Ströer's core risks include all risks which represent a threat to its success factors. They can be assigned to individual risk categories according to their expected damage value, which in turn are linked to various strategic requirements for risk management. A risk officer is appointed for each risk area, whether it relates to the headquarters, or to the German or foreign entities. The group risk management department has the methodological and system expertise and ensures the functionality and efficiency of the early warning system for the detection of risk.

In a quarterly reporting process, each risk officer reports on his/her current risk situation to the group risk management department. The department examines all incoming risks for interdependencies, eliminates those that have been reported more than once, and groups them into core risks which are presented to the board of management and supervisory board in a quarterly report. All risk officers are obligated to report to the board of management and the group risk management department immediately in the event that unexpected risks arise which exceed certain thresholds. Our risk management policies are summarized in a group manual. The auditors regularly evaluate the risk management system as part of the audit of the financial statements and report the results to the board of management and supervisory board. Taking all identified opportunities and risks into account, the following section describes the areas that, from today's perspective, could have a significant positive or negative effect on the net assets, financial position and results of operations.

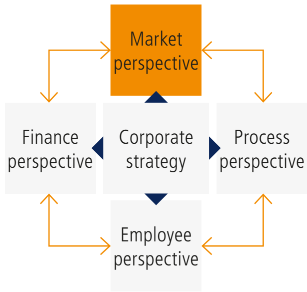
Internal control and risk management system

The accounting-related internal control and risk management system is an important part of the Group's risk management. We refer to the definitions of the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer in Deutschland": IDW]. According to the definition, an internal control system comprises the policies, procedures and measures installed by management which are aimed at implementing management's decisions in order to ensure the effectiveness and efficiency of operations, correct and reliable internal and external financial reporting, and compliance with legal provisions relevant to Ströer. Furthermore, the internal control system aims to help the reporting convey a true and fair view of the net assets, financial position and results of operations.

The Group's management board bears overall responsibility for the internal control and risk management system with regard to the group financial reporting process. All entities included in the consolidated financial statements are integrated in this system by way of a defined management and reporting organization. The necessary policies for the required structures and procedures and the Group's accounting-related internal control and risk management system have been defined and implemented for the entire Group. In addition, we also focus on monitoring the effectiveness of the internal control system, which goes beyond the Group's financial reporting, allowing us to comply with the requirements of the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act].

Market perspective

The sovereign debt crisis in the eurozone represents a realistic core risk for both macroeconomic developments and the Company's performance in 2013 as it could have a negative impact on advertisers' willingness to invest. Such a situation could also occur if our core countries were affected by heightened geopolitical tensions or a destabilization of political systems, although we consider this to be unlikely at present.

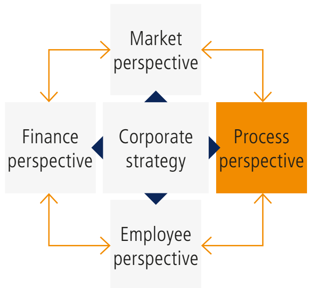


Business risks are mainly related to procurement and commercialization. As regards procurement, negative deviations from targets may arise in particular from the loss of advertising concessions from cities/public transport operators, the inadequate profitability of advertising concession contracts or the loss of advertising faces (due to regulatory requirements) at public and private sites. Adverse effects could also result from delays or rejections in the approval process for locations by authorities as well as from increased costs for obtaining building approval. We mitigate these risks through the professional and long-term management of our advertising concessions portfolio. Procurement risks can also arise from potential fluctuations in the prices of commodities, energy and advertising media. Other conceivable risks include the loss of key suppliers and problems with the quality of delivered products. To limit these risks, we increasingly use standardized construction groups and pursue an internationally focused sourcing strategy.

With regard to commercialization, deviations from targets could arise from a cautious approach to bookings taken by customers, the loss of customers in intra and intermedia competition, increasing pressure to grant discounts and setbacks in the implementation of regional growth projects. The successful commercialization of the Out-of-Home Channel in Deutsche Bahn's train stations and the shopping malls in the ECE group's portfolio will be decisive for the further growth of digital revenues. It is also unclear whether the online business will continue to see the same high growth rates as in the past years and whether substitution effects will emerge to the detriment of our core business. We counter these potential risks by updating and making targeted adjustments to our marketing strategies and with appropriate sales management measures. At the same time, positive momentum should be provided by increased communication with agencies, the positive performance records demonstrating the reach of our Out-of-Home Channel and the successful establishment of a regional sales representative organization.

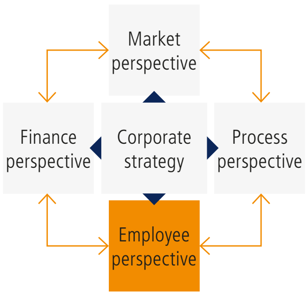
Process perspective

Innovation processes carry the risk that current or future customer wishes and market developments are not sufficiently taken into account. Another critical success factor in the production process is close observation of industrial rights of third parties. In our operating process, we focus on quality risks to ensure the high quality and best management of our advertising media. The same applies to the proper and efficient handling of quote and proposal preparation, order processing and complaints and receivables management. The ongoing group projects relating to process optimization and the internal control system are having a positive overall effect here. Our business model is highly dependent on the functionality of our IT systems. Data integrity, confidentiality of information, authenticity and availability are critical success factors here. Serious system malfunctions could lead to the loss of data and negatively affect business processes. To prevent such events, the Ströer Group implements a number of risk-reduction measures, such as regular investments in hardware and software as well as controls on access and authorization.



In addition to the expected opportunities, acquisitions also include risks such as those associated with post-merger integration, increased financing requirements for working capital as well as tax and compliance risks. We endeavor to reduce these risks by carrying out corresponding analyses at an early stage, establishing appropriate project structures, ensuring contractual safeguards wherever possible and initiating necessary control measures.

It is extremely important to us that our business activities comply with existing laws. Compliance with the law and internal guidelines is ensured by a compliance organization under the umbrella of our group legal department. Its main focus is on adherence to antitrust and capital market regulations as well as proper business practices. This also includes making employees aware of these issues and providing them with information and advice, in some cases with the support of business experts and law firms. Ongoing legal disputes could result in litigation risks that ultimately differ from the risk assessments undertaken and the associated provisions.

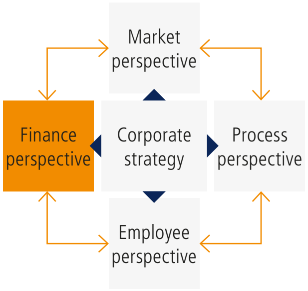


Employee perspective

The unwanted turnover of key management personnel could pose a potential risk. We counter personnel risks with a number of established measures. These include strengthening our reputation as an employer, offering a performance-based remuneration system, training courses and mentoring and coaching programs as well as deputization arrangements. We also underline our profile as an innovative and attractive company by cooperating closely with universities.

Finance perspective

Debt poses a financing risk for us. The significance of this risk is dependent on the Group meeting the financial covenants set out in its loan agreements. At the same time, there are obligations and duties to provide information to the lenders. Breaches may lead to sanctions being imposed.



Ströer's international activities entail currency risks, in particular a risk arising from the translation of the financial statements of foreign operations prepared in foreign currency. Any depreciation in the Turkish lira and the Polish zloty against the euro would also have an adverse effect in respect of the euro-denominated loans granted to our foreign group entities (transaction risks). Non-cash expenses from such currency-related changes in value could have a significant negative impact on the financial result and thus on the consolidated profit for the period. However, other currency risks affecting the Group are only of minor significance. We are exposed to interest rate risks in connection with non-current floating-rate financial liabilities and existing cash and cash equivalents. Interest rate swaps were used to secure fixed interest rates for some of the floating-rate financial liabilities. However, such derivatives can be subject to changes in value resulting from shifts in the yield curve, which would also adversely affect the financial result and therefore the consolidated profit for the period.

Investment risk relates to any losses recorded by investees, which could have a negative impact on the current and future results of operations and liquidity of the Ströer Group. In such a case, write-downs on goodwill or on the carrying amount of investments cannot be entirely ruled out.

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

Opportunities

General economic opportunities arise for us in connection with increases in the net advertising volume in our core markets. This development could occur if the economic recovery takes place faster than we currently expect. It is also possible that advertising customers will place larger budgets earmarked for communication purposes anti-cyclically. With targeted investments in innovative premium formats, market research and sales capacities, we want to gradually increase the share of advertising budgets allocated to out-of-home media. In an environment that is being shaped by far-reaching changes in media use, we believe out-of-home advertising has many structural advantages. Firstly, out-of-home advertising is unobtrusive but always catches the eye of passersby. Secondly, traditional and digital out-of-home media can leverage the power of large images and leave lasting impressions that influence purchases. Thirdly, the advertising effect of out-of-home media is spread via traffic flows in public places, which are growing as a result of increasing mobility and urbanization. Overall, customers and agencies therefore see out-of-home media as a complement to online and/or TV advertising formats that increases their effectiveness ("multiple screen planning").

Ströer's main strategic opportunities lie in systematically aligning its entire value chain on the megatrends of digitalization, mobility and urbanization in particular. A key success factor here is the strengthening of partnerships with major owners of relevant advertising concessions in Germany and abroad. Our entry into the independent online advertising business will help us consolidate our position in relation to the large publisher-based marketers and the major media agency groups. We also see attractive growth opportunities at a regional level in traditional out-of-home media as well as in the online segment. Our planned entry into the online advertising business gives us good opportunities to drive forward the consolidation in the online market and thus to successfully leverage the associated growth potential.

Our strong positioning in our core markets offers us the chance to actively shape the changes taking place in out-of-home advertising. Thanks to many years of research, performance figures for out-of-home media can now be measured effectively. In Germany, we have one of the world's best concepts for studying and measuring advertising impact: the "Mediaanalyse Plakat" (poster media analysis) developed by the industry group Arbeitsgemeinschaft Mediaanalyse. From 2013, the nationwide launch of the PpS concept (Plakatseher pro Stelle: audience per site) will also ensure extensive comparability with reach data for other media – a vital criterion for the growing cross-media integration of advertising formats. We expect the introduction of similar sophisticated measurement systems in Turkey and Poland from 2014 respective 2015 to further boost the professionalization of these markets.

To take advantage of opportunities in our operating business, we are pushing ahead with our product development – with a focus on digitalization – and the closer integration of our traditional business with digital (and in some cases interactive) services. At the same time, we aim to reduce our IT system costs and cut throughput times by basing our organization more firmly on standardized processes. Other positive effects could result from the greater integration of our existing organizational units as well as the transfer of important aspects of Ströer's expertise to our online activities.

FORECAST

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

We believe that convergence in the media landscape will continue at a faster pace and create a lasting change in the advertising industry in the coming years. The increasing digitalization of media content and advertising solutions means that the traditional boundaries between different types of media are breaking down. Transparent performance figures such as reach and target group contact will become increasingly important for the media market and put the focus on audience buying, while the choice of a specific content environment for advertising will become less significant. Through investments in digital advertising media and other premium products, we will continue to enhance the attractiveness of out-of-home media, including in combination with national and regional online offerings. Our digital out-of-home advertising media bring the highly sought-after video market into public places. We therefore expect the proportion of digital products in our customers' mix of out-of-home media to continue to grow.

The planned acquisition of the online activities in the second quarter of 2013 will give us a new growth base in the dynamic and promising online advertising market segment. We aim to leverage our professional marketing expertise and independent seller status to sell online advertising space. This applies in particular to the regional marketing of online display advertising, which barely exists today.

Our forecasts for future business development reflect the significant factors that were known at the time the financial statements were prepared and that could influence our activities in 2013 and beyond. However, it should be noted that our advertising markets are characterized by short advance bookings, in many cases with a lead time of no more than eight weeks. As a result, forward-looking statements for the full year are subject to a high level of uncertainty. In addition, changes in the net advertising market cannot always be reliably predicted on the basis of expected economic development (GDP) because the correlation between these two parameters can vary greatly from year to year.

Based on the structural changes in the market and the projects outlined above and on a like-for-like basis, we expect a slight to moderate increase in revenue and earnings as well as an improved financial position in the Group in the coming years. Strict cost management, process-related and structural efficiency improvements and economies of scale will also contribute to this development. We will continue to systematically work on gradually reducing our leverage ratio (net debt to operational EBITDA) to within our target range of 2.0 to 2.5, which we expect to achieve by the end of fiscal year 2014.

Future macroeconomic conditions

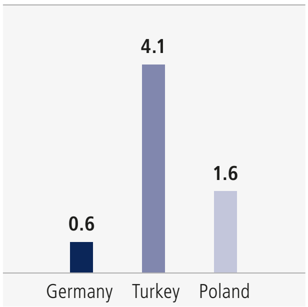
The global economy at the end of the reporting year was dominated by continued uncertainty due to the escalating US budget deficit and the ongoing sovereign debt and banking crisis in the eurozone. These effects will continue to be felt in 2013. Following the last-minute avoidance of the "fiscal cliff" in the US, the US Congress is now set to debate the raising of the debt ceiling. Discussions about the solvency of the US, doubts about the handling of the sovereign debt crisis in the eurozone and related concerns about the future of the eurozone are likely to have an impact on the real economy in 2013 as well.

Although the eurozone was stuck in a recession during the reporting year, many economists believe the trough was reached at the turn of the year 2012/2013. The ECB's announcement that it would buy unlimited quantities of bonds from crisis-hit countries that get into difficulties has settled the financial markets for the time being. With sometimes harsh fiscal policy measures, the crisis-hit countries achieved some initial successes in curbing their budget deficits, even if these measures initially depressed economic activity. By the end of 2013, the eurozone economy is expected to stabilize as the financial markets settle. For full-year 2013, both the European Commission and the OECD forecast a sideways movement in GDP (+0.1%), while the IMF anticipates a slight downturn (–0.2%). For 2014, the OECD and the European Commission expect structural reforms to take effect and progress to be made in the structure of economic and monetary union, leading to more solid growth of 1.4%. In the reporting year, however, economic development in the eurozone countries varied considerably.

In **Germany**, the comparatively robust fiscal situation, an upturn in export demand and stable domestic demand as a result of high employment will continue to lead to growth rates above the eurozone average in the coming years, according to economists' estimates. Due to the continuing uncertainty about the euro, the OECD reduced its economic forecast during the reporting year and, at year-end, predicted 0.6% growth in Germany in 2013. The forecast by the German Institut for Economic Research ["Deutsches Institut für Wirtschaftsforschung": DIW] of 0.9% was slightly higher. Assuming that the eurozone stabilizes, economists expect stronger growth rates of 1.9% (OECD) and more than 2% (DIW) in 2014. These forecasts are also based on the assumption that the financial and capital markets will stabilize.

Expected real GDP growth in 2013

In %



Source: OECD

During the reporting year, the Turkish economy was hit hard by the developments in the eurozone and measures taken by the Turkish government and central bank. Its expected growth rate of around 3% could not match the high level seen in prior years. The OECD and the Turkish government expect an upswing in the coming years, which should lead to a real GDP increase of 4.1% in 2013 and 5.2% in 2014. **Turkey's** emerging economy – which is supported by a powerful private sector – is still considered an attractive market and location for investment. Wide-ranging projects to expand public infrastructure are boosting investment activity. The audit firm Deloitte expects per capita consumer spending to grow by 39% between 2011 and 2015. Persistently high inflation remains a problem, although it had fallen to a mid-single-digit level at the end of the reporting year. The OECD forecasts inflation rates of around 6% in 2013 and 2014.

After rising by 2% to 2.5% in 2012, economic growth in **Poland** is expected to cool in the coming months due to the anticipated decline in consumer spending, which has traditionally boosted the Polish economy in recent years. However, consumer spending is suffering noticeably from the uncertainty caused by the crisis in the eurozone and a less robust labor market. Following a weaker forecast for the first half of the year, foreign trade is expected to pick up from the third quarter of 2013, provided that the situation in the eurozone does not destabilize any further. While the Polish government predicts that growth will continue at the 2012 level, the OECD believes that it will dip temporarily to 1.6% in 2013, before increasing again to 2.5% in 2014. Even at this lower level, growth forecasts for Poland are still above the EU average.

Future industry performance

For 2013, ZenithOptimedia expects a picture similar to the prior year: While the PIIGS[1] countries are forecast to see a further decline in advertising spending, expenditures in northern and central European countries should rise by 0.8%. From 2014, ZenithOptimedia predicts more robust growth rates of more than 2% in western Europe. As a result of the generally good state of the export sector, solid domestic demand and the robust labor market, the German advertising market is again expected to outperform the European average.

Experts believe that digital media will continue to gain ground. At present, the internet remains the fastest-growing medium. A study by audit firm PwC from June 2012 pegs the growth rate for internet advertising (CAGR) at 13% for the period from 2011 to 2016 in the EMEA region (Europe, Middle East and Africa). The growth rate for out-of-home media is forecast at 4.2% in both 2013 and 2014, making it the second-fastest-growing medium after the internet, ahead of TV and radio. By contrast, print media are being hit hard by the migration of content to new digital formats. There were similar findings in the OMG[2] Preview 2013, a survey conducted among German media agencies about trends in the advertising market. Among those surveyed, 53% said that they expected out-of-home media to further increase its market share in the next five years. Only internet media were forecast by more respondents to see an increased market share. Participants in the survey were much more skeptical about the chances of TV and radio expanding their share. 100% of respondents believed that the market share of print media would continue to decline.

Development of the German advertising market

The sovereign debt crisis and the resulting economic uncertainty will again put a noticeable damper on companies' advertising investments in 2013. In this environment, the German advertising market – boosted by the stable economy – is expected to be more robust than average compared to other western European countries. MagnaGlobal forecasts 0.8% growth in advertising expenditures in 2013, in line with the OECD's most recent economic growth expectations. ZenithOptimedia takes a more optimistic view and estimates that German advertising spending will rise by 1.6%. By contrast, PwC considers growth of 2.8% in the advertising market to be realistic for 2013. All agencies point to the stronger role of digital media, which will be a key driver of the expected growth. Accordingly, ZenithOptimedia and PwC anticipate growth rates of 9% to 11% for online advertising in 2013. ZenithOptimedia estimates that advertising spending on online media will surpass that of television advertising for the first time in 2013. However, the Central Association of the German Advertising Industry ["Zentralverband der deutschen Werbewirtschaft": ZAW] recently stated that it expects mainly muted development for 2013. 72% of ZAW's associations anticipate that advertising budgets will remain stable, while 14% expect increasing spending on advertising. ZenithOptimedia and PWC expect the German advertising sector to see an improvement of 2.7% to 2.9% in 2014.

Advertising revenue in the German out-of-home segment will be more stable than the overall advertising market in 2013, according to ZenithOptimedia. It anticipates that out-of-home advertising will grow by 3.7% in 2013, faster than TV, radio and print, and by 4.9% in 2014. PwC expects increases of almost 3% in both years. These forecasts are based on a catch-up effect following the weakening of the market during the reporting year as well as the stronger role of digital out-of-home media. In our planning for 2013, we expect that the advertising market will merely remain steady and only anticipate a gradual improvement from 2014.

[1] Portugal, Italy, Ireland, Greece, Spain
[2] OMG = Organization of Media Agencies in the German Association of Communications Agencies ["Gesamtverband Kommunikationsagenturen": GWA]

Development of the Turkish advertising market

As a result of the cooling of the Turkish economy caused by the euro crisis, the Turkish advertising market was unable to match the double-digit growth rates of prior years. However, in our view, the economic and socio-economic conditions in Turkey generally remain positive for the development of the advertising market. Advertising spending per capita is only a fraction of the figure for Germany. Given Turkey's young, consumer-oriented population, we believe this represents a positive platform for achieving growth in excess of comparable established markets in Europe. The market researchers from ZenithOptimedia and PwC expect double-digit percentage growth in 2013 and 2014, driven by factors including sharp increases in the online advertising market. After online and TV, out-of-home media are expected to see the third-biggest growth. We are also more upbeat about the Turkish media market in 2013. However, owing to the market's recent slowdown, we currently believe that growth is only likely to be in the mid-single-digit percent range. By contrast, we are predicting a faster pace of growth in 2014 when the financial markets are expected to settle.

Development of the Polish advertising market

Except for online advertising, all major segments of the Polish advertising market contracted in the reporting year. The media market was influenced by the increased economic slowdown over the course of the year and the continued high pressure to grant discounts. Market experts have given mixed forecasts regarding the development of the advertising market in the coming years. While ZenithOptimedia sees another significant decline in advertising spending in 2013 for both the overall market and out-of-home media, PwC expects growth in the mid-single-digit range. MagnaGlobal predicts that the advertising market in Poland will be flat in 2013. Our planning for this year anticipates a mid-single-digit percentage decline in the out-of-home market. We only expect a gradual recovery to begin in 2014.

Anticipated revenue and earnings development

The Ströer Group's future revenue and 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 often looks only a few months into the future at a time, also significantly limits the reliability of our statements on the long-term development of revenue and earnings.

The Ströer Group

For 2013, we believe that economic data will stabilize and the euro and sovereign debt crisis will gradually be overcome. These factors – supported by our investments in premium inventory and customer retention measures by our sales organization – should enable us to achieve organic consolidated revenue growth in the low-single-digit percentage range in 2013. Furthermore, revenue will increase in 2013 as a result of our acquisition of the online activities, which are expected to be consolidated from the second quarter. If the stabilization of the economy and the advertising market continues in 2014, we currently expect organic consolidated revenue growth in the low to mid-percentage range in the following year, boosted by an above-average revenue increase from the online activities.

→ Further information on our acquisition on the online activities, see section "subsequent events" on page 90.

We expect costs in 2013 to increase faster than revenues. The largely revenue-driven rise in leasing and running costs will also result in higher energy costs due to market prices and in inflation adjustments on fixed leasing obligations in Turkey. In terms of overheads, we expect higher personnel expenses as well as development costs for sales and IT projects.

Assuming unchanged exchange rates, this should lead to a moderate increase in the Group's operational EBITDA in 2013. However, the EBITDA margin is not expected to increase due to the low level of organic revenue growth and the lower margins in the online business compared to the out-of-home segment. For 2014, we expect EBITDA contributions and margins to continue to increase in both the core business and the online activities.

Germany segment
We are seeing that our customers have adopted a cautious approach in light of the economic situation, although they are also showing a keen interest in our premium products and digital formats. In the reporting year, we laid the foundation for improved regional marketing and stronger volume and success-oriented national marketing. We also expect positive impetus from the better comparability of media performance indicators thanks to the launch of the PpS system described above. As Germany's market leader, we are playing a major role in this trend with our digital out-of-home offerings, particularly the Out-of-Home Channel in train stations and shopping malls. We will continue to selectively expand our digital inventory in the coming years. Despite our expectation that the advertising market will not grow in 2013, we believe that the measures we have introduced will deliver low-single-digit percent organic revenue growth for Ströer Germany. We anticipate a slight improvement in the growth rate in 2014. With regard to profitability, we are optimistic that we can increase the operational EBITDA margin again from 2014.

Turkey segment
As in Germany, we are also attractively positioned in the Turkish out-of-home advertising market. In recent years, we have increased our capacity in the large-format segment by investing extensively in premium advertising media with scrolling technology. In the medium term, provided there is no political or economic upheaval, it should be possible for the media and out-of-home advertising market to again grow faster than GDP in percentage terms. For the two subsequent fiscal years, however, we generally expect the media market and Turkish economy to grow at roughly the same pace. Thanks to our investments in expanding our advertising media capacity, especially in the Istanbul region, we believe that we are well positioned for further growth. In an environment characterized by robust demand, this volume effect should have a considerably stronger impact than in the reporting year. Additional momentum is expected from new sales concepts for marketing giant posters and regional advertising media. In this overall context, we expect to record organic revenue growth in the mid-single-digit percentage range in 2013. In view of the relatively high proportion of fixed lease contracts and moderate inflation adjustments, the higher revenue should lead to improved absolute EBITDA figures and an increase in the operational EBITDA margin, especially as the margin in 2012 was significantly reduced by start-up costs for individual city contracts. This development should continue in 2014 as revenue continues to rise.

"Other" segment
We believe that the Polish advertising market in 2013 will again be negatively impacted by the effects of the euro crisis on the country's economy, although we expect some improvement over the course of the year. At the same time, we are facing persistently fierce competition from other providers of out-of-home advertising. We will counter this by upgrading existing sites to higher quality advertising faces and systematically reducing the number of less attractive sites. We expect organic revenue to continue to decline in 2013 due to market-related factors, before recovering slightly in 2014 against the backdrop of an improved economic environment. In our view, the launch of a professional performance measurement system in line with western European standards from 2015 should help ease the current pressure to grant discounts, as will the probable further steps toward consolidation in the media market. In the giant poster division (blowUP), we forecast relatively stable revenue in 2013, which should be boosted by new large-format digital boards in the UK and the Netherlands. Overall, we expect a decline in operational EBITDA and the operational EBITDA margin in the segment. Following the stabilization of the business situation in Poland and the increased penetration of digital media in the blowUP group, we anticipate an improvement in this segment's operational EBITDA margin in 2014.

Consolidated profit

The forecast growth in operational EBITDA in the next two years should lead to an improvement in consolidated profit after taxes. A significant decrease in interest expenses will also contribute to this. On the one hand, the restructuring of the Group's debt financing will result in interest savings in the low single-digit million range. On the other, interest expenses will decline even more significantly due to the expiry of interest rate derivatives that were entered into a few years ago in conjunction with an earlier debt financing agreement. Conversely, non-cash expenses from interest-related changes in the value of derivatives or from negative exchange rate-related changes in the value of intragroup loans could have an adverse effect on the financial result and therefore on consolidated profit. As it is almost impossible to forecast the development of the market parameters that influence the above values, such as yield curves and exchange rates, these parameters were not taken into account in our statements on expected consolidated profit.

Expected financial position

During the reporting year, we restructured the Group's syndicated loan and extended it for a period of five years until mid-2017. The repayment of part of the extended credit lines in the course of the refinancing using the cash on hand held in reserve will lead to a decline in interest expenses during the forecast period. However, in the short term we do not expect a significant increase in the base interest rate. The covenants are designed to provide sufficient headroom even during economic and seasonal fluctuations such as those seen during the reporting year. Our medium-term goal is to bring our leverage ratio back down to a level of between 2.0 and 2.5. In light of the ongoing uncertainty in the markets relevant to us in 2013, however, we believe it is unlikely that we will reach a level within this range during the year. We expect the planned online transactions to only lead to an insignificant increase in our reported leverage ratio because we are financing a large proportion of the purchase prices by issuing new shares. In summary, it is our view that the loan gives us sufficient scope to carry out planned investments and seize business opportunities that may arise during the forecast period.

Dividend policy

Ströer 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 value-adding growth projects. We are confident that our reinvestments will result in appropriate returns in the interests of our shareholders and enable us to further consolidate our competitive 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 Group's expected financial development.

Planned investments

During the forecast period, we have planned investments within normal business levels primarily in our advertising media portfolio in order to modernize our existing advertising media networks or to create new infrastructure in connection with extending or acquiring concessions. A key component of our growth investments in 2013 relates to the further penetration of digital media in Germany's train stations and in additional shopping malls. This year, we will also continue to invest in increasing our capacity of high-quality advertising media in the important metropolitan areas of Istanbul and Ankara. In the "Other" segment, we are planning to make further investments in digital boards in the blowUP group and to add backlit advertising faces to our Polish advertising media portfolio. The group holding company intends to adapt the IT landscape group-wide to meet the challenges of our growing business volume and the associated control requirements by the beginning of 2015. As a rule, we expect renewal and replacement investments in the broader sense to account for around 5% of our revenue from out-of-home advertising. For 2013 and 2014, we expect the Group's total investments – excluding acquisitions – to total at least EUR 50m. As a considerable proportion of this amount is not backed by binding investment commitments, we can significantly scale back investments if this is necessitated by market developments or the consolidated financial position. The group holding company acquired another 15% of the shares in the blowUP group at the beginning of 2013, increasing its stake to 90%. In fiscal year 2013, Ströer is also planning investments relating to the acquisitions of shares in adscale/the Ströer Interactive group that have already been approved by the Federal Cartel Office.

SUBSEQUENT EVENTS

Entry into the online advertising business

The Ströer Group is expected to initially acquire 91% of the shares in adscale GmbH ("adscale"), Munich, through its group holding company Ströer AG, with economic effect from the second quarter of 2013. The corresponding purchase agreement was notarized on 15 December 2012. In the area of online advertising, adscale operates a technology-based marketplace (ad exchange) for a connected portfolio of around 5,000 websites. Within this portfolio, advertising customers and agencies (advertisers) can purchase their desired digital advertising formats for specific target groups via a transparent platform. For the operators of the websites marketed by adscale, the platform serves as an important distribution channel that allows them to efficiently utilize their capacities. The purchase price for the shares acquired in the company, before offsetting financial liabilities and cash reserves, is a minimum of EUR 15.9m. However, it may rise as a result of contractual price adjustment clauses (earn-out arrangements).

Furthermore, Ströer AG is expected to acquire all the shares in Ströer Interactive GmbH and freeXmedia GmbH as well as 50.4% of the shares in Business Advertising GmbH with economic effect from the second quarter of 2013. The agreement was notarized on 22 December 2012. The companies are primarily active in the exclusive marketing of websites and enter into service contracts with publishers for this purpose. The contracted websites are bundled horizontally and/or vertically into topic channels (e.g., car channel) for specific target groups and are offered to advertising customers and agencies using various online products. The purchase price for the three companies, before offsetting financial liabilities and cash reserves, is a maximum of EUR 63.1m. The basic component of the purchase price liability will be settled by issuing a maximum of around 6.8 million new shares in Ströer AG at an issue price of EUR 7.31 per share. Any purchase price liability arising from the contractually agreed price adjustment clauses (earn-out arrangements) will be paid in cash.

In a decision dated 20 February 2013, the Federal Cartel Office granted its approval of the acquisition of the four companies described above. The companies will be included in the Ströer Group's consolidated financial statements by way of full consolidation in 2013 from the closing date of the share transfers. In the course of this consolidation, the assets being acquired are expected to increase consolidated assets by a mid-double-digit million figure. Over a 12-month period, the acquisition of the companies is expected to result in a revenue increase in the high-double-digit million range and a positive effect on the Group's results of operations.

Acquisition of 15% of the shares in blowUP Media GmbH

On 16 May 2012, the Ströer Group through Ströer AG concluded a purchase agreement for a further 15% of the shares in blowUP Media GmbH, Cologne. The acquisition was deferred to take effect as of 1 January 2013 and increased Ströer's shareholding in the company from 75% to 90%. The minimum purchase price for the additional shares is in the mid-single-digit million range. The effect of the price adjustment clauses (earn-out arrangements) contained in the purchase agreement cannot be assessed at present and, in the event of a clearly positive business performance, could lead to further purchase price payments in the mid-single-digit million range in the coming years.

Extraordinary shareholder meeting

At the extraordinary shareholder meeting held on 7 March 2013, the Company's shareholders approved, with well over 90% of the votes, the resolutions proposed by the management board and the supervisory board to change the company's name and its purpose.

INFORMATION IN ACCORDANCE WITH SEC. 315 HGB AND EXPLANATORY REPORT OF THE BOARD OF MANAGEMENT OF STRÖER AG

The following information required under takeover law is presented in accordance with Sec. 315 (4) HGB.

Composition of subscribed capital

The capital stock of Ströer AG amounts to EUR 42,098,238.00 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 28.18% and Dirk Ströer 25.34% 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 ["Wertpapierhandelsgesetz": German Securities Trading Act]

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 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 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 AG was increased conditionally by a maximum of EUR 11,776k by issuing up to 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 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 AG and a syndicate of various banks and credit institutions. The syndicate granted the Company a loan of EUR 275m and a credit line of EUR 225m. This new facility agreement concluded in 2012 replaced the existing loan liabilities and subordinated loans.

The provisions relating to a change in control reflect normal market arrangements. They do not result in automatic termination but grant our contracting partners the option to terminate in the event of a change in control or trigger the obligation to acquire shares in Ströer Kentvizyon Reklam Pazarlama A.S.

Employment contract for a member of the board of management

The employment contract between the board of management member Dirk Wiedenmann and Ströer AG contained an extraordinary right to termination for Dirk Wiedenmann, under which he would have been able to terminate his employment contract giving notice of 12 months in the event of a change in control. This extraordinary right to termination no longer applies following Dirk Wiedenmann’s departure from the board of management as of 31 December 2012.