XING

ANNUAL REPORT 2017

Key figures

	Unit	2017	2016	2015	2014	2013
Total revenues[1]	€ million	187.8	148.5	122.9	101.4	84.8
EBITDA reported	€ million	58.4	47.9	36.6	29.2	22.8
EBITDA margin reported	in %	31	32	30	29	27
Adjusted EBITDA	€ million	58.4	47.9	36.6	31.6[4]	24.3[3]
Adjusted EBITDA margin	in %	31	32	30	31[4]	29[3]
Consolidated net profit/loss reported	€ million	25.9	23.6	17.6	6.2	9.1
Adjusted consolidated net profit / loss	€ million	23.6[2]	23.6	17.6	15.7[5]	10.5[3]
Earnings per share (diluted) reported	in €	4.61	4.19	3.15	1.10	1.65
Adjusted earnings per share (diluted)	in €	4.19[2]	4.19	3.15	2.80[5]	1.90[3]
Regular dividend per share	in €	1.68[8]	1.37[8]	1.03	0.92	0.62
Cash flow from operations reported	€ million	58.7	49.9	35.8	34.2	23.8
Cash flow from operations adjusted	€ million	58.7	49.9	39.8[6]	34.2	23.8
Equity	€ million	79.0	69.9	60.5	43.4	62
XING users Germany, Austria, Switzerland (D-A-CH), total	million	14.3	12.13	10.13	8.33	6.93
thereof platform members	million	13.4	11.42	9.60	8.01	6.93
thereof subscribers	thousand	994	929	881	835	807
InterNations members	in Mio.	2.8				
thereof subscribers	in Tsd.	124				
B2B E-Recruiting customers (D-A-CH)		19,296	17,031	17,930	17,197	16,031
thereof B2B E-Recruiting segment (subscription)		7,972				
B2B Advertising & Events segment customers (D-A-CH)		8,072	6,616	5,464[7]	2,196	2,246
Employees		1,290	961	792	649	571

[1] *Incl. other operating income*
[2] *Adjusted for positive one-time effects of acquisitions of €2.4 million or €0.42 per share*
[3] *Adjusted for €1.5 million in non-operating expenses arising from the earn-out obligation of kununu GmbH or €0.25 per share*
[4] *Adjusted for €2.4 million in non-operating expenses arising from the earn-out obligation of kununu GmbH*
[5] *Adjusted for €2.4 million in non-operating expenses arising from the earn-out obligation of kununu GmbH and the €7.1 million impairment of XING Events or €0.70 per share*
[6] *Due to changes in the IFRS guidance on accounting for purchase price obligations from earn-out arrangements arising from the acquisition of companies, earn-out payments must be recognized under cash flows from operating activities. At XING, this change affects the earn-out obligation for the kununu transaction. The effect is €-3.9 million. The cash flows from operating activities for the reporting period, excluding the non-operating kununu effect, thus amounted to €39.8 million.*
[7] *Change in calculation following segment consolidation*
[8] *Proposal to the Annual General Meeting (May 16, 2018)*

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XING is the leading social network for business professionals in the German-speaking market

XING provides advice and support to its more than 13 million members during the upheaval processes in the world of work. In an environment marked by a shortage of skilled workers, digitalization, and changes in values, XING helps its members achieve as harmonious a work / life balance as possible. For example, members can use XING Jobs to find the position that meets their individual needs, keep up to date with the news offerings on XING and participate in the debate, or find out about changes and trends in the new world of work on the XING spielraum topics portal.

In early 2015, the Jobbörse.com website – the biggest job search engine in the German-speaking market – was added to the Company's portfolio. Prior to this, XING had further strengthened its position as the market leader in social recruiting by acquiring kununu, the leading employer review platform in the German-speaking market. XING continued on its growth trajectory in 2017 by acquiring Prescreen, the fastest-growing applicant tracking system provider in Europe, and InterNations, the world's largest network for people who live and work abroad.

Established in 2003, XING has been listed since 2006 and has been a TecDAX member since September 2011.

XING employs about 1,300 people and has a presence in Hamburg, Munich, Barcelona, Vienna, Zurich and Porto.

2017: FACTS & FIGURES

2017 was the most successful year in the Company's history. We achieved all our important targets and added more new members (+2 million) than ever before.

We also set new records in terms of revenues (€188 million) and operating result (€58 million).

And we welcomed two new members to the XING family with our July acquisitions of Prescreen and InterNations.

→ **CSR AT XING**
For the first time, we are publishing our CSR strategy and goals in a separate CSR Report.

XING JOBS

~800,000

vacancies

>650,000

2.5

REVIEWED EMPLOYERS KUNUNU

2.5 million reviews
>650,000 employers

EMPLOYEES

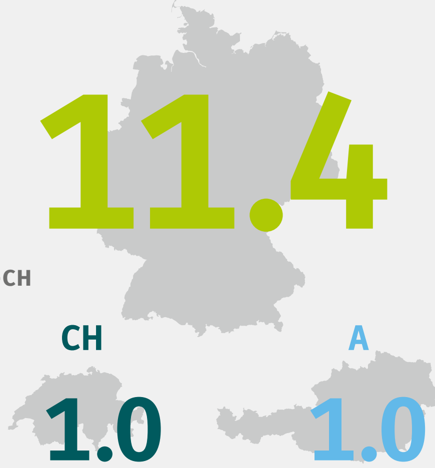
2017: 1,290
2016: 961

1,290

MEMBERS

13.4 million members in D-A-CH
11.4 million members in Germany (D)
1.0 million members in Austria (A)
1.0 million members in Switzerland (CH)

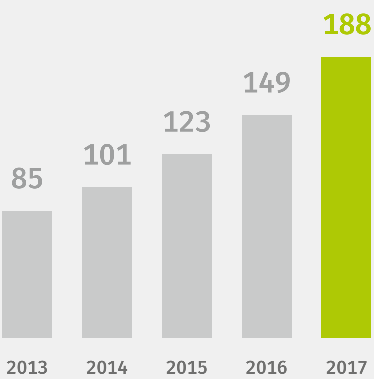
including
994,000 subscribers



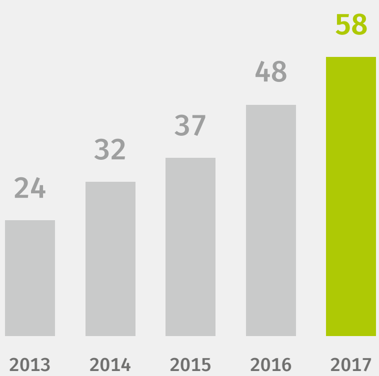
XING SHARE PRICE PERFORMANCE

December 31, 2016 to December 29, 2017

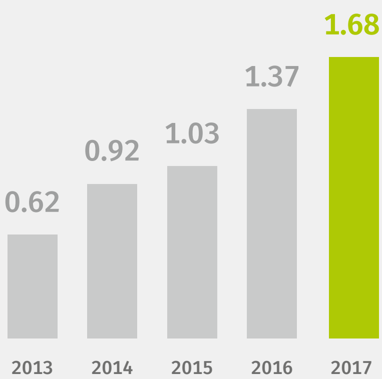
TOTAL REVENUES
in € million



EBITDA (ADJUSTED)
in € million



REGULAR DIVIDEND
in €



THE GROUND-WORK HAS BEEN LAID

Letter to our shareholders by
Dr. Thomas Vollmoeller, CEO

Dear Shareholders,

2017 was the most successful year in XING's history. With two million new members, we welcomed more people to our platform in a single year than ever before. This growth rate of one million new members every six months once again made us the fastest growing professional network in the German-speaking market and enabled us to extend our market-leading position. All business units recorded strong growth, while our strategically important acquisitions and commitment to the topic of New Work set a course for further growth.

XING CEO Dr. Thomas Vollmoeller in his office in Hamburg.

2 million

new members in 2017

26%

growth in total revenues to €187.8 million

We increased total revenues by 26 percent year-on-year to €187.8 million in the past year. Adjusted for the effects of the acquisitions of Prescreen and InterNations completed in the past year, total revenue growth totaled 23 percent. The B2C segment, which reports income from end customers for paid services, was once again our strongest revenue driver in the past year, with revenue in this segment rising by 16 percent to €89.5 million. The B2B E-Recruiting segment, where our products and innovative solutions help companies to tackle the skills shortage head on, once again reported the strongest revenue growth. Revenues in this segment grew by 41 percent to €76.7 million. The B2B Advertising & Events segment showed similarly powerful growth, with revenues climbing 33 percent to €17.9 million. EBITDA increased by 22 percent to €58.4 million, while net assets rose by 10 percent to €25.9 million.

14.3 million

members including XING Events users

15

executives make up one XING Executive Circle

Strong growth at the end of last year brought the member base up to over 13.4 million. Including XING Events users, total users thus came to 14.3 million at the end of December 2017.

On the product side, XING's completely redesigned app for iOS and Android has been in the beta phase since December 2017. The new app offers a new operating design that deliberately differs from the previous XING app and popular social network apps. What makes it particularly special is that users navigate by swiping horizontally through the content. Last year also saw XING significantly expand the video side of the platform and launch a new video podcast, XING Talk. This features prominent figures in Germany such as Prof. Dietrich Grönemeyer and Michel Abdollahi as well as video podcasts by a range of industry insiders. XING Executive Circles are aimed specifically at executives. A single XING Executive Circle consists of around 15 executives, who meet up several times a year to share their views on specific professional challenges on an equal footing. Not only do they gain valuable new contacts; they also receive helpful input and interesting fresh perspectives on their business – directly from other top decision-makers in person.

XING also developed several new products in the B2B segment over the last financial year. The Company unveiled a new tool for modern recruiting at Zukunft Personal ("Future of HR"), the leading trade fair in the HR space. With the XING TalentPool-Manager, recruiters can now proactively manage candidates and create a talent pool regardless of current vacancies. This new tool forms part of the comprehensive XING E-Recruiting 360 offering, which is designed to meet a wide range of digital recruitment needs.

"On the product side, XING's completely redesigned app for iOS and Android has been in the beta phase since December 2017. The new app offers a new operating design that deliberately differs from the previous XING app and popular social network apps."

> “Our exceptional positioning on the future of work, one of the biggest issues currently facing our industry, is helping us to become increasingly well established as a key hub for knowledge workers, who cannot afford to be without a XING profile in their professional lives.”

XING has continued to set a course for future growth by making two acquisitions. Within just one week, the Company first acquired Prescreen, the fastest-growing applicant tracking system (ATS) provider in Europe, and shortly afterwards InterNations, the world’s largest network for people who live and work abroad. With Prescreen, XING gives HR managers the opportunity to manage the entire process from vacancy to hiring using a software package, making it effective and efficient. The acquisition of InterNations will help XING to continue expanding its strong position in offline events.

This lays a foundation for us to continue our unabated growth trajectory in the future. Our exceptional positioning on the future of work, one of the biggest issues currently facing our industry, is helping us to become increasingly well established as a key hub for knowledge workers, who cannot afford to be without a XING profile in their professional lives. Thanks to our highly motivated and creative employees, our product pipeline is packed full and the conditions in our domestic market remain very favorable.

All that remains is for me to thank you for your commitment to XING. We hope you will continue to give us your support.

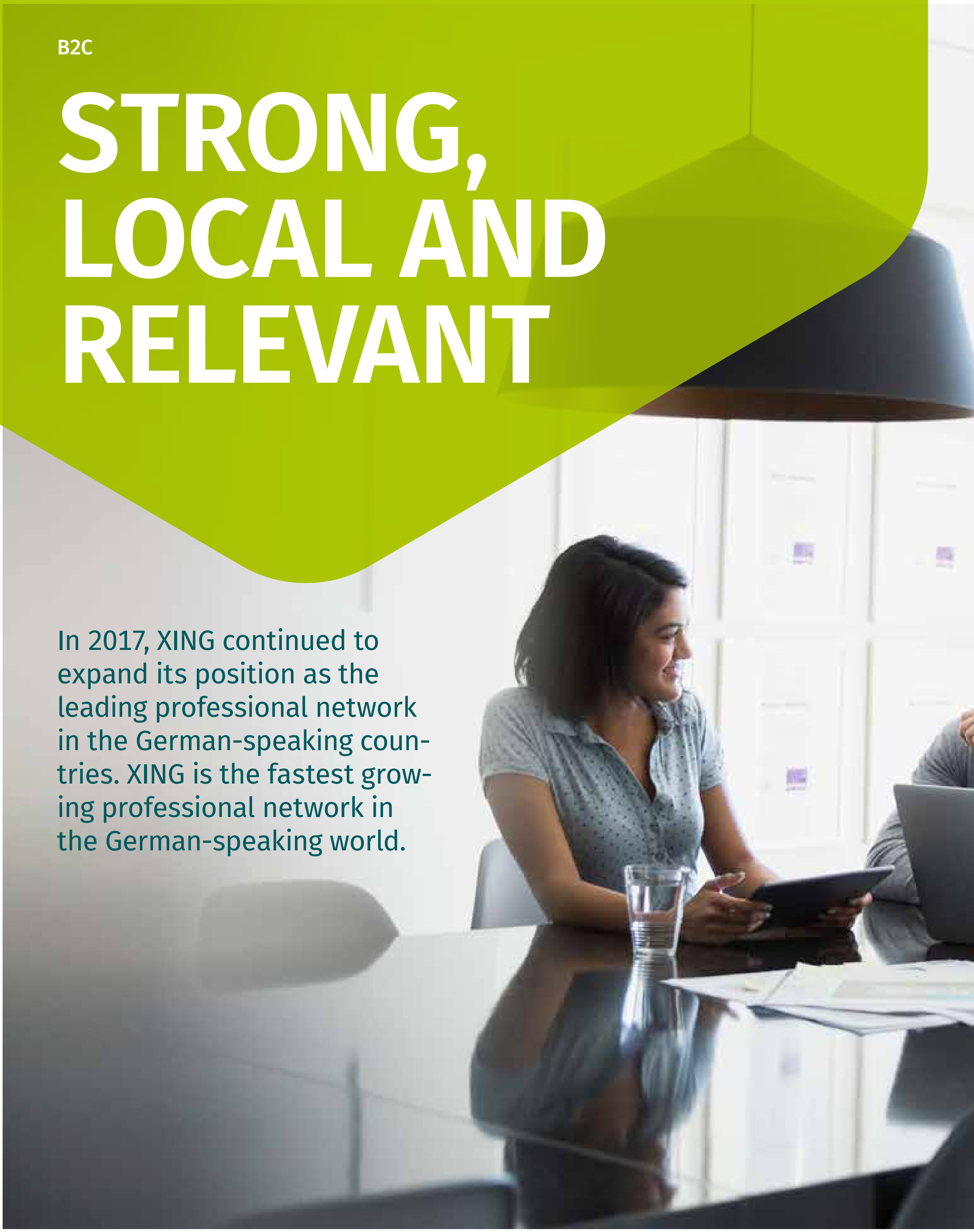
Kind regards,

T. Vollmoeller

Thomas Vollmoeller

B2C

STRONG, LOCAL AND RELEVANT



In 2017, XING continued to expand its position as the leading professional network in the German-speaking countries. XING is the fastest growing professional network in the German-speaking world.

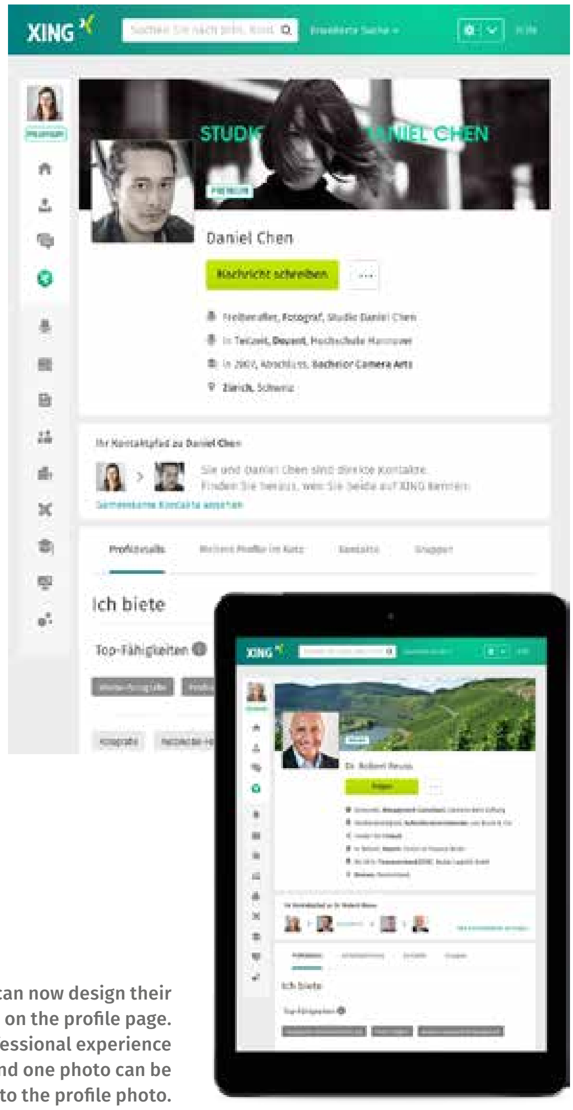
Why is that? The Company was an early adopter of the “new work” megatrend. Its first initiative, the New Work Award, was launched as far back as 2013. XING is always local and nearby, and knows its customers and their regional requirements. An enormous strength in a professional context since, for the vast majority of people, work is something predominantly local. Professionals in Germany seek jobs in Hamburg, Cologne or Munich, not in Singapore or São Paolo. In fact, a study by market research institute Forsa revealed that one in two professionals in Germany want a new job to be at least within a radius of no more than 50 kilometers of where they currently live.

Locally, the leading network also demonstrates its strengths when it comes to information and industry news. News is relevant if it is discussed within a person’s own environment. Since the end of 2017, XING has offered access to this wide variety of content through a brand-new app for iOS and Android. The new app offers a new operating design that deliberately differs from the previous XING app and popular social network apps. What makes it particularly special is that users navigate by swiping horizontally through the content. Last year also saw XING significantly expand the video side of the platform and launch a new video podcast, XING Talk. This features prominent figures in Germany such as Prof. Dietrich Grönemeyer and Michel Abdollahi as well as video podcasts by a range of industry insiders. XING Executive Circles are aimed

“I live life to the fullest” – Professor Dietrich Grönemeyer at the XING Talk

“Everyone can take as much vacation as they like” – Waldemar Zeiler at the XING Talk

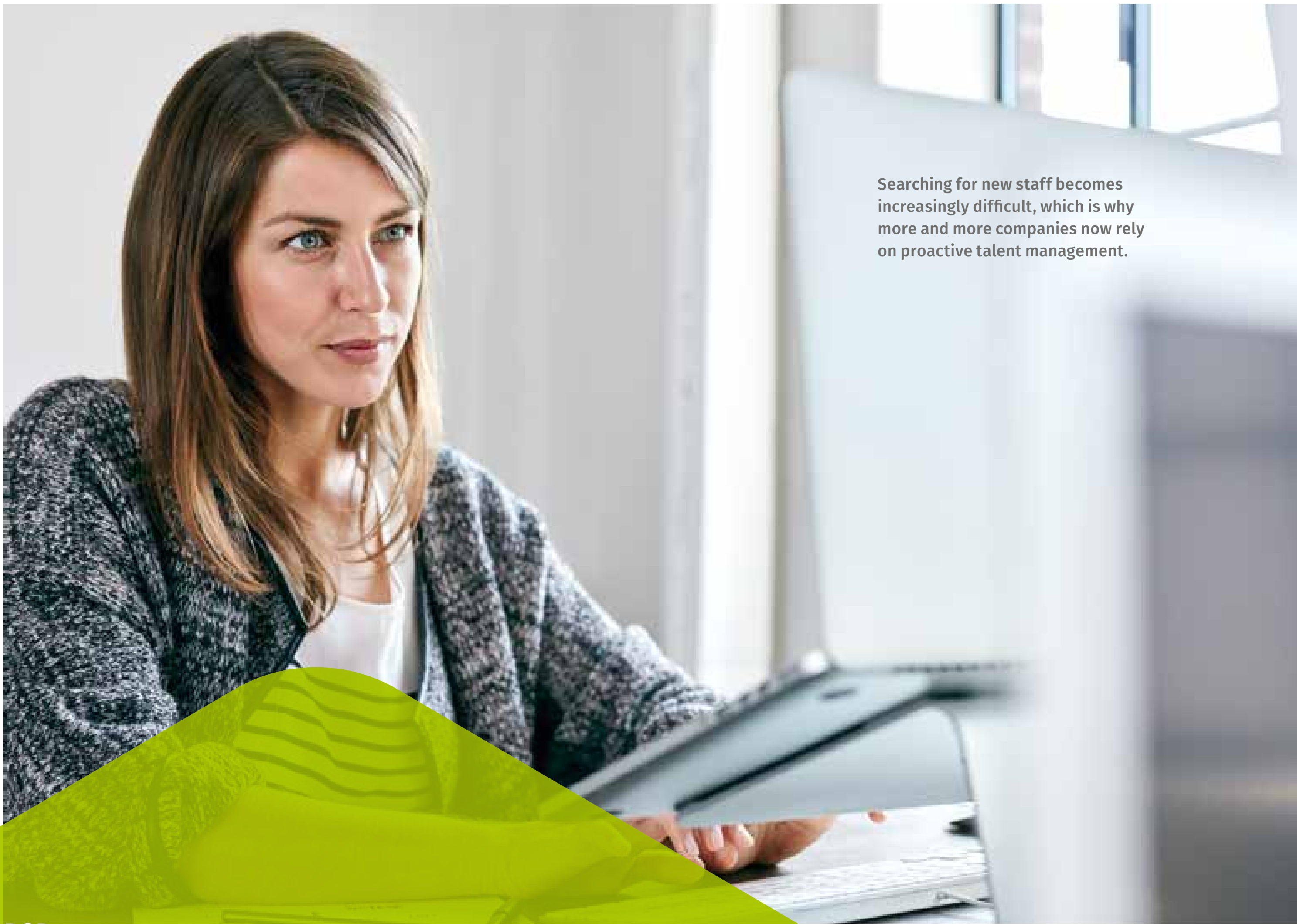
App for iOS and Android with a new operating design since late 2017: users navigate by swiping horizontally through the content.



Premium members can now design their personal business card on the profile page. Up to five entries on professional experience can be displayed and one photo can be uploaded in addition to the profile photo.

specifically at executives. A single XING Executive Circle consists of around 15 executives, who meet up several times a year to share their views on specific professional challenges on an equal footing. Not only do they gain valuable new contacts; they also receive helpful input and interesting fresh perspectives on their business – directly from other top decision-makers in person. XING is a fixture in ever more areas of the digital world of work, making a XING profile a natural part of it for professionals in Germany, Austria and German-speaking Switzerland. The more members there are, the more diverse the requirements on the network. The XING profile is a very central location on XING. This realization pointed the way for the further development of the XING profile in 2017. Besides a fresh new design, providing yet more flexibility was therefore a focus. The new standard design is available on all devices, and users need only configure their settings once. XING then ensures that their individual profile looks good on all devices.

A wealth of attractive products through which XING helps its more than 13 million members to benefit from the opportunities arising from the changes in the world of work, true to the motto For a better working life! No wonder, then, that XING set new records for member growth in 2017. A total of two million new members signed up to the largest professional network in the German-speaking world. In 2016, the figure was 1.8 million. The membership base therefore expanded to more than 13.4 million as of the end of last year.

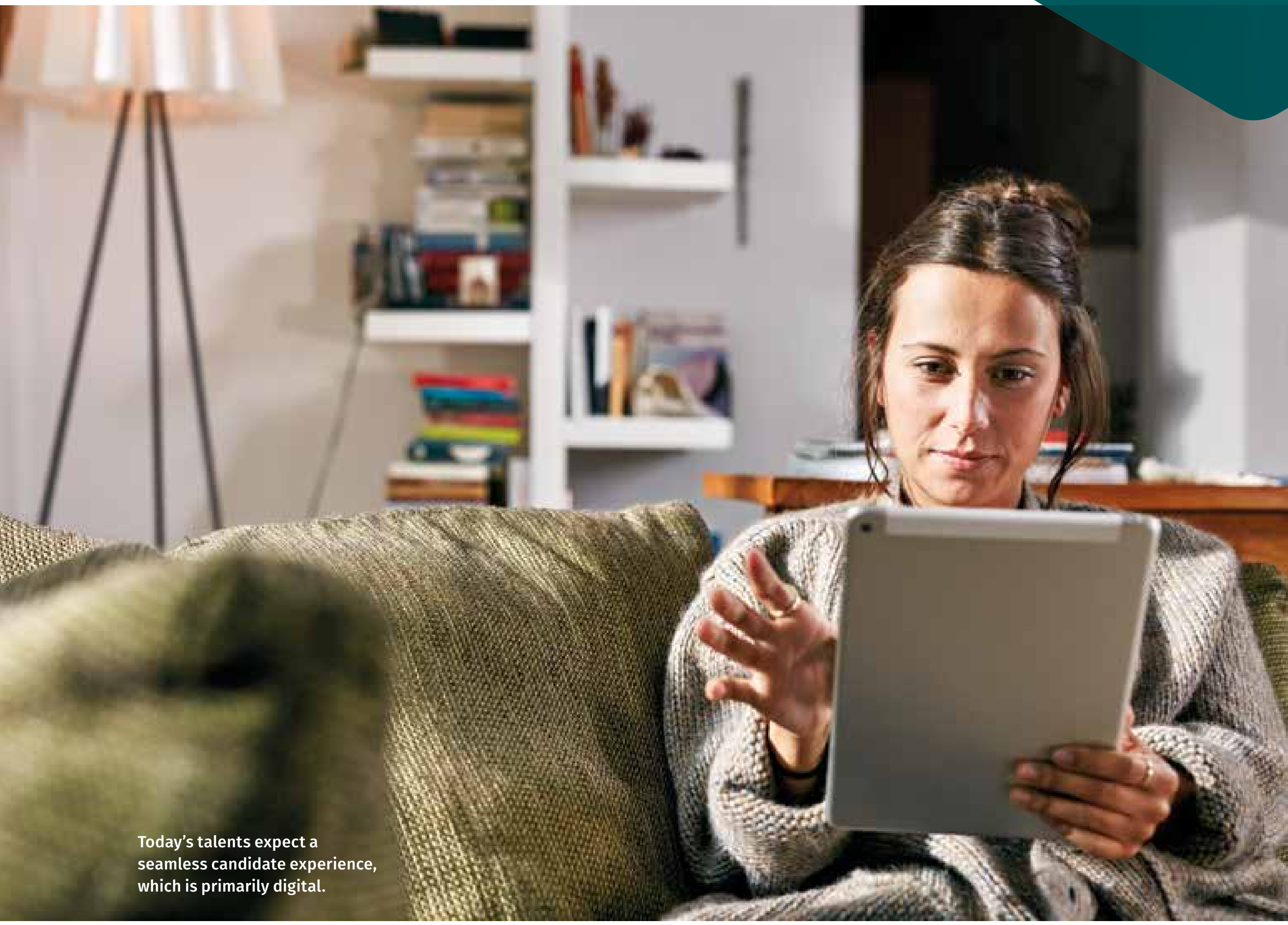


Searching for new staff becomes increasingly difficult, which is why more and more companies now rely on proactive talent management.

B2B

MODERN RECRUITING TODAY

In addition to adopting a new attitude, recruiters need to use the right tools that support them in their daily business. XING E-Recruiting has continued to expand its portfolio and business in this area.

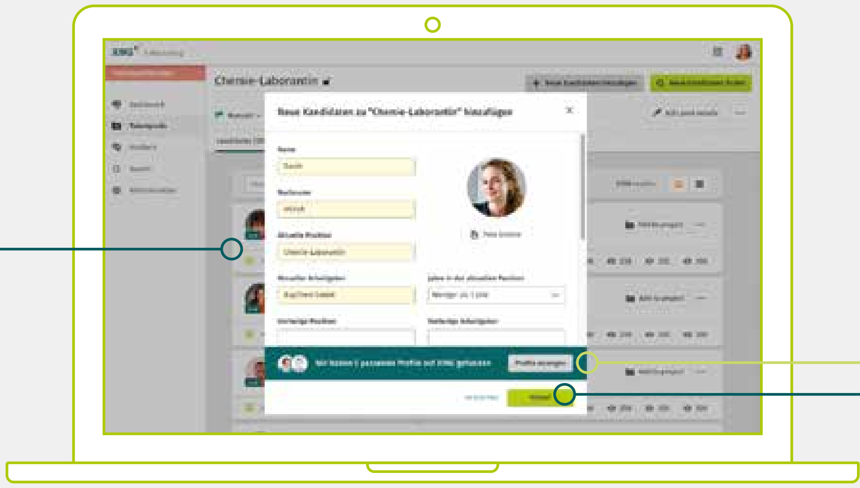


Today's talents expect a seamless candidate experience, which is primarily digital.

The job market is undergoing rapid change. People no longer apply to companies for jobs; instead, companies are having to compete for applicants. At the same time, career starters are becoming increasingly choosy about who they want to work for. A study commissioned by XING and carried out by the market research institute Forsa discovered that the younger working population in Germany wants to decide for themselves where to work, how their working hours are arranged, and how many vacation days to take. All of a sudden, companies are having to identify and point out career development and other opportunities. While these developments certainly make HR work more challenging, digitalization also creates many opportunities and offers tools that can make HR work more effective and more efficient.

Despite the clear shortage of skilled staff, savvy HR managers have little reason to be concerned: according to a Forsa study, around one third of German employees are at least latently willing to move jobs and are open to being approached by recruiters. To better leverage this wealth of potential candidates, XING E-Recruiting launched a wide range of innovative products and in the past financial year has been able to acquire more than 3,000 new customers.

How it works:
XING TalentpoolManager



Upload existing profiles and see whether or not the candidate already has a XING profile.

Another benefit: profile data on stored XING profiles are always kept up-to-date.

Add promising candidates to one of your talent pools.

In times where there is a shortage of skilled labor, recruiting turns into talent management. XING enables recruiters to contact candidates even if there is no specific vacancy.

“Especially when there is such a shortage of skilled workers, a high-quality talent pool is essential. With the XING TalentpoolManager, we offer recruiters a completely new type of candidate management system. Because, unlike many tools on the market, our product works for recruiters – not the other way around. the XING TalentpoolManager automatically keeps all the relevant information about candidates up to date, collects potentially suitable candidates for the company and recommends the best time to approach them.”

Alastair Bruce
Management Board / CSO, XING SE

THE BEST CANDIDATES OF TOMORROW AVAILABLE AT ANY TIME

XING ushered in a new dimension in candidate management at “Zukunft Personal 2017”, the leading HR trade fair, with the XING TalentpoolManager, which speeds up and cuts down on the work involved in locating new staff. The resumes of suitable candidates held in the XING TalentpoolManager automatically update themselves – something that never happens when they are kept in a normal storage system or file. Moreover, this intelligent tool automatically creates talent pools for the company from the XING profiles of potential candidates. XING TalentpoolManager can also store profiles of candidates who are not members of XING.

TIMING IS EVERYTHING: XING REVEALS CANDIDATES’ WILLINGNESS TO CHANGE JOBS

A particularly innovative and useful feature is the information on a candidate’s willingness to change jobs. A special algorithm works in the background and, based on over 50 criteria, calculates how motivated candidates are to change jobs. And it certainly works. When an HR manager contacts a candidate with a high motivation to change, the likelihood of receiving a response is twice that of a candidate with a low rating. In this way, XING is actively helping HR managers choose the most opportune time to approach potential candidates. Although the new tool can also be bought as a standalone solution, it has been part of the XING E-Recruiting 360 service portfolio since it was launched.

XING E-RECRUITING 360° SUPPORTS MODERN, INNOVATIVE HR WORK

In 2017, the Company also bundled XING E-Recruiting 360° and its HR offerings into one compact license package. This fully featured product offers unlimited use of all the modern recruitment tools from a single source and makes personnel recruitment easier, more flexible and more efficient.

The package comprises:

- ➡ XING Job Ads – as a flat rate for unlimited publication of current vacancies, including use of the XING JobManager
- ➡ XING TalentManager for active contact with candidates – with as many licenses as the recruitment team needs
- ➡ XING TalentpoolManager for proactive HR work
- ➡ XING ReferralManager for digitalizing and automating employee referrals
- ➡ Employer Branding Profile Professional for ideal positioning of one’s own employer brand on XING and kununu

Each of these powerful recruiting tools provides real added value as part of a total package that gives companies the flexibly needed to find the right candidates. XING E-Recruiting 360° offers an integrated solution with the following products:

XING E-Recruiting 360°

"**XING E-Recruiting 360°** hits the spot for Facelift. XING's approach is exactly the same as ours: offering customers everything from a single source."

Lars Gibbe
Recruiter – Facelift

Companies can flexibly use whatever tools from this service package they need to support their recruitment efforts – whenever they need them. E-Recruiting 360° covers all channels to provide an optimum recruiting mix. Active sourcing with the XING TalentManager, for example, specifically targets candidates who are not actively seeking a new job. To supplement these measures, advertisements placed on the XING job market and the employer branding profile on XING generate awareness and make a positive impression on candidates. With the XING ReferralManager, you can reach the right candidates for your job vacancies through recommendations in your own staff's personal networks.

A SIMPLE TOOL FOR ALL PLATFORMS

In 2017, XING acquired Prescreen to provide even more comprehensive HR support for recruiters. The clever "Applicant Tracking Systems" (ATS) software solution helps companies looking for staff to manage the entire process – from advertising the vacancy through to hiring the right candidate – cost-efficiently, conveniently and effectively. For instance, they can place job advertisements on their own career pages as well as in networks and on job portals, document applications and sort them by relevant criteria, create a talent pool for filling future vacancies, and even perform assessments to verify the aptitude of candidates. Prescreen is an open system, which means it can be used with networks other than XING or in connection with any job portal.

"Mister Spex plans to keep using **XING E-Recruiting 360°** to attract the best people to the company and so maintain its personnel growth trajectory."

Benjamin Böhmer
HR Business Partner – Mister Spex GmbH

"Here at runtastic we need flexible processes. Thanks to **Prescreen**, our recruiting is now just as innovative as our own product."

Tanja Weidinger
Head of Human Resources – runtastic GmbH

ADVERTISING

ADVERTISING @XING

XING Marketing Solutions provide state-of-the-art advertising formats with which campaigns and messages can be successfully placed in the professional XING environment. As a consultant and partner, the business unit develops highly effective communication strategies for its customers – from native advertising to integrated campaigns. Thanks to granular targeting options, the messages published on XING always reach the right audience.

For the past two years, XING has focused on marketing professional advertising space in a highly relevant environment. XING set up a new business unit for this purpose in June 2016: XING Marketing Solutions GmbH is responsible for generating revenue from advertising marketing on xing.com and mobile services.

The growing success we have enjoyed here is due in large part to the high level of trust that our members have in us. The 2017 Social Media Atlas, a study by Faktenkontor GmbH, validates this trust for the first time. Users trust the commercial information they find on XING more than the information they find on competitive sites.

On this basis, XING Marketing Solutions takes an integrated approach along the marketing funnel on behalf of its customers – from awareness and consideration, to conversion and through to loyalty. With XING Ads, XING Business Pages, XING Sponsored Mailings, Sponsored Articles and various display formats, we cover all of our customers' needs.

Because we know exactly what the indicators are for generating strong brand values and performance, we can optimize our entire range to match them perfectly. This is how we developed a program of marketing tools that delivers successful campaigns.

Developing highly effective communication strategies for our customers requires, in addition to our effective products, high quality professional advice.

Thanks to our precise targeting mechanisms, we are able to deliver our customers' messages to the correct target group, avoid wastage, and thus actively contribute to their marketing success.

"It was the first campaign we launched with XING Marketing Solutions, and we are delighted. Our expectations were exceeded. Within just a very short time, we received hundreds of applications from engineers for our recruiting events. The traffic generated via XING both on our career site and on the XING profiles of our recruiters was considerably higher than we had expected."

Michael Bütow
Head of Employer Branding, Deutsche Bahn AG

Our marketing solutions

XING offers a wide range of advertising options and highly attractive formats for successful campaigns. The clever combination of options enables the creation and successful delivery of highly effective co-branded campaigns that can cover multiple products.

XING
Marketing
Solutions

EVENTS

HOW TO SELL TICKETS TODAY!

The combination of XING Event Market and TicketingManager creates a unique competitive advantage.

XING Events, with its software for online registration and ticketing, operates in a market that is dominated by price wars. Every event requires a professional ticketing solution. This solution should be as inexpensive as possible, however, as the solution itself does not usually generate visitors and therefore does not drive revenue. The goal for XING Events was clear: ticketing must be elevated to a higher status in the minds of event organizers – by offering real added value. The ideal solution proved to be a combination of ticketing and event marketing that would deliver an outcome for the organizer greater than the sum of the two services.

With more than 150,000 events each year, the XING Event Market already occupies the position of the leading marketplace for business events in the German-speaking countries. This has been achieved mainly through the use of convenient and effective marketing tools such as Event Plus and AdManager, and by continuously developing numerous additional features; not to forget, of course, the ability to access a potential target group of 13 million members of the XING platform.

We have combined the numerous advantages of the XING Event Market with TicketingManager to generate a unique competitive advantage. This combination enables event organizers to attract even more people to their business events, which, according to our own surveys and studies, is the organizers' undisputed number one goal.

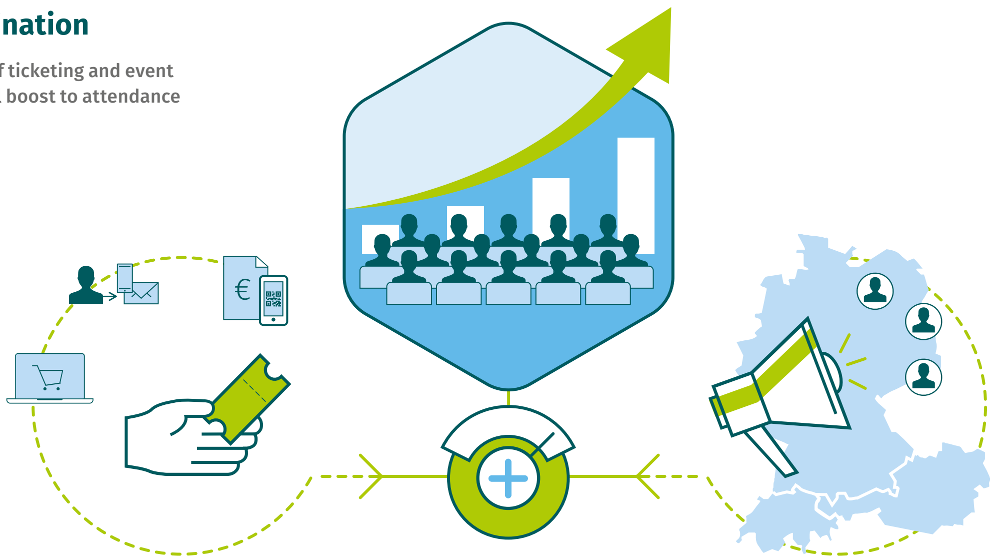
These are some of the benefits offered by the combination:

- ➡ Integration of a ticket shop on the XING event page significantly increases purchasing probability, since potential attendees can purchase their tickets quickly and easily without having to turn to other websites.
- ➡ The integrated ticket shop offers also viral opportunities that are extremely important to today's visitors to events.
  - As soon as someone buys a ticket, this information is shared in the homepage stream of their contacts.
  - The ticket shop also offers users the opportunity to recommend the event to their XING contacts – and even suggests suitable contacts.
- ➡ As soon as the XING Events ticket shop has been integrated on an event page, the event gains preferential status in the recommendations on the XING Event Market, bringing it to the attention of even more potential attendees.
- ➡ Organizers who use the XING Events ticket shop (on their own websites, but of course also on XING) receive additional information about their attendees, thanks to the publicly disclosed data in the XING profile. This supports the organizers' data-driven customer retention strategy.

All in all, the clear promise to all XING Event customers making use of the combination is: "More attendees for your events!"
➡ www.xing-events.com

An effective combination

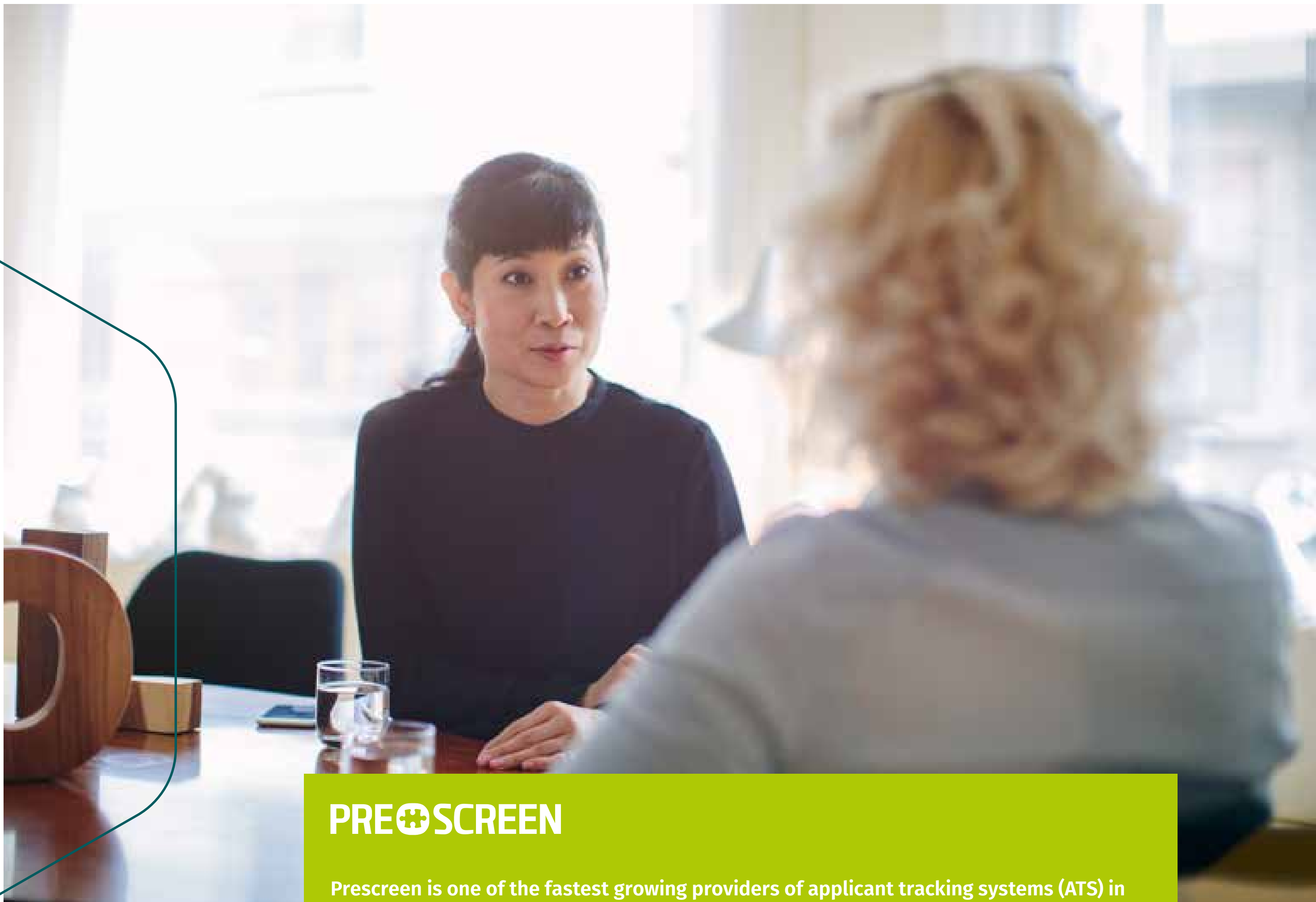
Die intelligent combination of ticketing and event marketing gives a substantial boost to attendance figures of business events.



PRESCREEN & INTERNATIONS

WELCOME ON BOARD!

The XING family continued to grow in 2017. With the acquisition of **Prescreen** and **InterNations** in July 2017, we welcomed two successful companies into the fold.



PRESCREEN

Prescreen is one of the fastest growing providers of applicant tracking systems (ATS) in Europe. The company is based in Vienna and employs around 30 people. An ATS allows recruiters to manage the entire process from the vacancy to the hiring of a candidate using a single software solution – cost-efficiently, conveniently and effectively.

With over 2.9 million members in 390 cities worldwide, InterNations is the largest social network and information portal for all who live and work abroad. In addition to digital networking opportunities, InterNations offers its members the opportunity for personal interaction. Members can meet other expats and cosmopolitan locals at around 6,000 events and leisure activities held each month all over the world.

We announced our acquisition of Prescreen GmbH on July 10, 2017. Prescreen is one of the fastest growing providers of applicant tracking systems (ATS) in Europe.

An ATS allows recruiters to manage the entire process from the vacancy to the hiring of a candidate using a single software solution – cost-efficiently, conveniently and effectively. For instance, they can place job advertisements on their own career pages as well as in networks and on job portals, document applications and sort them by relevant criteria, create a talent pool for filling future vacancies, and even perform assessments to verify the aptitude of candidates.

Prescreen currently has around 500 corporate customers, among them large numbers of small and medium-sized enterprises but also big names such as Beiersdorf, Ströer and Unicredit Bank Austria. All employees remained on board after the takeover, including the seven members of the founding team who will continue to drive product development in the future. One focus will be on integrating Prescreen with XING's e-recruiting products and providing recruiters with a seamless all-round service from the search to the identification to the hiring of candidates.

Our acquisition of Prescreen enables us to further expand our already pre-eminent position in the digital recruiting solutions market. With the new member of the XING family on board, we will give HR managers the opportunity to manage the entire process from the vacancy to hiring using a software package, making it effective and efficient.

"With XING, we have found the ideal partner to help us to further accelerate the pace of our growth. We are delighted to join forces with XING going forward."

Constantin Wintoniak, Prescreen

PRESCREEN

Founded: 2013
XING takeover: 6. Juli 2017
Employees: approx.30
Location: Vienna
Website: www.prescreen.io
Annual revenues, 2017: approx. 1.9 Mio.€

Prescreen recruiting software enables companies to find candidates who love their job. We began developing our recruiting solution in 2014. Our primary goal has always been to develop software that is user-friendly, functional and appreciated by our customers.

The team of founders (from left to right): Alexander Birke, Constantin Wintoniak, Dominik Hackl; standing: Andreas Altheimer, Nicolas Vorsteher, Robert Rainer, Markus Presle

Philipp von Plato (left) and Malte Zeeck, the founders & Co-CEOs of InterNations

InterNations
connecting global minds

Founded: 2007
XING takeover: 11. Juli 2017
Employees: ~120
Location: München
Website: www.internations.org
Annual revenues, 2017: approx. 8.9 Mio. €

With over 2.9 million members in 390 cities worldwide, InterNations is the largest social network and information portal for all who live and work abroad. Members can meet other expats and cosmopolitan locals at around 6,000 events and leisure activities held each month all over the world.

> "XING is an ideal partner to help us speed up the expansion and development of our products and services to professionals abroad. We are also looking forward to contributing our international experience and expertise in offline events at XING."

Philipp von Plato & Malte Zeeck, InterNations

On July 13, 2017, we announced our acquisition of InterNations.

The founders of InterNations originally wanted their product to make it easier for people to find information about moving to a foreign country and establishing a private and professional network there. They basically wanted to make it easier for people to live abroad. Since the company began operations, globalization has continued to gather speed and the InterNations team believes that gaining international professional and life experience, exchanging views with other cultures and making cross-border friendships can make a significant contribution to building a peaceful, safe and happy international community. Every day, over 120 employees work to meet the objectives that InterNations has set itself: crossing borders, bridging cultures, connecting global minds. The combination of online and offline services is what makes InterNations fundamentally different from other social networks for expats. The international platform not only provides the opportunity for members to connect and find information; they can also get to know each other in person at InterNations events. This makes it much easier for expats to find new friends and settle well in the host country.

InterNations has two main sources of income. First, there is a premium membership scheme similar to that of XING: basic membership is free, while the paid "Albatross Membership" provides additional member services such as exclusive features and content and free participation in worldwide events and leisure activities.

Hamburg has a new landmark, which provided the perfect setting for the second “New Work Experience”.

NEW WORK EXPERIENCE 2018

Emotional encounters in a unique setting. Amazement, enthusiasm – and selfies: for most of the out-of-towners, and even some of XING's guests from Hamburg, March 6 marked the first time that they had set foot inside the Elbphilharmonie's Grand Hall. The incredible feelings and impressions as you experience this magnificent location live and in person formed the perfect backdrop for XING's New Work Experience 2018.

NEW WORK EXPERIENCE

What followed was a carefully orchestrated program of smart ideas, controversial opinions – and, yes, strong emotions. After welcome speeches from presenter Katty Salié and XING's Head of Communications Marc-Sven Kopka, the morning agenda featured one highlight after another.

The first of many prestigious speakers to take the stage was Richard David Precht. Germany's best-selling, rock star philosopher offered an entertaining and informative history of the idea of 'work' from antiquity to the present. He concluded his vision of a progressively automated and digitalized world that offers significantly less work for everyone by calling for a fundamental rethink of the welfare state – which would also provide a universal basic income, to be financed by a tax on financial transactions. Here, Precht had introduced an idea popularized in Germany by Götz Werner, founder of the DM retail chain, who was also a guest at NWX and received enthusiastic applause for his ideas on 'putting the human back into HR'.

The non-human side of the world of work was also addressed at the Elbphilharmonie event. In an interview with journalist Dominik Wichmann, research scientist Jürgen Schmidhuber explained the current state of play in artificial intelligence, as well as its impact – often portrayed in menacing tones – on the labor market and society at large.

A more practical perspective on new work was then provided by Siemens, with Chief HR Officer Janina Kugel offering a very frank and direct report on the ongoing difficulties still to overcome in terms of modern HR policy in her company, and impressing HR specialists present in the audience in particular with the breadth of her strategic vision.

The biggest emotions were saved for last, however, and South Korean violinist Ji-Hae Park's interview with Jochen Wegner, editor-in-chief of ZEIT Online. Park spoke first about the highs and lows of her working life as an artist before then offering a number of awe-inspiring examples of her consummate ability to express her thoughts and feelings in music. It is fair to say that these were moments probably never before experienced at a conference about work.

It was a classical touch that also impressed Hamburg's Culture Senator Carsten Brosda. In a joint interview with XING CEO Thomas Vollmoeller, Brosda praised the New Work Experience as an important platform for the exchange of ideas and thoughts on the future of the workplace. Although (understandably enough) he wasn't keen to sing from the same hymn sheet as those criticizing politicians for excessive caution about digitalization and 'new work', commenting that "these are very complex issues and we all need to work together."

For Thomas Vollmoeller, this second instalment of the NWX itself – from the location to attendee numbers – was proof that the Company had been right in its decision to prioritize 'new

"I firmly believe that we will not be able to do without an unconditional basic income."

Richard David Precht, Philosopher

A packed house – 1,500 participants were amazed, learned new things and enjoyed the NWX at Hamburg's Elbphilharmonie concert hall.

The Korean violinist Ji-Hae Park triggered big emotions and offered plenty of food for thought.

Janina Kugel, Chief Human Resources Officer of the Siemens Group, talks about current HR issues and strategies.

work' as a strategic topic some years back and to pursue it ever since with a vengeance. This, he said, had enabled XING to establish itself as a key partner for this crucial trend in civil society.

After lunch, Hamburg's harbor-side HafenCity was then transformed into a gigantic New Work campus. At multiple sites dotted all around Hamburg's brand-new quarter, the 1,500 NWX participants were given the opportunity to put together their own, personalized afternoon program from over 70 presentations, discussions, and workshops.

And even the Hamburg weather played along: following days of arctic temperatures and severe snowstorms, a fresh but sunny winter afternoon accompanied delegates as they made their way from one event location to another. Only the narrowboats – some of which also hosted workshops and presentations – had to battle the ice still drifting around the Elbe and the canals in the HafenCity.

But the mood was much warmer in the event locations, large and small, filled (occasionally almost to overflowing) by speakers, panelists, and their audiences. Almost all of these events were notable for the quality of the presentations given and the degree of interaction from audience members, who demonstrated great interest and a thirst for knowledge in the Q&A sessions during and after the talks.

Highlights of the NWX afternoon program included an interview, streamed live from the USA, with the founder of the New Work movement, Frithjof Bergmann, plus the presentation of XING's New Work Award. The Award once again highlighted those companies, departments and individuals who had made outstanding contributions last year to the development and establishment of modern working models. Worthy of especial mention were the large number of candidate recommendations submitted and the various approaches taken to the topic by major corporations such as MAN or T-Systems, or young start-ups like intraprenör and Einhorn.

And that the after-work party only drew to a close in the early hours of the following morning also fits well with the impression of a well-organized and orchestrated New Work Experience 2018, whose Hamburg premiere has now assured it of a place among leading conferences on the subject of work.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

I am pleased that we are able to report another highly successful year for XING in 2017. Let us begin with the main headlines. As a result of strong growth in all segments, we were able to increase revenues by 26 percent to €188 million. The operating result rose to more than €58 million, while the share price increased by 53 percent year-on-year to €268.60. XING employees also benefited from this performance, with each individual receiving a symbolic XING share and a Christmas bonus in recognition of their contribution to the Company's results.

We successfully added two companies – InterNations, an international specialist in local offline networks, and German-Austrian recruiting start-up Prescreen – that fit our growth strategy, thus expanding our core digital business and deepening our offline activities. Both transactions will help the Company to continue differentiating itself from its competitors.

The rewards of this commitment can also be seen in our member figures for the past financial year. We exceeded the 13 million mark for the first time and are pleased to see that a XING profile is quite simply an essential tool in the new world of work amid increasing digitalization and a shortage of skills.

As agreed at the Annual General Meeting in 2017, XING successfully changed its legal form to a Societas Europaea (SE) during the year under review to reflect our identity as a company that, 14 years after it was established, has employees representing approximately 40 different nations.

The considerable success of the 2017 financial year will also enable XING SE to distribute a very pleasing dividend to its shareholders this year.

As the Supervisory Board, we exercised with great diligence the duties we are required to perform in accordance with the law and the Articles of Incorporation. We continued to advise the Management Board in its management of the Company, and also diligently monitored the Management Board's written and oral reports and joint meetings. Anette Weber and I, as the Chairman of the Audit Committee and Supervisory Board, exchanged information with the Management Board by conducting telephone conferences regularly and visiting the XING premises.

Stefan Winners,
Chairman of the
Supervisory Board

The Management Board regularly informed us in good time with regard to its business policy and strategy, key corporate planning aspects (including financial, investment and HR planning), the course of business, current revenues, earnings and liquidity, the Company's and Group's economic situation (including the risk situation and risk management), Group-wide compliance and business transactions of importance to the Company and Group. The Management Board reported as and when needed, when requested to do so by us, and periodically as per the Rules of Procedure imposed upon the Management Board by the Supervisory Board.

When required, we also commissioned external consultants and employees from various departments to assist with our consultations in 2017. We were promptly involved by the Management Board in all major decisions that were of key importance to the Company. In accordance with its Rules of Procedure, the Management Board also presented transactions requiring consent to us which, following their review and deliberation with the Management Board, were all unanimously approved by us.

COMPOSITION OF THE SUPERVISORY BOARD

The composition of the Supervisory Board did not change during the financial year ended.

As of the reporting date, the Supervisory Board, which pursuant to Section 96 (1), Section 101 (1) sentence 1 of the German Stock Corporation Act (AktG) in conjunction with item 10.1 of the Articles of Incorporation has six members, thus once again consisted of Anette Weber, Dr. Johannes Meier (Deputy Chairman), Dr. Jörg Lübcke, Dr. Andreas Rittstieg, Jean-Paul Schmetz und myself as Chairman.

In the reporting year, the Audit Committee, which pursuant to Section 96 (1), Section 101 (1) sentence 1 AktG in conjunction with item 10.1 of the Articles of Incorporation and Article 6 (1) of the Rules of Procedure of the Supervisory Board has three members to be selected from amongst the Supervisory Board members, consisted of Anette Weber (Chairwoman), Dr. Andreas Rittstieg and Dr. Jörg Lübcke.

The Technical Committee, which was set up pursuant to Section 96 (1), Section 101 (1) sentence 1 AktG in conjunction with item 10.1 of the Articles of Incorporation and Article 7 (1) of the Rules of Procedure of the Supervisory Board, had three members in the reporting year: Jean-Paul Schmetz (Chairman), Dr. Johannes Meier and myself.

SUPERVISORY BOARD MEETINGS

The Supervisory Board held five ordinary meetings (one per quarter and a constituent meeting following the Annual General Meeting after the election of Dr. Andreas Rittstieg to the Supervisory Board) and a strategy meeting during the financial year under review. In addition, one Supervisory Board meeting was held via conference call and one resolution passed by circulating written motions for approval. Dr. Andreas Rittstieg sent apologies for his absence from our conference call on October 26. Otherwise, all serving members of the Supervisory Board participated in all meetings and resolutions. Each meeting at which the members met in person involved intense discussions on the current state of the business and the Company's KPIs.

We dealt with the following key topics during the reporting period:

The Supervisory Board meeting held on March 21, 2017 discussed the annual financial statements, management report, consolidated financial statements, Group management report and dependent company report for the 2016 financial year in detail. As recommended by the Audit Committee and following in-depth deliberations by the auditors, the 2016 annual financial statements were adopted by the Supervisory Board. Other key resolutions adopted by this meeting included the Supervisory Board's approval of the Management Board's recommendation on profit appropriation, and the recommendation by the Company's officers for the choice of annual auditor for the 2017 financial year, to be presented to the Annual General Meeting. In doing so, we followed the recommendations provided by the Audit Committee and proposed to the Annual General Meeting to once again appoint PricewaterhouseCoopers to conduct the 2017 audit. This decision followed an EU-wide tender for auditing services. We also approved the planned agenda items and proposed resolutions for the Annual General Meeting on May 16, 2017. In addition, we addressed the latest status of the acquisition of InterNations and Prescreen as well as the change of the Company's legal form into an SE.

At the meeting on May 15, 2017, we discussed the Management Board's salary transparency initiative. We also received an update on the planned acquisition of InterNations and Prescreen and, with this in mind, dealt with the future organization of XING Offline. Furthermore, we approved the latest target figures for the share of women on the Supervisory Board, Management Board and top level of management below the Management Board. Lastly, we made preparations for the Company's Annual General Meeting on the following day.

At the constituent meeting of the Supervisory Board held immediately after the Annual General Meeting on May 16, 2017 (at which Dr. Andreas Rittstieg was appointed to the Supervisory Board having already been appointed by court order), members of its committees were reappointed. As part of the change of legal form to an SE, we confirmed Management Board members in their positions as a precautionary measure to ensure seamless continuity in each role for legal purposes.

The annual strategy meeting held by the Management Board and Supervisory Board on July 5, 2017, intensively discussed details of the planned acquisitions of InterNations and Prescreen before approving the signing of purchase agreements for both companies. We also discussed the further strategic development of the Company.

At the Supervisory Board meeting on September 19, 2017, we discussed planned additional investments from additional revenue in 2017 to ensure sustainable growth beyond 2017. We also dealt intensively with the key strategic initiatives developed by the Management Board for 2018 and the CSR report required from the 2017 financial year onwards.

To acknowledge the contribution made by our employees to the Company's success, the Supervisory Board discussed granting a XING share to every employee at its meeting on November 28, 2017 and proposed the implementation of this plan. We also examined our monitoring of the competitive environment and user activity as a strategic focus together with member growth. In addition, we discussed further key strategic initiatives from the Management Board for 2018 and approved the 2018 budget presented by the Management Board and the three-year plan for 2018 to 2020. Lastly, we approved the leasing of office space at the new developer site in Porto as well as in Barcelona.

Outside meetings attended by Supervisory Board members, urgent decisions were also taken in conference calls or by circulating written motions for approval. On October 26, 2017, for example, we approved the implementation of an additional media campaign in 2017 to safeguard further growth. On December 22, 2017, a written resolution was initiated to amend the short-term variable remuneration component of Management Board contracts; the corresponding resolution was adopted on January 11, 2018.

AUDIT COMMITTEE MEETINGS

Over the last year, members of the Audit Committee attended four meetings in person, held on February 20, March 20, September 18 and November 27, 2017. During these meetings, the Audit Committee reviewed the financial statements and the consolidated financial statements, discussed auditing issues with the auditors, and dealt with internal audit and risk management. The Audit Committee received the application for the statement of independence of the auditor in accordance with point 7.2.1 of the German Corporate Governance Code, and focused on the proposal on the choice of auditor for the 2017 Annual General Meeting based on an EU-wide tender for auditing services. The resolutions to approve the annual financial statements and the consolidated financial statements were prepared for the Supervisory Board along with the profit appropriation proposal. The key points of the audit for the 2017 annual financial statements were also discussed and decided on with the auditor of the annual financial statements. The Audit Committee also discussed the significantly more demanding auditors' report requirements for auditing the 2017 annual financial statements and requirements resulting from the CSR Directive.

Lastly, the Audit Committee also regularly answered questions by the annual auditor concerning fraud/entity level controls. No relevant violations were identified. Other recurring topics at Audit Committee meetings included the monitoring of the existing risk management system, the preparation of accounts, the effectiveness of the internal control and compliance systems, and the audit activities of the auditor of the annual financial statements.

Apart from face-to-face meetings, conference calls on business developments were also held between the Audit Committee and the Management Board on a monthly basis. The Audit Committee was also available for ad hoc consultation at any time outside face-to-face meetings.

TECHNICAL COMMITTEE MEETINGS

The Technical Committee held four meetings over the past financial year. On March 20, May 15, September 18 and November 27, 2017, it dealt with issues surrounding the Company's tech organization. In addition to product innovations and ongoing implementation processes, reports concerning the most important internal technical projects were also submitted to the Committee. In addition, the Audit Committee supported the relocation of XING data centers, including any associated security risks. IT security was also a regular topic of discussion at the meetings, particularly in light of the new General Data Protection Regulation and the Company's intensive preparations in this respect. The Technical Committee and its members also advised the Management Board on technology-related topics outside of its face-to-face meetings.

AUDIT OF THE 2017 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements, which were prepared by the Management Board in accordance with the rules of German commercial law and the management report of XING SE for the 2017 financial year were audited by PricewaterhouseCoopers GmbH, Hamburg, and issued with an unqualified auditor's report. The consolidated financial statements and Group management report of XING SE for the 2017 financial year, which were prepared in accordance with the International Financial Reporting Standards (IFRSs) pursuant to Section 315a German Commercial Code, were also issued with an unqualified auditor's report by the auditor. Pursuant to Section 312 AktG, the Management Board has prepared a report on relations with affiliated companies to be prepared by the Management Board due to Burda Digital GmbH's majority shareholding in XING SE. The auditors have examined this report and issued the following opinion: "In our opinion, based on the examination which we have carried out in accordance with professional standards,

1. the factual information contained in the report is correct,

2. the consideration given by the Company for the legal transactions referred to in the report was not unreasonably high, and

3. there are no circumstances supporting a judgment materially different from that reached by the Management Board with regard to actions referred to in the report."

The annual financial statements and the consolidated financial statement, including the Group management report and the management report, the report on relations with affiliated companies as well as the audit reports of the auditor and the profit appropriation proposal of the Management Board were submitted to the Supervisory Board prior to the Audit Committee's meeting on March 22, 2018 and the Supervisory Board's meeting on March 23, 2018 for them to be reviewed and intensively discussed. The auditors attended Audit Committee and Supervisory Board meetings concerning the submitted documents and reported on the main findings of their audits. They were available to the Supervisory Board at all times in order to answer questions and provide information. As part of auditing the financial statements, the Supervisory Board and Audit Committee also discussed the Management Board's accounting policy and financial planning. Other specific matters discussed with the Management Board and the auditor of the annual financial statements included findings from the audits conducted by the auditor on the agreed key audit matters.

Following the final result of its own review, the Supervisory Board did not have any reservations with regard to the annual financial statements which were submitted, the management report as well as the consolidated financial statements and the Group management report and the report on relations with affiliated companies and, following its own review, approved the results of the auditors concerning the audit of the financial statements and the consolidated financial statements as well as the management report and Group management report of XING SE and the report on relations with affiliated companies during its meeting on March 23, 2018. The Supervisory Board has approved the annual financial statements prepared by the Management Board and the consolidated financial statements of XING SE. The annual financial statements of XING SE have thus been adopted.

The Supervisory Board has conducted a thorough audit and considered all of the arguments in connection with the Management Board's profit appropriation proposal. As a result, the Supervisory Board will propose to the Annual General Meeting on May 16, 2018 to distribute a dividend of around €9.4 million, or €1.68 per share.

CORPORATE GOVERNANCE

As per item 3.10 of the German Corporate Governance Code, the Management Board and the Supervisory Board provide information on Corporate Governance at XING SE on the Investor Relations section of the XING SE website. The Management Board and the Supervisory Board issued the annual Declaration of Conformity as required by law. The wording used in the Declaration of Conformity and other disclosures in accordance with Section 289a German Commercial Code are available on the XING website at https://corporate.xing.com/english/investor-relations/corporate-governance/corporate-governance-code/. XING SE complies with almost all of the recommendations of the German Corporate Governance Code and is committed to sound corporate governance as an integral part of management.

CONFLICTS OF INTEREST

As part of the acquisition of InterNations, Jean-Paul Schmetz did not participate in the corresponding resolutions due to a potential conflict of interest caused by a consulting relationship with then-indirect shareholders of the target company. Furthermore, Jean-Paul Schmetz, Dr. Andreas Rittstieg and I abstained from voting on the resolution concerning changes to the conditions of the contract with Cliqz GmbH due to a potential conflict of interest caused by Burda's interest in this Company. Other than that, no topics or transactions arose in the financial year ended that had the potential to cause conflicts of interest for members of the Management Board or Supervisory Board.

CLOSING REMARKS

We would like to thank all of XING's members and customers and its shareholders for the trust they have vested in the Company. We also thank the Management Board and all employees in the XING Group for their excellent work. Together they have made 2017 a tremendously successful financial year.

Hamburg, March 23, 2018

Winners

Stefan Winners,
Chairman of the Supervisory Board

MANAGEMENT BOARD AND SUPERVISORY BOARD

From left to right:
Timm Richter *CPO*
Jean-Paul Schmetz *Member of the Supervisory Board*
Ingo Chu *CFO*
Jens Pape *CTO*
Anette Weber *Independent (GCGC) member of the Supervisory Board*
Stefan Winners *Chairman of the Supervisory Board*
Dr. Jörg Lübcke *Independent (GCGC) member of the Supervisory Board*
Alastair Bruce *CSO*
Dr. Thomas Vollmoeller *CEO*
Dr. Johannes Meier *Independent (GCGC) member of the Supervisory Board (Deputy Chair of the Supervisory Board)*
Dr. Andreas Rittstieg *Member of the Supervisory Board*

For more information on the members of the Supervisory Board and the Management Board, please see pages 135 and 136.

XING SHARES

Transparency, active management of market expectations, as well as open and continuous dialog form the cornerstones of our communication with the capital market.

Basic data about the XING share

Number of shares as of December 31	5,620,435
Share capital in €	5,620,435
Share type	Registered shares
IPO	12/07/2006
ISIN	DE000XNG8888
Bloomberg	O1BC
Reuters	OBCGn.DE
Transparency level	Prime Standard
Index	TecDAX
Sector	Software

SHARE PRICE PERFORMANCE IN 2017

After achieving all of our ambitious growth targets and forecasts when we published our results for the 2016 financial year in February 2017, XING's strong operating and financial performance continued in the 2017 financial year. Our powerful operating momentum was accompanied by a sustained upward trend on the German stock markets driven by the ECB's extremely expansionary monetary policy.

We also significantly stepped up our IR activities compared to the previous year and delivered very strong operating and financial results from one quarter to the next. Our shares pulled clear of the TecDAX and DAX benchmark indices around the time of the publication of the preliminary results for the 2016 financial year and broke the €200 mark for the first time on March 1, 2017. We reached a new high of more than €230 a few weeks after the Annual General Meeting in May. Various IR activities, good quarterly results and continued stability in the market as a whole helped our shares to leap to a new all-time peak of €274 in October 2017. The closing price at the end of the year was €268.60, 53 percent higher than at the end of December 2016. This meant that we significantly outperformed all relevant benchmark indices. We also distributed a dividend and special dividend totaling €2.97 to our shareholders in the 2017 financial year.

Stock market performance

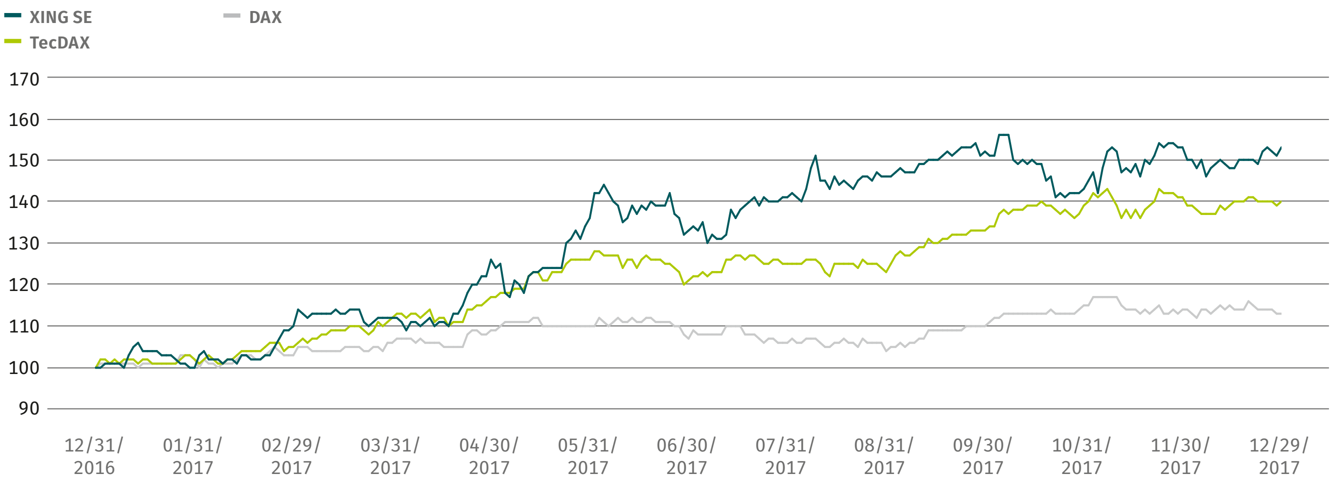
In %	2017	2016
XING share	53	3
TecDAX	40	–1
DAX	13	7

Key data on the XING share at a glance

	2017	2016	2015	2014	2013
XETRA closing price at year-end	€268.60	€175.45	€170.70	€92.81	€74.40
High	€274.20	€194.95	€192.95	€105.85	€86.00
Low	€174.95	€138.40	€92.19	€73.55	€38.00
Market capitalization at year-end	€1,509 million	€986 million	€959 million	€519 million	€416 million
Average trading volume per day (XETRA)	7,124	8,225	13,357	6,817	9,292
TecDAX ranking					
based on trading volume	32	27	25	31	30
based on free-float market capitalization	24	23	24	28	28
Earnings per share (basic)	€4.19[4]	€4.19	€3.15	€2.80[2]	€1.90[3]
Number of shares	5,620,435	5,620,435	5,620,435	5,592,137	5,592,137
Dividend per share	€1.68[1]	€1.37	€1.03	€0.92	€0.62
Special dividend per share		€1.60	€1.50		€3.58

[1] *Proposal to the Annual General Meeting (May 16, 2018)*
[2] *Adjusted for €2.4 million in non-operating expenses arising from the earn-out obligation of kununu GmbH and the €7.1 million impairment of XING Events or €0.70 per share*
[3] *Adjusted for €1.5 million in non-operating expenses arising from the earn-out obligation of kununu GmbH or €0.25 per share*
[4] *Adjusted for positive one-time effects of acquisitions of €2.4 million or €0.42 per share*

XING SE share price performance December 31, 2016 to December 29, 2017 vs. DAX and TecDAX



IR ACTIVITIES

We have been fostering open and reliable communication with existing and potential investors as well as multipliers of XING SE for more than ten years. Maintaining a dialog with the capital markets at investor conferences, roadshows, reverse roadshows and at conference calls is very important to us. Regular meetings, availability and quick responses to investor inquiries have enabled us to establish a strong reputation and high levels of credibility among our target audience in recent years, as confirmed by regular independent perception analyses.

In the past financial year in particular, we once again stepped up our IR activities and visited potential and existing investors in new regions including Brussels, Amsterdam, Lyon and Warsaw. We will build on these efforts in the current financial year and continue to resolutely pursue our proactive approach to capital market dialog with the help of our covering brokers and internally-developed investor targeting.

ANALYST COVERAGE

At the time of publication of this Annual Report, the XING share was covered by seven brokers, with one brokerage, Equinet, initiating its XING coverage during the year. The slight decline in analyst coverage is due to structural changes at research houses as well as the introduction of MiFID II. Nevertheless, we are very satisfied with the quality and extent of coverage and our collaboration with existing brokerage houses. The dialog – and the associated regular publications and estimates concerning the XING share – is optimal in terms of keeping potential and existing investors continuously informed about the share, its performance and outlook.

Visit our investor relations site at https://corporate.xing.com/english/investor-relations/aktie/analysten/ for always up-to-date analyses of XING's stock.

Analyst recommendations March 2018

Broker	Analyst	Recommendation	Price target
Berenberg Bank	Sarah Simon	Hold	€270
Commerzbank	Heike Pauls	Hold	€290
Oddo BHF	Marcus Silbe	Sell	€252
Deutsche Bank	Nizla Naizer	Buy	€305
Equinet AG	Simon Heilmann	Buy	€315
Hauck & Aufhäuser	Lars Dannenberg	Hold	€300
Warburg Research	Jochen Reichert	Hold	€258

ANNUAL GENERAL MEETING

Our Annual General Meeting was held in the Millerntor-Stadion Hamburg on May 16, 2017. Following a turnout of 89 percent in 2016, around 79 percent of share capital was represented last year. Around 50 percent of our shares were once again represented by our major shareholder Burda. The slight decline in attendance was primarily due to an amended shareholder structure. The percentage of shares held by German institutional investors fell slightly, thus increasing the proportion of shares held by international investors, not all of whom registered their shares for the XING Annual General Meeting.

CEO Dr. Thomas Vollmoeller and CFO Ingo Chu presented the positive set of figures from the 2016 financial year to the shareholders and guests in attendance, and were on hand to answer questions from shareholders and other parties interested in XING during the Meeting – and over a light meal together afterwards With the exception of one agenda item (87 percent majority), all resolutions were adopted with an overwhelming majority of more than 99 percent of the capital in attendance.

For the upcoming Annual General Meeting on May 16, 2018, the Management Board decided in February 2018 to recommend that the Annual General Meeting agree to increase the regular dividend payout by 23 percent to €1.68 per share.

OUR SOCIAL MEDIA CHANNELS

https://corporate.xing.com/en/investor-relations/
(XING SE Investor Relations site)
http://blog.xing.com
(XING SE corporate blog available in four languages)
Twitter: xing_ir
(Information and news related to the capital markets)
Twitter: xing_de
(Topics and news related to the Company in general – German only)
Twitter: xing_com
(Corporate information and news in English)

YouTube: www.youtube.com/user/XINGcom?gl=DE
Facebook: www.facebook.com/XING

The XING SE Investor Relations department is happy to take questions and comments:

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GROUP MANAGEMENT REPORT

for the financial year from January 1 to December 31, 2017

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Business and strategy

Business models and internal management system

The Group management report is structured in accordance with the following reportable segments:

1. **B2C**
2. **B2B E-Recruiting**
3. **B2B Advertising & Events**
4. **kununu International**

XING SE generates its revenues from a large number of fee-based product offerings for consumers (B2C) and businesses (B2B). Here, our customers pay for most services in advance on the basis of subscription models. XING essentially provides its members with three services that are unique in this form and combination: Access to other members to build up their own professional network, direct access to the opportunities in the labor market, plus sector- and career-specific information and news to help members stay abreast of developments in their own industry. We mainly enable our corporate customers (B2B customers) to access potential candidates through digital recruitment solutions.

B2C SEGMENT

The B2C segment involves all of the XING platform's basic features, thus representing the basis for most of the other business units. This also includes a large portion of XING's mobile apps and the XING API (application programming interface between the XING platform and external developers).

This business unit is also responsible for XING content. XING members receive newsletters tailored to around 30 professional and interest groups that ensure that they no longer miss out on anything important in their industry. Adding this service has made XING one of the largest distributors of industry- and profession-based news in the German-speaking region. We have also established XING Klartext, a debate format in which experts take a controversial view of different topics and XING members can participate in the debate in question. The debates are initiated and staged by an editorial team consisting of experienced journalists. In financial year 2017, the content offering was extended to include the XING Talk video podcast. It focuses on current and controversial political, business and social issues.

In the B2C segment, we generate our revenues from paid memberships with enhanced functions and services for the various target groups. In the past financial year, we added to the existing Premium, ProJobs and ProCoach memberships by unveiling further paid services such as ProBusiness membership and preparing ProExecutive membership.

XING Premium membership provides a wide range of services including special search and communication options, exclusive online and offline offerings, and an overview of the visitors to the user's profile. It is geared toward a wide audience that wishes to have the best of XING's product range at its disposal. Premium membership is available with two terms: three-month membership costs €9.95 per month while twelve-month membership costs €7.95 per month.

For members who are looking for a job and want to optimize their presentation for this specific purpose and be found faster by recruiters, XING has also developed ProJobs membership. This is currently available with four membership terms (3, 6, 12 or 18 months) costing between €24.95 and €39.95 per month.

The third category of paid membership is completely tailored to the needs of professional coaches. With the ProCoach membership, we help coaches to present themselves and their skills more prominently and increase the reach of their coaching profile. Membership is currently available with three terms (12, 24 or 36 months) costing between €39.96 and €49.96 per month.

First rolled out in 2017, ProBusiness membership is intended to help our members build and maintain high-quality, long-term and sustainable business relationships. It enables new business contacts to be found faster and approached at the right time. Membership is currently available over two terms (12 and 24 months) for €49.95 per month.

We also established a paid membership (ProExecutive) for decision-makers and representatives of senior and upper management. The online version offers extended functions to enable users to better illustrate their leadership experience and special settings allowing them to specify who may make contact requests. Membership is available for €9.95 per month on entering into an annual contract. Exclusive offline membership costs €2,991.60 (net) a year and entitles members invited by XING to attend the Circle meet-ups (five times a year) of up to 15 executives, where decision-makers can exchange viewpoints and learn from one another in a constructive atmosphere – overseen by a professional moderator.

In July 2017, we bolstered our B2C activities and created another revenue stream in this segment by acquiring InterNations. InterNations offers its paying members – who are usually working as international expats outside the German-speaking countries – access or free entry to regional networking events so that they can make acquaintances and build contacts faster in their new environment. The membership fee is around €7 a month, depending on the region.

Paid memberships are marketed in part through upselling campaigns on the XING platform itself, direct sales and online marketing activities.

Going forward, strategic development in the B2C segment will continue to be driven by the development of further paid memberships and thus the ability to serve special customer needs more effectively.

B2B E-RECRUITING SEGMENT

The B2B E-Recruiting segment includes Active Recruiting and Passive Recruiting products and services, Employer Branding and the XING TalentpoolManager (XTP). Since its acquisition in July 2017, applicant tracking solutions (ATS) provider Prescreen has been a further complement to the XING Group's e-recruitment offering. All recruiting solutions are aimed at corporate customers (B2B). However, XING members naturally also benefit from E-Recruiting activities and offerings, which go a long way to opening up the opportunities of the job market for them. The more HR recruiters who use the platform to search for personnel, the greater the chance that members will find the right job.

The Passive Recruiting business allows recruiters to post various kinds of job ads on the XING platform. Two basic billing models are available: Either a performance-based method based on a pay-per-click model (€0.85 per click on an ad) or the conventional fixed-price model (from €395 per ad) with a predefined term of 30 days.

In the Active Recruiting business, the XING Talent Manager (XTM) was developed as an active candidate search and management product. XTM is aimed at businesses and recruiters that regularly use the XING platform to search for and get in touch with people to fill their current vacancies. This product is monetized via fixed-term contracts with single licenses priced at around €4,000 (per “seat”) per year.

We also market the XING ReferralManager (XRM) as an additional offering for companies to proactively recruit talent. With the help of this tool, companies can use their own employees as headhunters and have them propose suitable candidates. Employees often receive a commission for successfully recommending a candidate. The Company itself pays a license fee of between €4,800 and €60,000 per year depending on the employees involved in the ReferralManager.

The Employer Branding subsegment includes the employer branding profiles (EBPs). Employers can use their profile to showcase their employer brand and provide potential candidates with more information about their company’s general working environment. Revenues are generated based on a company’s number of employees: The annual fee for an employer branding profile is between €4,740 and €13,140, depending on company size.

In addition, we established XING TalentpoolManager (XTP), another B2B product for our corporate customers in human resources (HR). Here, customers can now find all candidates in one central location, neatly store them in talent pools and share them with their recruitment team as required. The fee for an XTP license is €2,500 a year.

As a result of acquiring ATS provider Prescreen from Vienna, we now also cover an HR workflow system in addition to the traditional sourcing tools. The annual fee for using the ATS starts from as little as €828.

The range of HR solutions on offer has been continuously expanded. We therefore decided to also offer our HR customers an end-to-end solution and in the second quarter of 2017 unveiled XING E-Recruiting 360°. The tool includes unlimited usage (at a flat rate) of all recruitment solutions including XING Jobs. It is priced for each customer individually.

Our E-Recruiting offers are mainly marketed by our own sales and marketing staff.

B2B ADVERTISING & EVENTS SEGMENT

The B2B Advertising & Events segment combines two different B2B offerings as their respective revenue shares are too small to be considered in isolation.

In the Advertising subsegment, we offer various advertising models from native advertising to integrated campaigns.

XING Ads enable advertisers to promote their website, for example, or a range of XING content, such as groups, events, company profiles, job advertisements, apps or their own profile. Sponsored posts and sponsored video posts can be used to place a range of content and messages directly on the home page of pre-selected target groups.

Business pages (https://www.xing.com/xbp/) are the optimum platform for the multi-media marketing of our advertising customers' products and services. The entire range of advertising offers can be viewed at https://advertising.xing.com.

In the Event business, XING generates revenues by handling events. Organizers can use the XING platform to take advantage of the XING technology for their event management work, including registration, ticketing and billing services. XING usually charges a fee of €0.99 per participant plus 3.9 percent of the ticket price for these services. XING also generates additional revenue through the professional marketing of events. Using an online tool, event organizers can select suitable target groups for events they post on XING and then advertise them on the platform. This business is monetized mainly on a cost-per-click (CPC) basis, but also on a thousand contact price (TCP) basis. The event services are marketed mainly by the permanent staff of the Events division.

KUNUNU INTERNATIONAL SEGMENT

In the kununu International segment, which we report on separately, the only revenues and results currently reported are those generated by XING SE from the provision of technical infrastructure and services to the joint venture between kununu and US-based Monster, Worldwide Inc.

Market positioning

By focusing on German-speaking countries (the D-A-CH region), we operate in Europe's largest and strongest economic region. With over 13 million members, we are the biggest social network for business professionals. Thanks to this strong basis, we are superbly placed to continue growing in the next few years by further growing our membership figures and establishing new product offerings and services for both people and companies. Currently only around 13 percent of the population in German-speaking countries are members of a professional network. In international terms, this is a low figure – it means XING still has enormous potential. The same is true for the E-Recruiting business: The market is large and the penetration rate of digital recruiting solutions low by international standards.

Strategy

Our strategy is geared towards sustainable long-term megatrends that have dominated the labor market in recent years and, in our opinion, will continue to do so in the years to come. This means that megatrends seen for several years now, such as digitalization, a shortage of skilled labor and changing values are all part of our vision "For a better working life". We want to give our members access to relevant and interesting contacts to build up their own network, supply them with industry and career-related information and provide them with direct access to opportunities in the labor market.

While digitalization is causing disruption across entire industries, it is also a pioneer of technological changes that facilitate entirely new forms of collaboration. Nowadays, it is no longer a problem to work in different places or at different times, in a (virtual) team or even alone.

In some industries, the shortage of skilled labor is leading to a power shift between employees and employers. Since talented people are in short supply, jobseekers can act assertively and in many cases stipulate the working conditions themselves.

After all, in the younger generation, values such as flexibility, satisfaction and self-determination are often more important than conventional career incentives.

These aspects are not only bringing about lasting changes that affect the working population. Companies are also noticing that with traditional leadership methods and conventional incentives they are increasingly unable to prevail in the competition and in the pressure to innovate. Finding the right caliber of talent, retaining these employees in the long term, and creating structures that actually make it possible to develop innovations is a key factor for success in the knowledge society. For several years now, XING has been focusing on this lasting megatrend with the strategy it is pursuing.

Through the B2C segment we are meeting the needs of our members and developing offerings that help them benefit from the changes, build on their competencies and skills, and identify the best employer for them and their individual needs. The XING platform also gives members the chance to find other members with relevance for themselves in terms of knowledge and proficiencies.

Over the next few years, we will continue to expand our B2C offering in line with our mission and vision and establish new paid memberships tailored to customer groups that we cannot yet adequately serve.

In the B2B E-Recruiting segment we generate revenues exclusively with corporate customers (B2B). The strategic development of our product offering will continue to be focused along the HR value chain in the coming years. In future, we wish to establish further B2B solutions for our corporate customers and to put in place software-based applicant tracking systems and talent management solutions in addition to product solutions in employer branding and (active and passive) sourcing.

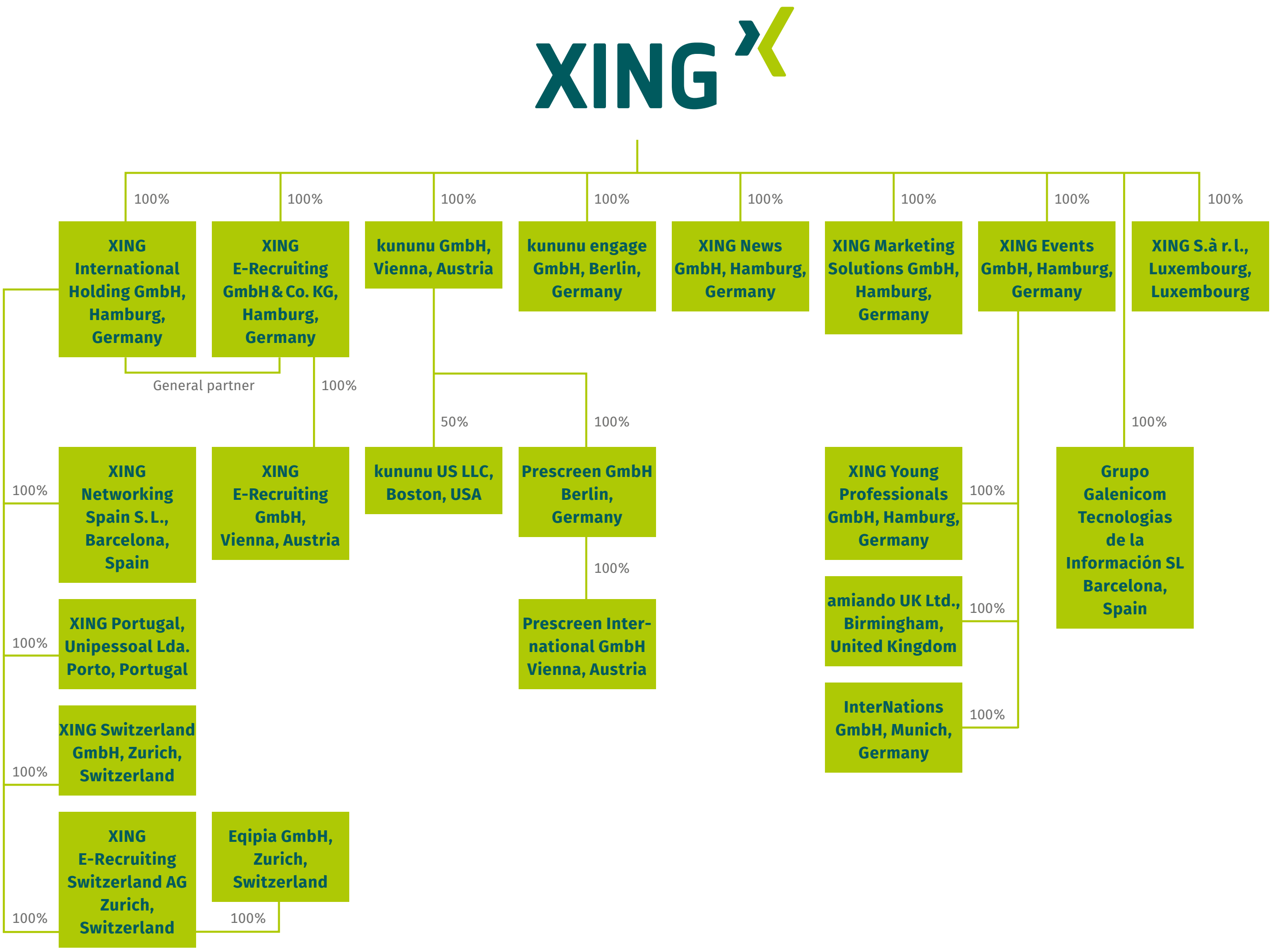
The B2B Advertising & Events segment will be strategically leveraged with a view to expanding how the platform is monetized (among other things, by selling advertising space) as well as gaining additional members and bringing XING yet closer to people. In the future, our Events business in particular will play a driving role in the further localization of our offerings and thus in their sharper differentiation.

In the Advertising subsegment, segment revenue is to be increased by selling advertising space and through additional forms of advertising (such as business pages and video ads) on the XING platform. Among other things, we also wish to increase our reach in the future.

To achieve our strategic goals, we are focusing on organic growth in particular, though we regularly consider partnerships and acquisitions as well.

More information on the opportunities provided by our strategic focus are explained in the report on opportunities and expected developments.

Organizational structure of the Group



In the past financial year, XING SE had a total of 20 active investments in companies in and outside Germany, of which eight were direct investments and twelve were indirect investments through intermediate companies. Nineteen investees are controlled by XING SE and are therefore fully consolidated in XING SE’s consolidated financial statements. XING SE holds a 50 percent interest in a further investee, kununu US LLC, Boston, USA, which is accounted for as a joint venture. This entity is therefore not included as a consolidated entity in the consolidated financial statements; the carrying amount of the investment is reported as Equity investments under Financial assets in the consolidated financial statements. An insignificant interest held by XING Events GmbH in altruja GmbH, Munich was sold during the past financial year. The interests in Prescreen GmbH, Berlin and its subsidiary Prescreen International GmbH, Vienna were acquired in the reporting period. InterNations GmbH, Munich, which was also acquired in the reporting period, was retroactively merged in 2017 with its parent, XING Butterfly Management GmbH, Hamburg, which subsequently changed its name to InterNations GmbH and moved its registered office to Munich.

Corporate social responsibility (CSR)

How will we work tomorrow? Very few questions cause such public debate as this one. At a time when skilled workers are in short supply and digitalization is gathering pace, there is a heated debate going on about how individuals, companies and society should organize "work" in the future. We believe that it is our corporate responsibility to promote a discussion that focuses on the opportunities offered by the radically changing world of work and to make these opportunities accessible to many people.

As the largest professional network in the German-speaking countries, we provide a platform for the discussion of tomorrow's innovative work concepts and want to guide our members through this transformation process. At the same time, we are committed to implementing our vision, "For a better working life", internally. We offer our employees an environment in which they can develop their talents and work flexibly on their own initiative.

The CSR strategy we adopted in 2017 is our way of living up to this self-image and strengthening our commitment to New Work. We are consolidating and expanding our activities and publishing a CSR report annually to provide transparency for our stakeholders.

CSR STRATEGY

Our CSR strategy defines the priorities of our commitment and sets concrete targets for that we want to achieve by 2020. Our topics are divided into five action areas. Reports on our CSR activities in the future will therefore be based on the following structure: 1. Employees, 2. Society, 3. Products and services, 4. Data protection and compliance, 5. Environment.

The aims and objectives of our strategy are based on the results of a materiality assessment that has identified the issues that are most important to our company. As part of a multi-stage process, we analyzed both the impact and significance of the business activities of each CSR topic from a stakeholder's viewpoint.

The result is six key topics of particular relevance to our business model: Employee satisfaction and work-life balance (Employee action area), New Work know-how (Society action area), innovation management, growth in use and member numbers (Products and Services action area), and data protection (Data protection and Compliance action area). For each of these six topics, we have defined a performance indicator, to be assessed annually, against which we can measure our progress:

➡ **Employee satisfaction: Employee satisfaction rate, assessed at regular intervals via an online survey**
The satisfaction of our employees serves as a yardstick for our performance as an employer. We carry out a weekly survey online across all of our offices to ascertain the mood of our employees. Those surveyed state whether they are satisfied or dissatisfied with XING as an employer. They also have the option of adding a comment to explain their vote. One member of the Management Board comments on the results in the weekly Company Meeting.

➡ **Work-Life balance: The part-time ratio of our employees, consisting of permanent and temporary work models**
We aim to attract and retain new talent by creating a modern, contemporary working environment that is in tune with the times. To ensure that our employees can enjoy a balanced relationship between work and private life, we offer them a variety of solutions to suit their individual situations. This also includes the option of working part-time temporarily, which is a XING-specific model enabling employees to try out part-time without losing entitlement to their full-time position.

➡ New Work know-how: size of the vote at the XING New Work Award

We want to further advance the public discussion on New Work by reaching more and more people. Every year since 2014, our New Work Award has been presented to companies in recognition of their innovative models for the future world of work, thereby providing a platform to strengthen public discourse between businesses, employees and thought leaders.

➡ Growth in use and membership: penetration rate of the addressable market

The more people we reach, the more we can promote the public debate on the future of work. Membership growth is therefore a key indicator. We measure our progress by our success in reaching our main target group: 27 million white collar workers in the German-speaking countries. We express our market penetration as the ratio of our membership to the overall total figure.

➡ Innovation management: number of developers in man-days per year participating in XING HackWeeks

Our innovative prowess derives from our workforce. For one week, all of our developers have the opportunity to organize themselves into projects, pursue new product ideas and test new technologies during HackWeek, which takes place three times a year.

➡ Data protection: publication of an annual voluntary data protection report

We currently enjoy the highest level of trust among our users all over Germany for the digital transmission of information. We want to maintain this positive public perception, and the expectations associated with it, into the future. That is why we are constantly refining our initiatives and – exceeding legal requirements – establishing a Data Protection Committee that publishes a report each year.

CSR MANAGEMENT

We have established CSR management within the Company in order to further develop our action areas and purposefully pursue our goals. A steering committee made up of the Vice President Corporate Communications, the Director Investor Relations and a CSR manager coordinates the Company's CSR activities. It prepares roadmap documents to facilitate decisions by the Management Board of XING SE and takes care of communications with the department managers responsible for implementing the actions.

More detailed information is contained in the 2017 CSR report (Non-financial statement pursuant to Section 315b HGB) which is available at: https://corporate.xing.com/fileadmin/department/investorrelations/Publikationen/XING_SE_CSR_Report_2017.pdf

EMPLOYEES

As of December 31, 2017, XING had 1,290 employees, an increase in headcount across all the Group's locations of 329. This also includes InterNations and Prescreen, which were acquired in July 2017. In our CSR report, we discuss employee satisfaction, salary transparency, work-life balance, education and training, the Employee Committee (EC) and other benefits.

Business and operating environment

Macroeconomic and sector-specific environment

MACROECONOMIC ENVIRONMENT

Germany's economy is experiencing a strong and broad upturn. According to the German Federal Statistical Office, gross domestic product (GDP) grew by 2.2 percent year-on-year in real terms in 2017 (2.5 percent when adjusted for inflation). Household consumption expenditure rose by 2.0 percent and thus remained an important pillar of the economy. The construction industry and a pick-up in corporate investments provided additional momentum. Averaged over the year, Germany's economic output was generated by almost 44.3 million people working in the country. There were 638,000 more people in work than in the previous year (+1.5 percent). The National Bank of Austria (OeNB) reports that the Austrian economy also experienced a boom in 2017 and exhibited highly robust growth of 3.1 percent. The Swiss economy lost momentum during the year under review and grew only moderately by 1.0 percent according to leading economists (SECO, KOF/ETH Zurich).

SECTOR-SPECIFIC ENVIRONMENT

The protracted upturn in the German labor market continued unabated in 2017. According to the Federal Employment Agency (BfA), the number of employees liable for social security contributions increased sharply (+722,000 or 2.3 percent). The number of partially unemployed workers and those exclusively in marginal employment continued to fall, while self-employment figures also declined. The number of reported job vacancies rose by 12 percent as a result of high demand from companies. Of these vacancies, 93 percent were to be filled immediately. Unemployment fell by a further 6 percent on average in 2017. The BfA unemployment rate declined by 40 basis points to 5.7 percent. According to the international ILO measure of unemployment, the unemployment rate fell from 3.9 percent in December 2016 to 3.6 percent in December 2017. The tailwind in the Austrian labor market increased during the year under review. The number of non-self-employed workers rose by 1.8 percent in 2017, while the ILO unemployment rate once again fell significantly from 6.0 percent to 5.5 percent. The labor market situation in Switzerland improved in 2017. Employment figures rose slightly and the unemployment rate declined marginally by 10 basis points, with the nationally defined rate (SECO) falling to 3.2 percent and the international ILO measure of unemployment dropping to 4.8 percent.

In Germany, the Internet-relevant German-speaking resident population totaled almost 73 million. According to the "digital facts January 2018" study conducted by Arbeitsgemeinschaft Online Forschung (AGOF e.V.), 81.9 percent of them used the Internet in the evaluation month of December 2017. Men represent 51 percent of all Internet users over the age of 14 and are slightly overrepresented. Although the largest age group is individuals aged 50 and over, who represent approximately 40 percent of all users, they comprise almost half of the relevant population and are thus less Internet savvy than younger age groups. Online affinity is greater in these younger age groups, most notably in the 30-to-49 group. These individuals comprise 35 percent of all Internet use even though they only account for 30 percent of the relevant population.

Two-thirds of Internet users in Germany are employed or seeking work (65.4 percent) with around 8 percent currently in training and education (school, vocational training, higher education). Both groups are disproportionately heavy users of the Internet compared to their share of the population. In addition, Internet use becomes more pronounced as the educational qualifications attained increase. Individuals with a high school diploma allowing them to study at university or technical college make up the highest proportion of Internet users at 37 percent. By far the most important applications across all users are the use of search engines and the sending and receiving of private emails. 58 percent of all Internet users use online banking, while social networks play a role for around 51 percent of users. As younger people have a higher affinity for online services and use a broader range of offerings, the trend towards the Internet as the main gateway for information and as a communication tool – including for job searches and career planning – will continue to strengthen in the future.

Financial and non-financial key performance indicators

Achievement of our strategic objectives and our mission of enabling professionals to grow is monitored using two financial key performance indicators as well as at least one non-financial key performance indicator per segment. These indicators are regularly compared with budget targets and a rolling forecast that is reported to the Management Board and Supervisory Board.

FINANCIAL KEY PERFORMANCE INDICATORS

Segment revenues

We have defined revenue growth in the respective segments as a main financial key performance indicator. Revenue growth is a direct consequence of the growth in paid memberships or an increase in the uptake of our enterprise solutions, and the ability to achieve higher prices.

Segment EBITDA

The second important financial key performance indicator is segment EBITDA adjusted for extraordinary items. No adjustments for extraordinary items were made in 2017. To calculate the figure, all segment-related operating costs are subtracted from segment revenues.

Non-financial key performance indicators

We employed three important non-financial key performance indicators in the past financial year:

1. **XING members**
2. **XING subscribers**
3. **Corporate customers (B2B)**

The first two key performance indicators are used in the B2C segment. We use the number of corporate customers as a key performance indicator in both B2B segments because these business units generate their revenue exclusively from the sale of services to corporate customers. Since the third quarter of 2017, we have redefined the key performance indicator in the B2B E-Recruiting segment and focused on B2B E-Recruiting subscription customers in our internal measurement of performance and the forecast for 2018.

Results of operations, net assets, and financial position

COMPARISON OF OUTLOOK FOR 2017 WITH ACTUAL DEVELOPMENT IN THE 2017 FINANCIAL YEAR

Financial key performance indicators

We are very satisfied with the development of our financial key performance indicators. We reached or even exceeded the forecast in all dimensions.

Financial key performance indicators	Forecast for 2017	Actual for 2017
Revenues incl. other operating income, Group	Double-digit percentage growth	+26%
EBITDA (adjusted for extra-ordinary items) Group	Significant increase in EBITDA	+22%
B2C segment revenues	Double-digit percentage growth	+16%
B2C segment EBITDA (adjusted for extra-ordinary items)	Slight increase in EBITDA	+10%
B2B E-Recruiting segment revenues	Double-digit percentage growth	+41%
B2B E-Recruiting segment EBITDA (adjusted for extra-ordinary items)	Significant increase in EBITDA	+39%
B2B Advertising & Events segment revenues	Double-digit percentage growth	+33%
B2B Advertising & Events segment EBITDA (adjusted for extra-ordinary items)	Significant increase in EBITDA	+111%

Dividend, liquidity and financial targets

We announced a sustainable dividend policy in 2012. Accordingly, in 2017 the Annual General Meeting followed the joint proposal of the Management Board and Supervisory Board and adopted a resolution to distribute a regular dividend of €1.37 plus a special dividend of €1.60 per no-par value share carrying dividend rights. XING's cash-generative business model enables the Company to pursue a sustainable dividend policy without affecting its business strategy, which is still aimed at achieving growth. We intend to continue to make regular dividend payments in the future.

Capital expenditures

After an investment volume (CAPEX, excl. M & A transactions) of €24.4 million in 2016, we invested €33.4 million in the 2017 financial year (excl. M & A transactions). As in previous years, capital expenditure was concentrated on internally developed software, amounting to €26.6 million (2016: €15.8 million).

Non-financial key performance indicators

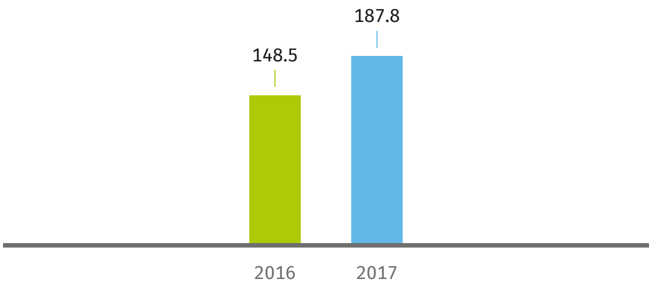
We reached and in same cases (B2C subscribers and B2B E-Recruiting corporate customers) clearly exceeded all forecasts in terms of the non-financial key performance indicators. The forecast in terms of all financial and non-financial key performance indicators for the 2018 financial year is explained in detail in the report on opportunities and risks.

Non-financial key performance indicators	Forecast for 2017	Actual for 2017
B2C segment: members in the D-A-CH region	Substantial member growth	+17%
B2C segment: subscribers in the D-A-CH region	Slight growth	+7% [1]
B2B E-Recruiting segment: number of corporate customers	Slight growth	+13%
B2B Advertising & Events segment: number of corporate customers	Substantial member growth	+22%

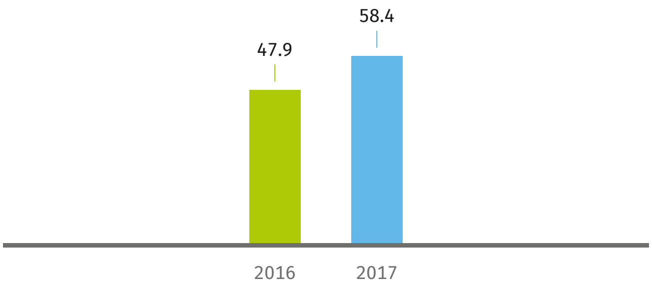
[1] *Organic payer growth amounted to approx. 55,500. The difference of approx. 10,000 payer net adds – or one percentage point – is due mainly to a one-time effect and a refined counting method, which we adjusted at the beginning of 2017 in connection with changing our payment services provider (second half of 2016).*

RESULTS OF OPERATIONS

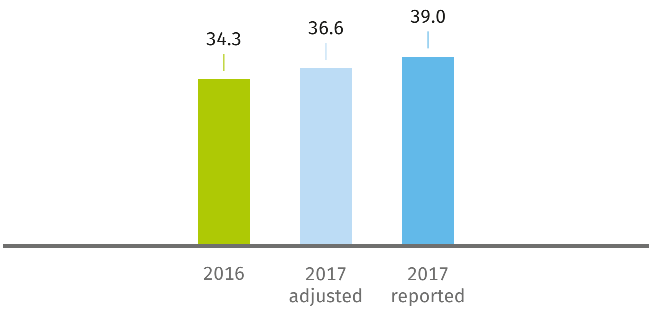
Revenues (incl. other operating income) in € million



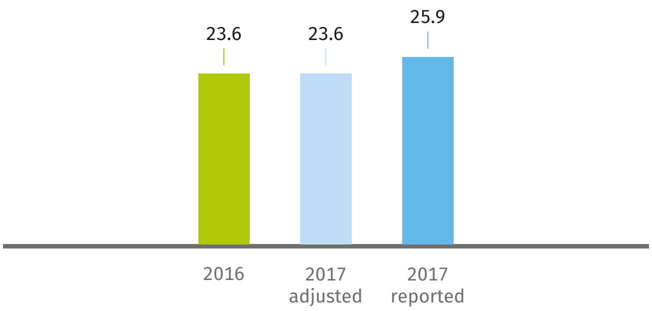
EBITDA in € million



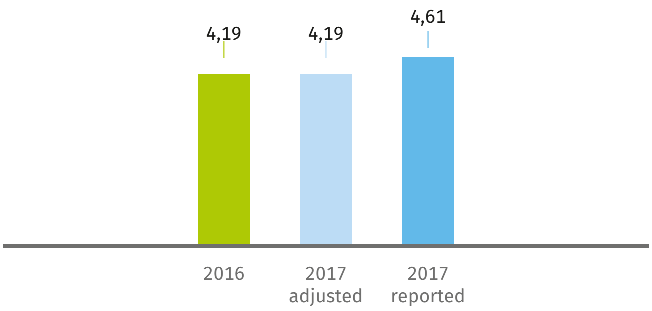
EBT in € million



Consolidated net profit in € million



Earnings per share (EPS) in €



Revenues
The (reported) revenues of the XING Group including other operating income rose from €148.5 million in the 2016 financial year to €187.8 million in 2017. This corresponds to a relative growth rate of 26 percent or year-on-year growth of €39.3 million in absolute terms. At €2.9 million, other operating income were at the prior-year level of €2.6 million. The revenue growth includes the first-time consolidation of InterNations (B2C segment) and Prescreen (B2B E-Recruiting segment), which were acquired in financial year 2017. The revenues of the two entities first consolidated as of July 2017 amounted to €5.4 million. Adjusted for this effect of first-time consolidation, XING SE's revenues grew by 23 percent. All segments contributed to the strong growth. The B2B E-Recruiting business showed a particularly dynamic performance, with revenues growing by €22.3 million (€21.2 million adjusted for the first-time consolidation of Prescreen).

Personnel expenses
In the financial year ended, we recruited additional highly qualified employees for XING to continuously enhance our existing offerings and establish new offerings in the market. Our colleagues are our most valuable asset. Only with a team of highly motivated and dedicated individuals with an entrepreneurial mindset can we provide our B2C and B2B customers with new and innovative products each year.

In acquiring InterNations and Prescreen, we welcomed more than 100 additional colleagues to the XING Group. At the end of December 2017, we therefore had 1,290 (December 2016: 961) employees, an increase of 329 in total (+34 percent). Personnel expenses increased at a slightly lower rate than revenues, rising from €54.5 million in 2016 to €68.4 million in the reporting period (+26 percent). The ratio of personnel expenses to total operating income declined slightly from 37 to 36 percent.

Marketing expenses
In the 2017 financial year, we upped our marketing spend by 51 percent or €7.6 million year on year, from €14.6 million to €22.2 million, with the most significant investments relating to our media campaign, SEM, display advertising and mailings. The marketing expenses ratio thus rose slightly from 10 percent (2016) to 12 percent in the 2017 financial year.

Other operating expenses
Other operating expenses rose by €7.2 million from €31.5 million to €38.7 million. The main operating expenses here include IT and other services (€12.7 million compared to €10.6 million in 2014), expenses for premises (€6.0 million compared to €5.3 million in 2014), and server hosting, administration and traffic costs (€3.4 million compared to €2.7 million in 2014). As a result, the expense ratio fell slightly, from 21.2 percent in 2016 to 20.6 percent in 2017. Section 10 of the notes to the financial statements includes a detailed table of all items reported under other operating expenses.

EBITDA
As a result of the strong revenue growth, the operating result (EBITDA) likewise showed a sharp increase to €58.4 million (2016: €47.9 million). The EBITDA margin was therefore down slightly on the prior-year figure of 32 percent to 31 percent due to the deliberate sharp increase in marketing activities.

Depreciation, amortization and impairment losses
Depreciation, amortization and impairment losses rose from €10.7 million in the previous year to a total of €17.6 million (+€6.9 million). There were three main reasons for the rise:

- Our investments last year (capex excluding M & As) amounted to €33.4 million, a sharp increase compared with the €24.4 million of investments in 2016. The rise also testifies to our ambitions to drive product innovation. Accordingly, capitalized development expenditure on internally generated software climbed from €15.8 million in 2016 to €26.6 million in 2017.

- In addition, we decided to fully write off the platform modules no longer in use due to product innovation. The resulting write-down amounted to a total of €3.4 million in financial year 2017 compared with €0.7 million in 2016.
- The third effect relates to depreciation, amortization and impairment charges on assets identified in the course of purchase price allocation. These rose from €0.9 million in 2016 to €2.5 million in the past financial year due to the acquisition of InterNations (B2C segment) and Prescreen (B2B segment) in July.

EBIT
This resulted in earnings before interest and taxes (EBIT) of €40.8 million in 2017 compared with €37.3 million in the previous year.

Financial result
XING SE's reported financial result was up on the prior-year figure to €–1.8 million (2016: €–3.0 million). It is important to bear in mind here that, in financial year 2017, it included positive one-time effects of the reversal of earn-out liabilities from past M&A transactions and the resulting foreign exchange effects totaling €+2.4 million. Excluding those effects, the financial result came to €–4.5 million compared with €–3.0 million in 2016.

The main driver of the negative financial result were the start-up losses of our (kununu) US joint venture with Randstad (Monster Worldwide Inc.) in the amount of €3.6 million (2016: losses of €2.7 million), which are accounted for using the equity method (50 percent).

Another factor with a negative effect was the unwinding of the discount on earn-out liabilities from the acquisition of InterNations and Prescreen in July 2017 in the amount of €0.8 million (2016: €0.4 million). Interest income and income from securities holdings had a slightly positive impact on the financial result.

Earnings before taxes (EBT)
This resulted in reported earnings before taxes (EBT) of €39.0 million compared with €34.3 million in the previous year. Adjusted for the positive one-time effects of acquisitions (€2.4 million), EBT came to €36.6 million, an increase of 8 percent on 2016.

Taxes
Current taxes are determined by the companies of the XING Group based on the tax laws applicable in their country of domicile. Tax expense in the 2017 financial year amounted to €13.0 million, up from €10.7 million in the 2016 financial year.

Consolidated net profit and earnings per share
After deducting taxes, consolidated net profit reported for 2017 amounted to €25.9 million compared with €23.6 million in 2016. This gives rise to earnings per share of €4.61 for the 2017 financial year compared with €4.19 per share in 2016. Earnings per share in 2017 therefore increased by 10 percent compared with the adjusted prior-year figures. Consolidated net profit adjusted for the positive one-time effect of M&As came to €23.6 million and EPS adjusted for this effect to €4.19.

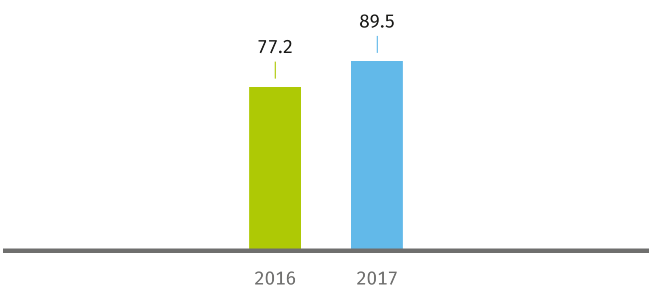
Dividend distribution
Based on the 2017 results and the implementation of a long-term dividend policy, the Management Board and Supervisory Board will propose to the next Annual General Meeting to be held on May 16, 2018 that the shareholders be paid a regular dividend of €1.68 per share (previous year: €1.37). This figure is based on the Company's consolidated net profit and also on benchmarks of TecDAX companies with comparable growth figures.

The liquid funds and available-for-sale securities amounting to €62.3 million as of the end of 2017 and XING's cash-generative business model enable the Company to pay dividends and distributions without changing its business strategy, which is aimed at achieving growth.

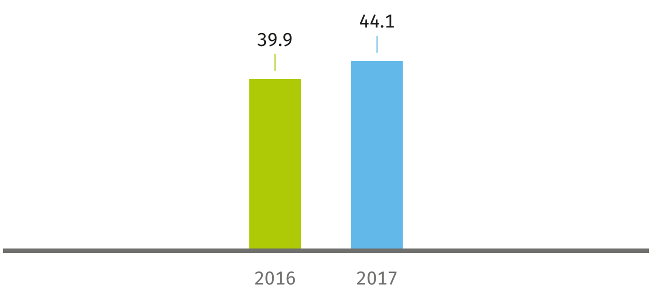
SEGMENT PERFORMANCE

B2C segment

B2C revenues in € million



B2C EBITDA in € million



With its free basic membership and additional paid Premium and Pro memberships, the XING platform provides a foundation for the successful development of the B2C and B2B segments.

We reached all our objectives (member growth, increase in subscribers and revenue growth) during the financial year.

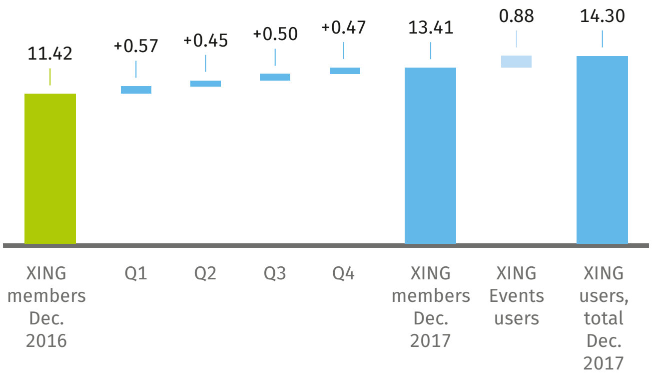
Segment revenue here rose by 16 percent to €89.5 million (2016: €77.2 million), while segment operating profit (EBITDA) increased by 10 percent to €44.1 million (2016: €39.9 million). In terms of revenue growth, it should be noted that we acquired expat network InterNations with effect from July 11, 2017, and have since consolidated the business. The resulting revenue effect for the period from July 11, 2017, to December 31, 2017, is €4.3 million. B2C segment revenue adjusted for this effect is €85.2 million, equivalent to a 10 percent increase compared to the previous year.

The continuing dynamic revenue and earnings performance of the B2C segment is driven by further strong growth in XING's membership base. In the past financial year alone, 2.0 million new members (2016: 1.8 million) registered on www.xing.com to maintain their professional network, make new business contacts, find out about current offers on the job market or consume sector news relevant to them. This is the largest growth in membership since the Company was founded in 2003 and offers proof that maintaining a profile on the leading professional network is important in the modern world of work. Including XING Events users, total XING users thus came to 14.3 million at the end of December 2017.

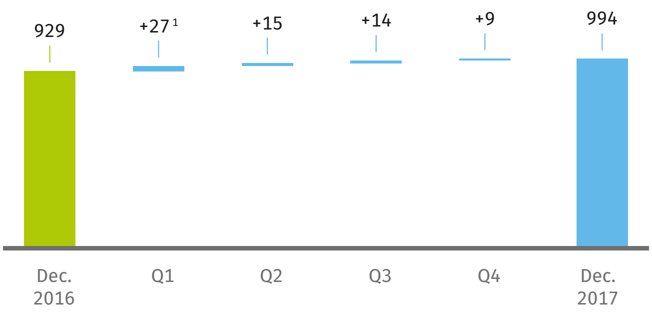
The most important indicator for segment revenue and earnings development is the number of subscribers or paid memberships sold, and we also achieved an increase in this area compared to the previous year. In the reporting period, the number of members in the fee-based Premium and Pro memberships rose by around 65,500 (2016: 48,000). As a result, we served around 994,000 subscribers across the D-A-CH region at the end of the 2017 financial year (2016: 929,000).

It has to be noted in this context that organic payer growth was approx. 55,500. The difference of approx. 10,000 payer net adds is due mainly to a one-time effect and a refined counting method, which we adjusted at the beginning of 2017 in connection with changing our payment services provider (second half of 2016).

XING member and user growth 2017 In D-A-CH
in million



Subscribers in D-A-CH in thousand



[1] *Organic payer growth amounted to approx. 17,000 in Q1 2017. The difference of approx. 10,000 payer net adds is due mainly to a one-time effect and a refined counting method, which we adjusted at the beginning of 2017 in connection with changing our payment services provider (second half of 2016).*

XING acquires expat network InterNations

We acquired the Munich-based expat network InterNations in July 2017. InterNations is the world's largest network for people who live and work abroad (expats). The platform has over 2.8 million members and is present in some 390 towns and cities around the world. Around 124,000 members pay a monthly fee, with one important benefit of membership being free access to official InterNations events.

InterNations gives expats a wide range of opportunities to link up and exchange ideas and experiences with other members who find themselves in a new environment or foreign town or city, and are therefore facing similar challenges and needs. This allows members to help each other out in matters relating to finding an apartment, visits to the authorities and understanding the cultural aspects of the country in question.

Offline events are an important feature of membership, and around 50,000 events were organized worldwide last year, with some 1.5 million people attending.

In strategic terms, the expat network usefully complements XING's existing platform. XING's DNA is all about connecting people – not profiles. In InterNations we have acquired an expert in local offline networks. While the XING platform continues to focus squarely on the German-speaking domestic market, InterNations provides contact opportunities all over the world and will therefore continue to be managed under its own brand name. In addition to strengthening the expat communities, we will invest in further expanding the services InterNations offers and building up the B2B business. The core business of InterNations is profitable, with double-digit revenue growth. Since consolidation on 1 July 2017, InterNations has contributed revenues of EUR 4.3 million to the B2C segment.

XING launches fresh video podcast format, XING Talk

In April 2017, we enhanced our content initiative and broadened our news services by adding XING Talk, a new format for video podcasts. Presented by leading podcasters Oliver Rößling and Frank Eilers, the biweekly slots feature familiar and interesting personalities talking about topics they feel passionately about. The podcasts, which target our users' need for platform content suitable for mobile, on-the-go consumption, focus on current and controversial issues in politics, the economy and society. The guest list so far has featured Dietrich Grönemeyer and Ole von Beust, as well as Hubertus Meyer-Burkhardt, dirndl manufacturer Sibilla Kawala and poetry slam pioneer Michel Abdollahi. The podcasts are not just available to members of the network, but can also be accessed on iTunes, YouTube and the Facebook channels.

XING hosts the first New Work Experience in Berlin

On 30 March, XING hosted its first New Work Experience in Berlin. Almost 1,000 guests from the worlds of research, start-ups, big business and the New Work movement gathered at the Westhafen Event & Convention Center to enjoy an agenda as diverse and exciting as the concept of New Work itself: Over 80 high-caliber speakers and panelists took part in a 40-hour program spanning eight stages.

With NWX17, we created the first major event and the most effective communication platform for New Work in the German-speaking market. Our aim is to celebrate the concept of New Work while acting as information mediators and, of course, expanding and creating networks – all in the knowledge that New Work is never done but is constantly evolving.

Pitches for new ideas and models in corporate culture, leadership, collaboration and HR at the many NWX sessions were complemented by deep discussion, the occasional hard-fought argument and, more often than not, laughter.

Enthralling presentations offered by bestselling author Frederico Pistono, Oxford University professor Dr. Carl Benedikt Frey, HR experts Sophia von Rundstedt and Florian Kienbaum, as well as VOX TV's Ralf Dümmel and former St. Pauli soccer coach Holger Stanislawski inspired audiences and earned much acclaim.

Those filling the NWX auditorium reserved their most rapturous applause for guest of honor and founder of the New Work movement, Professor Dr. Frithjof Bergmann. His stories about the early days of the New Work movement in the 1980s proved as captivating for the guests as the verve with which the 87-year-old spoke about his future plans.

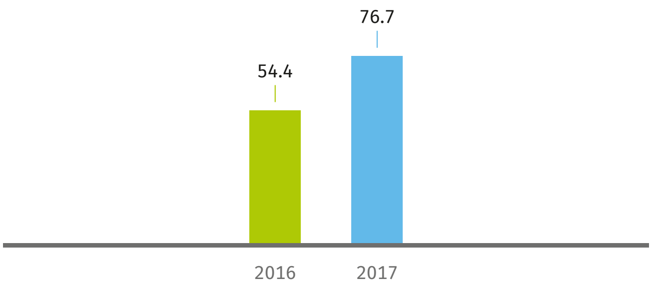
The event closed with the presentation of the New Work Award (NWA). The Company received around 200 submissions for the 2017 NWA, creating an impressive list of the brightest minds and concepts in the future working world. First place in the Established Company category went to Cisco Systems, while the Edition F network prevailed in the Start-up Company category. This year also saw individuals recognized in the New Worker category for the first time. The shortlist was once again selected by the Ideas Laboratory, an expert panel of visionaries from society, business and politics, together with Thomas Sattelberger and Thomas Vollmoeller.

Hamburg's Minister of Culture Carsten Brosda, whose role also includes responsibility for the digital economy, added that "changing the world of work is about far more than just technology: NWX is providing an important social compass to guide our thoughts about how we want to work in the future."

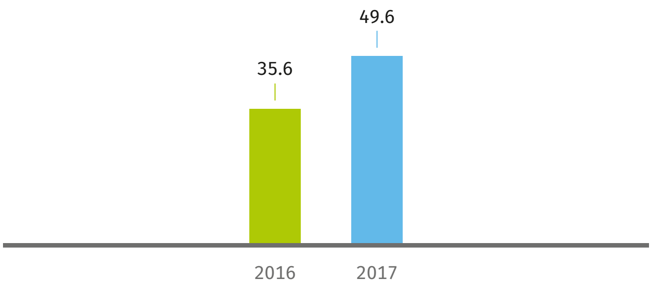
XING is establishing itself as an organizer and a thought leader in the new work movement in the German-speaking countries. We wish to be a mentor to our members through their professional life and make them more successful. Our product offerings and events such as the NWX and the NWX sessions are intended to help with this.

B2B E-Recruiting segment

B2B E-Recruiting revenues in € million



B2B E-Recruiting EBITDA in € million



Our E-Recruiting segment experienced exceptionally dynamic revenue growth of 41 percent to €76.7 million during the past financial year. Even after adjusting for the revenue of Vienna-based Prescreen GmbH, which has been consolidated since July, organic revenue growth still reached 39 percent. We also recorded the highest segment profitability in the history of the E-recruiting offering as segment operating profit climbed by 39 percent to €49.6 million. This means that the E-Recruiting business generated higher absolute segment EBITDA than our B2C business for the first time.

This is due to the sharp increase in B2B corporate subscription customers and high average revenue per user (ARPU) for our recruiting solutions. The number of customers increased by 32 percent to approx. 8,000 during the 2017 financial year. By the end of December 2017, we were supporting a total of 19,296 corporate customers in the B2B E-Recruiting segment.

The strong growth in this segment is driven by the current labor market situation. Not since 1991 have there been so few unemployed people as in 2017. The labor market itself has also changed. A shortage of skills and new-found assertiveness among candidates is changing the environment for companies. Digitalization has also made it possible and essential for firms to reach candidates via new channels. We believe that this is because companies now have to showcase themselves to candidates instead of just vice versa. We also believe that it is becoming increasingly difficult to hire the right person. In addition to professional qualifications, cultural fit is also very important. This means that transparent employer branding and recommendations in both directions also play an increasingly vital role. The traditional role of the recruiter is changing, becoming ever more complex with a growing focus on marketing.

Our view is also confirmed by the latest index Recruiting Report for 2017/2018, in which almost 70 percent of companies now state that they do not receive enough applications from experienced specialists with a university education. The application situation has even continued to worsen among entry-level recruits such as university graduates and young professionals.

Do you witness a lack of suitable applicants in your company?

Lack of applicants intensifies at all professional levels, with experienced specialists holding a university degree in particular hardly ever applying anymore.

Almost 70 percent of companies in Germany say that they do not receive enough applications from experienced professionals with a university education. This represents an increase of 6 percent on 2015. The situation has deteriorated in all other professions as well. Even among entry-level recruits such as university graduates and young professionals the application situation has continued to worsen, as 41 percent of companies do not receive enough suitable applications from this target group.

This is precisely where XING's e-recruiting solutions come into play. We want to help companies to rise to this challenge and believe that this requires networked and integrated HR systems. With situation awareness from the recruiter, these systems represent the best recruiting strategy, help the recruiter to implement this strategy and thus reduce the time and cost per hire. As a result, we have consistently continued to expand our recruiting offering over the past financial year with initiatives such as the launch of XING TalentPoolManager or XING E-Recruiting 360°.

Launch of XING TalentpoolManager (XTP)

Thanks to XING's new TalentpoolManager, customers will now be able to find all candidates in one central location. Here, they can add the candidates to talent pools and share these with their recruitment team as required. The connection to XING means that all important candidate information is updated automatically whenever the member makes changes to their profile on XING.

For the first time, companies can also file information about candidates who are not registered on XING. Digital resumes can be updated or the URL of a social network specified.

The XING TalentpoolManager helps HR departments not just to organize and maintain candidate information, but also to identify promising candidates. In addition to candidate pools filled by the recruiter, XING generates talent pools automatically, enabling companies to find members who follow their company profile on XING or who indicate an interest in working for their company, for example.

In addition, we give XTP users an indication of the right time to approach candidates. For this, we apply over 50 criteria to analyze how their willingness to switch jobs is changing and use a scale to illustrate a candidate's motivation to switch jobs.

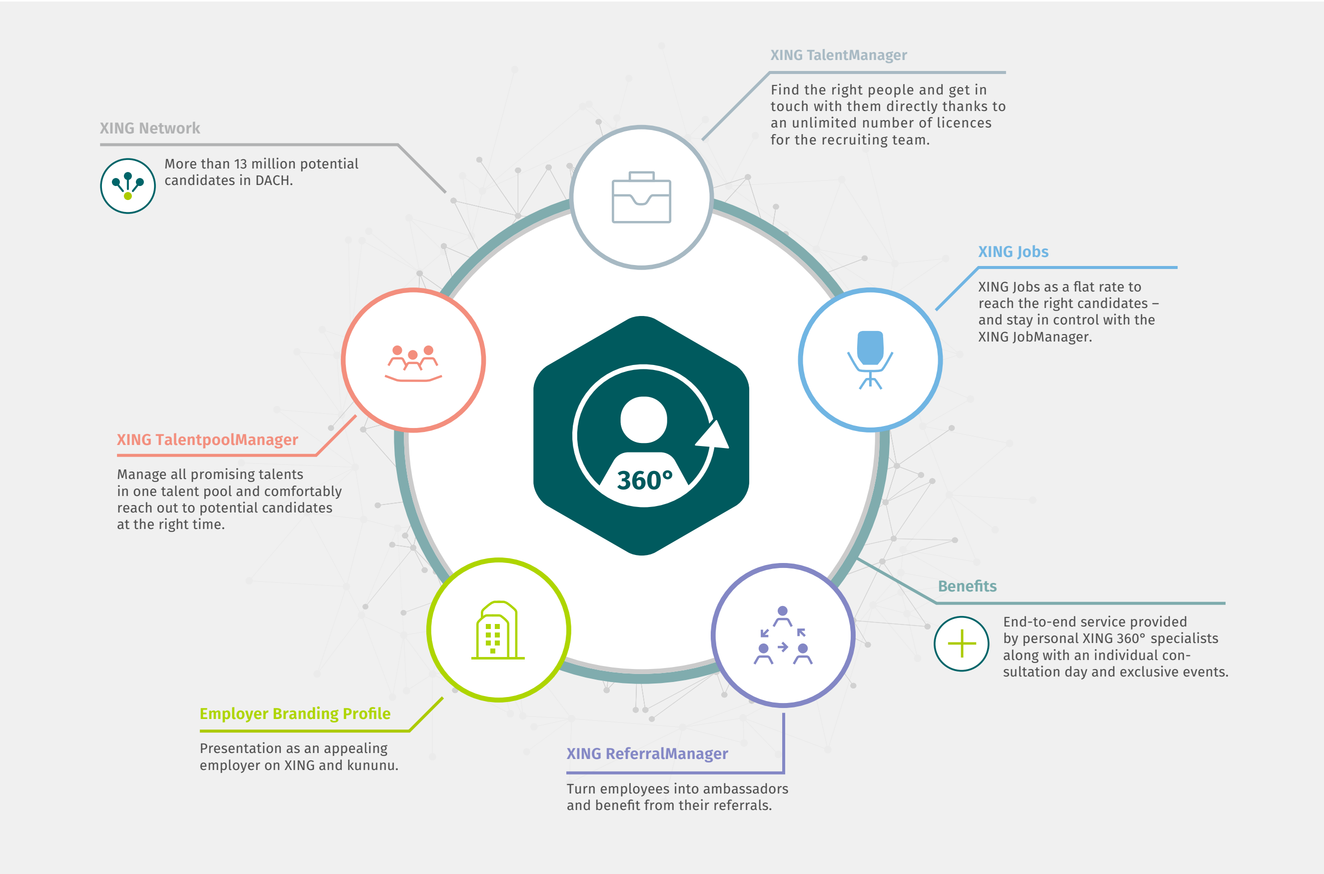
Launch of XING E-Recruiting 360°

We rolled out our new XING E-Recruiting 360° B2B offering for HR departments in the second quarter of 2017. This consists of a new package of licenses which for the first time combines all of XING's existing e-recruitment tools in an integrated service.

XING E-Recruiting 360° combines the following products:

- XING Job Ads – as a flat rate for unlimited publication of current vacancies, including use of the XING JobManager
- XING TalentManager for active contact with candidates – with as many licenses as the recruitment team needs
- XING ReferralManager for digitalizing and automating employee referrals
- Employer Branding Profile Professional for ideal positioning of the customer's own employer brand on XING and kununu
- XING TalentpoolManager for managing candidates

To ensure that users can harness the potential of the wide variety of services offered by E-Recruiting 360° to cope with the individual challenges existing in each case, we have developed new training concepts and event formats. For instance, personal XING 360° specialists help corporate customers adjust the mix of e-recruitment solutions that best suit their objectives and the challenges facing them.



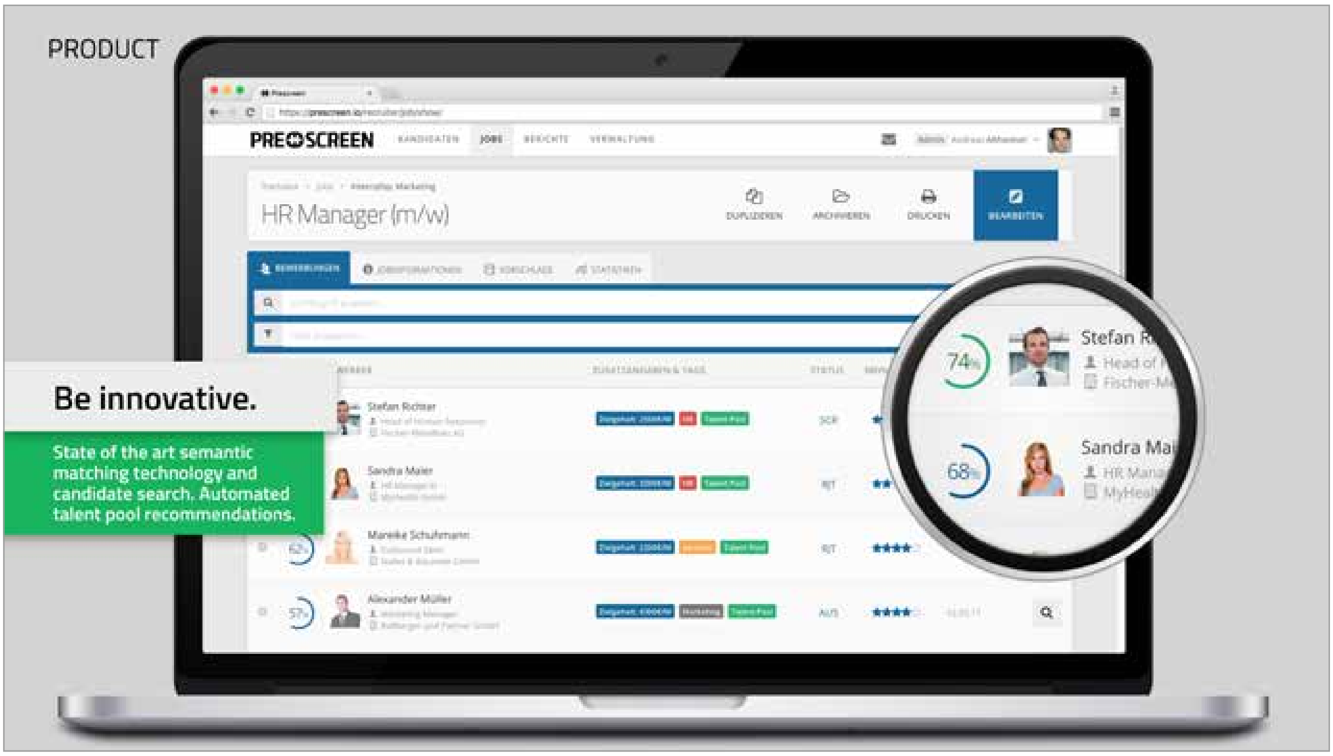
Acquisition of Vienna-based application management provider Prescreen

In recent years, XING has established itself with products and solutions for HR departments in the areas of passive recruiting (online job advertisements), active sourcing (XING TalentManager and XING ReferralManager), employer branding (kununu) and talent pool management (XING TalentPoolManager). The HR department solutions offered on the market to date primarily benefit from the fact that XING not only has modern HR technologies but also enables access to important candidate target groups and links the solutions with the B2C platform as appropriate.

The acquisition of Vienna-based application management provider Prescreen enables us to expand our portfolio and means we can now offer human resources workflow software. The Prescreen software can either be used completely independently from the XING platform or integrated with XING's existing sourcing and employer branding solutions with access to more than 13 million sets of candidate information as a full-service e-recruiting solution.

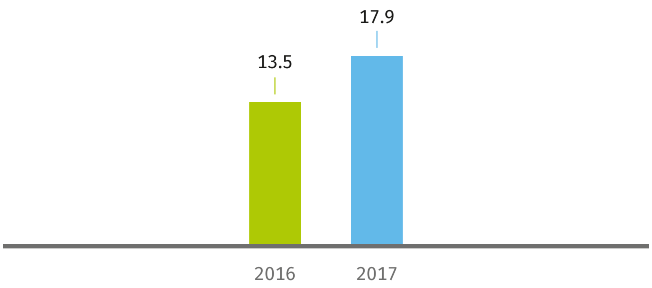
These systems allow recruiters to manage the entire process from the vacancy to the hiring of a candidate using a single software solution – easily, inexpensively and effectively. For instance, they can place job advertisements on their own career pages as well as in networks and on job portals, document applications and sort them by relevant criteria, create a talent pool for filling future vacancies, and even perform assessments to verify the aptitude of candidates.

Prescreen has around 400 corporate customers, including large numbers of small and medium-sized enterprises as well as big names such as Beiersdorf, Ströer and Unicredit Bank Austria. Prescreen adds new customers in double-digit figures each month.

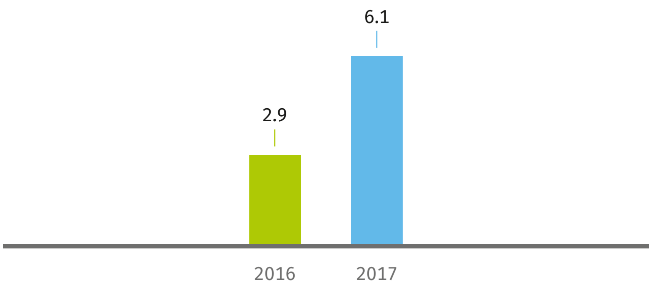


B2B Advertising & Events segment

B2B Advertising & Events revenues in € million



B2B Advertising & Events EBITDA in € million



In addition to the B2C network business and our B2B E-Recruiting service, our reporting combines the two B2B business units Advertising and Events in the B2B Advertising & Events segment.

After the two business units generated roughly the same percentage of revenue in the previous year, the share generated by the Advertising subsegment rose to 56 percent in financial year 2017. This performance is attributable to Advertising's exceptionally dynamic year-on-year revenue growth of over 40 percent. Together with the year-on-year growth in the Events business, which likewise exceeded 20 percent, B2B Advertising & Events revenues rose by 33 percent to €17.9 million in the financial year ended. Segment profitability (segment EBITDA) increased at a faster pace, rising by 111 percent from €2.9 million to €6.1 million due mainly to the strong advertising growth.

Advertising subsegment

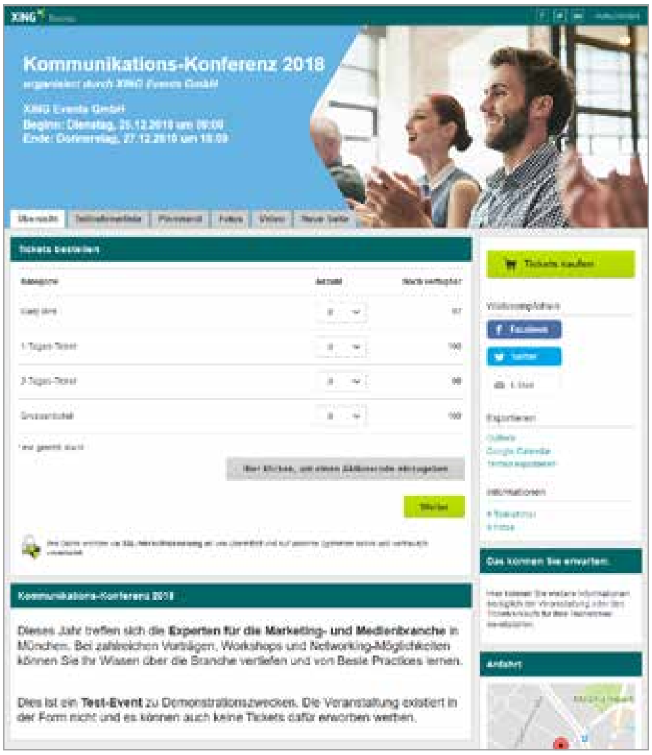
We continued to systematically develop our advertising offerings in 2017. We made progress on improving the AdManager algorithm in particular. In addition, we further expanded our ad sales structure and optimized existing processes. Our standard business pages and pro business pages, which are booked predominantly for product marketing, saw strong performance and made a significant contribution to revenue growth.

Since mid-2017, advertisers have also been able to book video advertising through XING. Our granular targeting options enable campaigns to be addressed to very specific groups.

Events subsegment

XING Events connects the online and offline worlds. Here, organizers of trade fairs, conferences and seminars can draw on different offerings to optimize the marketing and management of events they post on XING.

For example, the XING Ticketing Manager allows event organizers to easily sell tickets online and manage registrations. Using this tool, organizers can also create their individual event page with an integrated ticket shop in their chosen design and market it to the relevant target group using the XING AdManager, for example.



We have also pressed ahead with and strengthened the integration of ticketing and the Events marketplace on XING to give event organizers who use our ticketing service additional benefits when marketing events on XING. As a result, XING Events not only provides event organizers with a system facilitating highly flexible, efficient online ticket sales, but also allows them to increase the number of participants by marketing their events on XING.

The growth of the two subsegments is also reflected in the customer trend in the B2B Advertising & Events segment, where the number of B2B customers rose from around 6,600 to approximately 8,100 as of the end of December 2017.

kununu International segment

In addition to continuing the XING growth strategy in its D-A-CH core market, the Company agreed a joint venture with the Monster Worldwide Inc. job platform in the USA to implement the model of creating transparency about the quality of employers already established in the D-A-CH region outside our core markets. The joint venture was formed with its registered office in Boston and is doing business in the US market. For the US service, kununu's expertise in the fields of employer rating and employer branding will be enhanced by the market knowledge, marketing expertise and market penetration offered by Monster. As of the end of 2017, around 500,000 reviews of US employers have already been generated on the US kununu platform.

XING's share of the joint venture's net profit/loss for the year is accounted for as the share of profits and losses of equity-accounted investments.

In the kununu International segment, which we report on separately here, the only revenues (2017: €1.3 million; 2016. € 1.4 million) and expenses currently reported are those generated by XING SE from the provision of technical infrastructure and services to the joint venture between kununu and US-based Monster Worldwide, Inc. This resulted in segment EBITDA of €0.0 million in 2017, compared with €–0.1 million in the previous year.

NET ASSETS

Non-current assets increased by €95.9 million from €61.5 million in the previous year to €157.4 million as of December 31, 2017. This is due primarily to the purchase price allocation of €26.6 million for the acquisitions made in 2017. In addition, we recognized new modules for the XING platform in the amount of €17.9 million. We also invested surplus liquidity in available-for-sale securities amounting to €29.9 million as part of our liquidity management. The share of on-current assets in total assets increased from 36.1 percent to 69.2 percent year on year. As a result, current assets accounted for a lower proportion of total assets, decreasing to 30.8 percent (previous year: 63.9 percent).

At December 31, 2017, the Group had liquid funds of €36.5 million (previous year: €86.6 million), plus available-for-sale securities amounting to €29.9 million (previous year: €0.0 million). This represents 16.1 percent (excluding available-for-sale securities; previous year: 50.8 percent) or 29.2 percent (including available-for-sale securities) of the total assets of €227.6 million (previous year: €170.5 million). In 2016, XING forecast a sharp rise in liquid funds for 2017 excluding extraordinary items. In financial year 2017, it paid a special dividend of €9.0 million, made acquisitions amounting to €26.2 million and purchased €29.9 million of available-for-sale securities. Adjusted for extraordinary items, the figure rose by €14.0 million to €97.4 million (previous year: €83.4 million).

Liquid funds as of December 31, 2017 included third-party cash of €4.2 million from the XING Events segment (previous year: €3.2 million). Excluding extraordinary items (securities), the Company had €32.3 million in cash, which accounted for 14.2 percent of total assets (previous year: €83.4 million or 48.9 percent).

The increase in receivables from services from €19.6 million in the previous year to €28.3 million as of December 31, 2017 was largely related to the further rise in revenues. Receivables from services mainly include receivables from B2B members and membership subscriptions from Premium members.

Other assets rose by €2.6 million year on year, due in particular to an increase in advances paid and deferred costs.

In financial year 2016, XING made investments totaling €24.4 million (excluding acquisitions) and forecast a further increase. In financial year 2017, investments totaled €33.4 million (before acquisitions).

Investments in purchased software amounting to €2.2 million in 2017 were lower than the amortization of €3.1 million before acquisitions in 2017. As is usual in the online industry, software solutions and platform extensions are mainly developed inhouse. Due to the acquisition of Prescreen GmbH and InterNations GmbH, an addition to technology in the amount of €5.5 million is also shown under purchased software.

Internally generated intangible assets include the internally generated parts of the XING platforms that qualify for capitalization as well as the XING mobile applications. Investments totaled €26.6 million (previous year: €15.8 million). Internally generated intangible assets were reduced by amortization and impairment losses of €3.4 million (previous year: €0.7 million), resulting from the overhaul and redesign of the platforms.

Of the goodwill, €34.3 million relates to the E-Recruiting segment (previous year: €13.2 million) and €15.4 million to the InterNations segment. The change is due entirely to the Prescreen GmbH and InterNations GmbH additions.

The value of the other intangible assets before the acquisitions in 2017 was reduced by €1.5 million through amortization during the financial year. Additions of €6.3 million resulted primarily from the acquisitions. At €8.8 million, the carrying amount of property, plant and equipment was roughly on a par with the prior-year figure of €8.9 million (€–0.1 million).

FINANCIAL POSITION

Equity and liabilities

As was the case in previous years, XING SE is financed solely from equity and the Company does not have any bank loans or other such loans. As of the closing date, the Company's equity ratio amounted to 34.7 percent compared with 41.0 percent in 2016. This reduction primarily resulted from the dividends paid in 2017 (regular dividend totaling €7.7 million and special dividend of €9.0 million) and the increase in deferred income (€15.0 million). XING thus continues to be in an excellent position for future growth. Non-current assets rose by €95.9 million due in particular to the acquisitions in 2017 and further capitalization of costs relating to the XING platforms. Correspondingly, obligations from contingent purchase price payments increased by €14.2 million.

Current assets and available-for-sale financial assets (including liquid funds) cover 92.6 percent of current liabilities (previous year: 134.3 percent). The decrease is due in particular to the strong increase in the non-cash deferred income by €15.0 million.

Strategic financing measures

Thanks to the favorable market conditions, the Company had secured credit lines totaling €20 million in 2014 with the aim of increasing its short-term flexibility. These credit lines have not yet been drawn down.

Cash flow from operating activities

The cash flows from operating activities for the reporting year amounted to €58.7 million, up from €49.9 million in the previous year. This increase is mainly attributable to the €10.5 million year-on-year increase in EBITDA. Earnings before taxes include a reversal of the contingent purchase price obligation from BuddyBroker AG and Intelligence Competence Center (Deutschland) AG totaling €2.1 million (previous year: €0.0 million).

Cash flow from investing activities

In the 2017 financial year, the cash flows from investing activities included significantly higher amounts invested in platform development than in the previous year (€26.6 million compared with €15.8 million). Following increased investment in new servers in the previous year (€6.9 million), investments in property, plant and equipment declined to €4.6 million. The acquisitions were another driver of cash flows from investing activities, with €26.2 million being paid out in this context. Payments for the joint venture kununu US LLC amounted to €3.3 million in 2017 (previous year: €2.7 million). In addition, we invested surplus liquidity in available-for-sale securities amounting to €29.9 million.

Cash flows from financing activities

During the 2017 financial year, XING distributed a regular dividend of €7.7 million (previous year: €5.8 million) and a special dividend of €9.0 million (previous year: €8.4 million). The liquid funds of €62.3 million as of the end of 2017 and XING's cash-generative business model enable the Company to pay dividend regularly without changing its business strategy, which is aimed at achieving growth.

SPENDING ON RESEARCH AND PRODUCT DEVELOPMENT

Internet companies typically spend a significant portion of their expenses on research and product development (excl. marketing), and XING is no exception. At €50.1 million, spending on research and product development in 2017 significantly exceeded the previous year's figure (2016: €37.2 million) and sends a clear signal that we will continue to invest strongly in innovations and new product developments in order to raise revenue and income further in the future. The largest single item in these expenses relates to the refinement and programming of the XING platform (B2C). For this, extensive new products were created (e.g., new memberships such as ProBusiness and Executive and the XING Messenger). There was also an increase in investments in new B2B products such as the TalentpoolManager.) Mobile apps were also expanded. The total amount capitalized for the development of new products was €26.6 million (2016: €15.8 million) in the past financial year. Amortization and impairments of capitalized development costs amounted to €8.7 million in the reporting period (previous year: €4.7 million).

Additional disclosures on development costs and changes to the carrying amount for internally developed software is listed in the notes under intangible assets.

Management's summary of the Company's economic position

As in the previous year, we are extremely satisfied with our operating and financial results in the 2017 financial year. XING continues to show strong growth and is highly profitable, too. While at the same time making targeted investments in our future. XING SE's business model features sustainably high margins, revenues paid mostly in advance and low capital intensity – all without taking on a significant level of financial debt.

We achieved the largest consolidated profit and the highest earnings per share in the history of the Company of €25.9 million and €4.61, respectively. Consolidated net profit adjusted for the positive one-time effect of M&As came to €25.6 million and EPS adjusted for this effect to €4.19.

This extremely comfortable basis enables us not only to continuously invest in the expansion of our business and the development of new business models, but also to make regular dividend distributions to our shareholders. The proposed dividend is explained in the Report on expected developments.

Risk report

PRINCIPLES OF RISK MANAGEMENT

Permanent monitoring and management of risks are key tasks of a listed company. For this purpose, XING SE has implemented the risk early warning system required in accordance with Section 91 (2) AktG and continuously develops it within the context of current market and company developments. As was the case in the previous year, the auditor of the annual financial statements again confirmed the functionality of the system.

Each individual employee is required to avert potential loss from the Company. One of their tasks is to immediately remove all risks in their own area of responsibility and to immediately notify the corresponding risk management contacts at XING SE in the event of any indications of existing risks or risks which might arise. An essential requirement for such a task is knowledge of the risk management system and maximum risk awareness of each individual employee. For this reason, XING SE familiarizes its employees with the risk management system using information material and draws their attention to the significance of risk management.

Potential risks are continually identified and analyzed. Identified risks are then systematically evaluated as to their probability of occurrence and the expected potential loss. The persons with risk responsibility and senior executives are questioned with regard to the status of existing risks and the identification of new risks in the course of quarterly risk inventories and status queries. Risks are measured using the gross method, which means that the probability of occurrence and the expected loss is estimated without taking into account countermeasures.

The subsidiaries XING Events GmbH, kununu GmbH, XING E-Recruiting GmbH & Co. KG, XING News GmbH and XING Marketing Solutions GmbH have been integrated into the Company's risk management system. Here, potential risks are also continually identified and analyzed, and persons with risk responsibility and senior executives are also questioned with regard to the status of existing risks on a quarterly basis. This integration helps to ensure early recognition too of any risks originating from the operating subsidiaries that may have a negative long-term impact on the Company.

The risk management system covers only risks but not opportunities.

INTERNAL CONTROL SYSTEM

In accordance with Section 315 (4) HGB, as a publicly traded company, we are obliged to describe the key features of the internal control and risk management system relevant for the consolidated financial reporting process.

We consider the internal control and risk management system to be a comprehensive system, and use the definitions of the Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf, concerning the financial reporting-related internal control system and the risk management system. An internal control system is defined as the principles, procedures, measures and controls which have been introduced by management in the Company, and which are designed to ensure the organizational implementation of the decisions of management for the purpose of

- ensuring the effectiveness and profitability of the Company's business (which includes protecting its assets, as well as preventing and detecting any impairment of its assets);
- ensuring that both the internal and the external financial reporting processes are proper and reliable; and
- ensuring compliance with all statutory requirements applicable to the Company.

The risk management system comprises all organizational rules and measures for recognizing risk and for handling the risks associated with business activities.

The following structures and processes are implemented at XING SE with regard to the financial reporting processes of the integrated companies and the Group financial reporting process:

The Management Board of the Group bears overall responsibility for the internal control and risk management system with regard to the financial reporting processes of the integrated companies and the Group financial reporting process. All companies integrated in the consolidated financial statements are involved via a defined management or reporting organization. Within this reporting organization, the Group Management Board is (constantly) provided with information concerning the following measures: Definition of the risk fields which might result in developments posing a threat to the continued existence of the Company as a going concern; risk recognition and risk analysis; risk communication; allocation of responsibilities and tasks; establishment of a monitoring system; and documentation of the measures which have been taken. In addition, this reporting organization defines that material risks are reported immediately to the Group's Management Board when they occur.

The principles, the structure and procedure organization as well as the processes of the financial reporting-related internal control and risk management system are summarized in guidelines and organizational instructions in key areas of the Group; these are adapted and brought into line with current external and internal developments at regular intervals. With regard to the financial reporting processes of the integrated companies and the Group financial reporting process, we consider those features of the internal control and risk management system report to be material that can have a major impact on the Group's financial reporting and the overall tenor of the consolidated financial statements including the Group management. These comprise in particular the following elements:

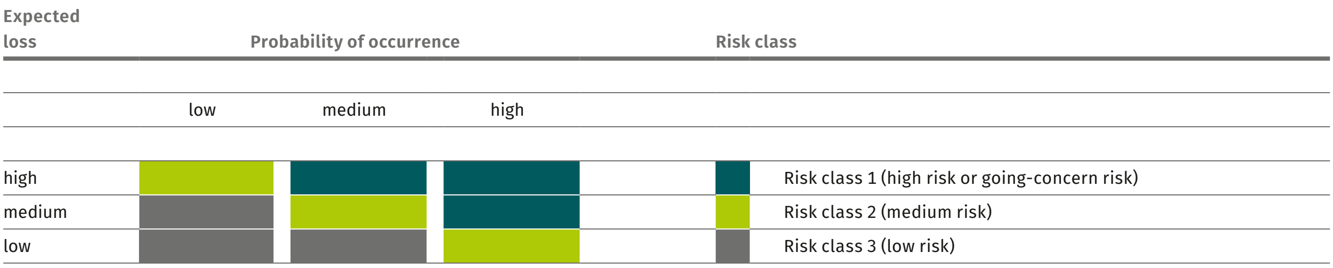
- ➡ Identification of the main risk fields and control areas which are relevant for the Group-wide financial reporting process;
- ➡ Controls for monitoring the Group-wide financial reporting process and the related results at the level of the Group Management Board also at the level of the companies included in the consolidated financial statements;
- ➡ Preventative control measures in the financial and accounting systems of the Group and of the companies included in the consolidated financial statements, as well as in operational management processes which generate major information for preparing the consolidated financial statements including the Group management report, including functional segregation and predefined approval processes in relevant areas.
- ➡ Measures that ensure proper IT-based processing of Group financial reporting-related items and data;

The tasks of the internal audit system for monitoring the financial reporting-relevant internal control and risk management system are not carried out by an "internal audit" staff department; instead, this is the responsibility of the Controlling and Accounting departments. In this context, the Group also makes use of the expertise of external specialists.

The Group has also implemented a risk management system which comprises measures for identifying and measuring material risks as well as appropriate measures for limiting risk in order to ensure the adequacy of the consolidated financial statements. The Management Board and Supervisory Board also continually look into ways of further optimizing the risk management system processes.

RISK ASSESSMENT

Risks are assigned to risk classes based on their estimated probability of occurrence and the expected loss.



We consider a risk that is both very likely to occur and expected to cause a high loss to be a potential going-concern risk.

The probability of occurrence and the expected loss is based on the following criteria:

	quantitatively	qualitatively
Probability of occurrence		
high	51–100%	at least once per year
medium	11–50%	once within 24 months
low	0–10%	less frequently than once within 24 months
Expected loss		
high	more than €2 million	Large damage to the Company’s image, large damage for customers
medium	€500 thousand to €2 million	Services impacted over a long period of time
low	€100 thousand to €500 thousand	Service impacted in isolated cases

SIGNIFICANT INDIVIDUAL RISKS

In the explanations below, the significant risks identified at XING SE are aggregated to a greater extent than for internal risk management purposes. Unless otherwise specified, all risks described affect all of the Company's segments to varying degrees.

Strategic risks

Competition

XING already competes with companies that offer similar services. New competitors might enter the market in the future. Revenues would probably be negatively affected if XING were to lose customers to these current or future competitors. Competitors might be able to capture market share from XING by offering services that are superior to the services offered by XING or through particularly aggressive and successful marketing. In addition, as a result of strategic partnerships between foreign competitors and companies with extensive reach in the D-A-CH region, competitors might be able to penetrate XING's domestic market even more rapidly and exert additional pressure on XING with their prices and services. In the B2C segment, in addition to the direct competition posed by other social networks, companies that are closely related to the sector might also succeed in capturing market share from XING. Some conceivable examples are search engines that extend their portfolio by way of community structures or major portal providers that already have a large number of users, for example by offering e-mail services. The increasing availability of mobile devices with Internet capability can also lead to competition from mobile communities. We categorize the competition risk existing in the B2C segment as a potential going-concern risk. We counteract this risk primarily by undertaking extensive product development and marketing activities. Thanks to better services, continual expansion of our user base, and strong customer loyalty, we have reduced competition risk to such a degree that we currently no longer consider it a going-concern risk in view of the countermeasures taken.

In the B2B E-Recruiting segment, companies with extensive reach in the D-A-CH region could enter the market for job advertisements, leading to a decline in traffic. We currently categorize this as a high risk. We counter this risk through detailed monitoring and by closely liaising with these companies on potential collaborations.

Collaboration with service providers, especially in payment and receivables management

The involvement of external service providers and collaboration partners results in a certain reliance on third parties in some areas. This applies to areas such as news, marketing solutions and job advertisements, but especially to receivables management. Because payment defaults would result in loss of revenues, the efficient billing of payments and the entire receivables management are extremely important for the Company. The Company counters this risk, which is considered a medium risk, for instance by using the help of legal professionals in designing the respective partnerships with external service providers and collaboration partners. Appropriate contract forms in particular ensure that the reliance is minimized, the necessary service standards are met, and that the risk of technical failures is minimized.

Ad blockers

When selling online advertising, there is a fundamental risk of losses caused by so-called ad blockers. Ad blockers are programs users can install to prevent advertisements from being displayed. Theoretically, widespread use of ad blockers can present a high risk with regard to the direct marketing of advertisements on XING via our self-booking application. However, we believe we are well armed against such losses due to the countermeasures available in this respect – for example, the effects of ad blockers can be minimized using technical and design-related countermeasures.

Market and sales risks

Generally, there is a risk of a significant increase in customer losses due to unforeseen external or internal factors. A weak market environment or the launch of copycat products that use publicly available XING data in particular can result in such a loss of customers. We categorize these risks as medium to high. XING SE mainly counters them by constantly improving and extending its own services, and also by means of strategic partnerships. In addition, XING SE permanently monitors the development in user numbers and can take a response in plenty of time by means of prepared measures and crisis plans in the event of sudden signs of customer losses.

Risks of customer support

At XING SE, customer satisfaction enjoys maximum priority not only with regard to financial success. Because of XING SE's own stringent requirements regarding the quality of its platforms, user expect that the Company will refuse to accept any compromises in terms of quality. This comprises in particular the identification of incorrect profiles and tracing inappropriate or offensive comments or fraudulent activities. We categorize the risks of customer support mostly as low.

As a result of the strong identification of many user with XING, the Company usually receives direct and rapid feedback with regard to certain processes on its platforms. This means that XING SE is able to respond promptly where necessary and to avert membership cancellations which would result in losses in terms of revenues.

Financial risks

The Premium memberships offered by XING SE generate regular cash inflows and provide the Company with adequate liquidity. In addition, XING SE prepares a liquidity forecast. XING SE invests its cash and cash equivalents exclusively with banks with high ratings and in short-term deposits. This means that the solvency of the Company is guaranteed at all times. Defaults in the B2C and B2B E-Recruiting segments accounted for less than 0.5 percent of the total revenues in the previous financial year, and is thus not of material significance. We therefore categorize the counterparty credit risk and the liquidity risk as a low risk overall.

In the B2B Advertising & Events segment, we generally see an increasing risk posed by fraudulent event organizers. We address this risk with special tools and processes aimed at detecting and examining them.

IT risks

Risks in network security, hardware and software

For internal purposes and in order to perform its services, XING SE is dependent on the use of automated processes, the reliability and efficiency of which are, in turn, dependent on the functionality, stability and security of the underlying technical infrastructure. The servers used by XING SE and the related hardware and software are vital to the success of the Company's business.

The Company's systems, websites, internal processes, and services could be materially impacted by failures or disruptions to its IT systems as a result of physical damage, power outages, system crashes, software problems, malware (such as viruses and worms), operating errors, abuse or malicious attacks (including denial-of-service attacks). Attacks, operating errors and abuse, for instance, might result in the destruction, alteration or loss of stored data, or might mean that data could be used for unlawful purposes or without approval. These risks include but are not limited to identity theft, credit card fraud or other cases of fraud, advertising emails and spam emails from companies which are not affiliated with XING SE.

The above problems might cause interruptions to operations which increase operating expenses and considerably damage the Company's reputation. We categorize this risk as a potential going-concern risk.

XING SE is permanently engaged in ensuring the security of its systems and its network through the ongoing development of its technology and the deployment of its own employees in the area of network security. The measures initiated to date have proven to be effective. In view of the countermeasures taken, we therefore no longer consider this a going-concern risk. At the same time, however, the possibility of future breaches cannot be excluded.

Process and organization risks

Product development risks

XING SE aims to achieve constant and proactive improvement of its platforms. The Company is aware that defective or low-quality products and functions can have a considerably negative impact on the Company. We categorize this risk as a high risk.

In order to minimize risk, a special team of employees has been set up to test new products and functionalities and has also been made responsible for constant quality assurance. In addition, the process of developing new functionalities and changes on the platforms will usually be accompanied by a process of exchanging information between XING SE and its customers.

Data protection and personal rights

XING users provide extensive personal data to the Company, trusting that the data will be processed and used for the intended purpose and in compliance with the applicable provisions of the law.

XING SE's data centers for direct data processing are located in the European Union. In addition, XING SE commissions selected service providers to process data. This data is accessible to users located both within and outside the European Union. In addition, XING allows its users to transmit personal data worldwide.

If XING SE or its providers were to violate these statutory provisions on data protection, telecommunications secrecy or the protection of personal rights, it could become the subject of government investigations, data protection orders or claims for damages from customers, including non-pecuniary damages. Under certain circumstances, criminal proceedings or proceedings for administrative offenses could even be initiated against XING SE or its management.

Any violation of data protection regulations and laws designed to protect personal rights or any processing, use or disclosure of data contrary to its intended purpose might also have an adverse effect on the Company's reputation and its ability to sign up new members and to retain the loyalty of existing members. Indeed, this might even mean that the Company will no longer be able to offer and provide some or all of its services temporarily or permanently in some countries. We categorize this risk as a medium risk.

XING SE charges specific employees with the task of monitoring adherence to data protection legislation. Corresponding contractual and, if necessary, technical safety measures are taken to prevent infringements of the law by service providers.

In addition, amendments to data protection provisions are identified on an ongoing basis in conjunction with the Company's legal advisers, and measures for monitoring and complying with these provisions are reviewed and revised as necessary. New data privacy regulations in particular include the EU's General Data Protection Regulation (EU GDPR), which takes effect on May 25, 2018. Some of the requirements have already been implemented and the remainder are guaranteed to be implemented in good time. The Company reviews potential implications for data protection law of new functionalities of the platform before they are introduced. Such new functionalities are only released if compliance with all relevant data protection regulations is guaranteed.

MANAGEMENT'S SUMMARY REGARDING THE COMPANY'S RISK SITUATION

As part of an overall assessment of the Group risks, the most significant are IT risks as well as the risks attributable to the satisfaction of existing customers and the signing-up of new customers. In light of the opportunities and risks described, we take a generally positive view of the Group's future development. The future of the Company as a going concern is also assured.

Report on expected developments and opportunities

ECONOMIC OUTLOOK

According to a forecast by the International Monetary Fund (IMF) in the January 2018 WEO Update, the global economy is expected to continue its strong upturn and will dynamically expand by 3.9 percent in 2018 (2017: 3.7 percent). The IMF is therefore 20 basis points more optimistic than it was in its fall forecast. This upturn will be driven by emerging markets and strong recovery in the USA. In light of brisk domestic demand, the IMF anticipates growth of 2.2 percent in the eurozone for 2018 (2017: 2.4 percent). Although the global and European economies are robust and intact, uncertainties and political risks could weaken or even significant disrupt economic development. These factors include increasing protectionism, the uncertain progress of the Brexit process and flashpoints in the Middle East, North Africa and Korea. We also believe that turbulence in the currency and financial markets cannot be ruled out. This could be triggered by increasing global interest rate spreads or massive price corrections in shares, real estate or cryptocurrencies in particular.

The Kiel Institute for the World Economy (IfW) believes the German economy is now operating at full speed and anticipates a sustained upturn. Gross domestic product is expected to grow by 2.5 percent in 2018. With robust consumer spending, a strong construction industry and high levels of corporate investment, domestic momentum is the main driver of economic growth. As a result, competition among companies for qualified specialist staff is rising markedly. According to the National Bank of Austria (OeNB), the Austrian economy is also experiencing a boom and will continue to grow by an estimated 2.8 percent in 2018. Corporate investment activities are disproportionately strong due to high capacity utilization rates. The Swiss economy is expected to overcome its weak phase in 2018 and grow more than twice as fast as in the previous year by 2.3 percent, driven by a pickup in exports and significantly higher corporate investments (SECO, KOF/ETH Zurich).

EXPECTED SECTOR TRENDS

The positive trend in the German labor market is set to continue in 2018. The IfW expects the total number of people in gainful employment to rise by 551,000, accompanied by an even higher increase in employees liable for social security contributions and declines in marginal employment and self-employment. This is expected to reduce the unemployment rate to between 5.3 percent (Federal Employment Agency, BfA) and 3.1 percent (ILO rate). According to the Deutsche Bundesbank, however, labor market tensions are growing due to tightening supply of available professionals. In light of these developments, the Company is facing increased competition for good skilled workers, causing wages to rise. According to the IfW, collectively agreed wages will increase by 2.4 percent in 2018. The Austrian labor market is benefiting from the “20,000” employment campaign running until mid 2019 which, according to the OeNB, will create an additional 15,000 jobs in 2018, as well as the upturn in the economy. The number of non-self-employed workers is expected to increase by 1.9 percent. As a result, the ILO unemployment rate will fall to 5.1 percent. Leading economists expect the Swiss labor market to continue its recovery in line with brisk exports and investments. According to their estimates, employment will grow by 1.2 percent in 2018 and the unemployment rate will fall by 20 basis points to between 3.0 percent (SECO) and 4.6 percent (ILO).

In this labor market environment, competition for qualified staff in the D-A-CH region is anticipated to increase further. Deutsche Bundesbank already identified tensions in the German labor market due to the increasing scarcity of specialist staff. New BfA data also shows that employers are experiencing ever greater staffing difficulties. Firstly, vacancy periods (the time it takes to fill an advertised position) rose for the seventh successive year to over 100 days. Secondly, the ratio of jobseekers to advertised positions fell from 4.1 to 3.5. According to the BfA, bottlenecks in Germany primarily exist in technical roles (vehicle and energy technology), the IT sector (software development, programming), the construction industry (master craftsmen qualification) and trades (plumbers, sanitary fittings, heating/air conditioning) as well as in healthcare and nursing roles (including physiotherapy, general care and geriatric nursing). This enhances opportunities for jobseekers in their own country in these roles in particular, and improves the conditions for targeted career development. Under these circumstances, online recruitment portals may become even more important than they already are, particularly in light of increasing online affinity.

EXPECTED DEVELOPMENT OF XING

We believe that XING will sustain its growth trajectory in financial year 2018 and continue its strong growth.

The starting point for sustainable positive performance at XING are structural changes within the world of work and the challenges these pose for employees (B2C) and companies (B2B).

In our opinion, employees must tackle the changes directly affecting them (digitalization, automation, etc.) at an early stage and identify areas for further development and change. Here, XING has an more important role to play as a reliable partner in a changing environment and to help its members make the right career decisions for them. With more than 13 million XING members, we have a very good foundation on which to continue benefiting from these macrotrends in the future.

Demographic trends and near-full employment in Germany represent major challenges for companies as they seek to fill open positions with suitable candidates within a reasonable time period, both now and in the future. For example, almost 70 percent of companies in Germany (Index Study 2017) say that they do not receive enough applications from experienced professionals with a university education.

Here too, our existing and well-established innovative digital recruitment solutions mean we are excellently positioned to help companies fill jobs better and more quickly, and will remain so in future.

As a solution provider, we will continue to be able to benefit from these structural changes and thus expect revenues and income to continue to rise.

Revenue and earnings targets

In our financial key performance indicators, we expect revenues and earnings to continue to increase at Group level. Only in the B2C segment are we budgeting a slight decline in segment EBITDA, which is due solely to investments in and start-up losses on additional and new B2C revenue streams. Accordingly, as things currently stand, we can provide the following detailed overview of the revenue and earnings targets for the Group as well as the main segments.

Financial key performance indicators	Forecast for 2018
Revenues incl. other operating income, Group	Double-digit percentage growth
EBITDA (adjusted for extraordinary items) Group	Significant increase
B2C segment revenues	Double-digit percentage growth
B2C segment EBITDA (adjusted for extraordinary items)	Slight decline due to investments in new business
B2B E-Recruiting segment revenues	Double-digit percentage growth
B2B E-Recruiting segment EBITDA (adjusted for extraordinary items)	Significant increase
B2B Advertising & Events segment revenues	Double-digit percentage growth
B2B Advertising & Events segment EBITDA (adjusted for extraordinary items)	Significant increase

The forecast for the financial key performance indicators does not include adjustments triggered by financial reporting standards applicable for the first time in 2018 (particularly IFRS 15 and IFRS 16).

Dividend targets

We have been pursuing a sustainable dividend policy since 2012. In the current financial year, we again plan to propose to the Annual General Meeting to be held on May 16, 2018 that a regular dividend amounting to €1.68 per no-par value share carrying dividend rights. The liquid funds and available-for-sale securities of €62.3 million as of the end of 2017 and XING's cash-generative business model enable the Company to pay dividend regularly without changing its business strategy, which is aimed at achieving growth. We intend to continue to make regular dividend payments.

Liquidity and financial targets

On account of our highly profitable, cash-generative business model, our liquidity requirements are very low. We anticipate cash funds in the 2018 financial year excluding extraordinary items such as acquisitions or special dividends to increase considerably.

Planned capital expenditures

Following an increase in the investment volume (CAPEX) of €9.0 million to €33.4 million (2016: €24.4 million) in the 2017 financial year, we anticipate further year-on-year increase for the 2018 financial year. As in previous years, capital expenditure will be concentrated on internally developed software, server capacity and software licenses.

Forecast of non-financial key performance indicators

The non-financial key performance indicators being reported are important measures of the success and attractiveness of our offerings. Accordingly, we defined the number of members in the D-A-CH region as well as the number of subscribers in this region as key performance indicators for the B2C segment. Our objective is to generate strong member growth in the D-A-CH region in 2018 (2017: +17 percent) and increase the number of subscribers slightly (2017: +7 percent or approx. 55,500 new subscribers excluding the effect of 10,000 subscribers triggered by the change of the payment service provider).

Relationships with corporate customers are the most important measure in the B2B E-Recruiting and B2B Advertising & Events segments because the segments' revenue and earnings performance significantly depends on them. For this reason, the goal is to increase the number of corporate customers through subscriptions in the B2B E-Recruiting segment significantly in the 2018 financial year. We also expect the number of corporate customers in the B2B Advertising & Events segment to increase significantly.

Non-financial key performance indicators	Forecast for 2018
B2C segment: members in the D-A-CH region	Substantial member growth
B2C segment: subscribers in the D-A-CH region	Slight growth
B2B E-Recruiting segment: number of subscription-based corporate customers (B2B)	Substantial member growth
B2B Advertising & Events segment: number of corporate customers (B2B)	Substantial member growth

REPORT ON OPPORTUNITIES

In addition to numerous risks that result from operating in an extremely dynamic technology environment, there are also opportunities that may arise as a result of rapidly changing conditions and new structural trends. Alongside risk management, therefore, opportunity management is also an integral part of our business activities aimed at steadily increasing our enterprise value, safeguarding and expanding our competitive position, and achieving our goals. Opportunity management at XING focuses heavily on the business units' individual strategies. Market developments and trends along with the competitive environment are discussed at regular meetings between the Management Board and the BU heads regarding business performance, and the resulting opportunities for the business units are assessed. Any opportunities identified are discussed with the individual business units as part of the planning and controlling process in order to perform a qualitative and quantitative assessment. One of the tasks of the business units themselves is to identify strategic opportunities in their respective submarkets and to develop measures for product development and its focus from these.

As the market leader in the fields of business social networking and social recruiting in the D-A-CH region, we believe we have further opportunities for expanding our market position and continuing our penetration of these markets, which are important to us.

Opportunities presented by marcroeconomic trends

The economic conditions also affect the development of business at XING to varying degrees. As our assessment of the future development of the results of operations is based on the assumptions about economic developments described in the management report, a substantial improvement in the economic conditions could have an extremely positive influence on our business activities. Our e-recruiting offerings in particular could become more attractive, and as a result our existing forecast could be surpassed, if the lack of skilled workers becomes even worse and baby boomers leave the workplace at a faster pace, while the economy remains on a stable footing. However, if the macroeconomic environment and economic conditions in the D-A-CH region deteriorate significantly, this will presumably have a negative impact on the B2B E-Recruiting segment. However, the B2C segment could consequently outperform forecasts because positioning and active presentation of professional CVs through ProJobs membership, for example, will become more important.

Opportunities presented by product development and innovation

XING is a growth company. Our business success therefore depends to a large extent on our speed of innovation and ability to implement ideas when developing new product and services for our members and corporate customers in all of our lines of business. Continuous process improvements and the efficient use of our development resources as well as identification of important trends might provide further opportunities for improving growth rates. If we make progress in this area faster than expected and establish relevant offerings for our customers even faster, this would have additional positive effects on XING's revenues and earnings development.

Opportunities presented by faster penetration of important growth markets

Thanks to our digital e-recruiting solutions for companies in particular, we operate in a structural growth market in which lasting changes in the world of work (digitalization and changes in skills and values) could offer XING numerous opportunities, particularly in the future, if the B2B E-Recruiting products and services introduced by XING can achieve market penetration more quickly than planned. Other opportunities will also arise by establishing new and/or additional e-recruiting offerings more quickly than planned (e.g. through M&A transactions such as the acquisition of the application management provider Prescreen in July 2017).

Furthermore, paid memberships in the B2C core business also present further opportunities. In this area, the additional pro memberships XING is planning for special target groups can have a positive impact on the segment's revenue and earnings performance if these new offerings resonate with customers more strongly than planned.

Overall, the penetration of key growth markets at a faster pace than projected provides a wealth of opportunities for XING, especially given the low level of penetration in the respective markets up to now. Further opportunities could be provided by the establishment of new sources of revenues or business models, which have not yet been budgeted for.

Remuneration report

This remuneration report follows the German Act regarding the Appropriateness of the Management Board's Remuneration (VorstAG), the recommendations of the German Corporate Governance Code and the regulations of DRS 17 adopted by the German Accounting Standards Committee (reporting on the compensation of members of executive bodies). The remuneration report contains disclosures which form part of the notes or management report in accordance with the requirements of the International Financial Reporting Standards (IFRSs). The report explains the structure and the level of remuneration applicable to the Management Board and the Supervisory Board as well as the presentation of shareholdings in the reporting year. The structure of the remuneration system is regularly reviewed by the Supervisory Board.

REMUNERATION OF THE MANAGEMENT BOARD

This section outlines the principles governing the remuneration of the Management Board and, as recommended by the German Corporate Governance Code, specifies the total Management Board remuneration as well as the remuneration of its individual members.

Responsibility for determining the remuneration of the Management Board

The Supervisory Board is responsible for determining the remuneration of the individual members of the Management Board.

Components of the Management Board remuneration

The total remuneration and the individual remuneration components for the Management Board are all in correlation with the responsibilities of the respective member of the Management Board, their personal contribution, the overall contribution of the Management Board as a whole and the financial situation of XING SE. As recommended by the German Corporate Governance Code, the remuneration of the Management Board consists of fixed components as well as variable, performance-based components.

The fixed remuneration component that is not performance-based consists of a fixed amount as basic remuneration paid out monthly in the form of a salary. The respective amount for each Management Board member is set out in their contract and is regularly reviewed and, if necessary, updated by mutual agreement with the Management Board member concerned. In addition to their fixed remuneration, the Management Board members are granted non-cash benefits on a commensurate scale plus other voluntary benefits. Furthermore, Management Board members are reimbursed for travel expenses, phone calls, and other expenses. All non-cash benefits are taxed by the Company in accordance with the applicable laws.

The variable remuneration components comprised two parts in the reporting year: For one, the Management Board is granted performance-based remuneration that is measured by the achievement of (i) specific qualitative individual targets set for each Management Board member and (ii) quantitative corporate objectives, each relating to the current financial year, and calculated using key performance indicators reported in the consolidated financial statements, other key operating indicators or with regard to the personal targets based on other target achievement parameters. For another, shadow shares granted to the Management Board members within the scope of the Long-term Incentive Program (LTI) are a component of the variable remuneration for the Management Board.

The following applies to the performance-based remuneration of the Management Board: The qualitative individual targets are set by the Supervisory Board for each specific Management Board member at the beginning of each financial year. The degree of target achievement for the qualitative, personal targets ranges from 0 to 100 percent and is set by the Supervisory Board at its own discretion at the beginning of a given financial year for the preceding financial year. The quantitative corporate objectives for performance-based Management Board remuneration are based on two of the Company's budgeted financial targets for the relevant financial year, currently Group EBITDA and consolidated revenues (incl. other operating income, but also on another non-financial key performance indicator (such as subscriber growth or activity on the XING platform). The degree of target achievement for the quantitative corporate objectives ranges from 0 to 200 percent. The target achievement of the quantitative corporate objectives is defined following the approval of the Company's consolidated financial statements by the Supervisory Board based on the parameters of the approved consolidated financial statements or by using analyses of key operating indicators on the basis of the calculation parameters specified in the relevant Management Board contracts or the setting of targets.

In financial year 2017, the Supervisory Board also decided to use the scheduled extension of the Management Board contracts of Timm Richter effective March 1, 2017 and Jens Pape and Ingo Chu effective July 1, 2017 as an opportunity to standardize the Management Board contracts of the aforementioned Management Board members with regard to remuneration and other contractual arrangements. The new Management Board contract signed with Alastair Bruce effective February 1, 2017 also contains the same arrangements.

As of January 1, 2018, changes were made to the system of performance-based Management Board remuneration that will take effect in the future. The Management Board members' individual targets are now based only on quantitative corporate objectives. As before, these are based on two of the Company's budgeted financial targets for the relevant financial year, namely consolidated EBT and consolidated revenues. Qualitative targets and those based on non-financial key operating indicators will no longer be taken into account for the purposes of performance-based remuneration.

The Supervisory Board may also reasonably determine a limited special remuneration for the Management Board members for their achievements or performance during their terms of office as members of the Management Board which are not compensated by their usual remuneration and have a significantly positive impact on the Company.

The shadow shares from the LTI are a virtual replication of shares to be allocated to the Management Board members in annual tranches. The number of shadow shares to be allocated in an annual tranche corresponds to the allocation amount calculated annually divided by the average closing price of the Company's shares over the 100 trading days immediately preceding the Annual General Meeting in which the consolidated financial statements, which are the basis for determining target achievement, are adopted. The annual allocation amount depends on the achievement of quantitative corporate goals that are stipulated by the Supervisory Board as part of its three-year plan in advance for the relevant financial year in the three-year plan, currently Group EBITDA and consolidated revenues (incl. other operating income). Following a waiting period of three years from allocation, the beneficiary (Management Board member) acquires an entitlement to a cash payment tied to the share price or, at the Company's discretion, to the allocation of XING SE shares. In addition, the beneficiary is paid dividends applicable to real shares in the amount corresponding to the allocated shadow shares, if any, for the three preceding financial years ("cumulative dividend"). If cash is paid, then the total amount paid is limited to three times the relevant allocation amount of the respective tranche of shadow shares. If the payment is settled in shares, then the number of shares to be granted is equal to the number of shadow shares allocated. If the total of the share price at the time of exercise and the cumulative dividend is greater than three times the relevant allocation amount of the respective tranche of shadow shares, then the number of shares granted is equivalent to three times the allocation amount. Through the granting of shadow shares a remuneration component is used that takes account of the performance of the Company's shares and therefore provides a sustainable, long-term incentive for the members of the Management Board.

Management Board remuneration in financial year 2017 pursuant to GAS 17

The total and individual remuneration of the Management Board for the 2017 financial year is detailed in the following tables.

Remuneration of the Management Board 2017 (presentation of benefits pursuant to GAS 17)

All figures in € thousand	Dr. Thomas Vollmoeller CEO since 10/16/2012		Alastair Bruce CSO since 02/01/2017		Ingo Chu CFO since 07/01/2009		Jens Pape CTO since 03/01/2011		Timm Richter CPO since 03/01/2013		Total	Total
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Fixed remuneration	320	450	0	298	257	288	240	278	230	308	1,047	1,620
Fringe benefits	2	1	0	3	4	3	3	3	3	3	12	12
Total	**322**	**451**	**0**	**300**	**261**	**290**	**243**	**280**	**233**	**310**	**1,059**	**1,633**
One-year variable remuneration Bonus (cash)	214	296	0	184	235	165	165	161	164	180	778	986
Multi-year variable remuneration Long-term incentive[1]	208	405	0	232	102	174	102	177	102	227	514	1,215
TOTAL	**744**	**1,152**	**0**	**716**	**598**	**629**	**510**	**618**	**499**	**717**	**2,351**	**3,834**

[1] *The value of the virtual shares shown in the table is calculated by multiplying the contractually agreed grant amount with the target achievement for 2017. The phantom stocks for the 2017 financial year are granted after the Annual General Meeting at which the adopted consolidated financial statements for the 2017 financial year are presented.*

Management Board remuneration in financial year 2017 pursuant to the German Corporate Governance Code (GCGC)

The GCGC recommends that individual remuneration components be disclosed individually for each Management Board member according to certain criteria. It also recommends that the sample tables provided in the GCGC be used for this presentation, which differs in some respects from German Accounting Standard No. 17 (GAS 17).

The following table outlines benefits granted for the 2016 and 2017 financial years, including fringe benefits, and the minimum and maximum possible remuneration earnable in financial year 2017. In contrast to GAS 17, the target figure, i.e., the amount granted to the Management Board member at a target achievement level of 100 percent, must be presented for one-year, performance-based remuneration in line with the requirements of the GCGC.

Remuneration of the Management Board 2016 (presentation of benefits pursuant to GCGC)

All figures in € thousand	Dr. Thomas Vollmoeller CEO since 10/16/2012				Alastair Bruce CSO since 02/01/2017				Ingo Chu CFO since 07/01/2009			
	Base value		Minimum	Maximum	Base value		Minimum	Maximum	Base value		Minimum	Maximum
	2016	2017	2017	2017	2016	2017	2017	2017	2016	2017	2017	2017
Fixed remuneration	320	450	450	450	0	298	298	298	257	288	288	288
Fringe benefits	2	1	1	1	0	3	3	3	4	3	3	3
Total	**322**	**451**	**451**	**451**	**0**	**300**	**300**	**300**	**261**	**290**	**290**	**290**
One-year variable remuneration Bonus (cash)	164	270	0	500	0	160	0	365	125	150	0	357
Multi-year variable remuneration Long-term incentive	204	400	0	1,560	0	229	0	894	100	172	0	638
TOTAL	**690**	**1,121**	**451**	**2,511**	**0**	**690**	**300**	**1,559**	**486**	**612**	**290**	**1,284**

All figures in € thousand	Jens Pape CTO since 03/01/2011				Timm Richter CPO since 03/01/2013				Total	Total
	Base value		Minimum	Maximum	Base value		Minimum	Maximum	Base value	Base value
	2016	2017	2017	2017	2016	2017	2017	2017	2016	2017
Fixed remuneration	240	278	278	278	230	308	308	308	1,047	1,620
Fringe benefits	3	3	3	3	3	3	3	3	12	12
Total	**243**	**280**	**280**	**280**	**233**	**310**	**310**	**310**	**1,059**	**1,633**
One-year variable remuneration Bonus (cash)	105	140	0	339	115	165	0	380	509	885
Multi-year variable remuneration Long-term incentive	100	175	0	638	100	225	0	863	504	1,201
TOTAL	**448**	**595**	**280**	**1,257**	**448**	**700**	**310**	**1,553**	**2,072**	**3,719**

Because the remuneration granted to members of the Management Board for the financial year is not always paid out in the same financial year, a separate table indicates the remuneration they were allocated in financial year 2017 in line with the corresponding GCGC recommendation. Pursuant to the GCGC recommendations, the fixed and one-year, performance-based remuneration components must be listed as an allocation for the given financial year. The total remuneration according to the GCGC accruing to the individual members of the Management Board for the 2017 financial year broken down by components is presented in the following table:

Remuneration of the Management Board 2016 (presentation of allocation pursuant to the GCGC)

All figures in € thousand	Dr. Thomas Vollmoeller CEO since 10/16/2012		Alastair Bruce CSO since 02/01/2017		Ingo Chu CFO since 07/01/2009		Jens Pape CTO since 03/01/2011		Timm Richter CPO since 03/01/2013		Total	Total
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Fixed remuneration	320	450	0	298	257	288	240	278	230	308	1,047	1,620
Fringe benefits	2	1	0	3	4	3	3	3	3	3	12	12
Total	**322**	**451**	**0**	**300**	**261**	**290**	**243**	**280**	**233**	**310**	**1,059**	**1,633**
One-year variable remuneration Bonus (cash)	214	296	0	184	235	165	165	161	164	180	778	986
Multi-year variable remuneration LTI	248	474	0	0	0	110	0	0	0	180	248	764
TOTAL	**784**	**1,221**	**0**	**484**	**496**	**565**	**408**	**441**	**397**	**670**	**2,085**	**3,383**

Transactions by persons discharging managerial responsibilities

All transactions made by persons discharging managerial responsibilities as defined in Article 19 of EU Regulation No. 596/2014 are published at www.dgap.de under Directors' Dealings and can also be found in the notes to the consolidated financial statements and in the Investor Relations section of XING SE's website. No directors' dealings were reported to the Company in the financial year ended.

Premature termination of employment as a member of the Management Board

In the event of the death of an Management Board member during the term of the director's contract, the Company is obligated to pay the proportionate annual base salary for the month of death and the following three months, but not beyond the end of the Board contract, to the heirs of the deceased Board member. Otherwise, as of December 31, 2017, all Management Board contracts contain severance cap clauses in the event of the premature termination of the contract without good cause based on the recommendations set out in item 4.2.3 of the German Corporate Governance Code.

The contract of one Management Board member in office – Mr. Ingo Chu – also contains provisions associated with a change in control at the Company that are customary for chief financial officers. In the event of a change in control, Mr. Chu has a right to be released from the director's contract provided other requirements are met. In the event of the justified exercise of this right, he is entitled to settlement of all remuneration components (basic salary, variable remuneration, remuneration from the LTI), the total amount of which is subject to the severance cap as recommended by item 4.2.3 of the German Corporate Governance Code.

Other

No pension obligations were agreed for the members of the Management Board And none of the members in office held shares of the Company as of December 31, 2017. Likewise, no loans, interest or advances were granted to members of the Management Board and no members received or were promised benefits or similar assurances from third parties in connection with their Management Board mandate. Furthermore, no commitments were made concerning the granting of such benefits.

XING SE has taken out Directors & Officers (D & O) insurance for the members of its Management Board covering the personal liability risk in the event of the Management Board being held liable for pecuniary loss within the scope of or as a result of their Management Board mandate. The insurance policy includes a deductible for the members of the Management Board in keeping with the stipulations of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code.

REMUNERATION OF THE SUPERVISORY BOARD

Supervisory Board remuneration was revised by the Annual General Meeting based on a proposal by the Management Board and Supervisory Board, and is detailed accordingly in the Articles of Incorporation.

The members of the Supervisory Board receive fixed remuneration of €40,000 thousand for each full financial year in which they serve on the Supervisory Board. The Chairman of the Supervisory Board receives twice the amount of the fixed remuneration. In addition to their fixed remuneration, the members of committees actually formed receive an additional fixed remuneration of €5,000 for each full financial year in which they serve on the respective committee. Chairman of committees actually formed receive twice this amount for each committee chairmanship. Members of the Supervisory Board who join or leave the Supervisory Board during a financial year receive their fixed remuneration on a pro rata basis.

In addition to their fixed remuneration, the members of the Supervisory Board do not receive any performance-based remuneration. This is intended to ensure the necessary independent function of the Supervisory Board and avoid financial incentives connected with short-term success of the Company.

An overview of Supervisory Board remuneration for the 2017 financial year as provided by the Articles of Incorporation is broken down in the following table.

Supervisory Board members serving as of December 31, 2017

In €	Total remuneration 2017	Total remuneration 2016
Stefan Winners, Chairman	85,000	80,000
Dr. Johannes Meier, Vice Chairman of the Supervisory Board	45,000	46,000
Anette Weber, Chairwoman of the Audit Committee	50,000	48,000
Dr. Jörg Lübcke	45,000	43,000
Dr. Andreas Rittstieg	45,000	2,000
Jean-Paul Schmetz, Chairman of the Tech Committee	50,000	48,000
Members who left the Supervisory Board in 2016		
Sabine Bendiek (until December 6, 2016)	0	39,000
TOTAL	**320,000**	**306,000**

The members of the Supervisory Board were also reimbursed for reasonable travel expenses as part of their work. No further commitments were made by the Company. None of the Supervisory Board members were granted loans, interest or advance payments by the Company. As of the December 31, 2017 reporting date, the Supervisory Board members collectively held less than 1 percent of the shares in the Company. As a rule, information on reports on transactions by persons discharging managerial responsibilities in accordance with Article 19 of EU Regulation No. 596/2014 in the past financial year is published at www.dgap.de under Directors' Dealings and can also be found in the Investor Relations section of XING SE's website.

Other

XING SE has taken out Directors & Officers (D & O) insurance for the members of the Supervisory Board that does not include a deductible. This covers the personal liability risk for the Supervisory Board members in the event of the Supervisory Board being held liable for pecuniary loss within the scope of or as a result of their Supervisory Board mandate. Taking out D & O insurance without a deductible constitutes a deviation from the German Corporate Governance Code and was explained by the Management Board and the Supervisory Board in the Declaration of Conformity last updated in March 2018 and also published online at http://corporate.xing.com/en/investor-relations/corporate-governance/.

Legal information

The following section mainly contains information and explanations in accordance with Section 315 (1) of the German Commercial Code (HGB). This information relates to company law structures and other legal relationships.

CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration issued in accordance with Section 315d and 289f HGB is published on our website at http://corporate.xing.com/english/investor-relations/corporate-governance/. It contains a description of how the Management Board and Supervisory Board operate, the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG), and information on key corporate governance practices.

REMUNERATION REPORT

The remuneration report details the amount and structure of Management Board earnings, and summarizes the principles used as the basis for the remuneration of the XING SE Management Board. It also contains information on the principles and amount of Supervisory Board remuneration. The remuneration report also includes information concerning the shareholdings of the Management Board and of the Supervisory Board. The remuneration report is part of the management report.

TAKEOVER-RELATED DISCLOSURES

The following details in accordance with Section 315a HGB describe the situation as of December 31, 2017. The following explanation of this information also meets the requirements of an explanatory report as per Section 176 (1) line 1 of the German Companies Act (AktG).

Share capital

The share capital of the Company amounted to €5,620,435 on December 31, 2017 (previous year €5,592,137), and consists of 5,620,435 no-par value shares with a notional amount of €1.00 each. The share capital is fully paid in. All shares have the same rights.

Treasury shares

The Company itself held no treasury shares of XING SE as of December 31, 2017 (previous year: none). This corresponds to 0 percent (previous year: 0 percent) of the Company's share capital.

Restrictions on voting rights or on the transfer of shares

The Management Board is not aware of any restrictions in terms of voting rights or share transfers.

Shareholders with more than 10 percent of the Company's voting rights

As of December 31, 2017, the Company was aware that Burda Digital GmbH, Munich, held around 50.26 percent (previous year: 50.26 percent) of XING SE's voting rights. The Company is not in possession of any further information or notifications in accordance with Sections 33 et seq. of the German Securities Trading Act (WpHG) concerning shareholders who directly and/or indirectly hold more than 10 percent of the capital and voting rights.

Appointment and dismissal of members of Management Board/changes to the Articles of Incorporation

Any appointment and dismissal of members of the Management Board is subject to Sections 84, 85 AktG as well as item 8 of the Articles of Incorporation as amended on May 16, 2017. In accordance with item 8 (1) of the Articles of Incorporation, the Management Board consists of one or more persons. The Supervisory Board determines the number of members of the Management Board. The Articles of Incorporation do not include any special rules for the appointment and dismissal of individual or all members of the Management Board. Any such appointment or dismissal is the responsibility of the Supervisory Board.

Changes to the Articles of Incorporation are made in accordance with the provisions of Sections 179 and 133 AktG. The Company's Articles of Incorporation have not taken advantage of the option of specifying further requirements applicable for changes to the Articles of Incorporation. Unless required otherwise by law, the resolutions of the Annual General Meeting shall be passed with a simple majority of the votes cast. In the event that the law stipulates a capital majority in addition to the majority vote, resolutions shall be passed with a simple majority of the share capital represented at the time the resolution was passed. In accordance with items 5.3 to 5.4 and 19 of the Articles of Incorporation, the Supervisory Board is authorized to make changes to the Articles of Incorporation to the extent that they only relate to their wording.

Powers of the Management Board to issue and buy back shares

The powers of the Management Board of the Company to issue or repurchase shares are all based on corresponding authorization resolutions of the Annual General Meeting, the contents of which are detailed in the following.

Authorized and contingent capital

Authorized and contingent capital are described in "Equity" in the notes to the consolidated financial statements.

Authorization to purchase own shares

Pursuant to the resolution of the Annual General Meeting of May 23, 2014, and in view of the cancellation of the resolution of May 27, 2010, the Management Board was authorized to purchase treasury shares as follows:

a) Authorization to purchase treasury shares

Until May 22, 2019, the Management Board is authorized, with the approval of the Supervisory Board, to purchase treasury shares for up to a total of 10 percent of the Company's share capital amounting to €5,592,137.00 at the time at which the resolution is adopted. The shares purchased in this way, together with other treasury shares which are owned by the Company or which are attributable to the Company in accordance with Sections 71a et seq. AktG must not at any time exceed 10 percent of the share capital. Furthermore, the prerequisites of Section 71 (2) sentences 2 and 3 AktG must be observed. This authorization must not be exercised for the purpose of trading treasury shares. The authorization may be exercised in whole or in part, once or on multiple occasions, to pursue one or more purposes.

b) Types of acquisition

The Management Board may decide to purchase the shares (1) via the stock exchange or (2) by means of a public offer directed at all shareholders or a public invitation to the shareholders directed at all shareholders to submit offers to sell the shares.

1) If the shares are purchased via the stock exchange, the amount per share paid by the Company (excl. ancillary purchase costs) must not differ by more than 10 percent from the price of the Company's shares in Xetra trading (or an equivalent successor system) on the Frankfurt stock exchange determined on the market trading day by the opening auction.

2) If the shares are acquired via a public offer to purchase shares directed to all shareholders or a public invitation to submit offers to sell shares directed to all shareholders, then the purchase price offered or limits on the purchase price range per share (excluding ancillary purchase costs in each case) must not differ by more than 10 percent from the average of the closing prices of the shares of the Company in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange during the five market trading days prior to the day of the public announcement of the offer or the public invitation to submit offers to sell shares. If there are considerable changes to the relevant price after the publication of a public offer or after a public invitation to submit offers to sell the shares, the offer or the invitation to submit offers to sell the shares can be adjusted. In this case, the price will be based on the average of the prices of the Company's shares determined in the closing auction in Xetra trading (or an equivalent successor system) on the Frankfurt stock exchange during the five market trading days prior to the public announcement of any adjustment. The volume of the offer or the invitation to submit offers to sell shares can be limited. In the case of a public offer to purchase or a public invitation to submit offers to sell shares, if the volume of the tendered shares exceeds the planned repurchase volume, the acquisition can be carried out in proportion to the subscribed or tendered shares in each case; the right of shareholders to tender their shares in proportion to their ownership interests is disapplied to this extent. Preferential acceptance of low numbers of up to 100 tendered shares per shareholder and commercial rounding to avoid fractions of shares can be stipulated. Any further right to tender by the shareholders is hereby excluded. The public offer or the public invitation to submit offers to sell the shares may specify further conditions.

c) Use of treasury shares

With the approval of the Supervisory Board, the Management Board is authorized to use the treasury shares purchased on the basis of this or an earlier authorization for all lawful purposes, and in particular for the following purposes:

1) The treasury shares may be sold for cash consideration in ways other than via the stock exchange or on the basis of an offer to all shareholders if the purchase price to be paid in cash is not significantly lower than the market price of the already listed shares with essentially the same rights. The number of shares sold in this way must not exceed 10 percent of the share capital, either at the time at which this authorization becomes effective or at the time at which this authorization is exercised. Other shares which have been sold or issued by disapplying pre-emptive rights during the life of this authorization upon the direct or corresponding application of Section 186 (3) sentence 4 AktG must be offset against this maximum limit. Shares which have to be issued for serving option and/or conversion rights or conversion obligations arising from convertible bonds and/or option bonds or stock options, to the extent that these bonds or stock options have been issued during the life of this authorization by disapplying pre-emptive rights upon corresponding application of Section 186 (3) Clause 4 AktG, also have to be offset in relation to the maximum limit.

2) The treasury shares can be issued in return for a non-cash contribution, in particular for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets in connection with an acquisition project or in connection with business combinations.

3) The treasury shares may be used by the Management Board for serving subscription rights relating to shares of the Company which have been granted or which will be granted to members of the Management Board of the Company, selected senior executives, other key members of staff and employees of the company, as well as members of management, selected senior executives, other key members of staff and employees of enterprises which are affiliated with the Company in accordance with Section 15 AktG:

- within the framework of the stock option plan 2008, which was authorized to be issued by the Annual General Meeting of May 21, 2008, pursuant to the resolution regarding item 7 of the agenda, most recently modified by the resolution of the Annual General Meeting of May 28, 2009, to item 10 of the agenda, or
- within the framework of the stock option plan 2010, which was authorized to be issued by the Annual General Meeting of May 27, 2010, pursuant to the resolution regarding item 8 of the agenda, or
- as part of the share price-based shadow share program of XING SE dated November 29, 2012, and the long-term incentive program for Management Board members of XING SE dated January 27, 2014, as long as the Company wishes to allocate to the beneficiaries shadow shares through shares according to this program.

If members of the Company's Management Board are beneficiaries in the above cases, the Supervisory Board shall decide on whether to use treasury shares to serve subscription rights.

4) Treasury shares may be used for serving options or conversion rights relating to shares of the Company. If treasury shares are to be transferred to members of the XING SE Management Board, this authorization shall apply to the Supervisory Board.

5) The treasury shares can be offered for sale, or transferred, to persons who are employed by the Company or an enterprise affiliated with the Company in accordance with Section 15 AktG. They may also be offered for sale or transferred to members of the Management Board of the Company or members of the management of an enterprise affiliated with the Company in accordance with Section 15 AktG. If members of the XING SE Management Board are beneficiaries, the Supervisory Board is responsible for selecting the beneficiaries and determining the volume of shares to be granted to them.

6) The treasury shares may be retired without such retirement or the performance of such action requiring a further resolution of the Annual General Meeting. They may also be retired in a simplified procedure without a capital reduction by adjusting the proportionate theoretical interest of the other no-par value shares in the Company's share capital. If the shares are retired using the simplified procedure, the Management Board is authorized to adjust the number of shares in the Articles of Incorporation.

The shareholders' subscription rights relating to the treasury shares purchased on the basis of this authorization are excluded if these shares are used in accordance with the authorizations detailed under (1) to (5).

The authorizations detailed under a) to c) may be exercised by the Company in whole or in partial amounts, once or on multiple occasions, to pursue one or more purposes. The authorizations – with the exception of the authorization to cancel treasury shares – can also be exercised by dependent enterprises or enterprises which are majority owned by the Company or by third parties acting for their account or for the account of the Company.

Compensation agreements of the Company with members of the Management Board or employees in the event of a takeover bid

In the event of a change in control, XING SE grants the Management Board member Ingo Chu the right to be released from the director's contract provided other requirements are met. In the event of the justified exercise of this right, the Management Board member in question is entitled to settlement of all remuneration components (basic salary, variable remuneration, remuneration from the SSP or LTI), the total amount of which is subject to the severance cap as recommended by item 4.2.3 of the German Corporate Governance Code.

Further disclosures

The other information required in accordance with Section 315a (1) HGB relates to circumstances which do not exist at XING SE. There are no holders of shares with special rights conferring control powers, nor are there any voting right controls attributable to employees owning a share of the Company's capital, nor are there any major agreements which are subject to the condition of a change of control following a takeover bid.

LEGAL FACTORS

The Company largely operates as a social business network via the online platform www.xing.com where millions of people enter their personal details along with their CV. It is therefore imperative that XING SE provides its registered users with a secure and trustworthy environment. The legislation in place in Germany, in particular German privacy law, sets the standard for how XING handles its users' sensitive data.

AUDITOR OF THE FINANCIAL STATEMENTS

Since the audit of the 2013 consolidated and annual financial statements, XING SE has been audited by PricewaterhouseCoopers GmbH (formerly: PricewaterhouseCoopers AG), Hamburg branch office. The responsible engagement leader for the 2017 audit of the consolidated and annual financial statements is Niklas Wilke. He has held this position since 2015.

Management Board report on relations with affiliated companies

As set out in Section 312 AktG, the Management Board of XING SE has prepared a report on relations with affiliated companies, which contains the following final declaration: "We declare that XING SE received an appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies under the circumstances known to us at the time the transactions were made or the measures taken or not taken."

CONSOLIDATED FINANCIAL STATEMENTS

for the financial year from January 1 to December 31, 2017

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Consolidated statement of comprehensive income

of XING SE (formerly: XING AG) for the financial year from January 1 to December 31, 2017

Consolidated statement of comprehensive income

In € thousand	Note no.	01/01/2017–12/31/2017	01/01/2016–12/31/2016
Service revenues	7	184,865	145,904
Other operating income	7	2,892	2,600
TOTAL OPERATING INCOME		**187,757**	**148,504**
Personnel expenses	8	–68,392	–54,464
Marketing expenses	9	–22,227	–14,599
Other operating expenses	10	–38,706	–31,492
EBITDA		**58,432**	**47,949**
Depreciation, amortization and impairment losses	15	–17,625	–10,657
EBIT		**40,807**	**37,292**
Share of profits and losses of equity-accounted investments	16	–3,565	–2,706
Finance income	11	2,648	157
Finance costs	11	–928	–430
EBT		**38,962**	**34,313**
Taxes on income	12	–13,047	–10,745
CONSOLIDATED NET PROFIT		**25,915**	**23,568**
Earnings per share (basic)	13	4.61 €	4.19 €
Earnings per share (diluted)	13	4.61 €	4.19 €
CONSOLIDATED NET PROFIT		**25,915**	**23,568**
Currency translation differences	14	–65	6
Remeasurement of available-for-sale assets	14	–35	0
OTHER COMPREHENSIVE INCOME		**–100**	**6**
CONSOLIDATED TOTAL COMPREHENSIVE INCOME		**25,815**	**23,574**

Consolidated statement of financial position

of XING SE (formerly: XING AG) as of December 31, 2017

Assets

In € thousand	Note no.	12/31/2017	12/31/2016
NON-CURRENT ASSETS			
Intangible assets			
Purchased software	15	8,970	4,453
Internally generated software	15	48,910	30,975
Goodwill	15	49,778	13,143
Other intangible assets	15	7,076	2,188
Property, plant and equipment			
Leasehold improvements	15	340	513
Other equipment, operating and office equipment	15	8,348	5,585
Advance payments made and construction in progress	15	203	2,709
Financial assets			
Equity investments	16	0	1
Other financial assets	16	29,985	79
Prepaid expenses	16	700	372
Deferred tax assets	12	3,081	1,477
		157,391	**61,495**
CURRENT ASSETS			
Receivables and other assets			
Receivables from services	17	28,336	19,637
Other assets	17	5,301	2,672
Cash and short-term deposits			
Cash		32,327	83,428
Third-party cash		4,219	3,214
		70,183	**108,951**
		227,574	**170,446**

Equity and liabilities

In € thousand	Note no.	12/31/2017	12/31/2016
EQUITY			
Subscribed capital	18	5,620	5,620
Capital reserves	18	22,622	22,622
Other reserves	18	2,338	2,438
Net retained profits	18	48,404	39,182
		78,984	**69,862**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	19,664	10,766
Deferred income	19	2,213	2,152
Other provisions	19	655	604
Other financial liabilities	19	14,724	3,220
Other liabilities	19	3,114	2,493
		40,370	**19,235**
CURRENT LIABILITIES			
Trade accounts payable	20	6,851	3,316
Deferred income	20	69,873	54,922
Other provisions	20	894	625
Other financial liabilities	20	4,733	2,037
Income tax liabilities	20	271	1,247
Other liabilities	20	25,598	19,202
		108,220	**81,349**
		227,574	**170,446**

Consolidated statement of cash flows

of XING SE (formerly: XING AG) for the financial year from January 1 to December 31, 2017

Consolidated statement of cash flows

In € thousand	01/01/2017–12/31/2017	01/01/2016–12/31/2016
Earnings before taxes	38,962	34,313
Amortization and write-downs of internally generated software	8,680	4,656
Depreciation, amortization and impairment losses on other fixed assets	8,945	6,001
Finance income	–2,648	–29
Interest received	225	30
Finance costs	928	430
Share of profits and losses of equity-accounted investments	3,565	2,706
Taxes paid	–9,200	–6,953
Profit from disposal of fixed assets	–101	–134
Change in receivables and other assets	–11,453	–3,306
Change in liabilities and other equity and liabilities	10,931	3,083
Non-cash changes from changes in basis of consolidation	–4,138	–228
Change in deferred income	15,012	9,596
Elimination of XING Events third-party obligation	–1,005	–221
CASH FLOWS FROM OPERATING ACTIVITIES	**58,703**	**49,944**
Payment for capitalization of internally generated software	–26,615	–15,776
Payment for purchase of software	–2,187	–1,023
Payments for purchase of other intangible assets	–112	–920
Proceeds from the disposal of fixed assets	153	184
Payments for purchase of property, plant and equipment	–4,644	–6,869
Payment for acquisition of consolidated companies (less funds acquired)	–26,238	–3,148
Payments for equity-accounted investments	–3,281	–2,706
Payments for investments in other financial assets	–39,954	0
Proceeds from the disposal of other financial assets	10,017	0
CASH FLOWS FROM INVESTING ACTIVITIES	**–92,861**	**–30,258**

Consolidated statement of cash flows

In € thousand	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
Payment of regular dividend	– 7,700	– 5,789
Payment of special dividend	– 8,993	– 8,431
Interest paid	– 71	– 78
CASH FLOWS FROM FINANCING ACTIVITIES	**– 16,764**	**– 14,298**
Currency translation differences	– 179	6
Net change in funds	– 51,101	5,394
Own funds at the beginning of the period	83,428	78,034
OWN FUNDS AT THE END OF THE PERIOD [1]	**32,327**	**83,428**
Third-party funds at the beginning of period	3,214	2,993
Change in third-party cash and cash equivalents	1,005	221
THIRD-PARTY FUNDS AT THE END OF THE PERIOD	**4,219**	**3,214**

[1] *Funds consist of liquid funds*

Consolidated statement of changes in equity

of XING SE for the financial year from January 1 to December 31, 2017

Consolidated statement of changes in equity

In € thousand	Subscribed capital	Capital reserves	Other reserves	Net retained profits	Equity Total
AS OF 01/01/2016	**5,620**	**22,622**	**2,432**	**29,834**	**60,508**
Other comprehensive income	0	0	6	0	6
Net profit/loss for the year	0	0	0	23,568	23,568
Consolidated total comprehensive income	**0**	**0**	**6**	**23,568**	**23,574**
Regular dividend for 2015	0	0	0	–5,789	–5,789
Special dividend	0	0	0	–8,431	–8,431
AS OF 12/31/2016	**5,620**	**22,622**	**2,438**	**39,182**	**69,862**
AS OF 01/01/2017	**5,620**	**22,622**	**2,438**	**39,182**	**69,862**
Other comprehensive income	0	0	–100	0	–100
Net profit/loss for the year	0	0	0	25,915	25,915
Consolidated total comprehensive income	**0**	**0**	**–100**	**25,915**	**25,815**
Regular dividend for 2016	0	0	0	–7,700	–7,700
Special dividend	0	0	0	–8,993	–8,993
AS OF 12/31/2017	**5,620**	**22,622**	**2,338**	**48,404**	**78,984**

Notes to the consolidated financial statements

for the financial year from January 1 to December 31, 2017

(A) Principles and methods

1. Information on the Company

The registered offices of XING SE (formerly: XING AG) are located at Dammtorstrasse 30, 20354 Hamburg, Germany; the Company is registered at the Amtsgericht (local court) Hamburg under HRB 148078 (formerly: HRB 98807). The parent company of XING SE is Burda Digital GmbH, Munich, and the ultimate parent company of XING SE since December 18, 2012 has been Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany. The next higher-level parent company that prepares consolidated financial statements is Burda Gesellschaft mit beschränkter Haftung, Offenburg.

Measured in terms of the total number of individual visitors worldwide, XING operates one of the leading professional networking websites. The international, multilingual, Internet-based platform is a “relationship engine” which provides its members with the opportunity of establishing new business contacts, maintaining existing contacts, extending their operations to new markets, and exchanging opinion and information. XING generates its revenues primarily from fee-based products for end customers and businesses. It is a model in which our customers pay for most of the services provided in advance.

The consolidated financial statements and the Group management report of XING SE for the period ending December 31, 2017 are approved for publication by the Management Board on March 23, 2018, and presented to the Supervisory Board of the Company for approval on the same day. The consolidated financial statements and the group management report are published in the electronic Federal Gazette.

2. Basis of preparation

The consolidated financial statements of XING SE (referred to hereinafter as “XING” or “the Company”) have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and the additional provisions of commercial law stipulated by Section 315e (1) HGB. Due consideration has been given to all IFRSs and IFRICs which were adopted by the EU Commission as of December 31, 2017 and which are subject to mandatory adoption.

The consolidated financial statements are prepared in euros, the Company’s functional currency. Unless otherwise specified, all figures have been rounded up or down to the nearest thousand euros (€ thousand). The tables and figures included may therefore contain rounding differences.

The consolidated statement of comprehensive income has been prepared using the total cost (nature of expense) method and a one-statement approach.

ACCOUNTING STANDARDS TO BE APPLIED FOR THE FIRST TIME IN FINANCIAL YEAR 2017

The following accounting standards had to be applied for the first time in financial year 2017:

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Taxes for Unrealized Losses
- Amendments to IFRS 12: Clarifications regarding IFRS 5 and IFRS 12

The mandatory adoption of the revised standards for the first time in the financial year did not materially affect the consolidated financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE:

Standards and interpretations that are relevant for the activities of the Group and that had been issued but were not yet effective by the time the consolidated financial statements were published are detailed below.

IFRS 9 Financial Instruments

IFRS 9, which was issued in July 2014 and adopted by the EU on November 22, 2016, replaces the existing guidelines in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains revised guidance on the classification and measurement of financial instruments, including a new expected-loss impairment model for financial assets as well as new general hedge accounting guidelines. It also carries over the IAS 39 requirements for recognizing and derecognizing financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Group does not currently expect a significant adjustment to impairment of trade accounts receivable.

The Group's deposits have been placed with banks and financial institutions rated AAA to A–2 by rating agency Standard & Poor's as of December 31, 2017. The Group therefore assumes that the credit risk on its cash and cash equivalents is low.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 sets up a comprehensive framework for determining whether, when, and in what amount revenue should be recognized. This standard also provides specified guidance on accounting for contract costs. It replaces existing guidelines for recognizing revenue, including IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programmes. IFRS 15 was adopted by the EU Commission on November 22, 2016, and is effective as of the first reporting period in a financial year beginning on or after January 1, 2018. Currently, the Group expects changes in the statement of financial position (for example, a separate item for contract assets) and additional quantitative and qualitative notes disclosures.

The Group has provisionally assessed the estimated effects of the initial application of IFRS 15 on the consolidated financial statements. In particular, the actual effects of applying this standard as of January 1, 2018 may differ from those estimated effects, as the Group has not yet finished testing and assessing the controls on its new IT systems and the new accounting policies may be amended prior to the publication of the first set of consolidated financial statements following the date of initial application.

The Group has identified the following issues as being significant:

1) *Setup services for fixed-term products*
   The Group recognizes revenue from setup services generated in the B2B segments over the initial minimum term of the subsequent fixed-term products. The support provided to the customer during setup has until now been recognized as a separate deliverable.

2) *Sales commissions*
   Sales employees and external agencies are partly paid performance-related remuneration. If these payments are entirely variable, they are allocated over the term of the products sold.

3) *Principal/agency relationships*
   If XING controls the services that are to be provided, bears the end customer's credit risk and the agent is not able to set its selling prices itself, XING is acting as principal. Due to its business model (platform operation), this will result in XING reporting more transactions as principal in future.

IFRS 16 Leases

IFRS 16 supersedes the existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC–15 Operating Leases – Incentives and SIC–27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if the entity applies IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single accounting model that requires leases to be recognized in the statement of financial position of the lessee. A lessee recognizes a right-of-use asset representing the lessee's right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are exemptions for short-term leases and leases of low-value assets.

One significant effect that has been identified is that the Group will recognize new assets and liabilities for its operating leases of leased buildings. As of December 31, 2017, future minimum lease payments for qualifying operating leases (undiscounted) amounted to €14,710 thousand.

In addition, the nature of the expenses arising from leases will change, as IFRS 16 replaces straight-line expense recognition for operating leases with a depreciation charge for the right-of-use asset and interest expense on the lease liability. This results in improved EBITDA.

TRANSITION

The Group is currently examining the possibility of applying the retrospective approach on initial application of IFRS 15 and IFRS 16. A final decision has not yet been taken on this. Under this approach, the cumulative effect of applying IFRS 15 and IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at the beginning of the comparative period presented in the consolidated financial statements. The comparative period is restated accordingly. Each of the standards also permits some practical expedients.

QUANTITATIVE DISCLOSURES

The Group has largely completed its assessment of the potential effects of the changes introduced by IFRS 15 and IFRS 16 on its consolidated financial statements. The estimated effects of applying these standards on consolidated equity as of January 1, 2017 and the 2017 financial year are based on current assessments and summarized below. The actual effects of applying these standards as of January 1, 2018 may differ from those estimated effects, as the Group has not yet finished testing and assessing the controls on its new IT systems and the new accounting policies may be amended prior to the publication of the first set of consolidated financial statements following the date of initial application.

Based on current information, the Group does not expect a significant adjustment to be required as a result of initially applying IFRS 9.

The estimated effect of applying IFRS 15 retrospectively is as follows:

in € thousand

Net retained profits	
As reported as of December 31, 2016	39,188
Estimated adjustment as a result of applying IFRS 15	–1,036
ESTIMATED ADJUSTED OPENING BALANCE AS OF JANUARY 1, 2017	**38,152**

If the practical expedients provided by IFRS 16 are applied, there is no significant effect on net retained profits, as the right-of-use asset and the liability are recognized in the same amount at the date of initial application.

As regards IFRS 15, the principal components of the estimated adjustment are as follows:

- Net retained profits decline by €1,629 thousand (€2,405 thousand before accounting for deferred taxes of €776 thousand) due to the change in the treatment of setup services for fixed-term products.
- Net retained profits increase by €593 thousand (€876 thousand before accounting for deferred taxes of €283 thousand) due to the change in the treatment of sales commissions.
- The change with regard to principal versus agent considerations has no effect on net retained profits.

Based on the facts to date, the Group does not expect the future application of the other amendments made to a number of standards and not yet endorsed by the EU (Annual Improvements 2014–2016; Annual Improvements 2015–2017; Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions; Amendments to IAS 40: Transfers of Investment Property) to trigger any significant adjustments.

3. Basis of consolidation and business combinations

In addition to XING SE, the consolidated financial statements include the subsidiaries that are controlled by XING SE as the parent company. Control is being assumed if the parent company can exercise control over the investee, is exposed to variable returns from the equity investment and can influence the amount of the returns due to its control. Control is assumed if the parent company directly or indirectly holds more than half of the voting rights of the subsidiary, unless it can clearly be shown that this holding does not constitute control. The subsidiaries are consolidated from the time at which the Group acquires control, and are no longer consolidated after the time at which the Group no longer exercises control. The question of whether or not the Group controls an investee is reassessed when facts or circumstances indicate that one or more of the stated criteria have resulted in a change of control.

If necessary, the annual financial statements of the subsidiaries are adjusted to align their accounting policies to the methods used in the Group. All intercompany balances, transactions, income and expenses as well as all results of intercompany transactions are eliminated in full.

The basis of consolidation in the consolidated financial statements comprises the following companies:

	Entity	Equity interest 12/31/2017 in %	Equity interest 12/31/2016 in %	Held by	Initial consolidation
1	XING SE (parent company), Hamburg				
2	amiando UK Ltd., Birmingham, United Kingdom	100	100	13	2011
3	Eqipia GmbH, Zürich, Switzerland (formerly: Zug, Switzerland)	100	100	12	2016
4	Grupo Galenicom Tecnologias de la Información, S. L., Barcelona, Spain	100	100	1	2007
5	InterNations GmbH (formerly: XING Butterfly Management GmbH and InterNations GmbH), Munich[3]	100	–	13	2017
6	kununu GmbH, Vienna, Austria	100	100	1	2013
7	kununu US LLC, Boston, MA, USA[4]	50	50	6	2016
8	Prescreen GmbH, Berlin[3]	100	–	6	2017
9	Prescreen International GmbH, Vienna, Austria	100	–	10	2017
10	XING E-Recruiting GmbH, Vienna, Austria	100	100	11	2015
11	XING E-Recruiting GmbH & Co. KG, Hamburg [1]	100	100	1	2015
12	XING E-Recruiting Switzerland AG, Zurich, Switzerland	100	100	14	2016
13	XING Events GmbH, Hamburg[2]	100	100	1	2011
14	XING International Holding GmbH, Hamburg[3]	100	100	1	2007
15	XING Marketing Solutions GmbH, Hamburg[2]	100	100	1	2016
16	XING Networking Spain S. L., Barcelona, Spain	100	100	14	2007
17	XING News GmbH, Hamburg[2]	100	100	1	2016
18	XING Portugal Unipessoal Lda., Porto, Portugal	100	–	14	2017
19	XING S.à r.l., Luxembourg, Luxembourg	100	100	1	2014
20	XING Switzerland GmbH, Zurich, Switzerland	100	100	14	2008
21	XING Young Professionals GmbH (formerly: XING Students Consulting GmbH), Hamburg[3]	100	100	13	2016

[1] *XING SE is the entity's limited partner. XING International Holding GmbH, Hamburg is the general partner. The entity avails itself from the exemption under section 264b German Commercial Code (HGB).*
[2] *A profit transfer agreement is in place with the respective parent company. The entities avail themselves from the exemption under section 264 (3) German Commercial Code (HGB).*
[3] *A guarantee statement of XING SE exists. The entities avail themselves from the exemption under section 264 (3) German Commercial Code (HGB).*
[4] *The entity is a joint venture as defined by IFRS 11 and is accounted for using the equity method in accordance with IAS 28.*

ACQUISITION OF PRESCREEN GMBH, BERLIN, AND PRESCREEN INTERNATIONAL GMBH, VIENNA / AUSTRIA

On July 6, 2017, XING acquired all of the shares of Prescreen GmbH, Berlin, and Prescreen International GmbH, Vienna/Austria (hereinafter: Prescreen). Prescreen is one of the fastest growing providers of ATS solutions in Europe. In accordance with IFRS 3, the purchase comprises cash price of €16,917 thousand for 100 percent of the shares, which becomes due immediately, and an earn-out component (€0 to €9,500 thousand), which is based on certain assurances, and revenue and customer figures. Most of the contingent purchase price will become due in 2021. The company was consolidated for the first time on the date on which ownership of the interests was transferred (July 6, 2017). For reporting purposes, a present value of the conditional purchase price was recognized in the amount of €7,972 thousand as of September 30, 2017. Further purchase price allocation resulted in an impairment of €2,375 thousand, which was recognized in equity.

The transaction costs amounting to €130 thousand were expensed and are reported in the income statement under other operating expenses and in cash flows from operating activities in the statement of cash flows.

Since the acquisition date, Prescreen has contributed €1,056 thousand to revenues and €–672 thousand to EBITDA. If the business combination had taken place at the beginning of the year, revenues would have amounted to €1,907 thousand and EBITDA to €–798 thousand.

The goodwill recognized in the amount of €21,201 thousand results primarily from synergies based on the integration of the technology into the XING platform. It was allocated to the B2B E-Recruiting segment. The recognized goodwill is not tax-deductible.

The acquired assets and liabilities have the following fair values as of the date of initial consolidation:

Acquisition of Prescreen

In € thousand	07/06/2017
Purchased software	1,095
Brand rights	317
Customer relations	1,237
Property, plant and equipment	52
Non-current assets	**2,701**
Trade accounts receivable	228
Other assets	121
Cash	193
Current assets	**542**
Identified assets	**3,243**
Deferred income tax liabilities	662
Non-current liabilities	**662**
Trade accounts payable	27
Deferred income	1,139
Other liabilities	102
Current liabilities	**1,268**
Identified liabilities	**1,930**
Net assets	**1,313**
Base purchase price	16,917
Conditional purchase price (fair value)	5,597
Consideration transferred for 100% of the shares	**22,514**
Goodwill	**21,201**

ACQUISITION OF INTERNATIONS GMBH, MUNICH

On July 11, 2017, XING acquired all of the shares of InterNations GmbH, Munich (hereinafter: InterNations). InterNations is the world's largest network for people who live and work abroad (expats). In accordance with IFRS 3, the purchase comprises cash price of €10,262 thousand for 100 percent of the shares, which becomes due immediately, and an earn-out component (€0 to €40,700 thousand), which is based mainly on revenue and EBITDA figures. The conditional purchase price will be paid in several tranches over the earn-out period until the end of 2020. The company was preliminarily consolidated for the first time on the date on which ownership of the interests was transferred (July 11, 2017). For reporting purposes, a present value of the conditional purchase price was recognized in the amount of €16,826 thousand as of September 30, 2017. Further purchase price allocation resulted in an impairment of €5,907 thousand. With respect of the conditional purchase price, the purchase price allocation of InterNations has not yet been completed.

The transaction costs amounting to €143 thousand were expensed and are reported in the income statement under other operating expenses and in cash flows from operating activities in the statement of cash flows.

Since the acquisition date, InterNations has contributed €4,300 thousand to revenues and €950 thousand to EBITDA. If the business combination had taken place at the beginning of the year, revenues would have amounted to €8,798 thousand and EBITDA to €2,036 thousand.

The goodwill recognized in the amount of €15,436 thousand results primarily from additional business opportunities associated with the international business model. InterNations is allocated to the B2C reporting segment. The recognized goodwill is not tax-deductible.

The acquired assets and liabilities have the following fair values as of the date of initial consolidation:

Acquisition of InterNations

In € thousand	07/11/2017
Purchased software	4,438
Brand rights	2,001
Customer relations	2,783
Property, plant and equipment	86
Non-current assets	**9,308**
Trade accounts receivable	492
Other assets	93
Cash	1,481
Current assets	**2,066**
Identified assets	**11,374**
Deferred income tax liabilities	1,825
Non-current liabilities	**1,825**
Trade accounts payable	93
Deferred income	2,451
Other liabilities	1,260
Current liabilities	**3,804**
Identified liabilities	**5,629**
Net assets	**5,745**
Base purchase price	10,262
Conditional purchase price (fair value)	10,919
Consideration transferred for 100% of the shares	**21,181**
Goodwill	**15,436**

4. Material judgments and estimates

Preparation of the consolidated financial statements to a limited extent requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities, income and expenses, as well as contingent liabilities. Although these estimates are made in accordance with the best knowledge of management and with due consideration being given to all available knowledge, actual results may differ from these estimates.

Material estimates and assumptions were made particularly in connection with the following accounting policies: impairment of goodwill, capitalization of development costs for software, the settlement value for conditional purchase price obligations, and with regard to the recoverability of deferred taxes on loss carryforwards. With regard to the main forward-looking assumptions and other major sources of estimation uncertainty which existed on the reporting date, as a result of which there might be a risk that the carrying amounts might be adjusted in the course of the next financial year, please refer to the corresponding individual disclosures.

In addition, estimates and assumptions are made for the purpose of determining the useful lives of intangible assets and property, plant and equipment, which are subject to an annual review. The actual figures may differ from the estimates. Changes are recognized in the income statement at the time at which better information becomes available.

5. Foreign currency translation

Transactions in a currency other than the functional currency of an entity are stated in the functional currency at the middle spot exchange rate on initial recognition. At the end of the reporting period, the Company measures foreign currency monetary assets and liabilities in the functional currency at the middle spot exchange rate at that date. XING recognizes foreign currency gains and losses on these measurements in profit or loss. Foreign currency non-monetary items in the consolidated statement of financial position are translated using historical rates.

6. Significant accounting policies

STATEMENT OF COMPREHENSIVE INCOME

Income from membership subscriptions, jobs and advertising is recognized on a daily basis, taking into account the proportional length of each term of contract as of the reporting date. All prepayments received for periods after the reporting date are listed as deferred income in the statement of financial position; revenue is recognized in the subsequent periods.

Revenue is measured at the fair value of the consideration received or receivable. In the case of barter transactions, revenue is measured by reference to a similar transaction that meets the criteria set out in SIC–31.

Other comprehensive income comprises only items that can be reclassified to profit or loss in subsequent reporting periods.

STATEMENT OF FINANCIAL POSITION

Business combinations

The Company recognizes business acquisitions using the acquisition method, which leads to the recognition of goodwill in the event of a positive difference. Goodwill acquired during a business combination is initially recognized at cost; it refers to the additional costs of the business combination in excess of the share of the Group in the net present value of identifiable assets, liabilities and contingent liabilities. Transaction costs are immediately expensed. Contingent consideration is measured at fair value at the time of acquisition. As long as the contingent consideration is not classified as equity, changes in the fair value are recognized in profit or loss.

Interests in joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share of the total profit or loss of the equity-accounted investments up until the date on which significant influence or joint control ends.

Intangible assets

In accordance with IAS 38 and SIC–32, intangible assets which arise from the development of a single project can only be recognized if the Group can demonstrate the technical feasibility for completing the project for internal use or sale; the intent to complete the project so that the asset can be used internally or sold; that the asset will generate a future economic benefit; that the resources for completing the project are available; and outputs can be reliably measured. After the first-time application of development costs, the asset is recognized at cost less cumulative amortization and cumulative impairments. All capitalized development costs of the XING platform are amortized over a five-year period using the straight-line method.

The recoverable amount of the development costs is subjected to an impairment test at least once a year, provided that the asset has not yet been used or if there are any indications of impairment over the course of the year. Intangible assets are tested for impairment as soon as there are any indications of impairment. The amortization period, the residual values and amortization method of an intangible asset with a finite useful life are reviewed regularly, at least once each financial year.

Expenses for the purchase of software and other intangible assets are recognized and written down over their expected useful life using the straight-line method. Amortization begins at the time at which the intangible asset can be used.

There is no interest that is directly attributable to the acquisition or production of a qualifying asset and thus could be capitalized as part of the cost of that asset.

In accordance with IFRSs, goodwill is not amortized over its economic service life. The Company is required to test goodwill for impairments at least once a year, provided there are no indications of potential impairments. If there are indications of impairment, goodwill must be tested immediately for impairment. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units which will conceivably benefit from the synergies of the combination from the date of acquisition. Impairment is determined by calculating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognized. Even if in future periods the recoverable amount exceeds the carrying amount of the cash-generating unit to which the goodwill has been allocated, impairment losses recognized on goodwill are not reversed.

The impairment test of goodwill requires an estimate to be made of the recoverable amount of the cash-generating unit to which the goodwill has been allocated. The recoverable amount is the higher of net realizable value and value in use. Net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction, less costs to sell. Value in use is generally calculated on the basis of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life, using the discounted cash flow method. Cash flows are derived from the business plans and reflect current developments. They are discounted to the date of the impairment test using risk-equivalent capitalization rates.

Property, plant and equipment

Property, plant and equipment is recognized at cost less cumulative straight-line depreciation for the entire useful life of three years (IT equipment) to 13 years (office equipment) and cumulative impairments. Leasehold improvements are depreciated over the basic rent term using the straight-line method. The carrying amounts, useful lives and depreciation methods are revised and adjusted at the close of the financial year, if necessary. Rent subsidies are reported under deferred income.

Financial assets and liabilities

XING's financial assets principally comprise cash and cash equivalents as well as trade accounts receivable. At the initial recognition of such assets, they are measured at fair value. Directly attributable transaction costs of financial investments which are not classified as measured at fair value through profit or loss are also recognized. All financial instruments whose fair value is shown in the financial statements, are classified according to the following hierarchy levels in accordance with IFRS 13:

Level 1: Fair values that are determined using prices quoted in active markets.

Level 2: Fair values that are determined using valuation techniques whose inputs which are relevant for the fair value are based on directly or indirectly observable market data.

Level 3: Fair values that are determined using valuation techniques whose inputs which are relevant for the fair value are not based on observable market data.

Equity investments and financial instruments in the categories "Loans and receivables" and "Other liabilities" are measured at amortized cost (taking into account the effective interest method, if applicable). Impairments are recognized in profit or loss. Trade accounts receivable are recognized with the original invoice amount less allowances for amounts that are irrecoverable or no longer completely recoverable. Allowances are recognized if there are objective indications that a receivable is no longer recoverable or completely recoverable.

Settlement date accounting is used for all regular way purchases and sales of financial assets. Financial assets are derecognized if (i) the contractual rights to cash flows from the financial asset no longer exist, or (ii) the Group retains the right to generate cash flows from the asset but is obliged to pay these cash flows immediately to a third party as part of a transfer agreement, or (iii) the right to generate cash flows from the financial assets is transferred and either (a) all material risks and opportunities are transferred or (b) all material risks and opportunities are neither transferred nor retained, but the right of control over the asset has been transferred.

The fair value of financial assets or liabilities amounts to the carrying amounts. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment.

Taxes

Current tax assets and liabilities for current and previous periods are shown with the expected amount. The amount is calculated on the basis of the tax rates and laws applicable as of the reporting date of the given period.

Deferred taxes result from temporary differences between the carrying amount of an asset or a liability in the statement of financial position and its tax assessment base as well as from tax loss carryforwards. They are calculated using the balance sheet liability method, and are based on the application of the tax rates expected in the individual countries at the time of realization. These are based on the legal regulations applicable on the reporting date. The effect of changes to tax law which affect deferred tax assets and deferred tax liabilities must be recognized in the statement of comprehensive income in the period in which the change becomes effective. Tax assets resulting from tax losses carried forward are recognized to the extent that it is probable in the near future that there will be a tax result against which the tax losses carried forward can be offset. The deferred tax assets are tested annually to establish whether they are realizable.

The Group offsets current tax assets and liabilities and deferred tax assets and liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Share-based payment

Share-based entitlements at XING were cash-settled in the reporting year. The fair value is calculated at the grant date and recognized as an expense over the vesting period. It is determined as the market price of XING shares. Changes in fair value are recognized in profit or loss.

Post-employment benefits

Obligations to pay into defined-contribution plans are recognized as an expense as soon as the associated service is rendered. Prepaid items are recognized as assets if they confer a right to reimbursement or a reduction in future payments.

Provisions

The amount recognized as a provision is calculated by discounting the expected future cash flows using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. Unwinding of discounts is presented as a finance cost.

Leases

In the leases entered into by the Group as the lessee, essentially all of the risks and rewards of ownership remain with the lessor. The leases are therefore classified as operating leases. Lease payments under operating leases are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(B) Segment reporting

REPORTABLE SEGMENTS

Overview of business units / reporting segments

The operating segments are combined into reportable segments in the regular management reporting based on the primary customer base of the products offered. While products offered by the B2C segment are mainly distributed through our online marketing channels, products offered by the B2B segments are mainly distributed offline.

The B2C reporting segment includes the Platform / Content, Premium Network, ProWork, kununu D-A-CH and New B2C business units. They serve the members of our social networking platforms who use www.xing.com, XING Jobs (formerly E-Recruiting), kununu.com or internations.org to network with other professionals, find a suitable job, obtain information about potential employers, or read about career-related topics. These services are monetized mainly through paid memberships (Premium, ProJobs, Albatross). New B2C activities are also included here (e.g. ProCoach).

The B2B E-Recruiting segment serves B2B customers who seek access to employees and talent. This service is monetized through the development, marketing and sale of the XING Talent Manager (Active Recruiting), job ad (Passive Recruiting), and Employer Branding Profile products. The necessary profiles and traffic from candidates are generated by the B2C segment.

The Advertising & Events segment comprises the Advertising (formerly Network / Premium) and Events business units. They serve advertising and events clients. This service is monetized via advertising income and ticketing. Remuneration is also paid for acquired B2C segment members.

We report on other activities outside of the D-A-CH (Germany, Austria, Switzerland) region in the (Kununu) International segment. The reconciliation statement (other operating income / expenses) includes corporate divisions such as IT, Finance, and Human Resources, as well as other business activities that by definition do not constitute segments.

Assets, liabilities and investments are not segmented on the basis of the operating segments because these indicators are not used as control parameters at segment level. For example, a large share of the investments relates to the internally developed platform that cannot be allocated to the segments. Segment data is calculated on the basis of the accounting policies applied in the consolidated financial statements. Costs are allocated to the originating divisions. Business transactions between the companies in the segments are conducted on an arm's length basis. As the measure of segment earnings XING uses the operating result for the segment, calculated as gross profit or loss less costs that are directly attributable to the segment (staff, marketing, rental expenses, division-related IT expenses (e.g., development costs), etc.).

Expenses that are not directly attributable to a segment (e.g., central IT expenses), write-downs, impairment losses, and reversals of impairment losses are presented in the reconciliation statement along with the operating result from central functions that do not constitute a segment. Extraordinary items and items arising from purchase price allocation are eliminated. Adjusted extraordinary items include restructuring expenses, gains/losses on disposal, impairment losses, and other non-operating expenses or income.

The segment revenues and results for the period under review are shown in the following tables:

In € thousand	B2C		B2B E-Recruiting		B2B Advertising & Events		(kununu) International		Consolidation of intersegment revenues/expenses		Total segments	
	01/01/–12/31/2017	01/01/–12/31/2016	01/01/–12/31/2017	01/01/–12/31/2016	01/01/–12/31/2017	01/01/–12/31/2016	01/01/–12/31/2017	01/01/–12/31/2016	01/01/–12/31/2017	01/01/–12/31/2016	01/01/–12/31/2017	01/01/–12/31/2016
Revenues (from third parties)	89,544	77,230	76,705	54,413	17,284	12,909	1,332	1,352	0	0	184,865	145,904
Intragroup revenues	0	0	0	0	566	541	0		–566	–541	0	0
Total revenues	89,544	77,230	76,705	54,413	17,850	13,450	1,332	1,352	–566	–541	184,865	145,904
Intragroup segment expenses	–566	–541	0	0	0	0	0	0	566	541	0	0
Other segment expenses	–44,871	–36,799	–27,082	–18,778	–11,726	–10,544	–1,318	–1,486	0	0	–84,997	–67,607
Segment operating result	44,107	39,890	49,623	35,635	6,124	2,906	14	–134	0	0	99,868	78,297
Other operating income and expenses											–41,436	–30,348
EBITDA											58,432	47,949

Revenues by geographical region are distributed as follows:

In € thousand	01/01/2017–12/31/2017	01/01/2016–12/31/2016
D-A-CH	175,734	138,931
International	9,131	6,973
	184,865	**145,904**

Geographical distribution is made based on the domicile of the service recipient. The Company is not reliant on major customers because a significant percentage of Group revenues is not generated with any single customer.

As was the case last year, the non-current assets (excluding deferred tax assets) of €154,310 thousand (previous year: €60,018 thousand) are attributable exclusively to the D-A-CH region.

(C) Consolidated statement of comprehensive income disclosures

7. Total operating income

In financial year 2016, total operating income was €187,757 thousand (previous year: €148,504 thousand).

In financial year 2017, revenues amounted to €184,865 thousand (previous year: €145,904 thousand). The breakdown of revenues and the corresponding development according to business units and regions are shown in segment reporting. Revenues include €1,779 thousand (previous year: €754 thousand) in revenue from barter deals.

The following table breaks down the main items of other operating income:

In € thousand	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
Income from non-cash benefits	813	690
Earnings from returned bank transfers and dunning fees	416	451
Income from receivables written off	0	402
Income from deferred investment grants	59	176
Income from currency translation	90	92
Prior-period income	178	67
Other	1,336	722
	2,892	**2,600**

Prior-period income mainly includes benefit entitlements expired through lapse of time and other income including income from the disposal of assets.

8. Personnel expenses

The following table breaks down the personnel expenses:

In € thousand	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
Salaries and other types of remuneration	55,177	44,315
Social security contributions (employer portion)	11,268	8,790
Pension costs (defined-contribution plan)	621	511
Termination benefits	886	354
Provisions for vacation	48	179
Other	392	315
	68,392	**54,464**

Personnel expenses rose from €54,464 thousand by €13,928 thousand to €68,392 thousand (+26 percent). The increase in expenses is due mainly to the higher number of people employed by the Group.

9. Marketing expenses

Marketing expenses are broken down as follows:

In € thousand	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
Marketing costs	19,907	13,413
Events	1,501	728
Sales commission	819	459
	22,227	**14,599**

Marketing costs include, in particular, costs of online advertising, traditional display advertising, TV advertising as well as costs of customer acquisition.

10. Other operating expenses

The following table breaks down the primary items of other operating expenses:

In € thousand	01/01/2017–12/31/2017	01/01/2016–12/31/2016
IT and business administration services	12,737	10,608
Occupancy expenses	5,971	5,296
Travel, entertainment and other business expenses	3,980	2,481
Server hosting, administration and traffic	3,367	2,685
Payment transaction costs	2,379	1,970
Other personnel expenses	2,215	1,894
Training costs	1,348	967
Bad debts	1,007	1,046
Legal consulting fees	843	1,099
Telephone/cell phone/postage/courier	760	550
Currency translation expenses	609	73
Accounting fees	554	552
Financial statements preparation and auditing costs	484	380
Rents/leases	387	355
Office supplies	347	296
Supervisory Board remuneration	320	306
Other	1,397	934
	38,706	**31,492**

The other expenses mainly comprise expenses attributable to prior periods, costs of contributions, other charges and insurance costs.

11. Finance income and finance costs

The financial result can be broken down as follows:

In € thousand	01/01/2017–12/31/2017	01/01/2016–12/31/2016
Finance income	2,648	157
Finance costs	–928	–430
	1,720	**–273**

Finance income includes income of €2,143 thousand (previous year: €0 thousand) from the reversal of contingent purchase price obligations.

The non-cash unwinding of discounts on provisions and liabilities triggered finance costs of €789 thousand (previous year: €352 thousand).

12. Income taxes

The income taxes for the reporting period are broken down as follows:

In € thousand	01/01/2017–12/31/2017	01/01/2016–12/31/2016
Corporation tax (including solidarity surcharge)	5,118	4,935
Trade tax	3,106	3,347
Deferred taxes	4,823	2,463
	13,047	**10,745**

An amount of €2,694 thousand (previous year: €1,796 thousand) for corporation tax was incurred outside Germany. The deferred taxes were mainly incurred in Germany, as in the previous year.

The following table shows the breakdown of the deferred taxes in the statement of comprehensive income.

In € thousand	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
Deferral of rental expenses and investment grants	47	39
Recognition/amortization of internally developed software	5,789	3,590
Amortization of the brand/domain	– 14	0
Amortization of customer relations	– 293	– 72
Amortization of acquired technology	– 322	– 145
Recognition of tax losses carried forward	– 310	– 987
Temporary differences in fixed assets	51	**87**
Other	–125	– 49
	4,823	**2,463**

Changes recognized outside profit or loss concern €3,633 thousand relating to acquisitions and €17 thousand relating to netting with other comprehensive income.

The following overview reconciles the expected tax expense with the actual tax expense:

In € thousand	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
Earnings before taxes (EBT)	38,986	34,313
Expected tax result	12,585	11,076
Tax effects attributable to		
different foreign tax rates	– 471	– 494
Tax rate changes	586	0
Application of the equity method	103	– 103
Outside basis differences	230	0
Tax-free income	– 531	– 41
Effects from tax losses carried forward	– 26	– 183
Fx adjustments	69	0
Taxes, previous years	– 34	0
Expenses not deductible for tax purposes	536	490
ACTUAL TAX RESULT	**13,047**	**10,745**

The tax rate change resulting from the US tax reform concerns the Group's operations relating to kununu US LLC. Outside basis differences result from undistributed profits of subsidiaries. The tax-free income relates to the reversal of contingent purchase price obligations in the amount of €2,143 thousand.

The theoretical tax rate is determined as follows:

In %	12/31/2017	12/31/2016
Corporation tax including solidarity surcharge (effective)	15.83	15.83
Trade tax rate	16.45	16.45
THEORETICAL TAX RATE	**32.28**	**32.28**

Deferred taxes in the statement of financial position are broken down as follows:

In € thousand	12/31/2017	12/31/2016
Intangible assets		
Software and licenses	−1,838	−453
Internally developed software	−15,788	−9,999
Brands/domain	−705	0
Customer relations	−1,130	−216
Deferred rental expenses and investment grants	80	127
Loss carryforwards	2,714	1,194
Temporary differences in fixed assets	43	94
Other	41	−36
NET DEFERRED TAX ASSETS / LIABILITIES	**−16,583**	**−9,289**

The purchase price allocation in connection with the acquisition of Prescreen GmbH, Berlin, Prescreen International GmbH, Vienna / Austria, and InterNations GmbH, Munich, took into account deferred tax assets of €1,210 thousand and deferred tax liabilities of €3,633 thousand.

The deferred tax assets (€3,081 thousand, previous year: €1,477 thousand) and deferred tax liabilities (€19,664 thousand, previous year: €10,766 thousand) were not offset because the criteria in IAS 12.71 were not satisfied.

13. Earnings per share

Earnings per share are broken down as follows:

	12/31/2017	12/31/2016
Consolidated profit or loss attributable to the shareholders of XING SE in € thousand	25,915	23,568
Weighted average number of issued shares (basic and diluted)	5,620,435	5,620,435
Consolidated earnings per share attributable to the shareholders of XING SE		
Basic	€4.61	€4.19
Diluted	€4.61	€4.19

14. Other comprehensive income

In addition to gains and losses on the translation of foreign financial statements (loss of €65 thousand; previous year: gain of €6 thousand), items recognized in other comprehensive income also include the remeasurement of available-for-sale financial assets (loss of €52 thousand; previous year: €0 thousand). Deferred tax income attributable to the latter amounted to €17 thousand (previous year: €0 thousand).

(D) Consolidated statement of financial position disclosures

15. Non-current assets

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

As of the reporting date, the intangible assets include brand rights, the customer base, purchased software as well as internally generated software and goodwill.

Internally generated software in the amount of €26,615 thousand (previous year: €15,776 thousand) was capitalized as internally generated intangible assets in financial year 2017 because the criteria set out in IAS 38 were satisfied. The development work mainly concerned various projects to enhance the mobile apps, the development of the new messenger, and other new products. As a result of determining the value in use, amortization and impairments of internally generated software include impairment losses of €3,353 thousand (previous year: €680 thousand) on platform components no longer used. As was the case in the previous year, no reversals of impairment losses charged on internally generated software were recognized. As in the previous year, no impairment losses on other software and licenses or reversals of impairment losses were recognized.

At the beginning of financial year 2017, the useful life of the XING platform was fixed at a further five years until December 31, 2021. As of the previous year's reporting date, the useful life was assumed to run until December 31, 2020. As a result, amortizations in the 2017 financial year were €1,549 thousand lower; these will be recognized in later periods. The remaining useful life of the internally developed web site is thus 48 months as of December 31, 2017. Modules that are no longer active are written down for impairment by regularly reviewing the platform modules that have been activated.

The development costs recognized in profit or loss amounted to €46,696 thousand (previous year: €36,148 thousand).

As in the previous year, no impairment losses or reversals of impairment losses were recognized on other intangible assets.

Mandatory annual impairment testing was performed as of the end of the 2017 financial year.

Goodwill from the acquisition of kununu GmbH in the amount of €2.2 million, BuddyBroker AG in the amount of €4.9 million and Intelligence Competence Center (Deutschland) AG in the amount of €6.1 million continued to be allocated to the B2B E-Recruiting segment for purposes of impairment testing. The goodwill resulting from the acquisition of Prescreen GmbH totaling €21.2 million was also allocated to the B2B E-Recruiting segment. The segment is the cash-generating unit in which the goodwill is monitored for internal management purposes (see "Segment information").

The goodwill resulting from the acquisition of InterNations GmbH totaling €15.4 million was allocated to the InterNations segment, which is shown as part of the B2C operating segment.

The recoverable amount of the cash-generating units is based on the value in use estimated using discounted cash flows. Based on the inputs from the measurement procedure used, the fair value measurement was classified as a fair value that is not based on observable market data.

	E-Recruiting		InterNations
in %	**12/31/2017**	12/31/2016	**12/31/2017**
Discount rate	7.9	7.9	8.8
Sustainable growth rate	2.0	2.0	2.0

The discount rate is a pre-tax figure (WACC); it reflects current market assessments of the risks specific to the cash-generating unit and is based on the weighted average cost of capital.

In measuring value in use as the recoverable amount, the Company projected cash flows for the next three to five years based on past experience, the most recent operating results, and management's best estimate of future developments, as well as market participants' expectations. The result projected on the basis of these estimates is largely influenced by the successful integration of the acquired companies, price trends in the competitive environment and expected economic developments. The value in use is mainly determined by the final value (present value of the perpetual annuity) that is particularly sensitive to changes in the assumptions about the long-term growth rate and the discount rate. The growth rates take account of external macroeconomic data and industry-specific trends.

In the case of both cash-generating units, the Management Board believes that both revenues and the EBITDA margin can be increased in the future. The impairment test did not reveal any indication of impairment. Even with a change in each of the two most significant influencing factors, the discount rate (increase of 1 percentage point) and the long-term growth rate (reduction of 1 percentage point), the recognized goodwill was recoverable.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of IT hardware and other operating and office equipment as well as leasehold improvements.

As in the previous year, no impairment losses on other equipment, operating and office equipment or reversals of impairment losses were recognized.

16. Financial assets

EQUITY-ACCOUNTED INVESTMENTS

In the year under review, kununu US LLC, Boston/USA, a 50:50 joint venture, was included in the consolidated financial statements and accounted for using the equity method. XING contributed an additional €3,278 thousand (US$3,500 thousand) to the joint venture in the reporting year. The equity interest in kununu US LLC is the only investment by the Group in joint ventures or associated companies.

The equity investment developed as follows as of the reporting date:

kununu US LLC, Boston/USA

In € thousand	2017	2016
Carrying amount as of 01/01/	0	0
Contribution	3,278	2,706
Share of earnings in the reporting year	–3,278	–2,706
CARRYING AMOUNT AS OF 12/31/	**0**	**0**

The joint venture's losses of €318 thousand not recognized in the previous year were recognized in the reporting period. Due to an obligation to make a capital contribution, which was fulfilled in January 2018, the Group reported in other liabilities as of December 31, 2017 an amount of €284 thousand from its share of profit or loss for 2017. In total, the Group committed to US$3,500 thousand, which was contributed to the joint venture in January 2018.

The following table shows the combined financial information as of the reporting date:

kununu US LLC, Boston / USA

Summarized financial information In € thousand[1]	12/31/2017	12/31/2016
Revenues	476	33
Earnings	– 6,494	– 6,049
TOTAL COMPREHENSIVE INCOME (100%)	**– 6,494**	**– 6,049**
Non-current assets	47	54
Current assets	360	153
Non-current liabilities	2,478	3,122
Current liabilities	– 3,754	4 .004
EQUITY (100%)	**– 868**	**– 675**

[1] *Statement of financial position translated at closing rate, comprehensive income translated at average exchange rate*

OTHER FINANCIAL ASSETS

XING SE acquired several funds in the reporting year for the purpose of investing excess liquidity. The fair values of the instruments, all of which are allocated to Level 1, correspond to their nominal values, multiplied by the prices prevailing on December 31, 2017. All of the securities are available for sale. XING SE recognizes fair value changes in other comprehensive income and on selling the assets reclassifies these changes to profit or loss.

PREPAID EXPENSES

Prepaid expenses mainly include prepayments for software maintenance and licenses.

The following table (figures in € thousand) shows the changes in fixed assets:

Consolidated statement of changes in fixed assets

as of December 31, 2017

Consolidated statement of changes in fixed assets

In € thousand	Cost					
	01/01/2017	Additions	Change triggered by acquisitions	Disposals	Reclassifi-cations	12/31/2017
1. INTANGIBLE ASSETS						
1. Software and licenses	21,046	2,123	5,533	0	0	28,702
2. Internally generated software	56,628	26,615	0	0	0	83,243
3. Goodwill	27,978	0	36,635	0	0	64,613
4. Other intangible assets	14,290	28	6,339	0	0	20,657
	119,942	**28,766**	**48,507**	**0**	**0**	**197,215**
2. PROPERTY, PLANT AND EQUIPMENT						
1. Leasehold improvements	1,951	165	0	0	0	2,116
2. Other equipment, operating and office equipment	21,941	4,133	138	−241	2,506	28,477
3. Advance payments made and construction in progress	2,709	0	0	0	−2,506	203
	26,601	**4,298**	**138**	**−241**	**0**	**30,796**
TOTAL	**146,543**	**33,064**	**48,645**	**−241**	**0**	**228,011**

Consolidated statement of changes in fixed assets

In € thousand	Cost				
	01/01/2016	Additions	Change triggered by acquisitions	Disposals	12/31/2016
1. INTANGIBLE ASSETS					
1. Software and licenses	18,084	1,023	1,940	−1	21,046
2. Internally generated software	40,852	15,776	0	0	56,628
3. Goodwill	23,064	0	4,914	0	27,978
4. Other intangible assets	13,369	921	0	0	14,290
	95,369	**17,720**	**6,854**	**−1**	**119,942**
2. PROPERTY, PLANT AND EQUIPMENT					
1. Leasehold improvements	1,407	544	0	0	1,951
2. Other equipment, operating and office equipment	18,460	3627	9	−155	21,941
3. Advance payments made and construction in progress	0	2,709	0	0	2,709
	19,867	**6,880**	**9**	**−155**	**26,601**
TOTAL	**115,236**	**17,765**	**6,863**	**−156**	**146,543**

Depreciation, amortization and impairment losses				Carrying amounts	
01/01/2017	Additions	Disposals	12/31/2017	12/31/2017	12/31/2016
−16,593	−3,139	0	−19,732	8,970	4,453
−25,653	−8,680	0	−34,333	48,910	30,975
−14,835	0	0	−14,835	49,778	13,143
−12,102	−1,479		−13,581	7,076	2,188
−69,183	**−13,298**	**0**	**−82,481**	**114,734**	**50,759**
−1,438	−338	0	−1,776	340	513
−16,356	−3,989	217	−20,128	8,349	5,585
0	0	0	0	203	2,709
−17,794	**−4,327**	**217**	**−21,904**	**8,892**	**6,098**
−86,977	**−17,625**	**217**	**−104,385**	**123,142**	**56,857**

Depreciation, amortization and impairment losses				Carrying amounts	
01/01/2016	Additions	Disposals	12/31/2016	12/31/2016	12/31/2015
−14,300	−2,294	1	−16,593	4,453	3,784
−20,997	−4,656	0	−25,653	30,975	19,855
−14,836	0	1	−14,835	13,143	8,228
−11,439	−663	0	−12,102	2,188	1,930
−61,572	**−7,613**	**2**	**−69,183**	**50,759**	**33,797**
−996	−442	0	−1,438	513	411
−13,890	−2,602	136	−16,356	5,585	4,570
0	0	0	0	2,709	0
−14,886	**−3,044**	**136**	**−17,794**	**8,807**	**4,981**
−76,458	**−10,657**	**138**	**−86,977**	**59,566**	**38,778**

17. Current assets

As was the case in the previous year, receivables arising from XING services recognized as of December 31, 2017, were due within one year.

At the end of the year, the following impairments were recognized in relation to receivables from services:

In € thousand	12/31/2017	12/31/2016
Total amount of receivables from services	29,781	20,955
Allowances on receivables	– 1,445	– 1,318
RECEIVABLES FROM SERVICES	**28,336**	**19,637**

Receivables from services of €3,622 thousand are more than 60 days past due as of December 31, 2017. Impairments of €171 thousand were added in financial year 2017 (previous year: €256 thousand). Nor income from derecognized receivables was generated in the 2017 financial year (previous year: €402 thousand).

The following table shows the composition of other assets:

In € thousand	12/31/2017	12/31/2016
Deferred cost	2,717	1,099
Receivables due from credit card companies	882	825
Advances paid	604	147
Receivables due from personnel	13	5
Other assets	1,085	596
	5,301	**2,672**

Cash and short-term deposits as of the reporting date consisted of bank balances of €36,530 thousand (previous year: €86,626 thousand) and cash-in-hand of €16 thousand (previous year: €16 thousand). Bank balances include a figure of €4,219 thousand (previous year: €3,214 thousand) relating to third-party cash held by XING Events GmbH. The rise in other assets is due to a reporting date-related increase in “transitory” items collected and disbursed on behalf of other parties and assets from rent-free periods.

18. Equity

SUBSCRIBED CAPITAL

The share capital amounted to €5,620,435 as of December 31, 2017 (previous year: €5,620,435) and is composed of 5,620,435 no-par value registered shares with a notional value of €1.00 each. All of the subscribed capital is fully paid in. All shares have the same rights.

TREASURY SHARES

As in the previous year, the Company did not hold any treasury shares as of the reporting date.

AUTHORIZED CAPITAL 2015

Pursuant to the resolution of the Annual General Meeting of June 3, 2015, the Management Board has been authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to €2,796,068.00 by June 2, 2020, by way of issuing, on one or more occasions, new no-par-value registered shares in return for cash and/or non-cash contributions (Authorized Capital 2015). Any such increase, however, is limited to the amount in which Authorized Capital 2015 is available immediately before the conversion of XING AG into a European Company (Societas Europaea, SE) becomes effective. The number of shares must be increased in the same ratio as the share capital. A pre-emptive right must be granted to the shareholders. The new shares can also be taken up by one or more credit institutions specified by the Management Board on condition that they are offered to the shareholders (indirect pre-emptive right). The Management Board however is authorized, with the approval of the Supervisory Board, to disapply the pre-emptive right of shareholders:

1) in order to settle fractional amounts;

2) if the shares are issued in return for a non-cash contribution, in particular for the purpose of acquiring companies, parts of companies, other assets or in connection with business combinations, or for the purpose of acquiring receivables, rights or industrial property rights including copyrights and know-how;

3) if the shares of the Company are issued in return for a non-cash contribution and if the issue price of each share is not significantly lower than the market price of the shares which are already listed and which essentially carry the same rights at the time at which the issue price is definitively fixed. The number of shares issued in this way with the exclusion of subscription rights must not exceed 10 percent of the share capital, either at the time at which this authorization becomes effective or at the time at which this authorization is exercised. Other shares which have been sold or issued by disapplying pre-emptive rights during the life of this authorization upon the direct or corresponding application of Section 186 (3) sentence 4 AktG must be offset against this maximum limit. Shares which have to be issued for serving option and/or conversion rights or conversion obligations arising from convertible bonds and/or option bonds or stock options, to the extent that these bonds or stock options have been issued during the life of this authorization by disapplying pre-emptive rights upon corresponding application of Section 186 (3) Clause 4 AktG, also have to be offset in relation to the maximum limit.

4) if the shares are offered to employees of the Company and/or employees and/or members of management of a company which is affiliated with the Company in accordance with Section 15 AktG or if the shares are transferred to such persons. The new shares can also be issued to a credit institution or equivalent company, which takes up the shares with the undertaking to forward them exclusively to the relevant beneficiaries. The number of shares issued in this way with the exclusion of subscription rights must not exceed 2 percent of the share capital, either at the time at which this authorization becomes effective or at the time at which this authorization is exercised.

The proportionate amount of the share capital accounted for by shares which based on this authorization are issued disapplying the pre-emptive rights of shareholders in return for cash or non-cash contributions must not exceed 20 percent of the share capital of the Company which existed at the time at which the authorization becomes effective.

The Management Board is authorized, with the approval of the Supervisory Board, to define the contents of the share rights, the details of the capital increase as well as the conditions of the share issue, and in particular the issue amount.

The Supervisory Board is authorized to amend the wording of the Articles of Incorporation based on the use of authorized capital or once the period of the authorization has ended.

The Management Board has not yet made use of this authorization.

CONTINGENT CAPITAL 2014

The share capital of the Company has been increased by up to €1,118,427.00 out of contingent capital by issuing up to 1,118,427 new no-par-value registered shares (Contingent Capital 2014). The contingent capital increase is implemented only to the extent that the holders of convertible and/or option bonds issued by XING AG or – after the conversion of XING AG into a European Company (Societas Europaea, SE) becomes effective – XING SE and its Group companies until May 22, 2019 (including) based on the authorization adopted by the Annual General Meeting on May 23, 2014, exercise their conversion or option rights or to the extent that conversion and option obligations arising from such bonds are fulfilled and no other forms of fulfillment are used. Provided that they are created before the start of the Annual General Meeting, the new shares participate in profit from the start of the preceding financial year. Otherwise, they will participate in profit from the start of the financial year in which they are created. The Management Board is authorized, with the approval of the Supervisory Board, to fix the further details for carrying out the contingent capital increase. As of December 31, 2017, no shares have been issued out of Contingent Capital 2014.

As of December 31, 2017, no valid stock options had been issued to employees, senior executives and the Management Board - the same as in the previous year.

Capital reserves

The capital reserves mainly comprise the premium from the cash capital increases carried out in previous years minus the ancillary costs of procuring equity and the premium from the issue of new shares in connection with employee stock option plans and from the sale of treasury shares.

Other reserves

The changes in other reserves include the effects attributable to currency translation of the financial statements of foreign subsidiaries and the other comprehensive income from available-for-sale securities.

Other

Under German stock corporation law, the dividend eligible for distribution to shareholders is based on the net retained profits which XING SE disclosed in its annual financial statements prepared in accordance with the regulations of the German Commercial Code. In financial year 2017, XING SE distributed a total amount of €16,693 thousand (€2.97 per share), consisting of a base dividend of €7,700 thousand (€1.37 per share) and a special dividend of €8,993 thousand (€1.60 per share). The remaining net retained profits of €249 thousand were carried forward to new account. In the previous year, a dividend of €14,220 thousand (€2.53 per share) out of the net retained profits of the previous year was distributed to the shareholders.

The Management Board and the Supervisory Board propose that a dividend of €1.68 per share is to be paid out of the net retained profits of XING SE for financial year 2017. This corresponds to an anticipated total payment of approx. €9.4 million.

The liquid funds of €33.2 million as of the end of 2017 and XING's cash-generative business model enable the Company to pay dividend regularly without changing its business strategy, which is aimed at achieving growth.

Payment of this dividend depends on the approval of the Annual General Meeting on May 16, 2018.

19. Non-current liabilities

The main portion of the non-current deferred income relates to member subscriptions for future periods in our B2C business and products in the B2B E-Recruiting segment with a remaining term of more than one year at the reporting date in the amount of €2,213 thousand (previous year: €2,152 thousand). The Company also recognized other non-current financial liabilities of €14,724 thousand (previous year: €3,220 thousand) that represent contingent purchase price payments.

Non-current provisions mainly concern provisions for amortization and impairments of software and licenses include restoration obligations of €642 thousand (previous year: €591 thousand). The change results in particular from space newly rented in the reporting year.

Other non-current liabilities of €3,114 thousand (previous year: €2,493 thousand) mainly include obligations arising from employee remuneration and accrued rental expenses.

20. Current liabilities

Corporation tax liabilities and trade tax liabilities of €271 thousand (previous year: €1,247 thousand) were reported as of December 31, 2017.

As was the case in the previous year, all trade accounts payable recognized as of the reference date December 31, 2017 were due within one year (€6,851 thousand; previous year: €3,316 thousand). The trade accounts payable are not interest-bearing, and are generally due within 10 to 30 days.

At €69,873 thousand (previous year: €54,922 thousand), the main portion of deferred income relates to membership subscriptions in our B2C business and products of the B2B E-Recruiting segment for future periods with a remaining term of less than twelve months.

Financial liabilities of €4,733 thousand (previous year: €2,037 thousand) relate to contingent purchase price payments arising from business combinations. As was the case in the previous year, there is no collateral for liabilities in the form of liens or similar rights.

The other liabilities are recognized at their settlement value, and are broken down as follows:

In € thousand	12/31/2017	12/31/2016
Liabilities from personnel expenses	10,539	6,820
Liabilities of XING Events due to event organizers	5,114	3,989
VAT liabilities	2,015	1,753
Liabilities for Supervisory Board remuneration	320	306
Miscellaneous liabilities	7,610	6,334
OTHER CURRENT LIABILITIES	**25,598**	**19,202**

The liabilities and provisions for personnel expenses mainly comprise liabilities arising from bonuses and incentive payments, as well as vacation allowances, provisions for termination benefits and other personnel obligations as well as social security liabilities. The other provisions primarily include provisions for other third-party services.

For assessing the amounts of the provisions, management focuses on the past experience for figures from similar transactions and takes account of all indications arising from events up to the point at which the consolidated financial statements are prepared. The other current provisions are broken down as follows:

In € thousand	12/31/2016	Use	Reversal	Addition	12/31/2017
Personnel expenses	178	178	0	227	227
Financial statements preparation and auditing costs	285	123	0	297	459
Legal and consulting costs	162	79	28	153	208
	625	**380**	**28**	**677**	**894**

(E) Other disclosures

ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

As of December 31, 2017, funds consist exclusively liquid funds of €36,546 thousand (previous year: €86,642 thousand), and comprise own funds of €32,327 thousand (previous year: €83,428 thousand) and third-party cash of €4,219 thousand (prior year: €3,214 thousand). Of the change in own funds, €50,922 thousand is attributable to cash flows from operating activities and €179 thousand to exchange rate effects. Third-party funds comprise cash in connection with obligations from the Events segment. Funds consist mainly of bank balances.

The other non-current financial assets concern available-for-sale securities for managing excess liquidity. Cash in- and outflows are shown under cash flows from investing activities.

CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

As was the case last year, there were no contingent liabilities, e.g. arising from guarantees, as of the reporting date. There is no significant purchase order commitment for intangible assets or property, plant and equipment; this is also applicable for long-term obligations to purchase assets.

The determination as to whether an agreement includes a lease is based on the financial content of the agreement at the time at which this agreement is concluded, and involves an assessment as to whether fulfillment of the contractual agreement depends on the use of a certain asset or certain assets, and whether the agreement confers a right to use the asset.

Leases have been taken out by the Group for business premises and staff apartments. The agreements have an average term of between three and five years, and there is an option for them to be extended.

Future minimum lease payments existing as of December 31, 2017, in accordance with the operating leases which cannot be terminated, are shown in the following table:

In € thousand	12/31/2017	12/31/2016
In the following year	4,199	3,788
Within two to five years	10,072	11,290
	14,271	**15,078**

The Group recognized lease payments of €4,730 thousand (previous year: €4,995 thousand) in profit or loss.

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The financial instruments of the Group mainly consist of cash and cash equivalents, as well as receivables from services attributable to operations. The Group finances its operations primarily via the advance payments of its premium members, and via equity funding. The financial instruments of liabilities mainly relate to contingent purchase price payments. The Company does not hold any further financial instruments which involve material financial risks.

CAPITAL RISK MANAGEMENT AND NET DEBT

The Group manages its capital using the equity ratio with the aim of optimizing returns, where applicable also by using debt. This ensures that all companies in the Group are able to operate on the basis of the going concern principle. The equity ratio is 34.7 percent (previous year: 41.0 percent).

XING's liabilities also include deferred income that does not lead directly to a cash outflow due to the business model. The following table shows that as of the reporting date the Group's cash and available-for-sale securities were slightly lower (previous year: higher) than liabilities (excluding deferred income):

In € thousand	12/31/2017	12/31/2016
Non-current liabilities (excluding deferred income)	−38,157	−17,083
Current liabilities (excluding deferred income)	−38,347	−26,427
Cash and available-for-sale assets	66,531	86,642
CASH DEFICIT (PREVIOUS YEAR: SURPLUS)	**−9,973**	**43,132**

XING SE does not have any significant borrowings. The financial liabilities exclusively stem from contingent purchase price obligations.

In € thousand	12/31/2017	12/31/2016
Cash and available-for-sale assets	66,531	86,642
Non-current financial liabilities	−14,724	−3,220
Current financial liabilities	−4,695	−2,037
INTEREST-BEARING BALANCE SHEET ITEMS, NET	**47,112**	**81,385**

CLASSES OF FINANCIAL INSTRUMENTS

The following classes of financial instruments existed as of the reporting date:

	Measurement category[1]	Carrying amount on 12/31/2017	(Amortized) cost	Fair value (through other comprehensive income)	Fair value (through profit or loss)	Fair value on 12/31/2017
Non-current and other financial assets	LaR/AfS	29,985	49	29,936		29,936
Current receivables from services	LaR	28,336	28,336			
Other assets	LaR	882	882			
Cash	LaR	36,546	36,546			
Current trade accounts payable	FLAC	6,851	6,851			
Other non-current financial liabilities	FLFVtPL	14,724			14,724	14,724
Other current financial liabilities	FLFVtPL	4,733			4,733	4,733
Other liabilities	FLAC	5,114	5,114			

	Measurement category[1]	Carrying amount on 12/31/2016	(Amortized) cost	Fair value (through other comprehensive income)	Fair value (through profit or loss)	Fair value on 12/31/2016
Non-current and other financial assets	LaR	79	79			
Current receivables from services	LaR	19,637	19,637			
Other assets	LaR	825	825			
Cash	LaR	86,642	86,642			
Current trade accounts payable	FLAC	3,316	3,316			
Other non-current liabilities	FLFVtPL	3,220			3,220	3,220
Other current liabilities	FLFVtPL	2,037			2,037	2,037
Other liabilities	FLAC	3,989	3,989			

[1] *LaR = Loans and receivables; AfS = Available-for-sale financial assets; FLAC) Financial liabilities measured at amortized cost; FLFVtPL= Financial liabilities at fair value through profit or loss*

All other available-for-sale non-current financial assets are classed as Level 1 financial instruments. Their purpose is to manage excess liquidity.

Other financial liabilities result from earn-out obligations in connection with acquisitions, for which changes in value are reported in the financial result. As of December 31, 2017, the liability arising from the acquisition of InterNations GmbH amounted to €11,351 thousand and that arising from the acquisition of Prescreen GmbH to €5,769 thousand. All of the earn-out obligations are classed as Level 3 financial instruments. Here, the discounted present value is estimated based on the estimated cash outflow forecast by management in its business plan. Contingent purchase price obligations in the amount of €16,516 thousand have been recognized for acquisitions in the financial year ended. A total of €2,143 thousand (previous year: €0 thousand) was reversed through finance income. An amount of €44 thousand (previous year: €0 thousand) was recognized as finance costs for additions to contingent purchase price obligations as a result of a change in the assumption of expected values. Changes from the unwinding of discounts and exchange rate effects total €492 thousand (previous year: €310 thousand).

For all financial assets and liabilities, the fair values, to the extent that they can be determined, correspond to the carrying amounts. As was the case in the previous year, no financial assets were used as collateral for liabilities of the Group in the financial year.

EXCHANGE RATE AND INTEREST RATE MANAGEMENT

The Group was exposed to the devaluation of the Swiss franc and the US dollar in the reporting period. Income from exchange rate effects amounted to €90 thousand (previous year: €92 thousand). Expenses from exchange rate effects had an offsetting effect of €609 thousand (previous year: €73 thousand). Revenues are generated mainly in euros. With the exception of contingent purchase price obligations, there are no interest-bearing liabilities.

Bank balances do not pay interest. As the Group is not exposed to any material market risks (currency, interest rate or other price risks), more extensive sensitivity analyses are not carried out in relation to potential market risks.

With regard to consolidated earnings before tax, a change in interest rates will have an impact on interest income (as a result of the impact of variable-income financial assets). If interest rates had increased by 100 basis points during the reporting period, interest income would have changed by €697 thousand (previous year: €807 thousand) on the basis of an average investment volume of €69,747 thousand (previous year: €80,731 thousand).

COUNTERPARTY CREDIT RISK MANAGEMENT

Counterparty credit risk is defined as the risk of a loss to the Group which is incurred if a contracting party fails to meet its contractual obligations. The Group defines fair value risk as the risk of changes in the value of financial assets.

Material financial assets only existed as of the reporting date in the form of subscription claims against users of the XING platform (receivables from services from members in Network/Premium or companies in E-Recruiting) as well as bank balances (cash and short-term deposits).

With regard to the receivables, the risk is reduced by the fact that most of the receivables consist of a large number of relatively minor amounts, of less than €10 thousand in each case. As of the reporting date, the remaining term of virtually all these receivables was less than one year. The maximum counterparty credit risk of €28,336 thousand is equal to the carrying amount of the receivables (previous year: €19,637 thousand).

In the case of bank balances, reputable commercial banks rated AAA to A–2 are used for investment and payments. The remaining term of the bank balances is less than three months.

Available-for-sale assets are traded on each trading day. XING invests in securities subject to low volatility.

The Group believes that current counterparty credit and fair value risks are low. The necessary valuation allowances were recognized in relation to the receivables from services. As was the case last year, there were no defaults in relation to cash and short-term deposits.

There are no material risk concentrations.

LIQUIDITY RISK MANAGEMENT

The Group manages liquidity risks by holding appropriate reserves and also by constantly monitoring the forecast and actual cash flows. The maturities of financial assets and liabilities are constantly monitored.

As a result of the current bank balances, there are no major liquidity risks. Credit lines with banks as of the reporting date are in place for €20 million, but have not been utilized.

DISCLOSURES ON THE STOCK OPTION PLAN AND SHARE-BASED PAYMENT IN ACCORDANCE WITH IFRS 2

Through the granting of shadow shares as part of a long-term incentive program for the Management Board, a remuneration component is used that takes account of the performance of the Company's shares and therefore provides a sustainable, long-term incentive for the members of the Management Board. The shadow shares from the LTI are a virtual replication of shares to be allocated to the Management Board members in annual tranches. The number of shadow shares to be allocated in an annual tranche corresponds to the allocation amount calculated annually divided by the average closing price of the Company's shares over the 100 trading days immediately preceding the Annual General Meeting in which the consolidated financial statements, which are the basis for determining target achievement, are adopted. The annual allocation amount depends on the achievement of quantitative corporate goals that are stipulated by the Supervisory Board as part of its three-year plan in advance for the relevant financial year in the three-year plan, currently Group EBITDA and consolidated revenues (incl. other operating income). Following a waiting period of three years from allocation, the beneficiary (Management Board member) acquires an entitlement to a cash payment tied to the share price or, at the Company's discretion, to the allocation of XING SE shares. In addition, the beneficiary is paid dividends applicable to real shares in the amount corresponding to the allocated shadow shares, if any, for the three preceding financial years ("cumulative dividend"). If cash is paid, then the total amount paid is limited to three times the relevant allocation amount of the respective tranche of shadow shares. If the payment is settled in shares, then the number of shares to be granted is equal to the number of shadow shares allocated. If the total of the share price at the time of exercise and the cumulative dividend is greater than three times the relevant allocation amount of the respective tranche of shadow shares, then the number of shares granted is equivalent to three times the allocation amount. In the past, the current LTI was only satisfied through cash settlement.

The provisions for the current financial year are determined on the basis of the fair value for the phantom stocks granted in that year based on a target achievement level of 101.18 percent. Overall, personnel expenses of €1,215 thousand (previous year: €513 thousand) for cash-settled share-based payment were recognized in the income statement for the 2017 financial year. Provisions of €3,546 thousand (previous year: €2,379 thousand) were recognized as of December 31, 2017 for entitlements arising from the long-term incentive programs, taking into account the share price performance.

RELATIONS WITH RELATED PARTIES

The members of the Management Board and the Supervisory Board of XING SE are deemed to be related parties for the purposes of IAS 24. In the year under review, there were the following business relations between the Management Board, the Supervisory Board and the companies included in the consolidated financial statements:

The Management Board and the Supervisory Board received total remuneration of €3,834 thousand and €320 thousand (previous year: €2,351 thousand and €306 thousand) for their work in the financial year ended. Of this amount, benefits payable in the short term amounted to €2,619 thousand (previous year: €1,837 thousand), while benefits payable in the long term totaled €1,215 thousand (previous year: €514 thousand). To reflect the change in value in claims to date to cash-settled share-based payment, an amount of €642 thousand was recognized in the financial year (previous year: €94 thousand). Further information is included in the remuneration report, which is an integral part of the Group management report.

Since December 18, 2012, Burda Digital GmbH, Munich, Germany (a subsidiary of Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany) has held more than 50 percent of the share capital of XING SE. XING SE is accordingly a dependent company in accordance with Section 312 (1) Clause 1 in conjunction with Section 17 (2) AktG. Because a control agreement does not exist between XING SE and Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, the Management Board of XING SE prepares a report regarding relations with affiliated companies in accordance with Section 312 (1) Clause 1 AktG. In the 2016 financial year, XING SE or the companies controlled by it and Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, or its affiliated companies as in the previous year purchased products and services from each other subject to arm's length conditions.

The shareholder Burda Digital GmbH, Offenburg, received €8,390 thousand (previous year: €7,147 thousand) in dividend payments. Other transactions with Burda Digital GmbH totaled €47 thousand (previous year: less than €1 thousand).

Services in the amount of €4,152 thousand (previous year: €3,314 thousand) were provided to affiliated companies of Burda Media Holding Kommanditgesellschaft, Offenburg, Germany. Services purchased from affiliated companies totaled €835 thousand (previous year: €496 thousand). The receivables from services show net amounts of €1,936 thousand (previous year: €1,378 thousand) due from affiliated companies, and the trade accounts payable show net amounts of €155 thousand (previous year: €42 thousand) due to affiliated companies.

Expenses incurred with other related parties in the reporting years amounted to €15 thousand (previous year: €0 thousand).

NUMBER OF EMPLOYEES

XING employed an average of 1,129 persons (previous year: 908) as well as five members of the Management Board (previous year: 4) during financial year 2017. As of December 31, 2017, a total of 1,285 persons (previous year: 957) as well as five Management Board members (previous year: 4) were employed by the Group.

NOTIFICATIONS RECEIVED IN ACCORDANCE WITH SECTION 21 WPHG

With regard to the notification obligation in accordance with Section 21 WpHG, please refer to the comments in the notes to the annual financial statements of XING SE.

MEMBERS OF THE SUPERVISORY BOARD

The following persons served on the Supervisory Board of the Company in the year under review:

Stefan Winners,
Managing Director of Hubert Burda Media Holding Geschäftsführung SE, Offenburg, Germany, and Managing Director of Burda Digital GmbH, Munich, Germany (Chairman of the Supervisory Board)

Further Supervisory Board posts / memberships in control bodies:

- Chairman of the Supervisory Board of HolidayCheck Group AG Munich, Germany
- Chairman of the Advisory Board of BurdaForward GmbH, Munich, Germany
- Member of the Advisory Board of Cyberport GmbH, Dresden, Germany, until July 31, 2016
- Member of the Supervisory Board and the Advisory Board of Giesecke & Devrient GmbH, Munich, Germany
- Member of the Board of Directors, Cyndx Holdco, Inc., Delaware, USA

Dr. Jörg Lübcke,
Managing Director, Barcare GmbH, Munich, Germany

Further Supervisory Board posts / memberships in control bodies:

- Member of the Advisory Board of Cyberport GmbH, Dresden, Germany

Dr. Johannes Meier,
Informatics graduate, Managing Director, Xi GmbH, Gütersloh, Germany

Further Supervisory Board posts / memberships in control bodies:

- Member of the Advisory Board of the Meridian Foundation, Essen, Germany (since June 2017)

Dr. Andreas Rittstieg,
Managing Director and member of the Board of Directors of Hubert Burda Media Holding Geschäftsführung SE, Offenburg, Germany

Further Supervisory Board posts / memberships in control bodies:

- Member of the Supervisory Board of Brenntag AG, Mühlheim an der Ruhr, Germany
- Member of the Administrative Board of Kühne Holding AG, Schindellegi, Switzerland
- Member of the Advisory Board of Huesker Holding GmbH, Gescher, Germany

Jean-Paul Schmetz,
Chief Scientist, Hubert Burda Media Holding KG, Munich, Germany

Further Supervisory Board posts / memberships in control bodies:

- Member of the Supervisory Board of OPMS Limited, Seoul, South Korea
- Member of the Supervisory Board of Coc Coc Pte. Limited, Singapore

Anette Weber,
CFO, Ascom (Holding) AG, Baar, Switzerland

Further Supervisory Board posts / memberships in control bodies: none

MEMBERS OF THE MANAGEMENT BOARD

In the 2017 financial year, the following persons were appointed to the Management Board:

Dr. Thomas Vollmoeller,
CEO, Hamburg, Germany (Chairman)

Supervisory Board posts / memberships in control bodies:

- Member of the Supervisory Board of Ravensburger AG, Ravensburg, Germany
- Member of the Administrative Board of Conrad Electronic SE, Hirschau, Germany

Alastair Bruce
CSO, Hamburg, Germany

Supervisory Board posts / memberships in control bodies: none

Ingo Chu,
CFO, Hamburg, Germany

Supervisory Board posts / memberships in control bodies: none

Jens Pape,
CTO, Hamburg, Germany

Supervisory Board posts / memberships in control bodies: none

Timm Richter,
CPO, Hamburg, Germany

Supervisory Board posts / memberships in control bodies: none

FEES AND SERVICES OF PRICEWATERHOUSECOOPERS GMBH AND AFFILIATED COMPANIES

In financial year 2017, costs of €232 thousand were recognized for auditing services (of which €15 thousand are attributable to affiliated companies of the PwC group). Other assurance services (including the capital coverage certificate) used in the reporting year totaled €15 thousand (previous year: €0 thousand); other services (support provided in a human resources project) amounted of €15 thousand. As was the case in the previous year, tax consultancy services were not utilized.

DIRECTORS' DEALINGS

In accordance with Article 19 of the Market Abuse Regulation (MAR), members of the Management Board and Supervisory Board are subject to a legal requirement for disclosing the acquisition or disposal of shares of XING SE or related financial instruments if the value of the transactions carried out within a calendar year by the member and the member's related parties is equal to or exceeds the figure of €5,000. The transactions reported to XING SE had been properly disclosed, and can be downloaded from the Company's web site (http://corporate.xing.com/deutsch/investor-relations/corporate-governance/directors-dealings).

STATEMENT CONCERNING THE CORPORATE GOVERNANCE CODE

In March 2018, the Management Board and the Supervisory Board of XING SE published the statement specified in accordance with Section 161 AktG and made it available by publishing it on the Company's web site (https://corporate.xing.com/en/investor-relations/corporate-governance).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No further reportable events of significance for XING SE occurred after the reporting period.

Responsibility statement

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

Hamburg, March 23, 2018

The Management Board

Dr. Thomas Vollmoeller

Alastair Bruce

Ingo Chu

Jens Pape

Timm Richter

Independent auditor's report

To XING SE, Hamburg

Report on the audit of the consolidated financial statements and of the group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of XING SE, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 207, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of XING SE for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to §[Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to §322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with §317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- Recoverability of goodwill
- Accounting treatment of the acquisition of shares in various companies
- Allocation of revenue

Our presentation of these key audit matters has been structured in each case as follows:

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matters:

Recoverability of goodwill

In the Company's consolidated financial statements goodwill amounting to €49.8 million (21.9% of total assets) is reported under the "Intangible assets" balance sheet line item.

Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. At XING SE, the cash-generating units correspond to the business segments.

The carrying amounts of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use.

The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by coordinating it with general and sector-specific market expectations. We also assessed the appropriate consideration of the costs of corporate functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the calculation method.

We assessed the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the goodwill, were adequately covered by the discounted future cash flows.

Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are within the ranges considered by us to be reasonable.

The Company's disclosures on goodwill are contained in note 15 of the notes to the consolidated financial statements.

Accounting treatment of the acquisition of shares in various companies

During the financial year, the Company acquired all shares in Prescreen GmbH, Berlin and Prescreen International GmbH, Vienna, Austria, for a fixed purchase price of €16.9 million. Subject to the achievement of operational targets by 2020, further conditional consideration amounting to a maximum of €9.5 million may be incurred.

Furthermore, during the financial year the Company acquired all shares in InterNations GmbH, Munich, for a fixed purchase price of €10.3 million. Subject to the achievement of operational targets in the years from 2017 to 2020, further conditional consideration amounting to a maximum of €40.7 million may be incurred.

The acquisitions constitute business combinations in accordance with IFRS 3, whereby initial consolidation takes place as of the date on which control over the acquired entity is acquired. In connection with determining the purchase price relevant for initial consolidation, the applicable fair values of the contingent consideration as of the acquisition date amounting to €16.5 million in total were assessed to determine whether they constitute contingent consideration depending on the nature of the agreement and thus represent a purchase price or a separate transaction and thus a payment in accordance with IAS 19 and IFRS 2. The contingent payments were classified as contingent consideration and thus as a purchase price component.

In the context of initial consolidation, the purchase prices (incl. the fair value of contingent consideration) totaling €43.7 million are allocated to individual assets and liabilities of the acquired entities. The assets acquired and liabilities assumed are generally recognized at their fair value at the date of the acquisition. Taking into account the acquired net assets amounting to €7.1 million, acquired goodwill amounted to a total of €36.6 million.

In particular the accounting treatment of contingent purchase prices and the purchase price allocation require a significant degree of judgment by the executive directors. In light of this and in view of the material total impact that the acquisitions had on the amounts of the assets, liabilities, financial position, and financial performance of the XING SE Group and given the complexity of the accounting for the acquisitions, this matter was of particular significance in the context of our audit.

As part of our audit of the accounting treatment of the company acquisitions we initially inspected and assessed the respective contractual agreements underlying the company acquisitions and reconciled the purchase prices paid as consideration for the shares received with the supporting payment documentation provided to us.

To assess the accounting recognition of the contingent payments, external expert opinions were made available to us, which we assessed and used during the course of our audit. In addition, with the assistance of internal specialists, we made our own assessments and discussed our findings in detail with the management.

In connection with the purchase price allocation and the calculation of goodwill, we assessed the appropriateness of the measurement method applied to the measurement of the intangible assets, the mathematical accuracy of the calculation of the fair values, the determination of the capitalization rates used in the calculation and the completeness of the acquired intangible and tangible assets. For this purpose, we also included the balance sheets of the acquired companies underlying the initial consolidation.

We also assessed the completeness of the disclosures in the notes to the financial statements required by IFRS 3.

In conclusion, based on these and other audit procedures we were able to satisfy ourselves that the calculation and allocation of the respective purchase prices were appropriately performed.

The Company's disclosures relating to acquisitions are contained in note 3 to the consolidated financial statements.

Allocation of revenue

In the Company's consolidated financial statements revenue amounting to €184.9 million is reported in the consolidated statement of comprehensive income. Revenue from products involving prepayments from customers, such as Premium and Pro Jobs memberships, Employer Branding Profiles and XING Talent Manager, is recognized as of the date on which it is generated, taking into account the pro-rata duration of the respective contract as at the balance sheet date. Prepayments received for periods after the balance sheet date are recognized in the liabilities side of the balance sheet under the line item "deferred revenue".

This revenue item, which is material in terms of its amount, is subject to particular risk due to the complexity of the systems and processes necessary for recording and allocating it. Against this background, the correct recording and allocation of revenue is considered to be complex and was of particular significance for our audit.

In the knowledge that the complexity of the systems and processes give rise to an increased risk of accounting misstatements, our audit included assessing the Group's processes and controls for properly recognizing revenue. Our audit approach included carrying out tests of the design and effectiveness of controls as well as substantive audit procedures. For this purpose, we assessed the appropriateness of the processes and controls established, from the conclusion of the contract and invoicing through to recording and allocating revenue in the general ledger, among other things. In addition, we carried out tests of functions to assess the continuous effectiveness of the established controls and assessed the relevant IT systems used for invoicing as well as other relevant systems used to support the recording and allocation of revenue, including the implemented controls for system changes and the interfaces between the relevant IT systems in collaboration with specialists. Furthermore, we assessed and evaluated individual transactions on a test basis.

We were able to satisfy ourselves that the systems and processes in place, as well as the established controls, are appropriate for the purpose of ensuring the appropriate recognition and allocation of revenues.

The Company's disclosures relating to the peculiarities of revenue allocation in the consolidated financial statements are contained in section 6 of the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Legal information" of the group management report
- the separate non-financial group report pursuant to § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 16 May 2017. We were engaged by the supervisory board on 16 May 2017. We have been the group auditor of the XING SE, Hamburg, without interruption since the financial year 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Niklas Wilke.

Hamburg, March 23, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Niklas Wilke	Jana Zemmrich
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Financial calendar

Publication of the 2017 annual financial report	March 23, 2018
Publication of the 2018 quarterly financial report (Q1 reporting date)	May 3, 2018
2018 Annual General Meeting	May 16, 2018
Publication of the 2018 half-year financial report	August 6, 2018
Publication of the 2018 quarterly financial report (Q3 reporting date)	November 7, 2018

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Rounding differences may occur.
This Annual Report is available in both German and English.
In the event of diversity in interpretation, the German version shall prevail. Both versions and further press information are available for download at www.xing.com.

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