SCOUT 24

# CREATING FUTURE NETWORKS

ANNUAL REPORT 2018

## Key financials

| (EUR millions) | Q4 2018* (unaudited) | Q4 2017** (unaudited) | % Change | FY 2018* | FY 2017** | % Change |
|---|---|---|---|---|---|---|
| **External revenue** | **145.9** | **125.2** | **16.6%** | **531.7** | **472.6** | **12.5%** |
| IS24 | 64.2 | 60.4 | 6.3% | 250.0 | 235.9 | 6.0% |
| AS24 | 49.0 | 44.1 | 11.2% | 181.5 | 158.7 | 14.4% |
| CS* | 32.8 | 20.8 | 57.7% | 100.1 | 77.6 | 29.1% |
| **Ordinary operating EBITDA[1]** | **78.2** | **67.3** | **16.2%** | **291.5** | **252.8** | **15.3%** |
| IS24 | 44.4 | 38.7 | 14.7% | 170.3 | 157.5 | 8.1% |
| AS24 | 27.9 | 22.0 | 26.8% | 97.2 | 76.6 | 27.0% |
| CS* | 6.2 | 8.2 | -24.4% | 31.6 | 28.4 | 11.3% |
| **Ordinary operating EBITDA margin, %[1]** | **53.6%** | **53.7%** | **-0.1pp** | **54.8%** | **53.5%** | **1.3pp** |
| IS24 | 69.2% | 64.1% | 5.1pp | 68.1% | 66.8% | 1.3pp |
| AS24 | 56.9% | 49.9% | 7.0pp | 53.5% | 48.2% | 5.3pp |
| CS* | 19.2% | 39.4% | -20.2pp | 31.6% | 36.5% | -4.9pp |
| **EBITDA[2]** | **61.4** | **61.3** | **0.2%** | **257.3** | **232.8** | **10.5%** |
| **Capital expenditure (adjusted)[5]** | **5.7** | **7.1** | **-19.7%** | **28.3** | **22.8** | **24.1%** |
| **Cash contribution[3]** | **72.5** | **60.2** | **20.4%** | **263.1** | **230.0** | **14.4%** |
| **Cash conversion[4]** | **92.7%** | **89.5%** | **3.2pp** | **90.3%** | **91.0%** | **-0.7pp** |

* The earnings of FINANZCHECK.de are included in the financial figures of Scout24 AG as of 1 September. FINANZCHECK.de is allocable to the Scout24 Consumer Services segment. The contribution to revenue for the fourth quarter amounts to EUR 9.0 million, while the contribution to ordinary operating EBITDA is a negative EUR 1.7 million. The contribution to revenue for the financial year 2018 amounts to EUR 12.3 million, while the contribution to ordinary operating EBITDA is a negative EUR 2.0 million.

** The following change was made compared with the figures reported for 2017: IFRS 15 was applied as of 1 January 2018 and the figures for 2017 were adjusted retrospectively.

1 Ordinary operating EBITDA refers to EBITDA adjusted for non-operating effects, which mainly include restructuring expenses, expenses in connection with the Company's capital structure and company acquisitions (realised and unrealised), costs for strategic projects as well as effects on profit or loss from share-based payment programmes. The ordinary operating EBITDA margin of a segment is defined as ordinary operating EBITDA as a percentage of external segment revenue.

2 EBITDA is defined as profit before net finance costs, income taxes, depreciation and amortisation, impairment losses and gains or losses on the sale of subsidiaries.

3 Cash contribution is defined as ordinary operating EBITDA less capital expenditure (adjusted).

4 The cash conversion rate is defined as ordinary operating EBITDA less capital expenditure divided by ordinary operating EBITDA.

5 Capital expenditure (adjusted) does not include capital expenditure made due to the application of IFRS 16 in the financial year 2018. Total additions of EUR 37.1 million were recognised in the balance sheet in the financial year 2018 due to the application of IFRS 16.

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# The year 2018

## Scout24 establishes further operating segment

As of January 2018, our business is structured into the operating segments “ImmobilienScout24” (IS24), “AutoScout24” (AS24) and now also “Scout24 Consumer Services” (CS). The new segment comprises additional services in the real estate and automotive sectors beyond the scope of the original classifieds business. These services include real estate and car financing as well as premium consumer services. By expanding our consumer services, we are seizing the opportunity to tap into additional revenue potential within the Scout24 market network.

## Room for inspiration – new office building in Munich

In March, our around 500 employees in Munich moved into our new home in the Leuchtenbergring Office complex. Flexible, open spaces on three levels encourage cross-functional collaboration and communication between the young, international teams. A modern activity-based work concept offering suitable solutions for the individual requirements and activities of our staff creates an open atmosphere, transparency and room for inspiration.

## Promotion to MDAX

As of 18 June 2018, the Scout24 share is listed in the MDAX – the index ranking the 60 largest companies on the Frankfurt Stock Exchange below the DAX. Scout24 has thus reached an important milestone in its history as a listed company. We are proud to be promoted to the next level of the stock exchange and expect that our ranking in the MDAX will benefit the popularity and development of the Scout24 share, and hence ultimately benefit our shareholders.

## Changes on the Supervisory Board and new Chairman of the Supervisory Board

CEO of the music streaming service Deezer S.A., Dr Hans-Holger Albrecht, and experienced HR executive and strategy consultant Ciara Smyth were elected to the Supervisory Board of Scout24 AG on 21 June to fill two positions that had been vacant since the end of 2017. In addition, the number of members of the Supervisory Board was reduced from nine to six. After the Annual General Meeting, Dr Hans-Holger Albrecht was also elected as the new Chairman of the Supervisory Board. Dr Hans-Holger Albrecht succeeds Stefan Goetz from Hellmann & Friedman.

## Optimising the capital structure

Scout24 AG has further diversified and optimised its capital structure. In March, we successfully placed our first promissory note (Schuldschein) with a volume of EUR 215 million. In July, we were able to refinance early our liabilities to banks successfully and conclude a new financing package with a volume of EUR 1.0 billion. With this new capital structure, we have obtained not only better conditions, but also greater financial headroom for further growth. Our treasury department has been nominated as one of the top 5 by Finance Magazine in recognition of its achievements in 2018.

## Scout24 acquires FINANZCHECK.de

In the third quarter of 2018, Scout24 acquired FFG FINANZCHECK Finanzportale GmbH ("FINANZCHECK.de"), one of the leading consumer finance platforms in Germany. The largest acquisition in our corporate history to date, this transaction perfectly rounds out our new Consumer Services segment and also expands the Scout24 market network. By incorporating FINANZCHECK.de products, we aim to offer users an even more integrated user experience within the Scout24 market network.

## Changes on the Management Board and new CEO

Tobias Hartmann was appointed as the new CEO as of 19 November. The 46-year-old digital business expert succeeds Gregory Ellis, who stepped down from the Management Board effective as of the end of the day on 5 December 2018. Tobias Hartmann was a member of the management board of HelloFresh SE where he was at the helm of the US business. He has more than two decades of international management experience, particularly in the areas of consumer products and platform solutions. Previously members of Scout24's executive leadership team, Dr Thomas Schroeter and Ralf Weitz were appointed to the Management Board as of 6 December 2018 as Chief Product Officer and Chief Commercial Officer respectively.

## Berlin Social Academy wins award

The Berlin Social Academy initiated by Scout24 received the special award of the Berlin Business Award 2018 for its many years of commitment to Berlin's civil society. The award honours companies from the capital city that dedicate financial, material or human resources for social causes and that serve as role models. Since 2013, the pro bono initiative has been sharing urgently needed specific knowledge with employees from non-profit organisations to support their voluntary work. Through knowledge sharing and by bringing together policymakers, the business community and NGOs, Scout24 and its partners make an important contribution towards strengthening civil society.

## Cooperation on the Spanish online car market

Shortly before the end of the year, on 21 December, we announced our new cooperation arrangement with Vocento. The joint venture between AutoScout24's Spanish subsidiary and Spanish media conglomerate Vocento's automotive portal Autocasión creates a strong player on the Spanish online car market. The cooperation will help to significantly increase the number of users and listings, as well as to provide enhanced services to users and professional car dealers. For both companies, the agreement fulfils the strategic objective of taking a market-leading position in the highly competitive Spanish market.

# Dear shareholders,

**Scout24 has now been active for over 20 years. During this period, we have evolved into a true digital champion. And yet, this is just the beginning.**

## 20 years of innovation, 20 years of expertise

With an impressive power of innovation, the teams of ImmobilienScout24 and AutoScout24 have in recent years revolutionised and digitised the classifieds business. Two leading online marketplaces have emerged. Moreover, by accompanying buyers and sellers throughout their real estate and car transactions for 20 years, we have developed in-depth expertise of the market. Our understanding of our customers and their needs has grown steadily. Today, we have a unique wealth of knowledge that we can draw on to offer more personalised and relevant search results and services. As a result, we can serve as a true assistant, providing a better user and customer experience.

**31+ million**
monthly visitors on IS24 and AS24

**1.6 million**
ads on IS24 and AS24 on average

## Our market network – even closer to users

As we had planned to do, we used 2018 to establish the new Scout24 Consumer Services segment. And we delivered! Over the past year, our premium memberships, for example, have almost tripled. Within a very short period of time, we were able to grow a significant customer base of 50,000 paying consumers. Keep in mind: our main business used to consist of matching supply and demand on our digital marketplaces ImmobilienScout24 and AutoScout24.

**~50,000**
premium memberships

With our new Scout24 Consumer Services segment, we now offer users valuable additional services that support their decision-making process around mobility and living. We have thus been able to increasingly develop direct relationships with consumers. That is the best proof of the transparency and added value that we promote every day with our brands. The new segment reflects our move from a marketplace to a market network. We now look at car and real estate transactions in their entirety and endeavour to cover a transaction digitally end to end on our platforms with our partners – with Scout24 Consumer Services geared towards covering the related products and additional services.

## Clear focus on transactions – digital wherever possible

The consumer loans comparison business that we acquired in 2018 is a good example of how we have closed a gap in automotive transactions. With FINANZCHECK.de, users can now compare suitable financing arrangements via our website and be referred directly to our financing partners. Likewise, users in the real estate sector can plan and arrange their relocation directly through our website.

**70,000+**
consumer finance contracts brokered in 2018

Our product and market experts are working relentlessly to offer new and improved products and additional services, taking our users' needs as a clear guideline. This way, we are constantly refining our business model, with the focus shifting from classifieds to transactions. And this has a positive impact on our financials.

## 2018 Financials – record revenue and earnings

In 2018, we were able to increase Group Revenue to more than half a billion euros for the first time. The ordinary operating EBITDA margin rose to almost 55%.

**EUR 250 million**
revenue at IS24

All three segments experienced strong growth. At ImmobilienScout24, the high customer win back and new acquisition rates were particularly impressive. AutoScout24 benefitted from the successful implementation of price adjustments. And even without FINANZCHECK.de, Scout24 Consumer Services generated organic growth in excess of 13%. On top of that, we saw a significant increase in Revenue with Finance Partners as a result of the acquisition of FINANZCHECK.de.

**EUR 182 million**
revenue at AS24

The year 2018 was a very eventful year – not just due to the successful acquisition of FINANZCHECK.de and the continued integration of individual service components across the Scout24 platforms. Other milestones, such as our listing in the MDAX and innovative financing measures, are also explained in detail in this annual report.

**EUR 100 million**
revenue at CS incl. FINANZCHECK.de

## A strong, operational team

All of the progress described is only possible thanks to the great people who work at Scout24. The success of Scout24 is due to each of our employees. We thrive on their innovative power, their drive and their commitment. That is also what drives us at Scout24 AG's Management Board. I joined the Management Board as Chairman and CEO in November 2018. In December, Dr Thomas Schroeter and Ralf Weitz joined the Management Board as Chief Product Officer and Chief Commercial Officer, respectively. Both have previous experience working for the Scout24 Group as part of the executive leadership team.

**1,519**
Scout24 employees

## Creating future networks

As mentioned earlier, we have achieved a lot and yet, this is just the beginning. The market network that we want to set up together with the Scout24 team and our strategic partners still has many docking points to offer. And with every new offer that connects users faster and more easily with their desired home or car, our customer base grows, and so does our responsibility towards all users and partners.

I look forward to pushing this growth over the next few years. I want to thank the entire team, our shareholders and our customers most sincerely for their trust and support over the past year.

Best regards,

Tobias Hartmann
CEO, Scout24 AG

# Supervisory board report

## Members of the Supervisory Board in the financial year 2018

| Name<br>Function | Profession exercised | Member since | Appointed until | Other board positions in 2018 (during term of office) |
|---|---|---|---|---|
| Dr Hans-Holger Albrecht<br>Chairman<br>(since 21 June 2018) | CEO and member of the Board of Directors of Deezer S.A., Paris, France and London, UK | 21 June 18 | AGM 2020 | – ICE GROUP ASA, Oslo, Norway (Chairman of the Board of Directors, since August 2018)<br>– AINMT Holdings A.B., Stockholm, Sweden (Non-Executive Director of the Board of Directors, until November 2018); |
| Dr Liliana Solomon<br>Deputy Chairwoman<br>(since 21 June 2018) | Group Chief Financial Officer of Compass IV Ltd, London, UK | 4 September 2015 | AGM 2020 | – Metro AG, Dusseldorf, Germany (member of the Supervisory Board); |
| Stefan Goetz<br>(member and Chairman until 21 June 2018) | Managing Director of Hellman & Friedman LLC, San Francisco, USA | 4 September 2015 | Stepped down as of 21 June 2018 | – Verisure Holding AB, Malmö, Sweden and other related entities in the holding structure of Securitas Direct AB, Malmö, Sweden<br>(member of the Management Board);<br>– Asa GP GmbH, Düsseldorf, Germany (Managing Director);<br>– Evergood 1 ApS, Copenhagen, Denmark, and other related entities in the holding structure of Nets A/S Group, Ballrup, Denmark (member of the Management Board); |
| Patrick Healy<br>Deputy Chairman<br>(until 21 June 2018) | Managing Director (Deputy CEO) of Hellman & Friedman LLC, San Francisco, USA | 4 September 2015 | Stepped down as of 21 June 2018 | – TeamSystem Holding S.p.A., Pesaro, Italy and other related entities in the holding structure of TeamSystem S.p.A., Pesaro, Italy (member of the Supervisory Board);<br>– Verisure Holding AB, Malmö, Sweden and other related entities in the holding structure of Securitas Direct AB, Malmö, Sweden (member of the Supervisory Board); |
| Blake Kleinman<br>Member of the Supervisory Board | Managing Director of Hellman & Friedman LLC, San Francisco, USA | 4 September 2015 | Stepped down as of 21 June 2018 | – Asa GP GmbH, Düsseldorf, Germany (Managing Director);<br>– Barolo Midco S.p.A., Pesaro, Italy and other entities in the holding structure of TeamSystem S.p.A., Pesaro, Italy (member of the Supervisory Board); |

| Name<br>Function | Profession exercised | Member since | Appointed until | Other board positions in 2018 (during term of office) |
|---|---|---|---|---|
| | | | | – Allfunds Bank S.A.U., Madrid, Spain and other related entities in the holding structure of Allfunds Bank S.A.U., Madrid, Spain (Chairman of the Board of Directors); |
| David Roche<br>Member of the Supervisory Board | Chairman of the Board of Directors of goHenry Limited, Lymington, UK | 4 September 2015 | AGM 2020 | – Guestline Ltd., Shrewsbury, UK (member of the Board of Directors); |
| Peter Schwarzenbauer<br>Member of the Supervisory Board | Member of the Board of Management of BMW AG, Munich, Germany | 8 June 2017 | AGM 2020 | – Rolls-Royce Motor Cars Limited, Chichester, UK (member of the Board of Directors); |
| Ciara Smyth<br>Member of the Supervisory Board | Strategy consultant, Dublin, Ireland | 21 June 2018 | AGM 2020 | – None; |
| Michael Zahn<br>Member of the Supervisory Board | Chief Executive Officer, Deutsche Wohnen AG, Berlin, Germany | 8 June 2017 | AGM 2020 | – GSW Immobilien AG, Berlin, Germany (Chairman of the Supervisory Board until June 2018);<br>– WCM Beteiligungs- und Grundbesitz-AG, Frankfurt, Germany (Chairman of the Supervisory Board, from November 2017 to February 2018);<br>– TLG Immobilien AG, Berlin, Germany (Chairman of the Supervisory Board);<br>– G+D Gesellschaft für Energiemanagement mbH, Magdeburg, Germany (Chairman of the Advisory Board);<br>– Funk Schadensmanagement GmbH, Berlin, Germany (Chairman of the Advisory Board);<br>– DZ Bank AG, Frankfurt, Germany (member of the Advisory Board);<br>– Füchse Berlin Handball GmbH, Berlin, Germany (member of the Advisory Board);<br>– GETEC Wärme & Effizienz GmbH, Magdeburg, Germany (member of the Real Estate Advisory Board); |

# Supervisory Board Committees in the financial year 2018

## Executive Committee

| Name | Position |
|---|---|
| Dr Hans-Holger Albrecht (since 21 June 2018) | Chairman |
| Stefan Goetz (until 21 June 2018) | Chairman |
| Patrick Healy (until 21 June 2018) | Member |
| David Roche | Member |
| Peter Schwarzenbauer (since 21 June 2018) | Member |
| Ciara Smyth (since 21 June 2018) | Member |

## Audit Committee

| Name | Position |
|---|---|
| Dr Liliana Solomon | Chairwoman |
| Dr Hans-Holger Albrecht (since 21 June 2018) | Member |
| Blake Kleinman (until 21 June 2018) | Member |
| Michael Zahn | Member |

## Dear shareholders,

In the financial year 2018, the Scout24 Group once again fully achieved its revenue and earnings targets while reaching another important milestone, with the acquisition of FINANZCHECK.de, in its efforts to implement its strategy and to establish a comprehensive market network spanning the real estate and automotive sectors. The Supervisory Board supported and consulted with the Management Board in the targeted business expansion. The following report provides information about the work of the Supervisory Board in the financial year 2018.

In February 2018, the long-standing major shareholder of Scout24 AG, Hellman & Friedman, sold its remaining Scout24 AG shares. Accordingly, the representatives of Hellman & Friedman on the Supervisory Board of Scout24 AG declared that they would step down from the Supervisory Board at the end of the Annual General Meeting of 21 June 2018. In this connection, the Management Board and the Supervisory Board proposed to reduce the number of members of the Supervisory Board from nine to six. The corresponding amendment of the Articles of Association was approved by a large majority at the Annual General Meeting, with the consequence that the Supervisory Board has been reduced to six members since 21 June 2018. This amendment has not in any way compromised the Supervisory Board's efficiency or ability to perform its duties.

The Supervisory Board performed all of the duties and met all of the obligations incumbent on it by law, the Company's Articles of Association and the rules of procedure for the Supervisory Board and the Management Board. In total, the Supervisory Board held four ordinary meetings during the 2018 financial year. One member was excused from attending the Supervisory Board meetings of 22 March and 20 June in each case. Only one member of the Supervisory Board did not attend more than half of the meetings of the Supervisory Board of relevance for the member in question.

| Name | Attendance of Supervisory Board meetings | Remarks |
|---|---|---|
| Dr Hans-Holger Albrecht | 2/2 | since 21 June 2018 |
| Stefan Goetz | 2/2 | until 21 June 2018 |
| Patrick Healy | 0/2 | until 21 June 2018 |
| Blake Kleinman | 2/2 | until 21 June 2018 |
| David Roche | 4/4 | - |
| Peter Schwarzenbauer | 4/4 | - |
| Ciara Smyth | 2/2 | since 21 June 2018 |
| Dr Liliana Solomon | 4/4 | - |
| Michael Zahn | 4/4 | - |

The Supervisory Board monitored the Management Board in its management of the business on an ongoing basis and advised it on all matters of importance to the Company. The Supervisory Board was at all times satisfied of the lawfulness, correctness, expediency and economic efficiency of the management of the Company.

## Cooperation between the Supervisory Board and the Management Board

The Management Board provided the Supervisory Board with regular, timely and comprehensive information in detailed oral and written reports on all issues of relevance to the Company and the Group regarding strategy, planning, business development, risk position, risk management and compliance; the Management Board also explained and provided reasons for any deviations between actual figures and previously reported targets. Consequently, the Management Board fulfilled all its reporting obligations to the Supervisory Board in the relevant period. In this context, the Supervisory Board and its committees were involved in all important business transactions and decisions of fundamental significance for the Company.

The Supervisory Board members always had sufficient time to review critically the information provided by the Management Board and contribute their own opinions. At the meetings, the information was discussed in detail with the Management Board and checked for plausibility. The Supervisory Board granted its approval for individual transactions wherever required by law, the Company's Articles of Association or the rules of procedure for the Supervisory Board or the Management Board. Collaboration with the Management Board was characterised by responsible and purposeful action in all respects.

Between the meetings, the members of the Supervisory Board, and especially the Supervisory Board Chairman and the Chairs of the Executive Committee and the Audit Committee were also in regular contact both with each other and with the Management Board. The matters deliberated mainly related to the Company's strategy, planning, business development, risk position, risk management, corporate governance and compliance. In addition, the Chair of the Supervisory Board was immediately informed of any important events of material significance for the assessment of the Company's situation and development as well as its management. The remaining members of the Supervisory Board were informed at the latest at the next full meeting of the Supervisory Board or the meetings of the committees.

No conflicts of interests arose within the Supervisory Board in the reporting period.

## Main focus of work in the Supervisory Board plenum

At its meeting on 22 March 2018, the Supervisory Board concerned itself with the budget and the current financial figures for 2018. Moreover, the Supervisory Board approved Scout24 AG's separate financial statements for 2017 as well as the 2017 consolidated financial statements, and made a decision concerning the appropriation of profit. The Supervisory Board also discussed the draft agenda and proposed resolutions for the 2018 Annual General Meeting. The declaration of conformity to the German Corporate Governance Code as well as any deviations from the German Corporate Governance Code were discussed. The Supervisory Board passed resolutions concerning the declaration of conformity as well as its proposed resolutions for the 2018 Annual General Meeting. In addition, the Supervisory Board decided to introduce a profile of skills and expertise for the composition of the board as a whole.

At its 21 June 2018 meeting, the Supervisory Board concerned itself with the general business trends within the Scout24 Group. In addition, the Chairman of the Audit Committee gave the Supervisory Board an overview of the committee's activities.

At the meeting of 27 September 2018, an in-depth discussion was held on the individual segments of the Scout24 Group. The financial outlook for the current and next financial year were also discussed, including a presentation and discussion of the individual operating segments' trends.

At the meeting on 29 November 2018, the Supervisory Board held extensive discussions with the management regarding the financial position of both Scout24 AG and the Group, discussing in-depth with the management the business trends. Furthermore, the Supervisory Board discussed the budget for the financial year 2019.

## Committees

To perform its tasks efficiently, the Supervisory Board has currently formed two committees, namely an Executive Committee, which also assumes the roles of a nomination committee and a remuneration committee, and an Audit Committee. These committees prepare the resolutions for the Supervisory Board as well as agenda items that are to be dealt with by the Board. Furthermore, the Supervisory Board has delegated certain defined powers, where legally permissible, to its committees. The Committee Chairs report to the Supervisory Board on the respective committee's work at the subsequent Supervisory Board meeting.

The Audit Committee concerns itself especially with supervising the financial accounting, the financial accounting process, the efficacy of the internal control system, the risk management system, the internal audit system, the auditing of financial statements as well as compliance. The Audit Committee submits a reasoned recommendation for the appointment of the independent auditor to the Supervisory Board. It monitors the auditor's independence and concerns itself with the additional services rendered by the auditor, the issuance of the audit engagement, the determination of the key audit areas and the agreement of fees.

Pursuant to the German Stock Corporation Act (Articles 107 (4), 100 (5) AktG), the Audit Committee must include at least one member who has expertise in the fields of financial reporting or auditing. The Audit Committee Chair, Dr Liliana Solomon, meets these legal requirements and has additional expertise in the fields of financial planning and controlling. Furthermore, Dr Liliana Solomon satisfies the further criteria of Section 5.3.2 (3) of the German Corporate Governance Code according to which the audit committee chair should be independent and not a former member of the Management Board whose term of office ended less than two years ago. Aside from the chair, the Audit Committee consisted of the members of the Supervisory Board Blake Kleinman (until 21 June 2018), Dr Hans-Holger Albrecht (since 21 June 2018) and Michael Zahn.

The Audit Committee held a total of two face-to-face meetings and three conference calls in 2018. The main focus of consultations in the Audit Committee included:

- Proposal for the appropriation of profits
- Internal audits
- Risk management and the compliance report
- IT security and data protection

The Executive Committee prepares the meetings of the Supervisory Board and handles current matters arising between the meetings.

In particular it has to prepare the Supervisory Board resolutions relating to corporate governance and in connection with proposals for intended appointments or dismissals and – in its capacity as Remuneration Committee – for the remuneration of Management Board members. In its capacity as Nomination Committee, the Executive Committee proposes potential candidates to the Supervisory Board for its election proposal to the Annual General Meeting.

Dr Hans-Holger Albrecht (since 21 June 2018; previously: Stefan Goetz) is the Chairman of the Executive Committee. In the financial year 2018, aside from the Chairman, the Executive Committee consisted of the members of the Supervisory Board Stefan Goetz (until 21 June 2018), Patrick Healy (until 21 June 2018), David Roche, Peter Schwarzenbauer (since 21 June 2018) and Ciara Smyth (since 21 June 2018).

In 2018, the Executive Committee met once. All committee members required to pass resolutions were present. Main topics of consultations included:

- Management Board remuneration
- Management remuneration
- Appointments to replace former Supervisory Board members

### Corporate governance and declaration of conformity

At its meeting on 22 March 2018, the Supervisory Board discussed in detail the Company's corporate governance. It also concerned itself with matters of compliance with the German Corporate Governance Code and approved the current declaration of conformity. The full text of this declaration has been published on the Investor Relations / Corporate Governance section of the Company's corporate website
(› www.scout24.com/en/PortalData/2/Resources/ir/corporate_governance/18-03-22_Scout24_Declaration_of_Conformity_re_Corprate_Governance_Code_Annex__Convenience_Translation.pdf).

Also with respect to the future composition of the Management Board and the Supervisory Board, the Supervisory Board will comply with the principles of diversity in the German Corporate Governance Code. The Supervisory Board attaches great value to suitably qualified advice and monitoring of the Management Board by the Supervisory Board.

The Supervisory Board has set itself the target of including an appropriate number of women among its members. At its 4 September 2015 meeting, the Supervisory Board confirmed its objective, among others, that at least one woman should be on the Supervisory Board, setting 30 June 2017 as deadline for implementation. This target has been implemented. On 19 March 2019, the Supervisory Board passed another resolution confirming this objective and setting an implementation deadline up to the end of 01 March 2024.

For the first management level below the Management Board, the Management Board of Scout24 AG has resolved to set a target for the proportion of women of one fourth, with an implementation deadline up to the end of 30 June 2017. As of 31 December 2018, the proportion of women at the first management level below the Management Board stood at 0%, thereby not reaching the 25% target. However, this is mainly due to the fact that the first level below the Management Board only consisted of one man as of 31 December 2018. For the second level below the Management Board, the Management Board of Scout24 AG has resolved to set a target for the proportion of women of 30%, with an implementation deadline up to 01 March 2024. As of 31 December 2018, the proportion of women amounted to 26%, slightly below the target level.

The Supervisory Board concerned itself with corporate governance within the Scout24 Group most recently on 19 March 2019.

## Composition of the Management Board and Supervisory Board

Effective 18 November 2018, the then CEO Gregory Ellis was exonerated from his duties by mutual agreement. Effective 5 December 2018, Gregory Ellis stepped down from his position as member of the Management Board. On 25 September 2018, the Supervisory Board had already approved the exoneration of Mr. Ellis from his duties as member of the Management Board by mutual agreement as of 31 December 2018.

Tobias Hartmann, previously member of the management board of HelloFresh SE, where he was at the helm of the US business, was appointed as the new CEO effective 19 November 2018.

Effective 6 December 2019, Dr Thomas Schroeter and Ralf Weitz were appointed to the Management Board.

Members of the Supervisory Board Stefan Goetz (Chairman), Patrick Healy and Blake Kleinman stepped down from the board at the end of the Annual General Meeting on 21 June 2018.

In this connection, the Supervisory Board was reduced from nine to six members.

To replace the members of the Supervisory Board Thorsten Langheim and Vicente Vento Bosch, who had already stepped down from the board on 31 October 2017, Scout24 AG's Annual General Meeting on 21 June 2018 elected Dr Hans-Holger Albrecht and Ciara Smyth as new members of the Supervisory Board. At the following meeting of the Supervisory Board, Dr Hans-Holger Albrecht was elected new Chairman of the Supervisory Board and Dr Liliana Solomon was appointed Deputy Chair.

## Audit of the separate and consolidated financial statements

Pursuant to the resolution of the Annual General Meeting on 21 June 2018, the Supervisory Board engaged KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG"), Berlin, to audit the separate and consolidated financial statements of Scout24 AG for the financial year ending 31 December 2018. The auditors responsible in accordance with Article 319a (1) Sentence 4 and Article 319a (2) Sentence 2 of the German Commercial Code (HGB) are Haiko Schmidt and Stefanie Jordan. KPMG audited the separate financial statements for the financial year from 1 January 2018 to 31 December 2018 and the management report of Scout24 AG, which is combined with the group management report, prepared by the Management Board in accordance with the requirements of the German Commercial Code. KPMG AG issued an unqualified audit opinion. The consolidated financial statements of Scout24 AG for the financial year from 1 January 2018 to 31 December 2018 and the group management report, which is combined with the Company's management report, were prepared pursuant to Article 315e HGB in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. An unqualified audit opinion was likewise rendered on the consolidated financial statements and the combined management report. Moreover, the auditor found that the Management Board had established an appropriate information and monitoring system whose design and use were suitable for the early detection of risks to the Company's ability to continue as a going concern. The Supervisory Board also engaged KPMG to perform a voluntary external review of the substance of the Group's non-financial report in accordance with Article 111 (2) Sentence 4 of the German Stock Corporation Act (AktG).

Before the Supervisory Board proposed KPMG to the Annual General Meeting as auditors, KPMG had confirmed to the Chairman of the Supervisory Board and the Audit Committee that there were no circumstances that could impair or cast doubt on their independence as auditors. KPMG also explained the extent to which non-audit services were rendered for the Company in the previous financial year or were contractually agreed for the following year. The Supervisory Board has agreed with KPMG that the latter will inform it and note in the audit report if facts are found during the audit that reveal any inaccuracy in the declaration of conformity to the

German Corporate Governance Code issued by the Management Board and the Supervisory Board. The Audit Committee reported to the Supervisory Board that it had been informed by KPMG that there were no circumstances that could give cause for concern about its impartiality or about non-audit services rendered by KPMG. The Audit Committee also reported on its monitoring of the independence of the auditor, taking into account non-audit services rendered, and its assessment that the auditor satisfies the requisite independence requirements.

The Management Board submitted in good time the financial statements documents, including the separate non-financial report of the Group, and the proposal of the Management Board for the appropriation of retained earnings to all members of the Supervisory Board. The members of the Supervisory Board also received in good time KPMG's report on the voluntary external review of the separate non-financial report of the Group.

The complete financial statements documents and the audit reports were discussed in detail at the meetings of the Audit Committee and the Supervisory Board on 19 March 2019. The auditors reported on the key findings of their audit. Furthermore, they informed the Supervisory Board of their findings on internal control and risk management in respect of the financial reporting process and were available to answer additional questions and provide information. At the plenary meeting, the Audit Committee Chair reported extensively to the Supervisory Board on the review of the separate and consolidated financial statements by the Audit Committee. Following in-depth review and discussion of the separate financial statements, the consolidated financial statements and the combined management report, no objections were raised relating to the documents submitted. As recommended by the Audit Committee, the Supervisory Board thus concurs with the findings of the audit by the auditors. By resolution dated 19 March 2019, the Supervisory Board thus approved the separate and consolidated financial statements of Scout24 AG for the 2018 financial year. The separate financial statements of Scout24 AG are ratified as a consequence. It additionally reviewed the combined management report (including the corporate governance declaration for the Group and the Company pursuant to Articles 289f and 315d HGB as well as the separate non-financial report of the Group pursuant to Article 315b HGB).

The Supervisory Board also reviewed the aforementioned proposal of the Management Board for the appropriation of net retained profit in connection with its review of the financial statements documents. Following the Audit Committee's recommendation, the Supervisory Board approved the Management Board's proposal for the appropriation of profit.

### Acknowledgements

The Supervisory Board would like to thank the members of the Management Board as well as all employees of the Group for their outstanding commitment and personal contribution in the 2018 financial year, through which they are driving the success story of the Scout24 Group.

Munich, March 2019

Scout24 AG
The Supervisory Board

Dr Hans-Holger Albrecht
Chairman of the Supervisory Board

## Corporate governance

The Management Board and the Supervisory Board of Scout24 AG attach importance to responsible corporate management geared to long-term success and refer to the recommendations of the German Corporate Governance Code. The corporate governance report including corporate governance declaration pursuant to Articles 289f, 315d of the German Commercial Code (HGB) is available on our corporate website under › Investor Relations/Corporate Governance.

## Investor relations

The shares of Scout24 AG, Munich, have been listed on the Frankfurt Stock Exchange (Prime Standard segment) since 1 October 2015. Scout24 AG has also been a constituent of Germany's MDAX equity selection index since 18 June 2018.

## The Scout24 share

### Share data

| | |
|---|---|
| Type of shares | Registered shares (no-par value) |
| Stock exchange | Frankfurt Stock Exchange |
| Other trading platforms | XETRA, Berlin, Düsseldorf, Hamburg, Hanover, Munich, Stuttgart, Tradegate |
| Transparency level | Prime Standard |
| Total number of shares | 107,600,000 |
| Share capital | EUR 107,600,000.00 |
| ISIN | DE000A12DM80 |
| WKN (German securities identification number) | A12DM8 |
| Ticker symbol | G24 |
| Specialist | ODDO Seydler Bank AG |
| Designated sponsors | Goldman Sachs, ODDO Seydler Bank AG |
| Paying agent | UniCredit Bank AG |
| Share price as of 28 Dec. 2018 | EUR 40.16 |
| 52-week high* | EUR 47.66 |
| 52-week low* | EUR 33.96 |
| Market capitalisation as of 28 Dec. 2018 | EUR 4,321.22 million |
| Average daily trading volume (52 weeks prior to 28 Dec. 2018) | 255,800 shares/day |

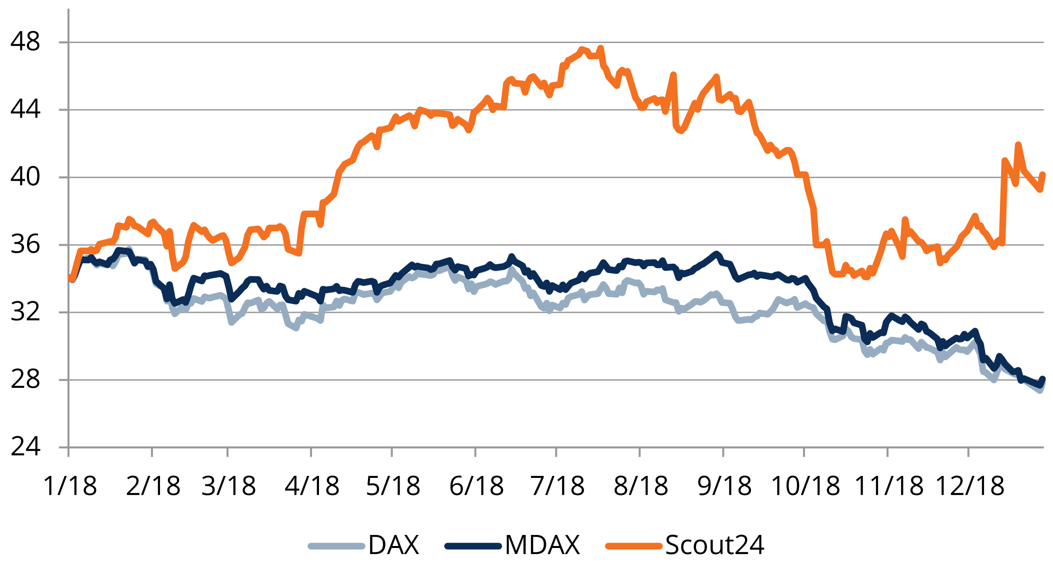
* In each case based on the closing price

The German stock market, measured in terms of the benchmark German index DAX, faced a difficult and highly volatile environment in 2018. After a good start to the year and having reached a new record peak of 13,559 points[1] on 23 January 2018, uncertainty on the markets increased considerably, particularly in the second half of the year, leading to notable losses on the stock exchange. Markets were affected not only by unresolved geopolitical conflicts, but also in particular by the escalation of the United States' trade disputes with key international partners, concerns that interest rates may rise faster than expected and the development of the exchange rate between the euro and the US dollar. At the start of October, statements by the Chairman of the U.S. Federal Reserve (Fed) Powell, indicating that the Fed may raise interest rates to go past neutral (a level that neither accommodates nor restricts economic activity), triggered a sharp drop in share prices on the markets. Also affected were technology shares, which had until then been at a high level, with investors increasingly responding nervously towards the end of the year to any potential signs of weakness. The end of the year was dominated by macroeconomic and interest-related concerns as well as the budget dispute in the United States and related significant losses on the stock exchange. Against this background, the German stock exchange index DAX did not reach its annual low of 10,381 points until 27 December 2018. The DAX recovered again slightly on the last trade day, closing the year at 10,559 points on 28 December 2018, down sharply by 18.3% compared with the previous year.

In this volatile environment, the Scout24 share stood out clearly from the market as a whole, recording a strong rise in share price, particularly in the first half of 2018. The share even set a new record all-time-high with its annual peak of EUR 47.66 on 17 July 2018. The share was buoyed above all by the consistently good financial performance as well as the placement of the remaining block of shares of the strategic major shareholder Hellman & Friedman, which eliminated the anticipation of an imminent sale of shares that had long burdened the development of the share price. Effective as of 18 June 2018, the Scout24 share was also admitted to the MDAX stock exchange segment. The market response to the acquisition of FINANZCHECK.de, minor uncertainty as a result of the early change at the helm of the Company and potential regulatory changes to introduce the contracting-party-pays principle for agency contracts put the share price under considerable pressure as of the end of August. The share price had fallen to EUR 34.10 by 24 October, almost returning to the annual low reached on 2 January 2018 of EUR 33.96. For the rest of the year, the share price bucked the general market trend, above all due to takeover rumours on the market, recovering again to EUR 40.16 and closing the year 17.9% up on the previous-year closing price of EUR 34.05. The comparative index MDAX relevant for Scout24 saw losses of minus 17.6% over the same period.

[1] All share prices based on closing prices in XETRA trading

## Share price development of Scout24 (indexed)




## Investor relations activities

Aside from the quarterly statements for the first and third quarters as well as the interim report for the first half of the year, Scout24 informed investors, analysts and other interested capital market participants in numerous press and IR releases, as well as conference calls and one-on-one meetings about the Company's further development. As part of national and international roadshows as well as participating in relevant conferences (totalling 20 days) in 2018, company representatives met with investors in Munich, Frankfurt, Berlin, London, New York, Zurich, Lugano, Edinburgh, Toronto and Barcelona. Details of roadshows and conference participations are listed in the tables below. The overall objective of investor relations work at Scout24 is to transparently present the business development and to cultivate an open and continuous dialogue with capital market participants, both in individual discussions and meetings as well as in the context of roadshows and conferences.

### Roadshows

| **Date** | **Location** |
|---|---|
| 9 – 13 April 2018 | Frankfurt, London, New York |
| 28/29 August 2018 | Zurich, Lugano |
| 31 August – 5 September 2018 | Frankfurt, London, Edinburgh |
| 10 – 11 September 2018 | New York, Toronto |

## Conferences

| Date | Conference |
|---|---|
| 11 January 2018 | Reverse Roadshow 2018 (Deutsche Bank, Munich) |
| 17 January 2018 | German Corporate Conference 2018 (UniCredit and Kepler Cheuvreux, Frankfurt) |
| 14 March 2018 | Investor Fieldtrip 2018 (J.P. Morgan, Berlin) |
| 4 September 2018 | Media and Telecom Forum (Barclays, London) |
| 25 September 2018 | Seventh German Corporate Conference (Berenberg and Goldman Sachs, Munich) |
| 14 – 16 November 2018 | European Technology, Media & Telecom Conference 2018 (Morgan Stanley, Barcelona) |

# Analyst coverage

In addition to relevant corporate information, investors can also access estimates and recommendations by various independent analysts. The following analysts cover Scout24:

| Broker | Analyst |
|---|---|
| Bankhaus Lampe | Christoph Bast |
| Bank of America Merril Lynch | Vivek Ghya |
| Barclays | Andrew Ross |
| Credit Suisse | Joseph Barnet-Lamb |
| Deutsche Bank | Fathima Nizla Naizer |
| Exane BNP Paribas | William Packer |
| Goldman Sachs | Lisa Yang |
| HSBC | Christopher Johnen |
| J.P. Morgan | Marcus Diebel |
| Kepler Cheuvreux | Craig Abbott |
| Liberum | Ian Whittaker |
| Macquarie | Bob Liao |
| Morgan Stanley | Miriam Adisa |
| Pareto Securities AS | Mark Josefson |
| RBC | Sherri Malek |
| UBS | Richard Eary |
| Warburg | Marius Fuhrberg |

## Annual General Meeting

The Annual General Meeting of Scout24 AG took place in Munich on 21 June 2018. Shareholders representing more than 66% of Scout24 AG's share capital, which is divided into 107,600,000 shares, were present at the meeting. All resolutions of this year's Annual General Meeting were adopted by a large majority. These included in particular the more than 80% dividend increase compared with the previous year from EUR 0.30 to EUR 0.56 per share, corresponding to a distribution level of 54% of earnings after tax, and the authorisation of the Management Board to issue bonds with warrants, convertible bonds, profit participation rights and/or participating bonds and to preclude subscription rights. In addition, a resolution was adopted to reduce the number of members of the Supervisory Board from nine to six and appoint Dr Hans-Holger Albrecht and Ciara Smyth to fill two vacant positions on the Supervisory Board.

Subsequent to the Annual General Meeting, Scout24 AG's Supervisory Board elected Dr Hans-Holger Albrecht as its new chairman to succeed Stefan Goetz who retired as chairman of the Supervisory Board as of the end of the Annual General Meeting. Dr Hans-Holger Albrecht, CEO and member of the board of directors of the music streaming service Deezer S.A., Paris and London, has international experience in running media, digital, telecommunications and direct-to-consumer businesses across continents.

The detailed voting results and presentations by the Management Board are available on the Scout24 AG website under › Investor Relations/General Meeting.

## Shareholder structure

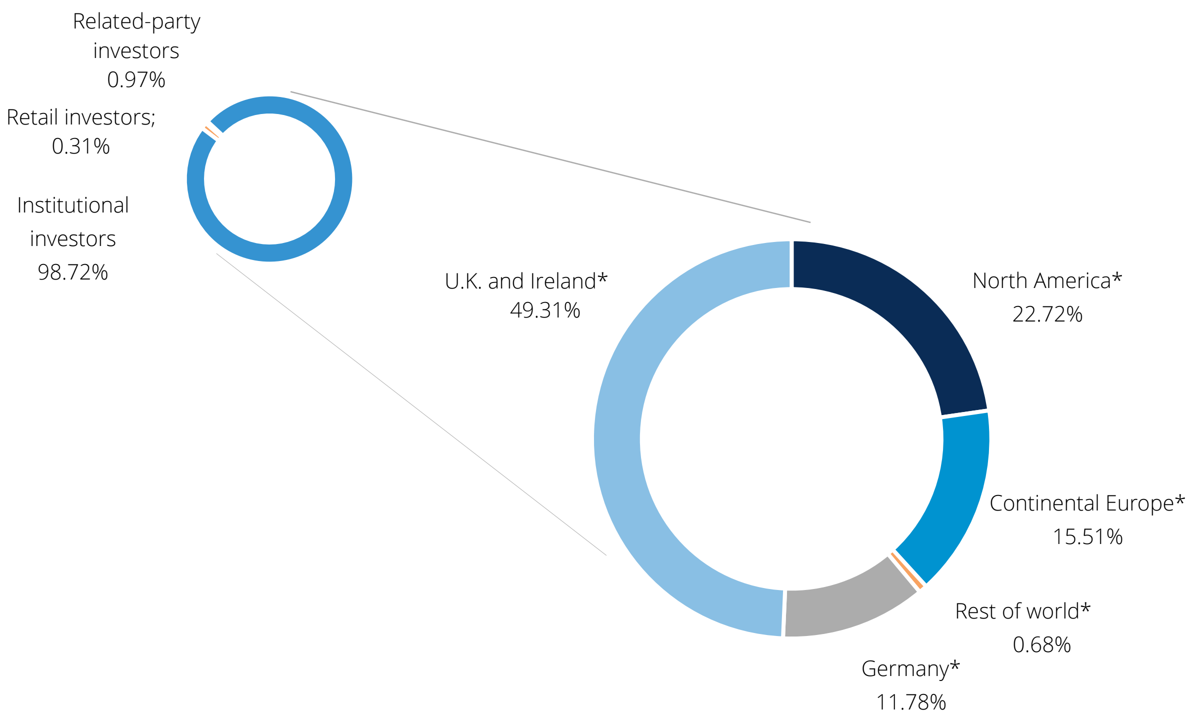
In 2018, Willis Lux Holdings 2 S.à r.l. in Liquidation sold its remaining shares in Scout24 AG. As a result, the free float increased from 90.26% in the previous year to 99.03% as of 31 December 2018. Just under 1% of shares are held by investors that qualify as related parties (present and former executives).

The shareholder structure of Scout24 AG as of 31 December 2018 is as follows:

| Shareholder | Number of shares | % |
|---|---|---|
| MEP Ord GmbH & Co. KG[1] | 1,043,407 | 0.97% |
| Free float | 106,556,593 | 99.03% |
| **Total** | **107,600,000** | **100.00%** |

1 Investment vehicle for certain present and former Group executives (limited partners)

The free float of 99.03% is mainly held by institutional shareholders. The publicly available information covers about 92.46% of the free float. At 49.31%, institutional shareholders from the U.K. and Ireland account for the largest share, followed by institutional shareholders from North America (22.72%), Continental Europe (15.51%) and Germany (11.78%).




* Distribution of free float based on publicly available information on free float as of January 2019

# Combined management report of the Scout24 Group and Scout24 AG

## New reporting structure

Due to the growing importance of the Scout24 Consumer Services operating segment, the Management Board has decided to adjust the Group's internal management system and the reporting structure and system accordingly. As of January 2018, the operating segments within the meaning of IFRS 8 comprise the "ImmobilienScout24" (IS24), "AutoScout24" (AS24) and "Scout24 Consumer Services" (CS) segments. The Scout24 Consumer Services segment comprises all activities in the area of services along the value chains of the real estate and automotive market and in the area of listings of non-real estate and non-automotive third parties. These activities were previously reported in segments ImmobilienScout24, AutoScout24 and Other. The Other segment essentially comprised "FinanceScout24" (FS24), which is now reported in the Scout24 Consumer Services segment. The previous year's figures were restated accordingly in line with the new reporting structure. The section › Management system describes our key performance indicators along the new segment structure.

## Acquisition of FINANZCHECK.de

On 17 July 2018, Scout24 signed an agreement on the acquisition of all shares in FFG FINANZCHECK Finanzportale GmbH ("FINANZCHECK.de"), a German fintech and online comparison portal for consumer loans. The transaction was closed upon receipt of approval from the antitrust authorities. The earnings of FINANZCHECK.de are included in the financial figures of Scout24 AG as of 1 September. FINANZCHECK.de is allocable to the Scout24 Consumer Services segment. For details of all changes in the consolidation scope and a detailed description of the Scout24 Group's structure we refer to the section › Group structure on page 33 of this management report as well as the disclosures in the notes to the consolidated financial statements in **› note 1.4** Basis of consolidation.

## New accounting regulations

Scout24 AG prepares its consolidated financial statements in accordance with the pronouncements of the International Accounting Standards Board (IASB), London, effective as of the reporting date. The financial statements comply with the International Financial Reporting Standards (IFRS) as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), as adopted by the European Union.

The following financial reporting standards were adopted for the first time as of 1 January 2018:

**IFRS 9 Financial Instruments**

IFRS 9 is applicable for the first time for the financial year beginning as of 1 January 2018. Application of the standard as of 1 January 2018 increased the amount of trade receivables in the opening balance sheet by EUR 3.9 million. It also led to the recognition of a deferred tax liability of EUR 1.2 million in the opening balance sheet, which in turn resulted in an increase of EUR 2.7 million in revenue reserves as of 1 January 2018. The figures for the financial year 2017 have not been restated.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective retrospectively for the first time for the financial year beginning as of 1 January 2018. Consequently, the comparative period is likewise presented in accordance with IFRS 15. Retrospective application of the standard as of 1 January 2017 leads to a EUR 7.2 million decrease in revenue and costs for the financial year 2017. Ordinary operating EBITDA and EBITDA remained unaffected. In contrast, the ordinary operating EBITDA margin increased by about 0.8 percentage points owing to the decrease in revenue and costs for the financial year 2017 relative to the financial figures previously reported for the financial year 2017.

### IFRS 16 Leases

IFRS 16 is effective for the first time for the financial year beginning as of 1 January 2018. Adoption of the standard as of 1 January 2018 leads to a EUR 6.1 million increase in EBITDA and ordinary operating EBITDA for the 2018 financial year. Application of IFRS 16 leads to a EUR 16.8 million increase in total assets in the opening balance sheet as of 1 January 2018 and to an overall increase of EUR 37.1 million in total assets in the balance sheet for the financial year 2018 (including a total of EUR 16.1 million relating to the new lease agreement for the Munich office). Additional amortisation of about EUR 6.6 million is reported for the financial year 2018 in connection with the application of IFRS 16. The figures for the financial year 2017 have not been restated.

## Adjustment of the outlook for the full year 2018

### Adjustment of the outlook as of 8 May 2018

In the first interim report for 2018, Scout24 AG released an adjusted version of the outlook issued in March 2018 for the financial year 2018. The Group adjusted the outlook on account of the new accounting requirements of IFRS 9, IFRS 15 and IFRS 16 applicable as of 1 January 2018.

| Scout24 Group | Outlook for the Group in the annual report 2017 | Adjusted outlook for the Group IFRS changes |
|---|---|---|
| **External revenue** | 9.0% - 11.0% | 9.0% - 11.0% |
| **Ordinary operating EBITDA margin, %** | 54.0% - 55.5% | 56.0% - 57.5% |
| **Capital expenditure** | ~ EUR 34.0 million | ~ EUR 34.0 million (adjusted for IFRS 16) |
| **Non-operating costs** | EUR 8.0 – EUR 11.0 million | EUR 8.0 – EUR 11.0 million |

| ImmobilienScout24 | Outlook in the annual report 2017 | Adjusted outlook IFRS changes |
|---|---|---|
| **External revenue** | 4.0% - 6.0% | 4.0% - 6.0% |
| **Ordinary operating EBITDA margin, %** | ≥ 67.0% | ≥ 68.0% |

| AutoScout24 | Outlook in the annual report 2017 | Adjusted outlook IFRS changes |
|---|---|---|
| **External revenue** | EUR 185.5 million | EUR 180.5 million |
| **Ordinary operating EBITDA margin, %** | ≥ 50.0% | ≥ 52.0% |

| Scout24 Consumer Services | Outlook in the annual report 2017 | Adjusted outlook IFRS changes |
|---|---|---|
| **External revenue** | EUR 90.0 million | ~ EUR 87.0 million |
| **Ordinary operating EBITDA margin** | +1pp (2017: 35.2%) | +1pp (2017A: 36.5%) |

### Adjustment of the outlook as of 14 August 2018

In the Group's interim report for 2018, Scout24 AG issued an adjusted outlook for the financial year 2018 taking into account FINANZCHECK.de. Owing to the positive outlook for the second half of the year, the Group adjusted the revenue forecast for the ImmobilienScout24 segment.

| Scout24 Group | Adjusted outlook for the Group IFRS changes | Outlook for the Group in the interim report 2018 / contribution from the acquisition of FINANZCHECK.de |
|---|---|---|
| **External revenue** | 9.0% - 11.0% | 11.5% - 13.5% |
| **Ordinary operating EBITDA margin, %** | 56.0% - 57.5% | 54.5% - 56.0% |
| **Capital expenditure** | ~ EUR 34.0 million (adjusted for FRS 16) | ~ EUR 34.0 million (adjusted for IFRS 16) (unchanged) |
| **Non-operating costs** | EUR 8.0 – EUR 11.0 million | EUR 14.5 - EUR 16.5 million |

| Scout24 Consumer Services | Adjusted outlook IFRS changes | Outlook for the Group in the interim report 2018 / contribution from the acquisition of FINANZCHECK.de |
|---|---|---|
| **External revenue** | ~ EUR 87.0 million | ~ EUR 87.0 million + ~ EUR 12.0 million |
| **Ordinary operating EBITDA margin** | +1pp (2017A: 36.5%) | Negative single-digit million contribution to ordinary operating EBITDA |

| ImmobilienScout24 | Adjusted outlook IFRS changes | Outlook for the Group in the interim report 2018 |
|---|---|---|
| **External revenue** | 4.0% - 6.0% | 5.0% - 6.0% |
| **Ordinary operating EBITDA margin, %** | ≥ 68.0% | ≥ 68.0% (unchanged) |

# Fundamentals of the Group

## Business model and operating segments

The Scout24 Group (referred to as “Scout24” or the “Group”) is a leading operator of digital marketplaces specialising in real estate and cars in Germany and other selected European countries. Finding a new home or buying a new car represent two very important decisions in people's – and therefore our user's – lives. We accompany our users to help them make the best decisions. To that end, we seek to connect a large number of listings and users on our digital marketplaces. In addition, we offer our users individual additional services that help them from their search, to the decision and through to the rental, purchase or sale of real estate or the purchase or sale of a car. With our digital marketplaces, we have created a market network that addresses the needs and expectations of users and customers alike – and evolves with them. Our vision is to make the real estate and car markets more transparent. With the help of data-driven solutions and communication options, we want to efficiently connect prospective buyers and sellers and digitise the transaction as a whole. In this context, our aim is to align our products and services within our market network to key steps of the transaction so that we can accompany our users throughout their consumer journey when they buy or sell a property or a car. Beyond endeavouring to offer a seamless digital experience, we also aim to distil valuable insights regarding our users' other future needs. Our insights into the life cycles of users give us an even deeper understanding of their needs right through to the execution of the transaction – e.g. when a user is expected to begin to look for a new car or a new home. With this in mind, the acquisition of FINANZCHECK.de in 2018 will also help build up our expertise and strengthen our product range in this field. The acquisition of FINANZCHECK.de has the objective of expanding the offering of our market network, for instance, in the automotive financing sector. This approach allows us to strategically orient our offer at additional user touchpoints so that we can also accompany our users' next consumer journey within the Scout24 market network.

Users can use our offers for free via various channels such as desktop PC, mobile applications (“apps”) or our mobile website. Our digital platforms’ products and services are designed to meet the needs of the respective target groups, whether they are searching for or listing real estate or cars, or advertising on our platforms. We offer our professional and private listers efficient tools to optimally present their real estate and automotive listings on our portals and to reach a large, relevant and engaged audience. In addition, we offer especially customised and cost-effective solutions for marketing and lead generation for our listing and other customers. Users can also take advantage of special additional products and services, some of which are fee-based, that help them throughout the process of buying or selling real estate and cars.

As a consequence, we generate revenue from the listing of classifieds as well as with additional services, such as additional product solutions for real estate agents and car dealers, advertising, lead generation as well as products and services for users along the value chain. In terms of listing products, we offer three different models to commercial agents: a membership model, a listing package or project model, and a pay-per-ad model. Commercial car dealers can conclude a contract for a package of services.

We operate our digital marketplaces primarily through the well-known and popular brands, ImmobilienScout24 (“IS24”) and AutoScout24 (“AS24”). Together with the Scout24 Consumer Services (“CS”) segment that was established as of 1 January 2018, these are our three operating segments.

## ImmobilienScout24

IS24 is a digital marketplace offering both real estate professionals and private listers (homeowners and tenants seeking successor tenants) the opportunity to place – for a fee – real estate classifieds in order to reach potential buyers and tenants. Users – i.e. prospective buyers or tenants – can search through the classifieds free of charge. Inquiries and searches by users – meaning aspiring buyers or tenants – translate into traffic on our digital marketplaces, which drives lead generation for both professional and private listers.

The main products of IS24 are therefore classifieds for the sale and rental of real estate. For commercial real estate professionals, IS24 additionally offers services that support customer acquisition and care. Customers who have a listings contract with IS24 can boost their listings' effectiveness with supplementary products that can be booked for a fee individually from a range of product solutions tailored to their needs for branding, image and acquisition purposes ("VIA" products). For example, they can book visibility products to give their listing a more prominent placing in search results and reach a greater audience for their listings. With targeted display advertising measures, they can increase the visibility of their company brand and pursue a tailored customer approach. Furthermore, IS24 offers the possibility to obtain leads for new mandates. Individual supplementary products can also be added on for a fee in the pay-per-ad model.

IS24 is the leading digital real estate classifieds platform in Germany in terms of number of real estate listings and customers[2] as well as consumer traffic and engagement.[3] The German Institute for Service Quality (DISQ), which recognised "Germany's Best Online Portals 2018" together with the television broadcaster NTV, has ranked ImmobilienScout24 as one of the top real estate portals in Germany.[4]

In Austria, we also operate a leading real estate listings marketplace with our portals ImmobilienScout24.at and Immobilen.net.[5] The Immodirekt.at portal has also been part of the Scout24 Group in Austria since 2016.

## AutoScout24

AS24 is a digital marketplace for automobiles and offers listing platforms for used and new cars, motorcycles and commercial vehicles to dealers and private sellers. AS24 offers professional car dealers and private sellers the opportunity to place classifieds in order to reach potential buyers. Users – i.e. prospective buyers – can search through the classifieds free of charge. Inquiries and searches by users translate into traffic, which drives lead generation for both professional and private listers.

Car dealers have to pay a fee to place a listing. The main AS24 products are therefore classifieds for the sale of new and second-hand cars. In addition, dealers who have a listing contract with AS24 can boost their listings' effectiveness with supplementary products they can book for a fee individually from a range of product solutions tailored to their needs for marketing, image and acquisition purposes ("MIA" products). Private sellers can place listings for free or sell their car to verified dealers through the express sale option. For automotive manufacturers (original equipment manufacturers, OEMs), AS24 offers dedicated advertising products, especially in the area of display advertising.

[2] Management estimate based on the number of real estate listings compared with other real estate listings portals

[3] Based on unique monthly visitors (UMV) and user engagement, comScore December 2018 (desktop PC for UMV, desktop PC and mobile devices for user engagement)

[4] "Germany's Best Online Portals 2018" awarded by German Institute for Service Quality (DISQ) in cooperation with television broadcaster NTV, May 2018.

[5] Management estimate based on the number of real estate listings compared with other real estate listings portals (excluding general classifieds portals comprising very different product categories).

The AutoScout24 Group operates a leading European digital automotive classifieds platform and it is among the leading players[6] in the Core Countries Italy, Belgium (including Luxembourg), the Netherlands, Austria and Germany. AS24 also operates in Spain[7] and France and offers local language versions of the marketplace in ten additional countries. Moreover, at AutoScout24.com, AS24 offers an English-language version that also enables cross-border searches. The AutoScout24 Group also operates the digital automotive marketplaces AutoTrader.nl in the Netherlands and Gebrauchtwagen.at in Austria.

Along with the high degree of brand recognition, AutoScout24 enjoys users' trust: the German Institute for Service Quality, which recognised “Germany’s Best Online Portals 2018” together with the television broadcaster NTV, ranked AutoScout24 as one of the top second-hand car portals in Germany.[8]

### Scout24 Consumer Services

As a segment active across multiple platforms, Scout24 Consumer Services (CS) bundles all services along the value chain of the real estate or automobile market and around advertisements from non-real estate or non-automotive-related third parties on the Scout24 Group's digital marketplaces. The Scout24 Consumer Services operating segment evolved for the most part out of the initiatives formerly known under the name of “Scout24 Media”. These initiatives drove the build-up of competences around services along the value chains of the real estate and automotive market as well as lead generation and sale of display advertising throughout the Group. As of 1 January 2018, Scout24 Consumer Services operates as a separate segment within the Scout24 Group. Since 1 September, FINANZCHECK.de is also allocable to the Scout24 Consumer Services segment; its revenue is reported in the Revenue with Finance Partners revenue line.

CS offers supplementary services – in some cases for a fee – designed to support users, from their search to the decision and through to the rental, purchase or sale of a residential property or the purchase or sale of a car. CS generates revenue from the use of our offers along the real estate and automotive value chains through the sale of leads, the intermediation of services (e.g. credit checks and premium membership) or the placement of third-party advertising on the Scout24 Group’s platforms. In addition, the segment also generates revenue from FINANZCHECK.de through the intermediation of consumer loans, e.g. in connection with mortgage and car financing.

With the CS segment, Scout24’s management pursues the strategy to cover the entire consumer journey in the long term with tailored offers and services. We want to accompany users from the search to the decision process and through to completing the purchase of a property or car, and to remain in touch with the users after the transaction is completed. Our vision is to cover the end-to-end consumer journey in order to tap into additional revenue potential in adjacent areas along the real estate and automotive value chains. CS operates across multiple platforms and delivers on this strategy. Driven by CS, the ImmobilienScout24 platform, for example, offers additional assistance to its users through service offerings in the area of credit checks, relocation services, mortgage financing and insurance. Driven and supported by CS, the AutoScout24 platform also offers users additional support with services such as car financing.

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[6] Management estimate based on number of listings; December 2018

[7] As of 21 December 2019, 100% of the shares in AutoScout24 España S.A., Madrid, Spain, were contributed to Alpinia Investments 2018, S.L.U., Madrid, Spain. In return, AutoScout24 GmbH received 49.999%.

[8] “Germany’s Best Online Portals 2018” awarded by German Institute for Service Quality in cooperation with television broadcaster NTV, May 2018.

# Organisation and corporate structure

## Management and control

› Scout24 AG, with registered offices in Munich, Germany, manages the Scout24 Group. Scout24 AG is a holding company tasked with managing a corporate group and operates an Internet business. It renders services for its subsidiaries in the fields of finance, accounting, controlling, internal audit, risk management and compliance, corporate development and strategy, communication, investor relations, human resources and legal services. Furthermore, Scout24 AG provides services for its operating subsidiaries within the Scout24 Consumer Services business.

As of the reporting date, Scout24 AG holds indirect interests in 15 subsidiaries with operating activities that are fully consolidated in the consolidated financial statements, as well as in three companies accounted for using the equity method, and one non-controlling interest.

The Management Board is responsible for corporate strategy and management. In the period from 1 January 2018 to 18 November 2018, the Management Board of Scout24 AG comprised two members, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Effective 19 November 2018, Tobias Hartmann was appointed to the Company's Management Board as Chief Executive Officer. Gregory Ellis remained a simple member of the Management Board and stepped down from the Management Board effective as of the end of the day on 5 December 2018. Effective 6 December 2018, two new members were appointed to the Management Board. Since then and as of 31 December 2018, the Management Board of Scout24 AG comprises a Chief Executive Officer, a Chief Financial Officer, a Chief Product Officer, and a Chief Commercial Officer.

### Management Board of Scout24 AG in the financial year 2018

| Name | Position | Term |
|---|---|---|
| Tobias Hartmann | Chief Executive Officer (CEO) | 19 November 2018 to 31 December 2018 |
| Gregory Ellis | Chief Executive Officer (CEO) | 1 January 2018 to 18 November 2018 |
| | Member of the Management Board | 19 November to 5 December 2018 |
| Christian Gisy | Chief Financial Officer (CFO) | 1 January 2018 to 31 December 2018 |
| Thomas Schroeter | Chief Product Officer (CPO) | 6 December 2018 to 31 December 2018 |
| Ralf Weitz | Chief Commercial Officer (CCO) | 6 December 2018 to 31 December 2018 |

The Supervisory Board started the financial year 2018 with seven members. At the Annual General Meeting of 21 June 2018, the number of members of the Supervisory Board stipulated in the Articles of Association was reduced from nine to six. All members of the Supervisory Board are independent. The Supervisory Board advises the Management Board and supervises its governance of the Company. The Supervisory Board is involved in all decisions of fundamental importance to the Company. In particular, it reviews and approves the annual financial statements and the management reports, and reports to the General Meeting on the audit of the financial statements. The composition and members of the Supervisory Board are explained in the section › Supervisory board report of the annual report 2018.

The remuneration of the Management Board and the Supervisory Board as well as the incentive and bonus systems are described in the › Compensation report in the notes to the consolidated financial statements (as part of note 5.5) and in the notes to the separate financial statements.

Takeover-relevant information pursuant to Articles 289a (1), 315a (1) of the German Commercial Code (HGB), as well as additional disclosures in the management report relating to the separate financial statements of Scout24 AG, are provided as an integral part of the combined management report in the respective sections from page 87 onwards.

The Management Board and the Supervisory Board of Scout24 AG attach importance to responsible corporate governance geared to long-term success and refer to the recommendations of the German Corporate Governance Code. The corporate governance report, including the corporate governance declaration pursuant to Articles 289f, 315d of the German Commercial Code (HGB), is available on our corporate › website (www.scout24.com) in the section on Investor Relations/Corporate Governance.

## Group structure

The following changes were made to the Group's organisational structure in the reporting period:

In July 2018, Scout24 AG, Munich, acquired 100% of the shares in equity of Blitz Erste Gründungs GmbH, Munich, which it renamed Consumer First Services GmbH, Munich. In August 2018, Consumer First Services GmbH acquired 100% of the shares in equity of FFG FINANZCHECK Finanzportale GmbH, Hamburg, which in turn holds a 100% interest in FVG FINANZCHECK Versicherungsvergleiche GmbH, Hamburg, and finanzcheck-PRO GmbH, Hamburg.

In August 2018, Immobilien Scout GmbH, Berlin, acquired 100% of the shares in equity of immosuma GmbH, Vienna, Austria.

In December 2018, AutoScout24 GmbH, Munich contributed 100% of the shares in AutoScout24 España S.A., Madrid, Spain ("AS24 Spain") to Alpinia Investments 2018, S.L.U., Madrid, Spain. In return, AutoScout24 GmbH received 49.999% of the shares.

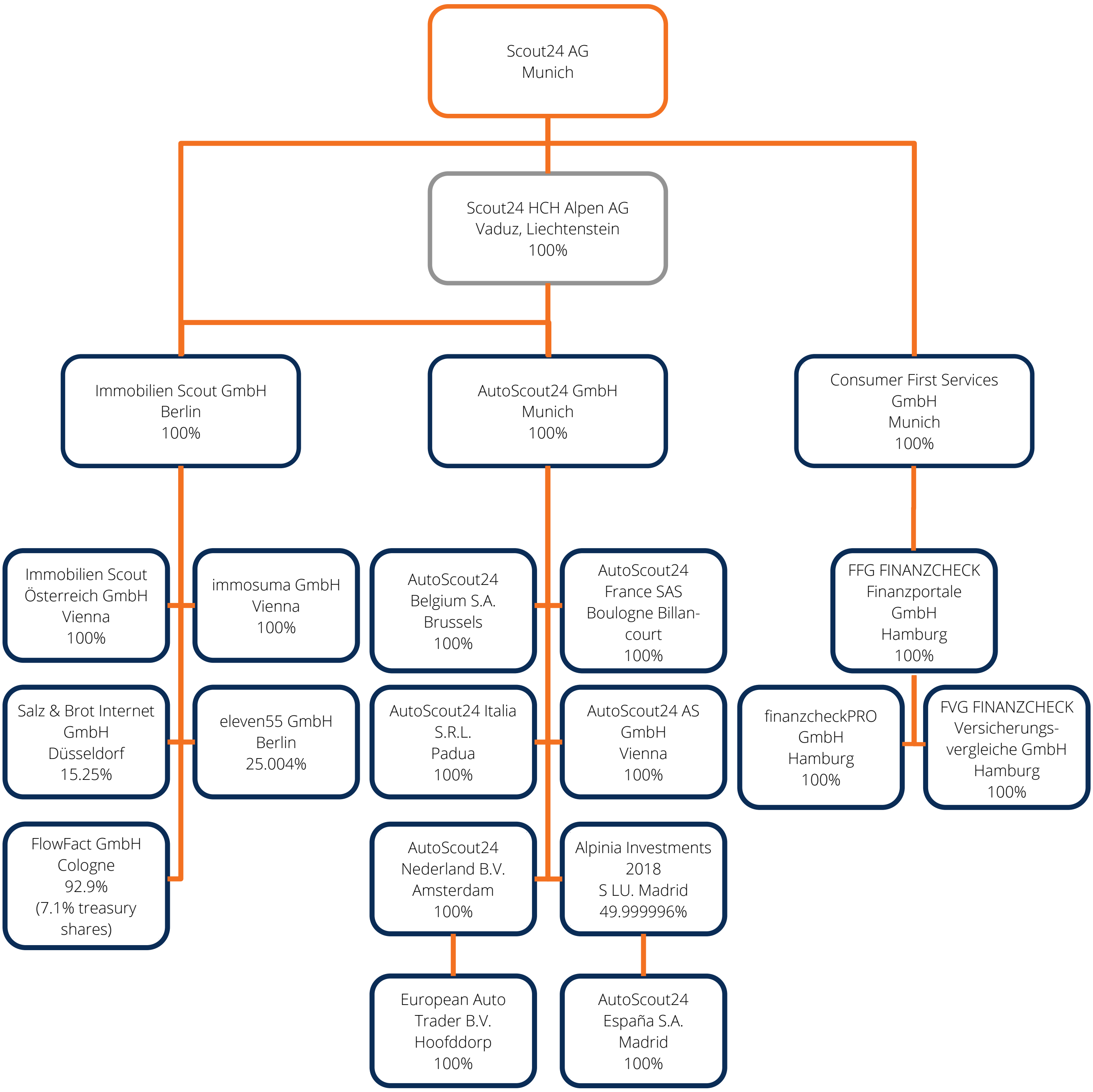
In December 2018, Immobilien Scout GmbH, Berlin, sold its 100% interest in classmarkets GmbH, Berlin ("classmarkets"). The sale was executed by transferring all of the shares previously held by the Company to the buyer.

In addition, two mergers were transacted during the financial year 2018:

| **Transferring entity** | **Acquiring entity** |
|---|---|
| Scout24 Services GmbH, Munich | Scout24 Holding GmbH, Munich |
| Scout24 Holding GmbH, Munich | Scout24 AG, Munich |

A complete list of shareholdings of Scout24 is provided in the › Notes to the consolidated financial statements (as part of note 2. "Changes in the consolidation scope").

The following chart provides a (simplified) overview of the direct and indirect shareholdings of Scout24 AG as of 31 December 2018:



## Strategy

Our classifieds revenue is not directly dependent on the number of completed real estate transactions or car sales, but rather on the number and duration of customers' listings and consequently, in particular, the online marketing spend of real estate professionals and car dealers. To remain attractive for listing customers, it is vital for Scout24 to maintain and expand its leading positions in terms of both traffic and user engagement. A high volume of classifieds and a large number of users are mutually reinforcing, as sellers and users tend to prefer the marketplace that offers the most liquidity, and is consequently the most efficient. Our lead with respect to traffic and user engagement puts us in a good position to benefit from the revenue and growth potential in the large market segments adjacent to our core business, be it along the value chain for the entire real estate purchase or rental process or for the automotive market. By expanding services along the value chain, we are consistently aligning with our users' needs, as well as pursuing our strategy of further develop our market network.

Accordingly, we will continuously strive to introduce new functionalities to our websites to offer the best user experience in each case. We are continually working towards digitising the consumer journey along the value chains of the real estate and automotive markets. We endeavour to fully cover and thus digitise the relevant touchpoints with users from the search to the completion of a transaction. On our platforms, we connect seekers and sellers, and offer them products and services along the real estate and automotive value chains beyond the scope of listing classifieds. We have thus created a market network that addresses the needs of users and customers alike. Driven by the expectations of our users and customers for greater functionality, personalisation and relevance, we strive to continually enhance our market network. With attractive pricing models and by optimising and enhancing our product and service range, we plan to continuously improve the value proposition of our listings portals for our customers and users. With our market network, our ambition is also to offer our users utmost transparency on the real estate and automotive market.

Our core competence is the collection, processing and interpretation of data. Backed by our data-driven product solutions, we can support our users in making the best decisions for their real estate purchase, sale or rental, or when buying or selling a car. Starting with a functional and intuitive search experience, we accompany users over the rest of their consumer journey. At the same time, we offer them additional products and services specifically tailored to their needs. In this way, we not only help people searching for real estate find their dream home, but also offer them additional support with our Premium Membership product. Premium Membership at ImmobilienScout24 allows real estate hunters to quickly and easily apply for their preferred properties using a digital application folder that includes an up-to-date credit score. With our price atlas we supply both seekers and sellers of real estate relevant market data regarding the historical price trends in cities and regions. In addition, we support private sellers of real estate in determining the value of their property as well as preparing the listing for their property using our tailored advertising products. Private sellers of real estate seeking professional support marketing their property can find a suitable agent using the agent search engine on the ImmobilienScout24 platform. On the AutoScout24 platform, too, we offer prospective car buyers a functional and intuitive search function. We offer additional services for the search for cars with our data-driven price assessment for listed cars on our platform and by showing an example of a monthly financing offer. For users looking to find a buyer for their car, we offer both listing products as well as the option of using our express sale product to sell their car directly to a dealer.

Aside from conventional classifieds products, we additionally offer our business partners in the real estate agency and car dealer segments a range of product solutions especially tailored to their needs. These solutions are designed to support their efforts to market their offers and their corporate brands. For example, we offer the possibility to improve the effectiveness of their listings with the help of fee-based visibility products that can be additionally booked, and assist them in managing their image with our marketing products for professional sellers or targeted advertising solutions in the area of display advertising. In addition to the product solutions for marketing, we also offer our customers products designed for winning new customers or properties for sale. For instance, we offer our professional customers in the real estate area an agent search engine that helps them find relevant leads to win new contracts to sell properties.

Our strategy for all operating segments focuses on sustainable and profitable growth as well as on the sustainable growth of our Company's value. In this context, our M&A strategy focuses on strategic acquisitions along the value chain that strengthen our market position or enable us to further tap into adjacent revenue pools or quickly expand our technological capabilities. In the past financial year, we acquired FINANZCHECK.de, an online portal offering consumer finance with a proprietary technology platform. This acquisition is of high strategic importance as it will improve our coverage of the consumer journey and thus expand our offering within our market network. We can now stay in touch with our users beyond the actual transaction and thus gain a better understanding of other future needs. As a result, we are able to tap into additional revenue potential with tailored offers and to expand our Consumer Services operating segment.

We continue to rigorously pursue our OneScout24 approach aimed at streamlining our segments' operating business, leveraging synergies and economies of scale as well as promoting the transfer of best practice within the Group. The OneScout24 approach reflects that the IS24 and AS24 digital marketplaces (a) broadly follow the same business model fundamentals, (b) share a significant relevant portion of their user base, as quite often real estate and automotive purchasing decisions are triggered by the same changes in people's lives and (c) allow for the generation of operational synergies, such as user-centric product development, innovation-driven IT, efficient brand marketing, high-performing sales operations and unique opportunities to leverage data that lead to enhanced efficiency in the medium term.

In line with our focus on sustainable and profitable company growth, we are pursuing a corresponding dividend policy that allows us to fund further growth and to further reduce our leverage ratio (ratio of net debt to ordinary operating EBITDA for the last twelve months). Scout24's Management Board plans to continue deleveraging, aiming for a target leverage-ratio range between 1.5:1 and 1.0:1 (December 2018: 2.56:1). In 2018, the Company distributed a dividend to shareholders for 2017 of EUR 0.56 per participating no-par value share. That corresponds to a year-on-year increase in the dividend of more than 80% (dividend for the 2016 financial year: EUR 0.30) and it reflects the Company's profitability. The Management Board's dividend policy envisages shareholders continuing to participate appropriately in the Company's profit in the future.

## Management system

We have designed our internal management system in line with our strategy and defined appropriate performance indicators. We differentiate between financial and non-financial performance indicators in measuring our success in implementing our strategy. Our monthly reporting, which comprises a consolidated income statement, a consolidated balance sheet, a consolidated cash flow statement and the monthly segment profits, constitutes an important element of our internal management system. Furthermore, at our regular Executive Leadership Team (ELT) meetings, we discuss the current business performance of the Group and the operating segments as well as forecasts of financial and non-financial performance indicators for the following weeks. Based on these reports, we perform comparisons of budgeted and actual figures and, in the event of divergences, we conduct further analyses or take appropriate corrective measures. These reports are supplemented by long-term forecasts, as needed, of business performance and an annual budget planning process. Both the current results of operations and the forecasts are presented to the Supervisory Board at quarterly meetings.

## Performance indicators

Given our focus on sustainable and profitable growth, as well as sustainably increasing our company value, our most important performance indicators at both Group and segment level are revenue and the ordinary operating EBITDA margin[9].

These indicators are supplemented by capital expenditure on property, plant and equipment and intangible assets, without taking into account the effects from the application of IFRS 16 ("capital expenditure (adjusted)") as well as further segment-specific indicators ("auxiliary indicators").

In line with our strategy, the financial success of our portals is essentially determined by the number of listings, as well as user reach and traffic. The most important auxiliary indicators at platform level are consequently the number of listings, particularly compared with our competitors, as well as user reach and user engagement. For the ImmobilienScout24, AutoScout24 and Scout24 Consumer Services segments, we also analyse revenue by main customer group and field of operation. In addition, for the ImmobilienScout24 and AutoScout24 segments, we analyse the corresponding direct drivers of revenue, such as numbers of customers and the average revenue per user (ARPU) for the month.

### ImmobilienScout24

- The **number of listings** refers to the total number of all real estate listings on the respective website as of a specific cut-off date (as a general rule, the end of month).[10]
- **UMV (Unique Monthly Visitors)** refers to the unique monthly visitors to the website via desktop PC, mobile devices or apps (multi-platform), irrespective of how often they visit the portal during the month in question and (for multi-platform metrics) irrespective of how many platforms (desktop and mobile) they use.[11]
- **Sessions** refers to the average monthly number of visits to the IS24 platforms via desktop PC, mobile, devices, websites optimised for mobile devices or apps, measured with our Traffic Monitor (Google Analytics).
- **Revenue with Residential Real Estate Partners** contains revenue from residential real estate generated with IS24 agent customers who purchase a contractual membership model or book an individual listing under a pay-per-ad model. Also reported here is revenue from services generated by IS24 in connection with these contracts or other contracts for the use of supplementary products that customers can additionally book individually for a fee from a range of product solutions tailored to their needs for branding, image and acquisition purposes ("VIA" products).
- **Revenue with Business Real Estate Partners** contains revenue generated in the area of commercial real estate as well as in the building and real estate development area, generated when IS24's agent customers, builders or property developers purchase a contractual membership model or a project-based model. Also reported here is revenue from services generated by IS24 in connection with these contracts or other contracts for the use of supplementary products that customers can additionally book individually for a fee from a range of product solutions tailored to their needs for branding, image and acquisition purposes ("VIA" products).

[9] In accordance with the Group's corporate guidelines, ordinary operating EBITDA refers to EBITDA adjusted for non-operating effects, which mainly include restructuring expenses, expenses in connection with the Company's capital structure and company acquisitions (realised and unrealised), costs for strategic projects as well as effects on profit or loss from share-based payment programmes. The ordinary operating EBITDA margin of a segment is defined as ordinary operating EBITDA as a percentage of external segment revenue.

[10] Data source: Management estimates

[11] Data source: comScore

- **Revenue with Private Listers and Other** contains revenue generated with private listers that results from booking a classified under a pay-per-ad model, revenue from FlowFact (our customer relationship management software for real estate professionals) and other non-listing revenue. Revenue from our portals in Austria is also reported here.
- The **number of residential real estate partners** (contractual) is defined as the number of customers as of the end of a given period in the area of residential real estate with whom a contractual relationship in the form of a membership model is in place.
- The **number of business real estate partners** (contractual) is defined as the number of customers as of the end of a given period active in the area of building or property development with whom a contractual relationship in the form of a membership or project-based model is in place.
- **ARPU from residential real estate partners** (contractual) in euros for a given period is calculated by dividing the revenue generated from our contractual residential real estate partners in the respective period by the average number of contractual residential real estate partners (calculated from the number of residential real estate partners at the beginning and end of the period), and further dividing by the number of months in the period.
- **ARPU from business real estate partners** (contractual) in euros for a given period is calculated by dividing the revenue generated from our contractual business real estate partners in the respective period by the average number of contractual business real estate partners (calculated from the number of business real estate partners at the beginning and end of the period), and further dividing by the number of months in the period.

### AutoScout24

- The **number of listings** for each country refers to the total number of new and used cars and vans on a specific cut-off date (as a rule, the end of the month) on the website in question.[12]
- **UMV (Unique Monthly Visitors)** refers to the unique monthly visitors to the website using desktop PC, mobile devices or apps (multi-platform), irrespective of how often they visit during the month in question and (for multi-platform metrics) irrespective of how many platforms (desktop and mobile) they use.[13]
- **Sessions** refers to the average monthly number of visits to the AS24 platforms via desktop PC, mobile, devices, websites optimised for mobile devices or apps, measured with our Traffic Monitor (Google Analytics).
- **Revenue with Dealers in Germany or with Dealers in our European Core Countries** (Belgium including Luxembourg, the Netherlands, Italy and Austria) contains revenue generated from partner dealers selling passenger cars, motorcycles and commercial vehicles who have purchased a contractual listing package in said countries. Revenue generated from services under these contracts or other contracts for the use of fee-based supplementary products that customers can additionally book individually from a range of product solutions tailored to their needs for marketing, image and acquisition purposes (MIA) is also reported here.
- **Revenue with OEMs** (original equipment manufacturers) contains revenue generated with automotive manufacturers, especially in the area of display advertising and other marketing measures on our platforms.
- **Other Revenue** contains revenue generated with private listers under the pay-per-ad model, revenue from our Garage Portal and other services for our partner dealers such as platform interfaces. Revenue from the Express Sale product and our portals' revenue outside our European countries is also reported here.

  - The **Number of Partner Dealers** is defined as the number of commercial dealers for cars and motorcycles in Germany or our European Core Countries (Belgium including Luxembourg, the Netherlands, Italy and Austria) as of the end of a given period who have a contract to place vehicle listings on our platform.

[12] Data source: Management estimates
[13] Source: AGOF

- **ARPU from Partner Dealers in Germany and ARPU from Partner Dealers in European Core Countries** in euros for a specific period is calculated by dividing the revenue generated from our partner dealers in Germany and partner dealers in European Core Countries in a given period by the average Number of Partner Dealers in Germany or European Core Countries (calculated from the Number of Partner Dealers at the beginning and end of the period), and further dividing by the number of months in the given period.

### Scout24 Consumer Services

- **Revenue with Finance Partners** comprises revenue that results from the intermediation of consumer loans, e.g. in connection with mortgage and car loans as well as revenue from finance partners purchasing a contractual membership model for listing on our platform or additional contracts for the use of fee-based supplementary products that can be added on individually.
- **Services Revenue** comprises revenue generated from services offered on our platforms, including both revenue generated with users as well as revenue from lead generation for our partners (for example, for credit checks, sale of relocation leads to moving companies, etc.)
- **Third-Party Display Revenue** contains revenue generated in the area of display advertising of non-real state and non-automotive third parties.

# Research and development

Our goal is to continuously improve our products and design new products that cater to the needs of our users as well as our private and professional customers. Innovation and the enhancement of our products are an integral element of our strategy of sustainable and profitable revenue growth. We strive to continuously optimise the products for our customers and users. More than that, we want to drive forward the digitisation of consumer experience along the real estate and automotive value chains by extending our coverage to include additional touchpoints along the consumer journey.

We pursue an approach of agile iterations in product development with a process of continuous improvement. This approach is supported by automated testing and delivery processes which enable developed products, extensions or bug fixes to be made available at low risk and little manual effort. Interdisciplinary teams focusing on the needs of different customer groups and users enable greater freedom, initiative and responsibility in product development.

Based on the OneScout24 approach, our product development is decentralised and focused on developing product solutions and innovations for the IS24 and AS24 platforms respectively, but operates in line with identical principles. The project launched in the 2015 financial year to technically align the two IS24 and AS24 platforms as part of migrating to a cloud-based data system was advanced in the 2018 financial year. The migration toward a cloud-based technology infrastructure means that we can in future more rapidly and efficiently integrate in product development emerging technologies such as artificial intelligence (AI) or machine learning. As part of our OneScout24 approach, another object of the migration to the cloud is to further harmonise product development throughout the Scout24 Group, optimise workflows and to increase the efficiency of capacity utilisation at our data centres.

Having initially grown as a conventional desktop Internet company, today already roughly 77% of the total IS24 and AS24 traffic in Germany is generated with mobile channels as a result of a stringent mobile-first strategy.[14] Mobile consumers increasingly search for homes and cars while on the move. Smartphones and tablets are increasingly replacing home desktop PCs. To support and improve the user experience on all relevant digital devices, the focus of product development lies on native apps for smartphones and responsive designs for all other devices.

Again in 2018, we expanded our market network by improving and extending our offering of products and services. We have thus not only improved the user experience on our platforms but also further strengthened our value proposition for our users and partners.

As a result, we were able to further strengthen the user experience on our platforms in the past financial year: We have also upgraded the AS24 platform to include recommendations that supplement users' original search profile and offer them suitable alternative vehicle offers. We have enhanced the automobile search to include notifications for new search results based on saved search profiles. For the IS24 platform, we have further optimised the user experience in Austria as well for mobile devices by upgrading the mobile application to include real estate recommendations and notifications as well as improving the search functionality. We have also upgraded the contact initiation on the mobile app to include the option of sending sellers short messages.

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[14]Management estimate, based on the number of visits to the IS24 and the AS24 platforms (non-deduplicated) via mobile devices, mobile-optimised websites and apps relative to the total number of all visits, measured with our own Traffic Monitor (Google Analytics), December 2018.

In 2018, we further optimised our agent comparison function, which connects real estate owners interested in selling property with our agent customers in the Scout24 market network: The digital input of real estate data was upgraded, making it possible to more quickly and efficiently enter more relevant information about a property. These real estate data are not only important for matching suitable agents, but also for determining the value of a property. We have thus made the entry and classification of relevant sales leads more effective and efficient. With our acquisition product, our agent customers can book these sales leads as a supplement to their IS24 membership. For people searching for real estate, we have upgraded our Premium Membership product. Aside from the digital application folder with relevant documents such as an up-to-date credit score, users can also activate property leasing law counsel and a locksmith service.

In 2018, we integrated an additional tool on our AS24 platform for private consumers looking to buy a car: an illustrative monthly financing offer is displayed for each listed vehicle. That allows users to immediately see the monthly financing cost for each car. Together with the price assessment function and other relevant information, this tool is designed support the purchase decision. In this context, we have developed a new product for our partner dealers that allows them to prominently display their financing offers and get relevant financing leads for people looking to buy a car. Within the vehicle listing, people interested in buying a car can make a non-binding inquiry to get a financing offer from a dealer. That allows dealers to optimally prepare for the customer's visit. Another product that we introduced on a test-basis in the Austrian core market in 2018 is direct sales. The product is designed to help dealers get relevant customer leads and thereby help them manage the purchase of car stocks from private sellers. With the direct sales product we enable private sellers to arrange an appointment with dealers online through the AS24 platform to sell their car. As a relevant support for the sales decision we offer users upfront an independent and non-binding online valuation.

The developed products undergo regular in-house user tests in UX (user experience) research labs, so this experience also flows into product optimisation.

Total expenditure on product development in 2018 came to EUR 33.9 million (2017: EUR 34.4 million). A total of EUR 18.5 million or 54.6% thereof (2017: EUR 19.4 million or 56.2%) was capitalised in accordance with prevailing IFRS rules. Amortisation of own work capitalised totalled EUR 15.5 million in 2018 (2017: EUR 11.8 million). In addition to our own personnel expenses, total expenditure for product development also comprises the cost of external service providers who support the development processes as an extended workbench. In 2018, the cost of external service providers amounted to EUR 13.1 million (2017: EUR 11.0 million).

Overall, total development expenditure was on a level comparable to the previous year. The increase in amortisation of capitalised development costs is attributable to the higher level of own work capitalised in previous years.

The amount of research costs is immaterial and is reported in the income statement.

# Corporate social responsibility[15]

We are committed to integrating sustainability and social responsibility in our daily activities. Our CSR report describes our activities with respect to sustainability and transparently presents the progress we have made in this context. We provide information about our current initiatives, key indicators with respect to corporate governance, compliance, product development, diversity, environmental protection and social responsibility, as well as an outlook on future measures relating to sustainability. The next publication is scheduled for the first half of 2019 and will include the Group's non-financial report in accordance with Article 315 b et seq. HGB.

Below we give a key overview of our perception on corporate social responsibility:

As a leading operator of digital marketplaces, we connect people with cars and homes every day. Finding a new home or buying a new car represent two very important decisions in people's lives. We accompany our users to help them make the best decisions.

The Scout24 Group does not operate disengaged from its social environment but regards itself as a "corporate citizen"[16] in all business activities and as a hub in a network of different stakeholders and partners. For us, corporate social responsibility (CSR) means dealing responsibly and sustainably with our internal and external stakeholders. On the one hand, this means avoiding potential negative influences on society and the environment. And, on the other hand, looking at CSR as a model for the future: together with our employees, customers and partners, we want to develop solutions to contribute to sustainable development and, in addition, to make our business fit for the future. Therefore, we have set out to embed social and environmental aspects in our day-to-day activities and in the individual operating segments.

At the same time, it is our ambition to use our digital and technological competences in the best possible way to provide state-of-the-art online marketplaces. This is the key to our sustainable success. Such success is substantially determined by our performance and our values. We have documented our values in our code of conduct. This shows we act as a responsible employer and business partner and are committed participants in a sustainable community. Our code of conduct is available on our › website under Investor Relations/Corporate Governance/Code of Conduct.

### We are committed to our customers and users

For us, our customers and users are always our first priority. We support them in a long-term partnership. We know the business environment in which they operate, and offer them solutions tailored to their needs.

### We treat data absolutely confidentially and communicate professionally

We protect the data of our customers, business partners and employees by managing such data responsibly, and by using it only in accordance with statutory regulations.

### We value our employees' diversity and commitment, and do not tolerate any form of discrimination

We promote a motivational and respectful working environment where our employees can realise their entire potential. We aim to attract, support and retain highly qualified and committed employees at Scout24. We are convinced we are enriched by our colleagues' diversity as well as their differing points of view and skills. We

[15] This part of the report is not part of the audit by the independent auditors
[16] Explanation of terms: "Civil engagement" in the sense of the term.

guarantee a safe working environment and comply with local applicable laws and regulations regarding workplace health and safety as well as all laws regarding equal opportunities and equal professional development for all employees. We do not tolerate any form of discrimination, harassment, threatening, or hostile or abusive behaviour in our workplaces. Similarly, we do not tolerate false or malicious statements or actions, which could harm our customers, employees and shareholders of the Scout24 Group or the community. It is our aim, and we have the necessary procedures, to resolve any problems respectfully, confidentially and quickly.

### In all our business activities we remain constantly aware of the significance of social responsibility

In all our business activities we also act as a "corporate citizen", and are committed at all our sites to building strong local communities. We regard social responsibility as an integral part of our actions, and as an investment in the community, and consequently also as an investment in our own future. The Scout24 Group's social commitment focuses on strengthening the community by employee support in social projects (corporate volunteering), free knowledge transfer (pro bono) and wide-ranging cooperation ventures with fixed social partners at the Company's sites.

Our IT and product know-how in finding creative and inspiring solutions for social issues serves as the most important instrument to structure our engagement and commitment. For example, on our IS24 platform, users can make targeted searches for disabled-accessible properties.

## Employees

Scout24 is active in an environment marked by constant change and that continually gives rise to new innovations. Consequently, our ability to attract and retain outstanding talent for our Company constitutes a decisive competitive factor in order to prevail in future as market leader in this dynamic sector. Scout24 invests in the continuous development of employees and encourages them to actively contribute to shaping the Company. An honest feedback culture and dialogue across hierarchies and team boundaries enables innovations for the benefit of customers and users. Scout24 stands for a respectful corporate culture in which unprejudiced interaction forms a central aspect. Individuals with highly diverse cultural and career backgrounds, skills and views work here. Diversity is seen to be a strength – because it enables the Group to respond to the challenges of a constantly evolving market.

As of 31 December 2018, Scout24 employed 1,519 full-time equivalent employees (FTEs), compared with 1,244 FTEs as of 31 December 2017, excluding trainees, apprentices, short-term employees, student interns, temporary agency employees and freelancers. The increase in FTEs is primarily attributable to the acquisition of FINANZCHECK.de.

# Report on economic position – Group's business development and situation

## Macroeconomic and sector-specific environment

### Economic conditions

In the 2018 financial year, Scout24 was active in the real estate sector in Germany and Austria as well as in the automotive sector in Germany, Italy, Belgium (including Luxembourg), the Netherlands, Spain, France and Austria, and consequently within the eurozone. Germany remains the main market of Scout24, accounting for 82% of its total revenue in the 2018 financial year. Despite ongoing geopolitical conflicts, worsening trade conflicts and temporary difficulties in the automotive industry with the new EU-wide emissions standards, Germany's economy again showed solid growth in 2018. Its real gross domestic product grew 1.5% compared with the previous year.[17] In 2019, Germany's high economic output is expected to continue, with stable growth of 1.6% anticipated.[16]

According to the Eurozone Economic Outlook published by an association of three leading European economic research institutes, the risk of economic slowdown is increasing in the eurozone, especially in view of the upcoming Brexit, ongoing trade conflicts and increased volatility in financial markets. In the first two quarters of 2019, however, the experts anticipate further moderate growth of 0.3% respectively.[18]

Despite the still relatively stable macroeconomic trend, our business model still largely hinges on the economic conditions for online marketplaces. The Internet has since spread and obtained general recognition in Germany and the rest of Europe as an information and communication medium. The development of a large number of digital media and e-commerce websites as well as mobile apps has led to a situation in which Internet use has become common among the population. In total, 90% of the population in Germany used the Internet in the first quarter of 2018 (2017: 87%). A total of 85% of users also went online using mobile devices, an increase of four percentage points year on year (2017: 81%). A total of 91% used the Internet to search for information on goods and services (2017: 90%).[19] In Europe, 89% of private households had Internet access in 2018, an increase of two percentage points compared with the previous year.[20]

This rising Internet trend also influences the allocation of marketing budgets. Of total marketing spend in Germany, the share of newspaper advertising decreased from 35.8% in 2008 to 21.5% in 2018, and is expected to continue to decrease to 19.0% by 2020. By contrast, the share of online advertising has increased from 13.3% in 2008 to 35.9% in 2018. In 2018, online advertising expenditure was already 58.4% higher than TV marketing budgets. Online advertising expenditure is expected to continue to increase its share and reach 39.8% in 2020.[21]

[17]Deutsche Bundesbank, Outlook for the German economy, December 2018
[18] Eurozone Economic Outlook of 8 January 2019
[19] Federal Statistical Office, Private households in the information society – Use of information and communication technology, survey 2017 and 2018
[20] Eurostat, Private households with Internet access, as of 20 December 2018
[21] ZenithOptimedia, Advertising Expenditure Forecasts, December 2017

We are well positioned to continue benefiting from this trend with our leading market positions, both in comparison to pure online category portals as well as general classifieds portals. IS24 is the leading digital real estate classifieds platform in Germany.[22] The AS24 Group operates Europe's largest digital car marketplace and it is among the leading players in the Core Countries Italy, Belgium (including Luxembourg), the Netherlands, Austria and Germany.[23]

### German residential property market trends

The German property market comprises residential and commercial properties. IS24 is active in both segments, but generates most of its revenue from the residential property market and from sales transactions.

A total of 597,000 sales transactions were realised in the residential property market in 2017 (excluding residential building land). The most recent GEWOS forecast from 6 November 2018 expects the number of transactions to remain stable at 597,000 combined with a 5.6% increase in transaction revenue to EUR 161.7 billion in 2018 (2017: EUR 153.1 billion).[24] GEWOS attributes the revenue increase to continued high demand for residential properties for own-use buyers and investors, as well as the unremitting price momentum in this sector. GEWOS again forecasts further sales increases in the German market for 2019. Residential real estate is expected to grow by a further 5%. The price momentum is likely to weaken slightly, although it continues to drive the market development in the coming year. GEWOS forecasts that the number of transactions with residential real estate[25] in 2019 will remain at the level of 2017.

The Residential Real Estate Summit 2018 (Wohngipfel 2018) was held at the end of September 2018, which was designed as a "joint drive for residential living space by the German federal government, the federal states and municipalities". After the Residential Real Estate Summit, policymakers focused on potential measures for advancing the drive for residential living space. Among other initiatives, the possibility of expanding the scope of the German Tenancy Amendment Act (Mietnovellierungsgesetz) ("contracting-party-pays principle") to include the purchase or sale of residential property was discussed. However, no measures to that effect had been fleshed out by the end of the financial year 2018.

### Development of the European automotive market

AS24 generates its revenue in Germany and selected European countries (Belgium including Luxembourg, the Netherlands, Italy, Spain, France, Austria), as well as primarily in the area of used car transactions.

Germany is the largest automotive market in Europe with a total number of 46.5 million registered passenger cars in 2017[26] and total revenue of around EUR 186.6 billion from new and used passenger car sales transactions[27]. Approximately 7.2 million used cars changed owners in 2018, which is approximately 1.5% less than in 2017, according to the German Federal Motor Transport Authority (KBA). A total of approximately 3.44 million new cars were registered in 2018, a decrease of 0.2% compared with 2017.[28] For 2019, the German Federation for Motor Trades and Repairs (ZDK) expects new car registrations of roughly 3.43 million, which would constitute

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[22] Based on the number of real estate listings (management estimate), traffic (unique monthly visitors, UMV) and user engagement (comScore December 2018, AGOF December 2018 (desktop PC for traffic; desktop PC and mobile devices for user engagement)

[23] Management estimate based on the number of car listings

[24] GEWOS IMA® info 2018, excluding transactions and revenue from residential building land

[25] GEWOS press release (in German): "Rising prices drive up real estate revenue to new peaks – over one quarter billion euros in revenue in 2018" dated 26 September 2018

[26] German Federal Motor Transport Authority: "Press release No. 6/2018 – Vehicle fleet as of 1 January 2018"

[27] DAT report 2018

[28] Federal Motor Transport Authority, vehicle registrations in December 2018, January 2019

a slight decrease on the previous year. ZDK also anticipates a slight decrease in the used car market to between 7.2 and 7.3 million cars changing hand in 2019, on account of the ongoing diesel problem.[29]

Italy is another big automotive market in Europe, with around 38.5 million registered cars.[30] The number of registered passenger cars in Italy has thus increased by roughly 0.5 million on the previous year. For 2018, Italy's Ministry of Transport reports a year-on-year decrease of 3.1% to 1.91 million vehicle registrations.[31] For 2019, the Italian research institute for the automotive market, Centro Studi Promotor, anticipates a further decrease to 1.9 million vehicle registrations.[32]

In contrast to Italy, the automotive markets in the Benelux region have seen a relatively stable development over the past ten years. Belgium reported 0.6% year-on-year growth with 549,632 new registrations (2017: 546,558).[33] The Netherlands reported 414,538 new registrations in 2018, up 7.1% compared with the previous year.[34] The used car market grew by 2.6% in 2018 compared with 2017, with around 1.9 million vehicles changing owners in 2018.[35]

The Austrian automotive market began 2018 with a vehicle fleet of just under 4.9 million passenger cars.[36] With 341,068 new registrations, the Austrian car market contracted by 3.5% year on year in 2018 (2017: 353,320). In the same period, 874,827 used cars additionally changed owners. Compared with the previous year's number of 853,244 used car registrations, that corresponds to growth of 2.5%.[37]

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[29] German Federation for Motor Trades and Repairs, November 2018
[30] Automobile Club d'Italia, figure for 2017, 2017 statistical year book
[31] Automoto.it, 3 January 2019
[32] Notiziario Motoristico, 29 November 2018
[33] FEBIAC, Immatriculations de véhicules neufs décembre 2018, January 2019
[34] RAI Federation, January 2019
[35]VWE Automotive, January 2019
[36] STATISTICS AUSTRIA, motor vehicle statistics. Prepared on: 26 February 2018
[37] STATISTICS AUSTRIA, motor vehicle statistics. Prepared on: 26 February 2018

## Business performance of the Group

Scout24 is on a growth track, once again achieving significant growth in external revenue of 12.5% to EUR 531.7 million in the 2018 financial year (2017: EUR 472.6 million). Without taking into account FINANZCHECK.de, revenue growth came to 9.9% (total revenue 2018 without FINANZCHECK.de: EUR 519.4 million). This growth was shouldered by strong growth in the ImmobilienScout24 ("IS24") operating statement, among other factors. This excellent development was driven by the greater monetisation potential captured as well as the further increase in the contractual customer base in the course of the financial year. In addition, the Group's growth reflected sustainable growth in the AutoScout24 ("AS24") operating segment, driven by further price adjustment measures, as well as in the Scout24 Consumer Services ("CS") operating segment, mainly driven by the intensified monetisation of our services offering for users. In the advertising sales area, Scout24 managed to defend its reach as a digital marketer.[38] Overall, on the back of its broad offering tailored to users' needs, Scout24 managed to cement its position as a market network around the real estate and automotive sectors in Germany and Europe.

Based on strong operating leverage and a slower increase in costs, the Group's ordinary operating EBITDA for 2018 improved by 15.3% to EUR 291.5 million (2017: EUR 252.8 million), leading to a margin of 54.8% compared with 53.5% in the full year 2017. Excluding FINANZCHECK.de, the Group's ordinary operating EBITDA increased by 16.1% to EUR 293.5 million in the reporting period, which corresponds to a margin of 56.5%. The increase in ordinary operating EBITDA was also driven by a EUR 6.1 million reduction in costs as a result of applying IFRS 16.

Capital expenditure in 2018 came to EUR 63.5 million and includes an amount of EUR 37.1 million recognised in the balance sheet due to the application of IFRS 16. This comprises EUR 16.1 million in connection with the new lease agreement for the office complex in Munich. Capital expenditure without taking into account the effects from the application of IFRS 16 ("capital expenditure (adjusted)") totalled EUR 28.3 million in the financial year 2018. As a percentage of revenue, the capital expenditure ratio (adjusted) remained largely stable at 5.3% compared with 4.8% in the previous year.

The cash contribution (defined as ordinary operating EBITDA less capital expenditure (adjusted)) increased by EUR 33.1 million in the 2018 financial year to EUR 263.1 million, and without taking into account FINANZCHECK.de by EUR 35.1 million year on year to EUR 265.1 million (2017: EUR 230.0 million). The cash conversion rate,[39] based on ordinary operating EBITDA, was 90.3% (without taking into account FINANZCHECK.de) compared with 91.0% in the comparative period.

› Cash and cash equivalents amounted to EUR 58.4 million as of 31 December 2018 (31 December 2017: EUR 56.7 million). Net financial debt[40] stood at EUR 746.2 million, compared with EUR 560.9 million as of 31 December 2017. The increase is primarily attributable to the financing of the acquisition of FINANZCHECK.de. Counter effects of EUR 85.0 million result from the repayment of bank liabilities in the course of the financial year 2018.

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[38] AGOF Daily Digital Facts, December 2018

[39] The cash conversion rate is defined as ordinary operating EBITDA less capital expenditure (adjusted) in relation to ordinary operating EBITDA.

[40] Net financial debt is defined as total debt (current and non-current liabilities) less cash.

The Group's business development is fully within the range anticipated for the financial year 2018. Owing to the application of the new financial reporting standards IFRS 9, IFRS 15 and IFRS 16 (see › New accounting regulations, page 26), the forecast issued in the financial year 2017 for the financial year 2018 was adjusted in order to reflect the new reporting structure. At 12.5% (or 9.9% without FINANZCHECK.de) revenue growth is fully within the expected level. The ordinary operating EBITDA margin of 54.8% (or 56.5% without FINANZCHECK.de) is likewise within the Group's expectations. At EUR 28.3 million, capital expenditure was lower than anticipated. In total, capital expenditure in connection with the office relocation in Munich was about EUR 2 million less than originally planned and capital expenditure on IT about EUR 2.5 million less than planned. The Group's non-operating costs totalled EUR 34.2 million in the financial year 2018. These therefore exceed the forecast issued in the annual report 2017 of between EUR 8.0 million and EUR 11.0 million and the anticipated range indicated in the management report of the interim report 2018 of between EUR 14.5 million and EUR 16.5 million. This development is chiefly attributable to personnel expenses from share-based payments of EUR 15.3 million (outlook in the annual report 2017: about EUR 3.0 million), owing to the introduction of a further stock option programme in the third quarter of 2018 (› Share-based payments). Non-plannable costs in connection with M&A activities likewise exceeded the originally anticipated range at EUR 14.2 million (annual report 2017 forecast: roughly EUR 3.5 million).

| Scout24 Group | Outlook for the Group in the annual report 2017 | Adjusted outlook for the Group IFRS changes | Business performance of the Group Financial year 2018 without FINANZCHECK.de | Outlook for the Group in the interim report 2018 / contribution from the acquisition of FINANZCHECK.de | Business performance of the Group Financial year 2018 including FINANZCHECK.de |
|---|---|---|---|---|---|
| **External revenue** | 9% - 11% | 9% - 11% | **9.9%** | 11.5% - 13.5% | **12.5%** |
| **Ordinary operating EBITDA margin, %** | 54.0% - 55.5% | 56.0% - 57.5% | **56.5%** | 54.5% - 56.0% | **54.8%** |
| **Capital expenditure** | ~ EUR 34 million | ~ EUR 34 million (adjusted for IFRS 16) | **EUR 28.3 million (adjusted for IFRS 16)** | ~ 34 million Euro (adjusted for IFRS 16) | **28.3 million Euro (adjusted for IFRS 16)** |
| **Non-operating costs** | EUR 8.0 – EUR 11.0 million | EUR 8.0 – EUR 11.0 million | **EUR 34.2 million** | EUR 14.5 – 16.5 million | **EUR 34.2 million** |

## Segment trends

To evaluate operating performance, Scout24's management focuses on core operations, comprising the IS24, AS24 and CS operating segments. To this end, Scout24's management manages the Company based on revenue, the ordinary operating EBITDA margin as well as other key performance indicators explained in the section on the management system. These performance metrics and their trends in the reporting period are outlined in the section below.

### ImmobilienScout24

### Key performance indicators

| (EUR millions) | Q4 2018 (unaudited) | Q4 2017* (unaudited) | % Change | FY 2018 | FY 2017 | % Change |
|---|---|---|---|---|---|---|
| Revenue with Residential Real Estate Partners | 31.7 | 28.9 | 9.8% | 122.6 | 113.6 | 7.9% |
| Revenue with Business Real Estate Partners | 14.2 | 12.3 | 15.2% | 53.5 | 47.3 | 13.0% |
| Revenue with Private Listers and Other | 18.3 | 19.2 | -4.7% | 73.9 | 75.0 | -1.4% |
| **Total external revenue** | **64.2** | **60.4** | **6.3%** | **250.0** | **235.9** | **6.0%** |
| **Ordinary operating EBITDA** | **44.4** | **38.7** | **14.8%** | **170.3** | **157.5** | **8.1%** |
| **Ordinary operating EBITDA margin, %** | **69.2%** | **64.1%** | **5.1pp** | **68.1%** | **66.8%** | **1.3pp** |

* The following change was made compared with the figures previously reported for 2017: IFRS 15 was retrospectively applied as of 1 January 2017. IFRS 16 is likewise applied since 1 January 2018; the figures for 2017 have not been restated retrospectively.

| | FY 2018 | FY 2017 | % Change |
|---|---|---|---|
| Residential Real Estate Partners (contractual) (as of end of period, number) | 14,745 | 13,434 | 9.9% |
| Residential Real Estate Partner ARPU (EUR/month) | 634 | 617 | 2.7% |
| Business Real Estate Partners (contractual) (as of end of period, number) | 2,815 | 2,771 | 1.7% |
| Business Real Estate Partner ARPU (EUR/month) | 1,567 | 1,376 | 13.9% |
| Desktop UMV (millions)[41] | 5.9 | 5.9 | 0.0% |
| Multiplatform UMV (millions)[42] | 13.8 | 12.7 | 8.7% |
| Sessions per month, Germany (millions) | 87.4 | 81.4 | 7.4% |

[41] comScore, December 2018; average for the respective period
[42] comScore, December 2018; average for the respective period

External revenue in the IS24 segment grew by 6.0% to EUR 250.0 million in the reporting period compared with EUR 235.9 million in 2017. Revenue growth is thus at the upper end of the expected range communicated in the annual report 2017 (growth between 4.0% and 6.0%) and of the more precise expected range in the interim report 2018 (growth between 5.0% and 6.0%). This momentum is chiefly due to the strong development of Revenue with Residential Real Estate Partners and Revenue with Business Real Estate Partners. Both revenue lines saw a marked acceleration in revenue in the second half of the financial year compared with the first half of 2018.

Revenue growth from residential real estate partners was mainly driven by a better monetisation of the existing contractual customer base and the intensified marketing of the VIA product range, but also a further increase in the number of residential real estate partners. The number of real estate partners stabilised in mid-2017, and has since increased steadily, driven by low customer churn coupled with high customer regain and new acquisition rates. In a year-on-year comparison, the contractual customer base has grown by about 10% (December 2017: 13,434, December 2018: 14,768). The real estate partners won are mainly customers from the small to mid-sized segment. However, average revenue per user (ARPU) per month for the contractual residential real estate partners won in the financial year 2018 is significantly below the ARPU of existing contractual residential real estate partners owing to the customer structure, which dilutes the ARPU for all residential real estate partners. At EUR 634, ARPU from residential real estate partners (contractual) was only 2.7% above the value for the previous year despite price adjustment measures for existing customers and additional marketing of the VIA product range (2017: EUR 617).

As expected, Revenue with Business Real Estate Partners likewise showed a strong development since the previous year. This trend mainly reflects the improved monetisation of the customer base coupled with the additional marketing of products from the VIA product range. Coupled with an essentially stable number of business real estate partners (contractual), the ARPU of business real estate partners developed very favourably with growth of 13.9% (2018: EUR 1,567; 2017: EUR 1,376).

At EUR 73.9 million, Revenue with Private Listers and Other in the financial year 2018 was slightly below the previous year's level (2017: EUR 75.0 million) although it was still within the anticipated range. The decrease in revenue year on year is mainly attributable to the introduction of a new pricing model for people searching for successor tenants.

Based on the positive revenue development, ordinary operating EBITDA increased by EUR 12.8 million (8.1%) to EUR 170.3 million in the 2018 financial year compared with the previous year (2017: EUR 157.5 million). The increase in ordinary operating EBITDA was also driven by a roughly EUR 2.1 million reduction in costs as a result of the application of IFRS 16. The profitability of the segment, measured by the ordinary operating EBITDA margin stands at 68.1% or 1.3 percentage points above the previous year's level (2017: 66.8%) and it is thus fully within the scope of the communicated expectations and the expectations as adjusted to account for the new financial reporting requirements (› Adjustment of the outlook for the full year 2018, page 27) of at least 68.0%.

IS24 was able to expand its leading market position further in the financial year 2018. In accordance with the market trend towards a reduction in listings' average durations on platforms, the overall number of listings on the IS24 platform decreased slightly year on year (around 432 thousand listings as of December 2018 compared with approximately 445 thousand listings as of December 2017), although it was possible to increase the market share[43]. The number of listings compared with the closest competitor increased from 1.8 times as of the end of December 2017 to 1.9 times as of the end of December 2018[44].

Based on this extensive offering of listings, IS24 was able to maintain its leading position in terms of traffic and user engagement with an average of 534 million minutes of time spent on the platform in 2018 (desktop and mobile, 2.8 times compared with its closest competitor).[45] In 2018, the average number of sessions per month on the websites came to 87 million (2017: 81 million), an increase of 7.4%. Supported by our "mobile first" approach, the average number of sessions via mobile devices likewise increased by 11.1%. The average number of sessions via mobile devices now makes up 77% of total sessions (74% in 2017).[46]

[43] Management estimates
[44] Management estimates
[45] comScore, December 2018; average for the respective period
[46] Management estimates, based on sessions on the IS24 platform via mobile devices, mobile-optimised websites and IS24 apps in relation to total visitors monitored by the Company's own Traffic Monitor (Google Analytics).

## AutoScout24

### Key performance indicators

| (EUR millions) | Q4 2018 (unaudited) | Q4 2017* (unaudited) | % Change | FY 2018 | FY 2017 | % Change |
|---|---|---|---|---|---|---|
| Revenue with Dealers, Germany | 20.9 | 17.8 | 17.2% | 77.5 | 67.9 | 14.1% |
| Revenue with Dealers, European Core Countries | 19.4 | 16.9 | 14.8% | 73.7 | 61.5 | 20.0% |
| Revenue with OEMs | 5.8 | 6.3 | -8.0% | 18.9 | 17.5 | 7.8% |
| Other Revenue | 2.9 | 3.0 | -4.6% | 11.4 | 11.8 | -3.3% |
| **Total external revenue** | **49.0** | **44.1** | **11.2%** | **181.5** | **158.7** | **14.4%** |
| **Ordinary operating EBITDA** | **27.9** | **22.0** | **26.7%** | **97.2** | **76.6** | **26.9%** |
| **Ordinary operating EBITDA margin, %** | **56.9%** | **49.9%** | **7.0pp** | **53.5%** | **48.2%** | **5.3pp** |

* The following change was made compared with the figures previously reported for 2017: IFRS 15 was retrospectively applied as of 1 January 2017. IFRS 16 is likewise applied since 1 January 2018; the figures for 2017 have not been restated retrospectively.

| | FY 2018 | FY 2017 | % Change |
|---|---|---|---|
| Partner Dealers, Germany (as of end of period, number) | 23,813 | 27,470 | -13.3% |
| Partner Dealers ARPU, Germany (EUR) | 252 | 213 | 18.3% |
| Partner Dealers, European Core Countries (as of end of period, number) | 21,947 | 22,349 | -1.8% |
| Partner Dealers ARPU, European Core Countries (EUR) | 278 | 237 | 17.3% |
| Desktop UMV, Germany (millions)[47] | 3.6 | 4.0 | -10% |
| Multiplatform UMV, Germany (millions)[48] | 8.2 | 8.2 | 0% |
| Sessions per month, Germany (millions)[49] | 47,7 | 45,8 | 4.1% |
| Sessions per month, European Core Countries (millions)[50] | 50,5 | 49,1 | 2.9% |

External revenue in the AS24 segment, increased substantially again by 14.4% to EUR 181.5 million in the financial year 2018 compared with EUR 158.7 million in the financial year 2017. Revenue is thus within the scope of the communicated expectations and the expectations as adjusted to account for the new financial reporting requirements (› Adjustment of the outlook for the full year 2018, page 27), which had anticipated revenue of at least EUR 180.5 million. The sustained positive development is mainly attributable to growth in Revenue with Dealers, both in Germany and in other European Core Countries. Both revenue items benefit from the successful implementation of price adjustments and the resulting improvement in the customer base's monetisation in Germany and other European Core Countries. Accordingly, AS24 reported an 18.3% increase in ARPU in Germany and of 17.3% in the European Core Countries (2018: EUR 251.9 and EUR 277.5 respectively; 2017: EUR 212.9 and EUR 237.3 respectively). Revenue with OEMs increased 7.8% year on year and Other Revenue

[47] AGOF, December 2018, average for the respective period; values for the previous year including AGOF.
[48] AGOF, December 2018, average for the respective period; values for the previous year including AGOF.
[49] Including sessions on eastern European language versions of AS24 platform.
[50] Management estimate; number of sessions including AutoScout24 platforms in Austria and AutoTrader.nl in the Netherlands.

was slightly below the level for the previous year. The Number of Partner Dealers in Germany and other European Core Countries decreased year on year, mainly reflecting the optimisation of the customer base in Germany with a sharper core focus of sales to medium-sized or large customers.

In 2018, AS24 recorded a consistently high number of listings in Germany, with more than one million listings per month and 1.11 million listings on average (compared with 1.18 million listings in the period from January to December 2017). AS24 thus continues to rank a solid second in the German market. In addition, AS24 was able to defend the leading position measured by number of listings in the Core Countries Belgium (including Luxembourg), the Netherlands, Italy and Austria.[51] The number of sessions via mobile devices increased thanks to the improved functionality by 9.8% compared with the previous year, bringing the percentage of sessions via mobile devices to 75.3% of total sessions in Germany in 2018, compared with 77.0% of total sessions in the other European Core Countries. [52]

The positive revenue trend and slower growth in costs compared with revenue growth are reflected in the sharp increase in ordinary operating EBITDA, which was up EUR 20.6 million (or 26.9%) to EUR 97.2 million. The increase in ordinary operating EBITDA was also driven by a roughly EUR 1.0 million reduction in costs as a result of applying IFRS 16. The ordinary operating EBITDA margin increased by 5.3 percentage points to 53.5%, thus exceeding the forecast for the financial year 2018 adjusted to take account of the new financial reporting requirements (ordinary operating EBITDA margin of about 52.0%).

[51] Management estimate, December 2018

[52] Management estimates, based on sessions on the AS24 platform via mobile devices, mobile-optimised websites and IS24 apps in relation to total visitors monitored by the company's own Traffic Monitor (Google Analytics).

## Scout24Consumer Services (CS)

| (EUR millions) | Q4 2018* (unaudited) | Q4 2017** (unaudited) | % Change | FY 2018* | FY 2017** | % Change |
|---|---|---|---|---|---|---|
| Revenue with Finance Partners | 20.5 | 10.5 | 95.1% | 54.8 | 39.5 | 38.9% |
| Services Revenue | 7.1 | 5.8 | 22.3% | 27.9 | 23.7 | 17.7% |
| Third-Party Display Revenue | 5.1 | 4.4 | 16.4% | 17.4 | 14.4 | 20.9% |
| **Total external revenue** | **32.8** | **20.8** | **57.9%** | **100.1** | **77.6** | **29.1%** |
| **Ordinary operating EBITDA** | **6.3** | **8.2** | **-23.1%** | **31.6** | **28.4** | **11.5%** |
| **Ordinary operating EBITDA margin, %** | **19.2%** | **39.4%** | **-20.2pp** | **31.6%** | **36.5%** | **-4.9pp** |

* The earnings of FINANZCHECK.de are included in the financial figures of Scout24 AG as of 1 September. The contribution to revenue as of the end of the 2018 financial year amounts to EUR 12.3 million, while the contribution to ordinary operating EBITDA is a negative EUR 2.0 million.

** The following change was made compared with the figures reported for 2017: IFRS 15 was applied as of 1 January 2018 and the figures for 2017 were adjusted retrospectively.

Effective 1 January 2018, Scout24 Consumer Services ("CS") was established as a separate segment and is reported as such for the first time as of the first quarter of 2018. It comprises all activities related to services along the value chain of the real estate or automobile market and around advertisements from non-real-estate or non-automotive-related third parties. As of 1 September 2018, the earnings of FINANZCHECK.de are also reported in this segment.

The segment generated external revenue of EUR 100.1 million in the financial year 2018, up 29.1% year on year (2017: EUR 77.6 million). Excluding FINANZCHECK.de, total revenue in the Scout24 Consumer Services segment came to EUR 87.8 million, which constitutes a 13.2% increase in revenue. This increase was mostly driven by Services Revenue and Revenue with Finance Partners. Particularly Services Revenue showed a very pleasing development owing to the intensified monetisation of our offering for users, particularly through the success of our premium membership, with an increase of 17.7% to EUR 27.9 million (2017: EUR 23.7 million). Third-Party Display Revenue also reported a clearly positive development with revenue up 20.9% to EUR 17.4 million (2017: EUR 14.4 million). Based on the positive revenue development, ordinary operating EBITDA increased by EUR 3.2 million (or 11.5%) to EUR 31.6 million in the 2018 financial year compared with the previous year. The increase in ordinary operating EBITDA was also driven by a roughly EUR 0.7 million (including FINANZCHECK.de) or roughly EUR 0.4 million (without FINANZCHECK.de) reduction in costs as a result of applying IFRS 16. Measured by the ordinary operating EBITDA margin, the CS segment's profitability decreased year on year by 4.9 percentage points to 31.6% (2017: 36.5%). Excluding FINANZCHECK.de, the ordinary operating EBITDA margin came to 38.2%.

As a result, the CS segment exceeded the expectations communicated in the annual report 2017 and the expectations as adjusted to take account of the new financial reporting requirements (› Adjustment of the outlook for the full year 2018, page 27) as well as the more precise range communicated in the interim report 2018 (without FINANZCHECK.de) for the financial year 2018: revenue of about EUR 87.0 million together with an increase in the ordinary operating EBITDA margin (excluding FINANZCHECK.de) of at least 1 percentage point.

With the acquisition of FINANZCHECK.de, Scout24 took an important strategic step in the third quarter 2018 As a result, we can now stay in touch with users also after completing a transaction and offer them even more support with tailored offers throughout their consumer journey. In this sense, FINANZCHECK.de helps us tap further potential of the Scout24 Group's market network. The product-related integration in the Scout24 market network has already made good progress since the acquisition. From a financial perspective, FINANZCHECK.de made a contribution to revenue of EUR 12.3 million in the financial year 2018, thus slightly exceeding the forecast of roughly EUR 12 million. The negative contribution to ordinary operating EBITDA margin of EUR 2.0 million is likewise within the expected range, which contemplated a low single-digit million negative contribution.

## Results of operations, financial position and net assets of the Group

### Result of operations

Scout24 remained on a growth track in the financial year 2018. Revenue increased by EUR 59.1 million or 12.5% to EUR 531.7 million compared with the financial year 2017 (EUR 472.6 million). The newly acquired FINANZCHECK.de contributed EUR 12.3 million to revenue in the financial year 2018. Without taking into account FINANZCHECK.de, the Group's revenue increased by 9.9% to EUR 519.4 million in the financial year 2018. This development was mainly driven by strong growth at IS24, as well as sustained growth in the AS24 and CS segments.

At EUR 18.6 million, own work capitalised in the financial year 2018 was above the level of the previous year (2017: EUR 15.1 million) due to the increased capitalisation of development work, particularly in product development for AS24.

At EUR 2.8 million, other operating income in the financial year 2018 was above the previous year's level (EUR 1.1 million). This line item mainly contains income from cost allocations to third parties. Also included in the line item is income of EUR 1.7 million from the sale of trademarks of "JobScout24" Switzerland.

Personnel expenses (including non-operating effects of EUR 18.7 million) increased by EUR 16.7 million, or 14.3%, to EUR 133.6 million (2017: EUR 116.9 million including non-operating effects of EUR 14.0 million), thereby exceeding the growth rate in average headcount (7.7% growth, including FINANZCHECK.de); this chiefly reflects standard market adjustments to salaries as well as the introduction of an additional stock option programme (› Share-based payments).

The increase in advertising expenses by EUR 7.9 million compared with the previous year (2018: EUR 61.4 million; 2017: EUR 53.5 million) is mainly attributable to the advertising expenses of FINANZCHECK.de amounting to EUR 4.9 million. Due to the operating leverage, advertising expenses without taking into account FINANZCHECK.de (EUR 56.5 million) grew slower than revenue (2017: EUR 53.5 million, up 5.6%). IT expenses (2018: EUR 20.8 million) increased faster than revenue year on year (2017: EUR 17.0 million) due primarily to the contribution of FINANZCHECK.de of EUR 0.6 million as well as the ongoing migration of the data centre solutions to the cloud and the resulting share of cloud-based platform and software solutions.

Other operating expenses increased by EUR 11.5 million or 16.8% to EUR 80.1 million compared with the 2017 financial year (2017: EUR 68.6 million). This is chiefly attributable to an increase in expenses for third-party service providers for product development as well as other departments. The increase is partly offset by the elimination of operating lease expenses of EUR 6.1 million due to the first-time application of IFRS 16 in the financial year 2018.

As a result of the aforementioned developments, earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 10.5% to EUR 257.3 million in the reporting period (2017: EUR 232.8 million).

EBITDA includes non-operating costs of EUR 34.2 million (previous year: EUR 20.0 million). These are mainly attributable to personnel expenses in connection with share-based payments, costs related to M&A activities as well as non-recurring expenses for reorganisation measures. Personnel expenses comprise expenses in connection with reorganisation measures of EUR 2.8 million (2017: EUR 7.6 million) as well as expenses of EUR 15.3 million from › Share-based payments in connection with management profit-participation programmes as well as stock option programmes for selected employees (2017: EUR 3.2 million from management profit-participation programmes and EUR 1.5 million from stock option programmes for selected employees, the latter were classified as operating costs in 2017). Ordinary operating EBITDA increased accordingly by 15.3% to EUR 291.5 million in the reporting period, compared with EUR 252.8 million in 2017.

A reconciliation to ordinary operating EBITDA is presented below:

## Reconciliation of ordinary operating EBITDA

| Group (EUR millions) | FY 2018 | FY 2017 |
|---|---|---|
| **Ordinary operating EBITDA** | **291.5** | **252.8** |
| Non-operating costs | -34.2 | -20.0 |
| of which personnel expenses | -18.7 | -14.0 |
| of which attributable to M&A transactions | -14.2 | -4.2 |
| of which other non-operating costs/income | -1.3 | -1.8 |
| thereof costs for Munich office relocation | -1.1 | - |
| thereof proceeds from the sale of trademarks | 1.7 | - |
| **EBITDA** | **257.3** | **232.8** |

Depreciation, amortisation and impairment losses amounted to EUR 66.1 million, of which EUR 36.8 million was attributable to intangible assets identified and recognised in the course of purchase price allocations (2017: EUR 56.8 million and EUR 38.2 million respectively). The figure also contains amortisation of EUR 6.6 million on right-of-use assets recognised for the first time in 2018 due to the application of IFRS 16.

The financial result amounted to EUR 27.3 million in the 2018 financial year, compared with a negative EUR 10.4 million in the 2017 financial year. This is mainly attributable to the finance income of EUR 35.0 million from the contribution of the shares in AS24 Spain into an associate amounting to EUR 33.4 million as well as the sale of classmarkets amounting to EUR 1.6 million (2017: EUR 0.0 million and no finance income from the sale or transfer of shares). The financial result reflects a positive impact from interest income of EUR 6.2 million owing to lower interest expectations with regard to the refinancing of the RFA. Countereffects resulted from the financing of the acquisition of FINANZCHECK.de as well as additional financing costs for the old credit facility agreement for the revolving credit facility II as a result of the refinancing in July 2018 as well as the financing costs relating to the promissory note loan ("Schuldscheindarlehen") placed in March 2018 (› Capital resources and financing structure). The interest expense included in finance costs amounted to EUR 15.0 million in the 2018 financial year (2017: EUR 13.7 million), a year-on-year increase of 9.5%. The interest expense of EUR 15.0 million comprises interest expenses of EUR 9.4 million due to third parties (2017: EUR 11.8 million), interest expenses of EUR 4.9 million from the debt discount (2017: EUR 1.9 million) as well as interest expenses of EUR 0.7 million in connection with the first-time application of IFRS 16 as of 1 January 2018. The net interest expense of EUR 8.8 million corresponds to interest expenses of EUR 15.0 million net of interest income of EUR 6.2 million (2017: EUR 1.9 million), which is mainly attributable to the refinancing performed in July 2018 (notes to the consolidated financial statements, note 3.9 › "Finance income", 3.10 › "Finance costs").

Income tax expenses totalled EUR 54.0 million in the financial year 2018, resulting in an effective tax rate of 24.7%, compared with tax expense of EUR 54.6 million in the financial year 2017. Income tax expenses are reduced by deferred tax income of EUR 16.3 million, which mainly stems from the purchase price allocation. Deferred tax income totalled EUR 7.1 million in the financial year 2017.

Accordingly, Scout24 reported earnings after tax for the Group attributable to the shareholders of EUR 164.4 million for the financial year 2018 (2017: EUR 110.9 million). As a result, earnings per share came to EUR 1.53 (2017: EUR 1.03).

### Financial position

#### Principles and objectives of financial management

The treasury function plans and manages the requirements and provision of cash within the Scout24 Group. Based on annual financial planning and rolling liquidity planning, the Group's financial flexibility and solvency is ensured at all times. The cash pooling procedure is additionally used for all relevant Group companies.

In June 2018, Scout24 AG distributed a significantly larger dividend to its shareholders for the financial year 2017 compared with the previous year of EUR 0.56 per ordinary share (in 2017 for 2016: EUR 0.30). Its current dividend policy envisages shareholders continuing to participate in the Group's profits. For 2018, the Management Board proposes to the Supervisory Board the payment of a dividend of EUR 0.64 per dividend-entitled share. This corresponds to a total distribution of EUR 68.9 million. Based on the share price as of 28 December 2018, this corresponds to a dividend yield of 1.6%.

However, in view of the intention of Pulver BidCo GmbH to submit a takeover offer (see events after the reporting date (notes to the consolidated financial statements, note 5.8 › “Events after the reporting period”), Management Board and Supervisory Board will, prior to the expiry or the final consummation of the takeover offer, refrain from convening the 2019 Annual General Meeting. Consequently, prior to the expiry or the final consummation of the takeover offer no resolution on the appropriation of profits of the financial year 2018 will be passed. Following a successful consummation of the takeover offer, as the case maybe, the Management Board and Supervisory Board will revisit their decision for an appropriate proposal to the 2019 Annual General Meeting regarding the appropriation of profits of the financial year 2018.

#### Capital resources and financing structure

In March 2018, Scout24 AG successfully placed its first promissory note (“Schuldschein”) with a volume of EUR 215 million. At the end of March, Scout24 AG repaid early EUR 250.0 million of its bank loans at the time (facility agreement, FA). The repayment was funded from the proceeds of the first promissory note issue amounting to EUR 215.0 million together with cash of EUR 35.0 million. The repayment lowers the Group's debt burden effectively by EUR 35.0 million. Bank liabilities under the FA came to EUR 370.0 million after the repayment. In July 2018, Scout24 AG refinanced and restructured early the syndicated loan (FA). As a result, the new syndicated loan agreement (term loan and revolving facilities agreement, hereinafter “RFA”) gives Scout24 AG access to a line of credit of EUR 1,000.0 million, comprising a EUR 300.0 million term loan, a revolving credit facility of EUR 200.0 million and a revolving credit facility totalling EUR 500.0 million earmarked for acquisition purposes. The residual liability relating to the term loan was EUR 300.0 million as of 31 December 2018. An amount of EUR 20.0 million was drawn from the revolving credit facility as of 31 December 2018, following a EUR 50.0 million early repayment at the end of December 2018. EUR 250.0 million of the credit facility earmarked for acquisition purposes has been drawn as of 31 December 2018. The term loan, the revolving credit facility and the revolving credit facility earmarked for acquisitions are bullet loans. The term loan is reported under non-current financial liabilities. The amount drawn from the credit facility and the amount drawn from the revolving credit facility earmarked for acquisition purposes are reported either under current or non-current financial liabilities based on an assessment of the repayment date. As of 31 December 2018, the amount drawn from the revolving credit facility earmarked for acquisition purposes was reported under non-current liabilities, while the amount drawn from the revolving credit facility was reported under current financial liabilities.

The interest rate charged on the facilities drawn under the syndicated loan is based on the EURIBOR plus an interest margin linked to the leverage ratio. A floor of 0.0% is set for the EURIBOR. The promissory note issued in March 2018 comprises tranches with terms ranging between three and six years and both fixed and variable interest rates.

The covenant applicable under the RFA refers to the ratio of net debt to ordinary operating EBITDA for the last twelve months (leverage ratio) and is 3.50:1. The covenant was complied with in the reporting period with a leverage ratio of 2.56:1 as of 31 December 2018 (31 December 2017: 2.22:1), resulting in EBITDA headroom to the covenant of 26.9%. The promissory note is not subject to any covenants, although the investors are entitled to an interest rate increase if a leverage ratio of 3.25:1 is exceeded.

Failure to comply with the RFA covenant is deemed a breach of contract, which would result in the outstanding loan amount falling immediately due. However, failure to comply with the covenant can be remedied by including authorised capital up to a maximum of 10% of the share capital in the calculation of the covenant or by actually increasing capital and using the corresponding proceeds to repay the loan until the covenant is complied with again. This procedure is applicable up to twice during the facility's term to maturity.

On account of the good cash conversion rate[53], it was possible to repay bank liabilities early in the course of 2018. A total amount of EUR 85.0 million was repaid, comprising an early repayment of EUR 35.0 million of the term loan under the FA in March and a further early repayment of EUR 50.0 million of the revolving credit facility under RFA in December 2018.

The Scout24 Management Board plans to further reduce the leverage ratio over the course of time, aiming for a target range for the leverage ratio (ratio of net debt to ordinary operating EBITDA for the past twelve months) of 1.5:1 to 1.0:1.

Along with the balance of cash of EUR 58.4 million (31 December 2017: EUR 56.7 million), the Group also has liquidity of EUR 180.0 million from the aforementioned revolving credit facility and of EUR 250.0 million from the revolving credit facility earmarked for acquisitions, which had not been drawn as of 31 December 2018. Aside from the RFA, there is a further lending agreement with a total volume of EUR 1.9 million for guarantee facilities.

As of the reporting date, off-balance sheet liabilities totalled EUR 8.8 million, including EUR 7.8 million with a residual term of one year, EUR 0.9 million with a residual term between one and five years and EUR 0.1 million with a residual term of more than five years. As of 31 December 2017, off-balance sheet liabilities totalled EUR 48.4 million, including EUR 15.2 million with a residual term of one year, EUR 21.0 million with a residual term between one and five years and EUR 12.2 million with a residual term of more than five years. The year-on-year changes are attributable to the application of IFRS 16 and the recognition of lease agreements as of 1 January 2018. A further off-balance sheet liability pertains to the conclusion of a lease agreement for an office building in Berlin in the financial year 2018 amounting to EUR 51.6 million. The lease agreement will not be recognised in the balance sheet until the commencement of the lease (notes to the consolidated financial statements, note 4.6 › "Right-of-use assets from leases").

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[53]The cash conversion rate is defined as ordinary operating EBITDA less capital expenditure (adjusted) in relation to ordinary operating EBITDA.

### Liquidity and investment analysis

Scout24 generated a cash flow from operating activities of EUR 207.5 million in the financial year 2018, an increase of 26.4% compared with EUR 164.2 million in the financial year 2017. This mainly reflects EBITDA growth. This was partly offset by a cash outflow of EUR 52.9 million for income tax payments, primarily relating to the financial year 2018 (2017: EUR 66.1 million).

The cash flow from investing activities amounting to a negative EUR 294.1 million is chiefly due to payments made for the acquisition of subsidiaries net of cash acquired amounting to EUR 266.3 million as well as capital expenditure totalling EUR 28.4 million (2017: EUR 22.8 million). Of the capital expenditure, EUR 19.2 million was attributable to intangible assets (2017: EUR 20.0 million) and EUR 9.2 million to property, plant and equipment (2017: EUR 2.8 million). The increase in capital expenditure on property, plant and equipment is mainly due to capital expenditure in connection with the office relocation in Munich.

Cash flow from financing activities amounted to EUR 88.3 million in the reporting period. That includes a cash outflow of EUR 220.0 million pertaining to repayments of the term loan and EUR 30.0 million pertaining to repayments of the revolving credit facility under the replaced syndicated loan agreement. The replaced term loan was repaid from proceeds from the promissory note issued amounting to EUR 215.0 million as well as EUR 5.0 million from the Company's cash. Also included are a repayment of EUR 50.0 million of the revolving credit facility under the existing syndicated loan agreement as well as EUR 0.6 million in repayments of other liabilities. In addition, the item includes a non-current liability of EUR 250.0 million relating to an amount drawn from the revolving credit facility earmarked for acquisitions as well as cash outflows of EUR 60.3 million for the payment of the dividend for the financial year 2017 to the shareholders and interest payments of EUR 10.1 million.

In total, cash available in the financial year 2018 increased by EUR 1.7 million from EUR 56.7 million as of 31 December 2017 to EUR 58.4 million as of 31 December 2018.

During the course of financial year 2018, Scout24 had enough cash at its disposal at all times to meet all financial obligations that fell due.

### Net assets

The Group's total assets as of 31 December 2018 came to EUR 2,464.7 million, thus increasing by EUR 324.2 million or 15.1% year on year (31 December 2017: EUR 2,140.5 million).

Non-current assets increased by EUR 270.6 million to EUR 2,295.8 million (31 December 2017: EUR 2,025.2 million). The 27.2% increase in goodwill from EUR 836.7 million to EUR 1,064.1 million is mainly attributable to the acquisition of FINANZCHECK.de (acquired goodwill: EUR 236.6 million). (For further details on › Changes in the consolidation scope reference is made to note 2.1 Entities acquired in the reporting period in the notes to the consolidated financial statements.) Positive effects on non-current assets also stemmed from the net increase of EUR 31.0 million in right-of-use assets from leases due to the application of IFRS 16 (EUR 37.1 million addition less amortisation of EUR 6.6 million for the financial year 2018) as well as an increase in property, plant and equipment of EUR 5.2 million. This was partly offset by amortisation of intangible assets from purchase price allocations amounting to EUR 36.8 million.

Current assets increased from EUR 115.3 million to EUR 168.9 million, mainly due to the EUR 6.3 million increase in financial assets to EUR 7.4 million (2017: EUR 1.1 million), the EUR 2.6 million increase in other assets to EUR 10.1 million (2017: EUR 7.5 million), as well as the disclosure of assets held for sale amounting to EUR 33.8 million (2017: EUR 0 million). For further details on assets held for sale reference is made to note 4.9 › Non-current assets held for sale in the notes to the consolidated financial statements.

Current liabilities decreased in the reporting period by EUR 12.4 million to EUR 148.0 million compared with EUR 159.2 million in the previous year, mainly due to the EUR 50.1 million decrease in current financial liabilities to EUR 29.4 million (2017: EUR 79.5 million), which was mainly attributable to the repayment of bank liabilities of EUR 50.0 million. Current liabilities additionally contain EUR 11.7 million associated with non-current assets held for sale.

Non-current liabilities increased by EUR 228.1 million to EUR 1,143.9 million as of 31 December 2018 (31 December 2017: EUR 915.8 million). This increase is primarily attributable to the increase in financial liabilities in connection with the refinancing and the additional revolving credit facility obtained for acquisitions, the recognition of lease liabilities in connection with IFRS 16 as well provisions for share-based payments.

Equity increased from EUR 1,065.5 million to EUR 1,172.8 million. Accordingly, the equity ratio stands at 47.6% as of 31 December 2018 (31 December 2017: 49.85%).

## Overall assessment

With the very positive business development in the reporting period, the Scout24 Group has again demonstrated the validity of its strategy to focus on sustainable and profitable growth. We have driven our revenue growth mainly organically, but also through targeted acquisitions that bolster our market network. Moreover, we continued to successfully advance the realignment of our organisation in 2018 and promoted the leveraging of synergies.

The trend in our ordinary operating EBITDA margin reflects the success of our strategy. Based on our margin quality, strong cash contribution,[54] solid balance sheet structure and good leverage ratio, we are in an excellent position to progress with the transformation of our Company from a provider of digital classifieds portals to the leading provider of digital market networks in the industry, as well as to maintain and further boost our profitability.

[54] Cash contribution is defined as ordinary operating EBITDA less capital expenditure (adjusted).

# Risks and opportunities

The Scout24 Group regularly faces risks and opportunities that can have both negative and positive effects on the Group's results of operations, financial position and net assets. The Scout24 Group deploys effective management and control systems to identify risks and opportunities at an early stage and manage them adequately. This report on risks and opportunities presents the most important risks and opportunities pertaining to the Scout24 Group.

## Management's overall statement on the risk position

The overall risk position is maintained at a manageable level. A going concern risk to the Group is currently not foreseeable.

The Internet business in Germany, Europe and worldwide remains on a growth track. Especially in the classifieds business, business models are moving ever further from traditional offline offerings such as print media to corresponding online offerings. The entire market is subject to constant change and intense competition. At the same time, the creation of transparency in digital marketplaces with relevant content and offerings for users represents significant business potential for innovative marketing strategies for the offerings on these trading platforms. We are well positioned, both in terms of operations and strategy, to benefit from this market dynamic, and to exploit it as a growth opportunity for the classifieds and advertising business. These trends together define the Scout24 Group's risks and opportunities profile.

Over the past years, we have consistently diversified our value chain relating to the classifieds business and made preparations to tap the future revenue growth potential that also lies outside the classic classified listings business of a digital marketplace. At the same time, we have positioned the Scout24 Group even more efficiently over recent months and further optimised our business portfolio. The Scout24 Group continues to stand on a solid foundation both financially and accountingwise.

Accordingly, at the time of preparation of the management report we assess the risks as limited, and the overall risk position is manageable. Compared with the reporting period ended 31 December 2017, no (fundamental) change has occurred in the overall risk position. There are currently no identifiable risks that, either individually or collectively, could lead to a significant or prolonged deterioration in the Scout24 Group's results of operations, financial position and net assets or would constitute a risk to the Group's ability to continue as a going concern.

## Risk management system, compliance management system and internal control system

The basic design of the risk management system reflects the internationally recognised COSO Enterprise Risk Management Framework of the Committee of Sponsoring Organisations of the Treadway Commission. This framework links the group-wide risk management system to the internal control system (ICS), which is also based on the COSO framework. This integrated approach helps the Company to direct management and monitoring activities towards the corporate objectives and their inherent risks.

The internal control system is an integral part of the risk management system and comprises the entirety of the policies and measures, principles and procedures to achieve the corporate objectives. It is especially intended to ensure the security and efficiency of business processes, as well as the reliability of the financial reporting.

The risk management function has the goal of systematically recording and assessing risks and aims for controlled handling of such risks. It is intended to enable the Scout24 Group to identify any unfavourable developments at an early stage in order to promptly take counteractive measures and monitor them.

In the reporting period, risk management concentrated predominantly on those activities that will substantially affect future profits (ordinary operating EBITDA, EBITDA, and EBIT) and are important for the Company's future prospects. Naturally, tax risks and risks from changes in interest rates are likewise taken into account.

Scout24 classifies its risks according to external, financial, operational, strategic and compliance risks – referred to as risk areas. To the extent possible, the assessment of the risks is carried out according to quantitative parameters, probability of occurrence and the potential financial impact.

Our opportunity management aims primarily to identify relevant market trends with value creation potential along our offering of products and services for our users and customers. Opportunities are measured based on their probability of occurrence and their potential positive impact according to qualitative parameters.

The objective of risk and opportunity management is a holistic and integrated approach, which combines the governance components of risk management, the internal control system (ICS) and compliance, supplemented by supporting internal audit activities. The starting point and point of reference in this regard are the requirements for the risk management and compliance management systems for listed companies.

### Principles of risk and opportunity management of the Scout24 Group

In the Scout24 Group, the principles of responsible corporate governance involve constantly and responsibly weighing up risks and opportunities that arise from business activity. The goal of the risk and opportunity management system is to develop a strategy and establish objectives that create an optimal balance between growth and profitability on the one hand and the associated risks on the other, thereby systematically and sustainably increasing the Company’s value.

Scout24 comprehensively evaluates the risks and opportunities that are significant in the aggregate for the Group's corporate development as part of the annual budgeting process. To derive the financial planning in this context, the industry and competitive environment as well as overall market trends are analysed and assessed according to the resultant opportunities and risks for the Company. This is complemented by the risk inventory prepared annually and updated quarterly, which ensures that risks and opportunities are surveyed and assessed throughout the Company using a defined methodology. The specific assessment of the opportunities and risks at the time of budget preparation is re-verified during the year in additional revisions of the planning and the risk reporting, such that the opportunities and risks for the Scout24 Group are assessed on a quarterly basis.

Above and beyond this, current risks and opportunities as well as their impact on the Company are discussed at bi-weekly executive leadership team (ELT) meetings, in quarterly meetings with the Supervisory Board and in regular budget, strategy and profit/loss meetings. In addition, the quarterly standardised reporting of the risk inventory to the Management Board as well as the half-yearly risk reporting to the Supervisory Board complete the risk management system of the Scout24 Group.

## Organisational implementation of risk and opportunity management

Overall responsibility for the risk and opportunity management system of the Scout24 Group lies with the Management Board. To identify risks and opportunities at an early stage and analyse, manage, monitor and counter them through appropriate measures, the Management Board has set up the Risk Management & Compliance function to integrate and manage group-wide the two risk and compliance management systems as well as the internal control system. This occurs in close cooperation with the individual risk officers in the (market) segments, central functions and equity investments, who bear responsibility for implementing the risk and opportunity management system in the risk reporting units, i.e. the operating units.

The effectiveness of the integrated risk management, compliance and internal control system is audited on a sample basis by a co-sourced internal audit function provided by an external professional services firm.

## Significant features of the internal control and risk management system with respect to the group accounting process

The accounting-related risk management system as well as the internal control system are a significant component of the Company's internal monitoring system. The aforementioned COSO framework is applied to ensure, by way of effective interaction of the risk management system and the internal control system, the effectiveness and efficiency of business operations as well as the completeness and reliability of the financial reporting. In this connection, the accounting-related risk management and the internal control system include all organisational rules and measures for the identification and management of risks relating to financial reporting.

We view the following characteristics of the risk management system and the internal control system as significant:

- Processes for the identification, assessment and documentation of all significant accounting-relevant business processes and risk areas, including associated key controls. These include financial and accounting processes as well as operational business processes that provide significant information for the preparation of the separate and consolidated financial statements, including the management report.
- Process-integrated controls (IT-supported controls and access limitations, authorisation concept, especially in regard to accounting-related IT systems, dual control system and segregation of duties).
- Standardised and documented financial bookkeeping processes.
- Group-wide accounting requirements in the form of accounting guidelines and reporting processes.
- Regular information to all consolidated entities regarding current developments relating to accounting and financial reporting and the financial statements close process as well as reporting deadlines.

## Risk prevention and ensuring compliance

Risk prevention is a significant element of the risk management system and an integral component of ordinary business activities. Uniform standards throughout the Group to systematically manage risks and opportunities form the basis for successful risk prevention and compliance in this context. These standards are set out in the Scout24 Group Governance, Risk & Compliance Handbook (GRC Handbook) and are put into effect by the Management Board. The core GRC process defined there – for which the Risk Management & Compliance department is responsible – ensures standardised processes for evaluating, analysing and reporting risk as well as implementing risk management measures. The GRC core process offers consistent, comparable and transparent information, thereby supporting important decision-making processes.

Compliance with national and internationally recognised compliance requirements is a fixed element of risk prevention. As part of this comprehensive integrated governance, risk and compliance approach, this also finds expression in the constant updating of business processes that are of relevance to risk and compliance to satisfy the requirements of corporate structure and strategy.

Along with updating existing risk management and compliance policies and processes, this additionally includes introducing new and important regulations and standards as well as consistently encouraging observance of our › Code of Conduct and use of the external whistle-blower system. This was supplemented by a communication and training concept introduced in 2016 in relation to relevant risk and compliance content for all business units, to raise employee awareness accordingly and achieve a uniform understanding of our risk management and compliance standards throughout the Company. This training concept was nominated in the category of "Outstanding Initiative for Security Training" by the Outstanding Security Performance Awards (OSPAs) in November 2016. The Scout24 Group thereby operates a system of policies, processes (including preventative training courses) and internal controls, that enables identifying at an early stage any potential deficits within the Company and minimising them by appropriate measures.

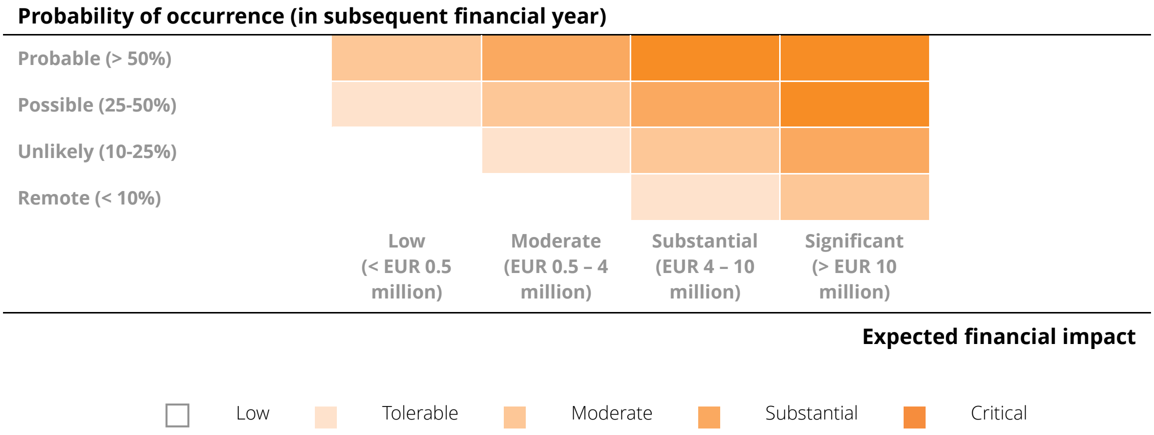
## Development of the risk assessment

The process begins with the identification of significant risks. Risks that exceed a certain materiality threshold or that are subjectively deemed urgent are brought to the Management Board's attention on an ad hoc basis by the risk owner or through the Vice President Risk Management. Interim reporting is oriented towards specific characteristics and is based on presented risk assessments and respective regular updates by the departments. Quarterly changes to the risk inventory are utilised as early warning indicators. The early warning system was expanded to include automated fraud indicators ("fraud risk red flags") for key processes at the end of 2018.

Risks are assessed as "low", "tolerable", "moderate", "substantial" or "critical", considering the anticipated impact on results of operations, financial position and net assets as well as estimated probabilities of occurrence. The risk assessment is based on quantitative parameters, i.e. the probability of occurrence in percent and the potential financial impact in euros. The quantification in this connection is primarily intended to indicate how relevant the respective risk is. The assessment of the monetary impact is the responsibility of the business units. The time horizon for estimating risks is one year for the probability of occurrence and approximately two to three years for the potential financial impact.

The identified risks are assessed applying the inherent/residual method. In the inherent risk analysis, the impact and probability of occurrence are initially assessed excluding any measures put in place to reduce the impact or probability of occurrence. The aim of the inherent risk assessment is to reflect the entire potential exposure, to thereby prevent an erroneous assessment that can arise from overestimating the effect from existing risk management measures. Conversely, in a second step, the residual risk analysis takes into account risk management measures that have been put in place. The objective of the inherent/residual method is to gauge the efficiency of the preventive measures deployed.

Here, risks are presented by their net expected loss, i.e. based on a net analysis of their expected financial impact in relation to the weighted probability of occurrence of all individual risks aggregated in that risk cluster. The mitigating measures that have been implemented are therefore considered in classifying the risk. The scale for measuring the assessment parameters (probability of occurrence and expected financial impact) as well as the resulting risk classification matrix are presented in the table below.




The risk assessment also includes analysing causes and interactions. Opportunities are not included in the assessment, but are covered separately through opportunities management and as part of the budgeting.

The third step consists of managing the risks. Given the existence of certain risk indicators in relation to the defined materiality thresholds, counter-measures are developed and introduced. The defined measures and risks are updated in the course of interim reporting to management.

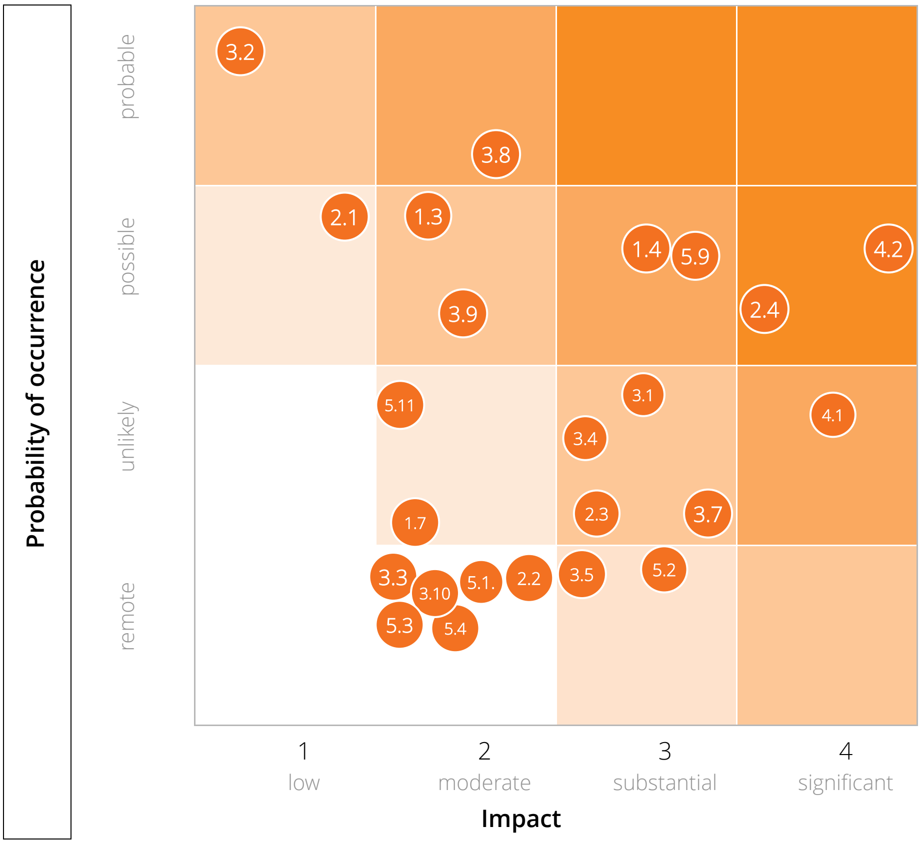
Local risk managers in the various business units are responsible for recording and reporting risks. The managers categorise the risks according to a standard catalogue applicable in the Group and document their results on a quarterly basis – or on an ad hoc basis – in a database.

## Overall risk situation, risk clusters and risk areas

The overall risk position (net) is determined by assessing the risk areas as the result of a consolidated analysis. The year-on-year changes are as follows:

| | | Probability of occurrence | | Quantitative impact | | Change |
|---|---|---|---|---|---|---|
| **1** | **External risks** | | | | | |
| 1.1 | Economic risks | remote | = | low | = | = |
| 1.2 | Regional and specific country risks | remote | = | low | = | = |
| 1.3 | Legal environment | possible | ↑ | moderate | ↙↗ | ↑ |
| 1.4 | Competition & market | possible | = | substantial | ↙↗ | = |
| 1.5 | Suppliers | remote | = | low | = | = |
| 1.6 | Labour market | remote | = | low | = | = |
| 1.7 | General public | unlikely | = | moderate | ↙↗ | = |
| 1.8 | Nature and environment | remote | = | low | = | = |
| **2** | **Financial risks** | | | | | |
| 2.1 | Financial reporting, organisation & quality | possible | ↑ | low | ↙↗ | ↑ |
| 2.2 | Financial management | remote | ↙↗ | moderate | ↙↗ | ↓ |
| 2.3 | Financial figures | unlikely | = | substantial | ↙↗ | = |
| 2.4 | Financial reporting | possible | = | significant | ↙↗ | = |
| **3** | **Operational risks** | | | | | |
| 3.1 | Human resources | unlikely | = | substantial | ↙↗ | = |
| 3.2 | Advertising and brand | probable | ↑ | low | ↙↗ | ↑ |
| 3.3 | Service providers, other business partners | remote | ↙↗ | moderate | ↙↗ | ↓ |
| 3.4 | Customers | unlikely | = | substantial | ↙↗ | = |
| 3.5 | Management & administration | remote | ↙↗ | substantial | ↙↗ | ↓ |
| 3.6 | Purchasing | remote | ↙↗ | low | ↓ | ↓ |
| 3.7 | IT risks | unlikely | = | Substantial | ↓ | ↓ |
| 3.8 | Project management | probable | ↑ | moderate | ↙↗ | ↑ |
| 3.9 | Product management & processes | possible | = | moderat | ↙↗ | = |
| 3.10 | Communication | remote | ↙↗ | moderate | ↙↗ | ↓ |
| **4** | **Strategic risks** | | | | | |
| 4.1 | Strategic orientation | unlikely | = | significant | ↑ | ↑ |
| 4.2 | Sales, marketing & brand | possible | = | significant | ↙↗ | = |
| **5** | **Compliance risks** | | | | | |
| 5.1 | Code of Conduct | remote | = | moderate | ↙↗ | = |
| 5.2 | Data protection & data security | remote | ↙↗ | substantial | ↙↗ | ↓ |
| 5.3 | Corruption & fraud | remote | = | moderate | ↙↗ | = |
| 5.4 | (Corporate) criminal law | remote | ↙↗ | moderate | ↑ | ↙↗ |
| 5.5 | Competition law | remote | ↙↗ | low | ↙↗ | ↙↗ |
| 5.6 | Intellectual property law | remote | = | low | = | = |
| 5.7 | Labour and social security law | remote | ↙↗ | low | ↓ | ↓ |
| 5.8 | Money laundering | remote | = | low | = | = |
| 5.9 | Know-how drain | possible | = | substantial | ↙↗ | = |
| 5.10 | Environmental law | remote | = | low | = | = |
| 5.11 | Documentation obligations | unlikely | ↓ | moderate | ↙↗ | ↓ |

↓ Decrease ↑ Increase
= Unchanged ↙↗ Immaterial change




The above graph shows only risk clusters with a net expected loss of EUR 500 thousand or more or a weighted probability of occurrence of over 10%.

Risk clusters that from today's perspective could significantly affect the Scout24 Group's results of operation, financial position and net assets are presented below. In this context, all the risks that are included in the "substantial" and "critical" fields in the underlying risk classification matrix are considered has having a significant effect. These are usually not the only risks to which the Company is exposed. However, we are currently not aware of any further risks that could affect our operations, or we have assessed them as not substantial.

We have assessed the overall risk position of the Group and its business units as manageable.

## External risks

### 1.3 Legal environment

Along with operational and financial risks, our business activities involve a wide range of legal risks, which we nevertheless currently assess as moderate both individually and collectively. Despite the fact that, in our opinion, it is currently not a substantial risk and thus below the reporting threshold, we have nevertheless decided to outline the most important legal and regulatory factors influencing our business due to the relative importance of this risk cluster.

By way of precaution, we draw attention to the fact that the outcome of any litigation and legal proceedings can inflict significant damage on our business, our reputation and our brands, and cause high costs.

We are also subject to a large number of laws and regulations, many of which are not yet firmly established or are still evolving. These also include the legal areas of consumer protection, data protection, e-commerce and competition, some areas of which attract considerable public attention. Antitrust and competition law claims or investigations may also require changes in our business operations. The first-time application of new regulatory requirements at FINANZCHECK.de as account information service provider as defined by the German Payment Services Supervision Act (Zahlungsdiensteaufsichtsgesetz, ZAG) should also be noted in this context.

The EU General Data Protection Regulation (GDPR) became effective on 25 May 2018 and applies across the entire European Union. Potential fines for offences have thus increased enormously, forming a risk that should not be underestimated. Significant infringements of these EU-wide regulations can entail fines of up to EUR 20 million in individual cases, or up to 4% of total annual global revenue. The GDPR regulates the protection of natural persons in relation to the processing of personal data.

As part of our operating activities, we receive and process the data of customers and users. Users of our platforms not only entrust us with their data necessary for registration, but also with information about their personal circumstances. The storage and processing of the data is always within the framework of legal requirements, and we protect all data and information against unauthorised access. We counteract the risks of data loss, unauthorised data transfer or use by securing the customer and user data entrusted to us with the latest technologies and security concepts as well as corresponding internal policies and processes. However, despite our extensive security measures, our data may be spied on, sold, deleted, published, or otherwise compromised by illegal access by criminals, both internally and externally.

Any change in Scout24's ability to use or share user and member data from its systems may influence our revenue performance. For example, the offering of value-added services such as real estate valuation would be hampered should the use of the data be prevented by law or regulation. Likewise, Scout24 relies on the use of e-mail and news services for marketing services. Limitations on contacting customers and users may therefore have a negative impact on business performance.

We started adapting our processes, responsibilities and our organisational structure to the GDPR requirements at an early stage and have in some cases redesigned them in order to satisfy the stricter requirements of the GDPR when the change in legislation takes effect. Nevertheless, the higher standards and potentially higher fines ultimately represent a greater business risk compared with the previous year.

Due to the importance of data for our business model, we classify risks associated with data protection, and in particular data security, and the associated risks arising from violations of legal requirements, despite our extensive technological security measures, internal policies and processes, as tolerable (see table above, 5.2 Data protection & data security).

In addition to the aforementioned risks, the successful implementation of the new EU data protection requirements offers opportunities for revenue development and customer loyalty.

On 1 June 2015, a new statutory regulation came into force in Germany that now requires property owners, in their capacity as landlords, to bear the costs of the estate agent they contract ("Bestellerprinzip", contracting-party-pays principle). This has led to a structural shift away from rentals via estate agents to more private rentals, and has also considerably reduced estate agent commission for rental properties. Partly as a consequence of this, the number of agents in Germany has decreased.

At present, there is a political debate about whether to extend the contracting-party-pays principle to the sale of real estate; draft legislation by the government's opposition was published in September 2018. On 25 February 2019, the Federal Ministry of Justice submitted for interministerial consultation the ministerial draft of the Federal Government of 28 January 2019 "Draft of a law on strengthening the contracting-party-pays principle in the intermediation of purchase contracts for residential real estate". This draft has not been consulted, either with the individual ministries or with the government coalition partners. Potential effects on the business activities of IS24 arising from such a law enacting the contracting-party-pays principle for the sale of real estate and capping estate agent commission by law are discussed below under 4.2 Sales, marketing & brand.

On 1 August 2018, the German Act Introducing a Professional Licence for Commercial Real Estate Agents and Residential Property Managers entered into force, creating new rules for access to the profession of real estate agents and residential property managers in the interest of quality assurance. For the first time, property managers are now required to obtain a licence and satisfy further conditions such as providing a record of their reliability, orderly financial circumstances and concluding professional liability insurance. Real estate agents, who were already obliged to obtain a licence, now additionally have to fulfil training duties. It is still uncertain whether this requirement will have a sustained negative effect on the customer base and the number of listings by these customers at IS24. Since the act's entry into force, however, we have not noticed any negative effect on revenue with business customers, with which IS24 generates a large proportion of revenue.

In addition, properties sold and rented are subject to energy saving regulations that oblige sellers and landlords to issue an energy performance certificate. The requirements of such energy-saving regulations may still be significantly tightened in the future, as was the case in 2014. Stricter regulation may have an impact on the volume of the listings, such as during the introduction of the German Energy-Saving Ordinance ("Energieeinsparverordnung"), which resulted in a temporary collapse in listings.

Similarly, the German Energy Consumption Labelling Ordinance ("Energieverbrauchskennzeichnungsverordnung") requires sellers of goods that consume energy resources and produce carbon dioxide emissions, such as cars, to provide certain information regarding emissions and energy consumption. Violations of the duty to provide such information when listing cars on Scout24 platforms might therefore result in legal disputes between customers and regulatory agencies or environmental organisations. As a result, customers might refrain from listing cars on digital marketplaces such as AS24 in general or, in the case of legal disputes regarding a listing on AS24, could take legal recourse against Scout24 platforms. As a consequence, AS24 could lose customers and/or sustain reputational damage.

The risk of negative consequences from the discontinuation of the EU Safe Harbour in international data transfer cannot yet be gauged effectively. Although what is referred to as the "privacy shield" has now come into force, general legal uncertainty remains. Following in-depth examination of all significant IT services contracts and, coupled with this, of the application of EU standardised clauses recommended by the EU Commission, we consider this risk to be tolerable at present.

Lawmakers at both international (OECD) and local levels are discussing the possibility and any need for change in the taxation of digital business models. The objective is to find fair mechanisms for taxing value creation where services are rendered. However, in the case of digital and hybrid service offers, a lack of physical presence or the complexity of intangible assets (platforms, user data, trademarks, etc.) limits the ability determine the requisite factors. Current examples of such efforts include the changes to transfer pricing (BEPS Action Plan 13), the VAT liability for marketplaces or the current considerations to possibly introduce withholding tax for online advertising by foreign providers. Scout24 deems the risks from delayed implementation of such tax amendments as low, given that we closely monitor these developments together with our external tax advisors and regularly evaluate the extent to which they may be applicable to our business model.

Any risks arising from changes in the legal environment are counteracted by internal and external law experts by a thorough examination of all contractual and regulatory matters. We endeavour to satisfy all requirements by means of continuous monitoring and avoid conflicts arising from the violation of third parties' rights or non-compliance with regulations.

There are no litigation risks, i.e. pending court or regulatory procedures against entities of the Scout24 Group, that could lead to significant claims or claims which probably could not be fulfilled.

Ultimately, the acquisition of FINANZCHECK.de does not expose the Scout24 Group to any additional risks relating to regulatory requirements.

Overall, we currently gauge the risk of experiencing restrictions with an effect on our business model as a result of legal or regulatory changes as moderate and thus manageable.

#### 1.4 Competition & market

Our profitability crucially depends on whether we can maintain our leading market position, especially the leading position of the ImmobilienScout24 segment in Germany. If we are unable to maintain these market positions, our pricing could be jeopardised, and our revenue could decrease, with a negative impact on our business as a consequence.

We operate in an intensely competitive environment. Our business model is vulnerable to short-term changes in the competitive dynamic. Competitors following other business models or pricing might be able to encourage our customers to use platforms other than ours. In particular general classifieds portals encompassing very different product categories could penetrate the real estate or car classifieds markets or intensify their activities in them, or even large companies operating on the Internet (such as search engines and social networks) could exploit their big user bases and data to establish strong customer bases at comparatively low cost.

Within this environment, we have not changed our overall risk assessment relative to 2017. Despite new competitors entering the German market, particularly in the last two years, we were able to hold and expand our market position thanks to our own successful product developments. In the real estate and automotive sector, examples include the launch of the Facebook classifieds platform "Marketplaces" and in the German online used car market also the launch of the US-based platform CarGurus.de and the German HeyCar platform. CarGurus is already successfully established in the USA thanks to integrated vehicle evaluation, which we have set up as a first-mover in the German market on our AutoScout24 platform.

We are dependent upon the fact that our target group, our portals and our services are preferred over those of our competitors, which may require additional capital expenditure.

Technological changes could disrupt our business and the markets in which we operate and result in higher expenditure or the loss of customers. For example, competitors might introduce new products and services at any time that could make our products and services or our business model uncompetitive or even redundant. To keep pace with technological progress, higher expenditures could be needed to develop and improve our technology.

AS24 derives a significant amount of revenue from the European automotive market, especially from original equipment manufacturers (OEMs). Recent developments in the automotive industry might negatively affect OEMs' advertising budgets in the long term.

We are dependent on our systems, employees and certain business partners. Failures can substantially affect our operations.

Overall, risks emanating from competition and the market represent in the aggregate a significant risk component for us, which is also reflected in the importance of the controls and measures deployed for this purpose. When observing such risks at individual risk level, however, we assess them as tolerable to moderate. Above and beyond this, we classify competition and market risks as general business risks.

Due to our leading market position, our brand recognition and our constant analytical market observation, including technological advances, we assess these risks as manageable overall.

## Financial risks

### 2.4 Financial reporting

The Scout24 Group has recognised intangible assets around EUR 2.2 billion as of the reporting date. These assets are tested for impairment on an ongoing basis to identify any indications that their carrying amount may not be recoverable and necessitate the recognition of impairment losses. There is a risk, therefore, that recognised intangible assets, such as goodwill, trademarks and the customer base, may be subject to impairment as a result of declining customer numbers partly caused by changes in law. Considering the quantitative impact and probability of occurrence, we continue to assess this risk as critical at individual risk level.

Due to our continuous monitoring of our recognised intangible assets for any indication of potential impairment, we nevertheless assess the risk of having measured such assets inaccurately as of the reporting date as low.

## Operational risks

### 3.7. IT risks

Our business activities involve a wide range of risks with respect to information security and information technology, which we currently gauge as moderate both individually and collectively on account of the multitude of our successful measures for protecting our infrastructure. Despite the fact that, in our opinion, it is currently not a substantial risk and thus below the reporting threshold, we have nevertheless decided to outline the most important factors influencing our business due to the relative importance of this risk cluster combined with the fact that this situation can change rapidly when new vulnerabilities are published.

Portals like ours are continuously exposed to the risk of – constantly evolving – hacker attacks. In order to ensure the security and stability of our systems, one of the strategies we pursue is to utilise highly available cloud service providers and additionally run backups of all critical data and systems. The operation of the platforms is subject to permanent monitoring so as to quickly initiate appropriate countermeasures in case of failure. Additionally, comprehensive multi-stage safeguards for our systems, as well as personalised, role-based access controls, ensure protection against unauthorised access and external attacks. We also offer our customers the option of securing their data with multi-stage access protection. In addition, we have IT security experts perform regular intensive penetration testing. As in the past, we draw on the expertise of security analysts in what is referred to as a "bug bounty program", where we award prizes to registered "white hat" hackers[55] for the identification and notification of potential attack vectors. From this, we rigorously derive new, risk-mitigating measures to secure against unauthorised access both to our platform as well as internal and external access to our business data. By making continuous improvements in the area of cybersecurity and remedying security vulnerabilities, we were able to reduce this risk during the course of the financial year. At present, we therefore classify this risk as moderate.

#### 3.8 Project management

Key elements of successful project management are the assessment of the actual situation, the organisation of the project, implementation quality, financing and target achievement. The assessment of the actual situation at the start of a project is of particular importance, as the decision about how to implement a project is regularly determined by the assessment of the factors that could influence the success of certain measures. In all cases, the expected benefits of a project are compared with any expected negative consequences. For example, when changing from voluntary to compulsory use of two-factor authentication for customer registration and log-in, we bear the risk that customers may reject such an additional security mechanism to protect registered users' profiles in view of the extra effort involved ("conversion loss") and that this could have negative consequences for the number of registrations and revenue development. We consider the possibility that assumptions about negative consequences made at the project planning stage may be erroneous and have a negative effect on customer experience and thus in the medium term on revenue to be a substantial risk with a high probability of occurrence and moderate financial impact.

### Strategic risks

#### 4.1. Strategic orientation

In order to secure and expand our market position, we focus on generating growth in Germany and Europe. Our efforts to close value-added M&A transactions also involve a risk that objectives and synergy effects anticipated may not materialise. Our extensive cooperation arrangements and M&A activities in the 2018 financial year – including in particular the acquisition of FINANZCHECK.de mid-year – have slightly raised our risk assessment. In addition to the risk of the business case not being realised, for example with respect to using the customer base for direct marketing by other entities of the Scout24 Group, the main risks include those arising from an erroneous assessment of operational circumstances at the target entities.

In view of the overall slight increase in net expected loss compared with the previous year as a result of aggregating and weighting comparable individual risks in this risk cluster, we classify the risk as substantial overall and unlikely to occur based on our existing risk-mitigating measures (e.g. the establishment of post-merger integration project management offices and the execution of gap analyses with strategy consultants), but if the risk does materialise it would have a high negative financial impact.

#### 4.2. Sales, marketing & brand

Our continued decision, as in the past, not to place conventional print or TV advertising, and to focus instead on online marketing, together with overall reduced expenditures in brand marketing, can result in the value of the brand being negatively affected by diminishing brand awareness. This can lead to us losing our leading market positions in recognition among our users.

Such an effect could be exacerbated by negative consequences from the "mobile first" strategy, as regular revenue, conversion, display advertising revenue and the general visibility of our products, along with individual features, have to be transferred from desktop PCs to a small display, to take into account the general trend to mobility and full-time reachability and accessibility.

[55] Explanation of term: ethical computer hackers

Furthermore, the strategic decision to adapt our price model to regional differences gives rise to various risks relating to design and implementation, with potential negative effects on revenue and customer satisfaction.

Finally, a political debate has been ongoing since 2017 on the contracting-party-pays principle for real estate agents commissioned in the sale of real estate and on a cap of estate agent commission by law. Initial draft legislation was presented to the German Bundestag by the Bündnis 90/Die Grünen parliamentary group in September 2018, proposing a cap of 2% including VAT for estate agents' commission from the sale of residential real estate and determining that the estate agent has a right commission only from the party that contracted the estate agent (contracting-party-pays principle). On 25 February 2019, the Federal Ministry of Justice submitted for interministerial consultation the ministerial draft of the Federal Government of 28 January 2019 "Draft of the law on strengthening the contracting-party-pays principle in the intermediation of purchase contacts for residential real estate". The consultation process for the draft is still outstanding, both within the individual ministries and the government coalition partners. Throughout Germany, estate agent commission from the sale of real estate varies from one federal state to another, currently ranging from 4.76% to 7.14% including VAT. In 11 out of 16 federal states, real estate commission is split evenly between buyer and seller (in most cases sellers are already paying 3.57% including VAT). Forecasts and assessments of the details and effects of such a change in law on the market are varied. Estate agents (e.g. Engel & Völkers AG and the German Real Estate Association)[56] have already made public calls to require by law that estate agent commission be split evenly between buyer and seller. Should a change in law regulating estate agent commission from the sale of real estate materialise, we expect initially to see a structural shift at IS24 from listings by agents to private listings. On the other hand, we consider a potential change in law as an opportunity to strengthen and expand our market position. We launched a discussion about the next possible steps with our estate agent partners at an early stage in order to tailor our product strategy and portfolio to the changing market requirements. Naturally our aim is to advise and support our estate agent customers in the best possible way in the event of a change in law. Our sales team has been prepared and trained accordingly to assist with this process (for more information, see section 3.6 under Opportunities).

When the contracting-party-pays principle was introduced for rental properties back in 2015, we were able to gather experience and assisted our estate agent partners in the transition, successfully defending our market position and even expanding it in some cases. As a sale of real estate is much more complex than renting out property, however, we assume that this will have less of an effect on our estate agent partners than when the contracting-party-pays principle was introduced for rental properties.

Overall, the risks in the area of sales, marketing and brand have critical significance for us, as they characterise the orientation of our business model in the medium to long term. We nevertheless regard such risks as manageable thanks to our intensive market research and detailed analysis as well as the already initiated efforts to focus our product portfolio.

## Compliance risks

### 5.9. Know-how drain

For the successful maintenance of our operating infrastructure we will continue to require qualified technical and managerial personnel. Our future success depends on the extent to which we are successful in training, hiring, integrating and sustainably retaining appropriately qualified employees. In order to ensure a proper staffing in line with our growth targets and to enhance our attractiveness as employer we conduct strategic personnel planning which involves comprehensive recruiting.

[56] Immobilienzeitung 10 January 2019, IZ01-02/2019 S.9

Particular risks are seen in the loss of know-how and a lack of knowledge transfer due to the departure of employees. A working time organisation adapted to employee needs and material incentive systems are designed to keep Scout24 competitive as an attractive employer. We are dependent on the availability and the performance of experts at our management level and other personnel, and also on preserving a flexible corporate culture. We classify this risk as substantial.

# Opportunities

## Management's overall statement on opportunities

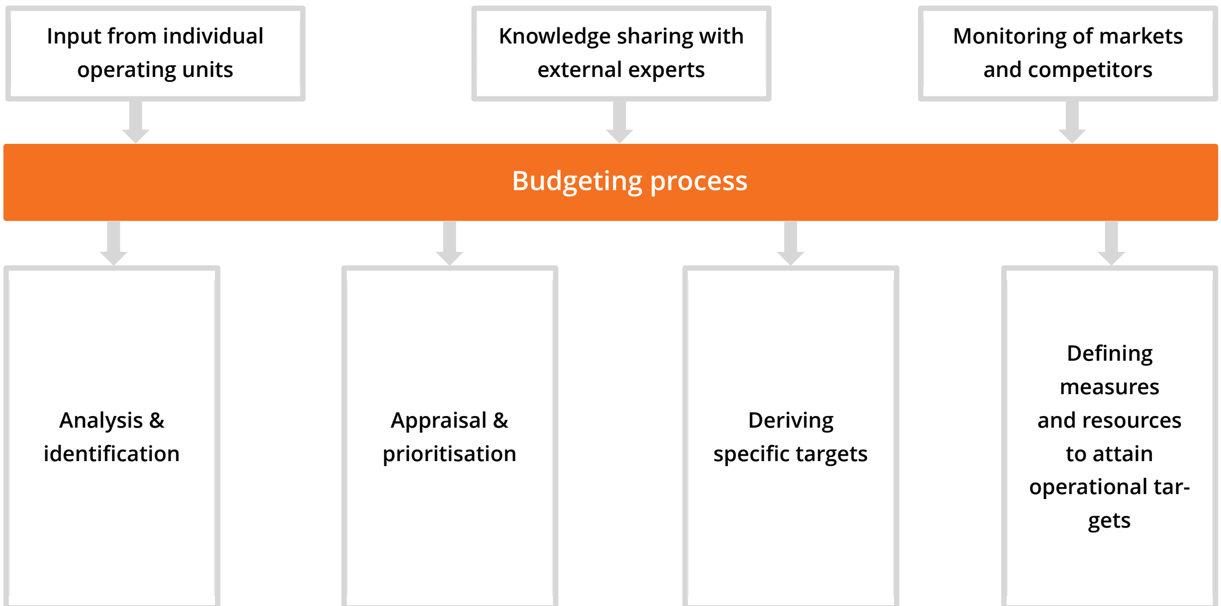
The Internet business continues on a growth track in Germany, the rest of Europe and globally. In the listings business in particular, business models are shifting from offline offerings (such as print media) to online offerings. Expenditure on online advertising accounted for a 35.92% share of total ad expenditure in 2018, for example, and is expected to reach 39.8% by 2020.[57] It is precisely this change that generates significant growth potential for the Scout24 business models.

Through its high brand recognition and large number of users, the Scout24 Group has continued to achieve an excellent positioning in all significant operating segments. For this reason, we see all Scout24 entities operating in the market continuing on a growth track overall.

From the Management Board's perspective, Scout24 AG is overall well positioned for the systematic identification and exploitation of opportunities that arise from the major trends in its markets.

## Opportunity management

Our opportunity management forms part of our internal management system. The aim is to identify opportunities as early as possible and exploit them through appropriate measures. The management of opportunities is organised on a decentralised basis in the segments of the Scout24 Group and is supported by the Business Development & Strategy department. The department is in close contact with the individual operating units and therefore retains a detailed overview of the business situation. Moreover, market and competitive analyses as well as knowledge sharing with external experts serve as important sources to identify growth opportunities for the Scout24 Group. The defined opportunities are recorded as part of the annual budgeting process and relevant growth options are prioritised, specific objectives derived, and measures and resources to achieve the operational targets are determined.

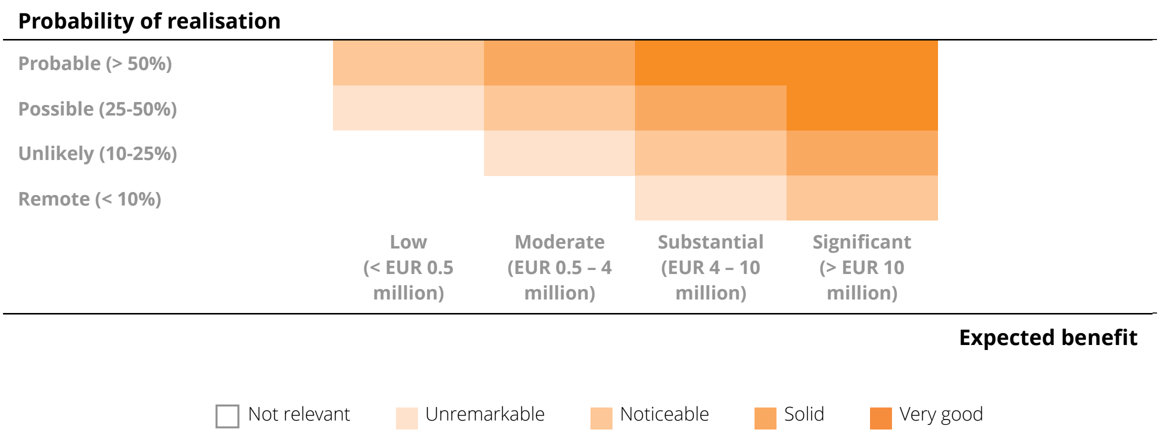



[57] ZenithOptimedia, Advertising Expenditure Forecasts, December 2017

Strategic opportunities of paramount importance – such as strategy adjustments or potential acquisitions and partnerships – are handled at Management Board level. This is part of the annual budgeting process or, in the case of current topics, in the regularly scheduled meetings of the executive leadership team and as required when opportunities arise at short notice. For such topics, different opportunity-risk analyses are generally developed and submitted for decision-making.

As in risk management, the identification of opportunities forms the starting point for the opportunity management process. Opportunity assessments are utilised for this purpose, which the Business Development & Strategy department updates and reports upon quarterly. Opportunities are assessed taking into consideration the expected benefit as well as an estimated probability of occurrence. The time horizon for the assessment of opportunities is approximately two to three years. The related quantification of opportunities primarily highlights the relevance of opportunities and is performed by bandwidth assessments. By contrast with risk assessment, opportunities are evaluated based on qualitative characteristics. The following bandwidths have been determined for this purpose:

- **Very good:** Very beneficial opportunities support the successful further development of the Scout24 Group or its individual participating interests.
- **Solid:** Good opportunities have a significant effect on reputation, the business model, liquidity, assets and profits.
- **Noticeable:** Good opportunities have a noticeable effect on reputation, the business model, liquidity, assets and profits.
- **Unremarkable:** Minor opportunities have little effect on reputation, the business model, liquidity, assets and profits.
- **Not relevant:** Very minor opportunities have almost no effect on reputation, the business model, liquidity, assets and profits.



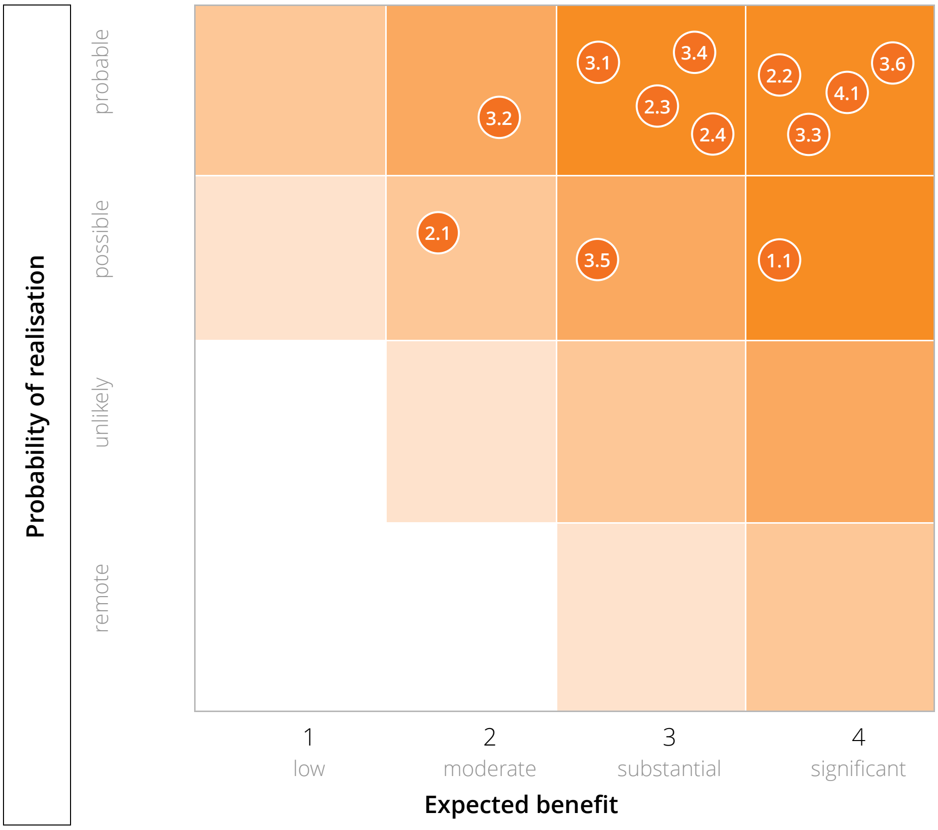

Opportunities are not measured according to the inherent/residual method used in risk management. Measures to support the realisation of opportunities are not inventoried or reported upon separately.

### Overall opportunity situation, opportunity clusters and opportunity areas

The year-on-year changes in the opportunity situation are as follows:

| | | Probability of occurrence | Quantitative impact | Change* |
|---|---|---|---|---|
| **1** | **Opportunities from changes in overall conditions** | | | |
| 1.1 | Higher share of wallet from ongoing shift from offline to online marketing | possible | significant | unchanged |
| **2** | **Corporate strategy opportunities** | | | |
| 2.1 | Business-promoting partnerships | possible | moderate | unchanged |
| 2.2 | Value added from successful M&A transactions | probable | significant | unchanged |
| 2.3 | Advantages for AS24 platforms in other countries from participating in innovation within the OneScout24 approach | probable | substantial | unchanged |
| 2.4 | Growing the revenue of Scout24 marketplaces through overlapping of user interests | probable | substantial | unchanged |
| **3** | **Business performance opportunities** | | | |
| 3.1 | Stable business model with strong margins and high cash flow generation | probable | substantial | unchanged |
| 3.2 | Value added from performance improvement | probable | moderate | unchanged |
| 3.3 | Expanding of IS24 and AS24 portals to include additional products and services | probable | significant | unchanged |
| 3.4 | Improving the EBITDA margin at AS24 through centralising crucial business processes | probable | substantial | unchanged |
| 3.5. | Exceeding post-merger integration targets | possible | substantial | increased |
| 3.6 | Opportunity from change in legislation on contracting-party-pays principle for the sale of real estate | probable | significant | new |
| **4** | **Other opportunities** | | | |
| 4.1 | Further ARPU growth | probable | significant | unchanged |

* Compared with 2017




Opportunity clusters that from today's perspective can have a relevant beneficial effect on the development of the Scout24 Group or of its participating interests are presented below. In this context, all opportunities that are included in the "very good" and "solid" fields in the underlying opportunity classification matrix are considered relevant. However, these are typically not the only opportunities we pursue in terms of operations.

We assess the overall opportunity position as promising. The Scout24 Group identifies several opportunities over the coming years to successfully further develop the Company.

## Opportunities from changes in overall conditions

### 1.1 Higher share of wallet[58] from ongoing shift from offline to online marketing

IS24 is the leading digital real estate classifieds platform in Germany in terms of number of real estate listings and customers[59] as well as traffic and user engagement.[60] AS24 is a leading digital marketplace for automotive in Europe (management estimate, based on number of listings and unique monthly visitors). The expansion of the Internet in Germany and Europe significantly increased in the last ten years. The simultaneous development of several digital media and e-commerce websites as well as mobile apps has solidly anchored the use of the Internet in consumers' daily lives. The platforms of Scout24 reach approximately 16.1 million visitors per

[58] Explanation: revenue share, share of our customers' advertising spend
[59] Management estimates
[60] Based on unique monthly visitors (UMV) and user engagement, comScore December 2018 (desktop PC for UMV, desktop PC and mobile devices for user engagement)

month[61] and close to 77% of customers already use our services using mobile devices, as the services are accessible on multiple devices.[62] Our own apps have already been downloaded more than 4.2 million times,[63] which underscores the attractiveness of our platforms.

We are convinced that we are well positioned to seize various opportunities for revenue growth, which will extend beyond this structural market shift in connection with advertising budgets (both with respect to classifieds as well as general advertising). The advantageous network effects in this sector should work in our favour, and we believe this will lead to a comparatively high share of listings and visitors (measured by traffic, reach and user engagement) on our marketplace. In the case of our business real estate partners as well as car dealers, especially larger ones, we see substantial potential to increase our share of their advertising budgets ("share of wallet"). We assess the opportunity as very good.

Corporate strategy opportunities

### 2.2 Value added from successful M&A transactions

We believe we can create new value through relevant acquisitions. In this context, when identifying and closing new M&A transactions, we particularly focus on supporting growth in our core business as well as along the value chain of the entire real estate purchasing and rental process, or of the automotive market.

In relevant transactions, significant added value for the Scout24 core business lies in strengthening the key operating performance indicators for the operating segment (listings and traffic, as well as contribution to revenue and ordinary operating EBITDA margin). Through targeted transactions, such as the acquisition of FINANZCHECK.de, we can improve and enhance our offering for users and also offer our customers greater reach.

In the activities of the Scout24 Consumer Services operating segment, which comprises the competences around services along the value chains of real estate and automotive, substantial opportunities can also arise from the possibility to offer additional products and solutions to our portals' users, which can have a positive effect on various key operating performance indicators (such as the number of unique monthly visitors, or, in the case of fee-based offers, also in the form of revenue contribution). We assess the opportunity as very good.

### 2.3 Advantages for AS24 platforms in other countries from participating in innovation within the OneScout24 approach

The similarities in the sales processes and listing placements for cars and real estate allow us to use our expertise and our tried-and-tested practices for both areas, to optimise the processes and to exploit operational synergies. For example, especially with respect to our new developments for mobile devices, we can speed up mobile access to our offering and improve user friendliness for our customers and users in our AS24 segment, particularly for our platforms in other countries. In parallel, we are endeavouring to constantly deliver growing added value to our dealer customers through product innovation, thereby improving our position compared with our main competitors. The consistent implementation of this strategy could lead to a further increase in the ordinary operating EBITDA margin of our AS24 segment in the medium term. We assess the opportunity as very good.

[61] AGOF digital facts 2018-12

[62] Management estimate, based on the number of visits to the IS24 and the AS24 platforms (non-deduplicated) via mobile devices, mobile optimised websites and apps relative to the total number of all visits, measured with our own Traffic Monitor (Google Analytics), December 2018

[63] Management estimate

### 2.4 Growing the revenue of Scout24 marketplaces through overlapping of user interests

The Management Board estimates that approximately 30% of AS24 users in Germany are also interested in real estate and, conversely, approximately 43% of IS24 users in Germany are also interested in cars.[64] This significant overlap in users' interests allows Scout24 to offer consumers relevant products and services and to offer efficient opportunities for targeted, data-driven advertising and lead-generation solutions to companies interested in reaching the large and qualified customer base of approximately 17 million unique monthly visitors.[65] We assess the opportunity as very good.

## Business performance opportunities

### 3.1 Stable business model with strong margins and high cash flow generation

Over the period from 2014 to 2018, our external revenue has grown at an average annual growth rate of 19.3%,[66] reaching a total of EUR 531.7 million in the reporting period. Our revenue is not directly dependent on the market prices of real estate and cars or the number of real estate transactions or automobile sales, but instead on the number and display duration of the classifieds placed by our customers. Through our recently introduced more individual pricing arrangement, especially through the implementation of individually bookable visibility products, we are increasingly detaching our pricing structure from our customers' specific advertising quotas.

Through our marketplace model and our leading market position we benefit from a high operational leverage and therefore from slower growth of costs compared with revenue growth. In the reporting period, our Group generated ordinary operating EBITDA of EUR 291.5 million, and consequently an ordinary operating EBITDA margin of 54.8%. We believe that our ordinary operating EBITDA margin can be improved even further. The relatively small investment requirements of our business model lead to the generation of significant cash flow. We assess the opportunity as very good.

### 3.2 Value added from performance improvement

One key component of our operational business management is to improve our performance profile in terms of measurable performance indicators such as the number of listings and user reach or traffic. The objective of our internal management is to improve performance of the individual operating units. This approach is underlined by our managing revenue by main customer group as well as the direct revenue drivers, which enables us to individually manage the various factors influencing segment results. The change in segment reporting made in 2018 has enhanced our management options and transparency within the segments and thereby contributed to our focus on sustainable and profitable growth. We assess this opportunity as solid.

### 3.3. Expanding of IS24 and AS24 portals to include additional products and services

The leading position of the IS24 platform in Germany, measured by traffic and user engagement,[67] and of the AS24 platform as one of the leaders on a European level provide us strong and far-reaching access to ready-to-buy customers and should enable us to generate additional revenue from our reach, for example, by offering further fee-based services along the value chain. We have already successfully introduced initial value-adding service offerings that are intended to support our customers and users throughout the entire real estate or automotive purchasing and selling process as well as the real estate rental process.

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[64] Management estimate; based on own study in the context of re-alignment of the strategy and streamlining the portfolio in February 2014
[65] AGOF digital facts 2018-12
[66] Taking acquisitions into account
[67] Based on unique monthly visitors (UMV) and user engagement, comScore December 2018 (desktop PC for UMV, desktop PC and mobile devices for user engagement)

Scout24 Consumer Services, previously known as Scout24 Media, was established as a function in 2015. It is active in both operating segments and combines the competences around services along the value chains of real estate and automotive and drives lead generation and the sale of display advertising. This contributes to the positioning of Scout24 as a leading digital marketer and as a market network around the real estate and automotive sectors in Germany and the rest of Europe. Based on the intensive use of our marketplaces, the Management Board is confident that Scout24 is well positioned to offer value-adding services and products that go beyond solely selling classifieds. The acquisition of FINANZCHECK.de in 2018, for instance, enables us to offer our users additional relevant financial products at the right time in the process of looking for a car or real estate. These relevant services enhance user experience on our portals and open up additional opportunities for Scout24 to participate in the added value generated.

We assess the opportunity as very good. This opportunity, and thus the increasing importance of Scout24 Consumer Services, is reflected in our decision to report this unit as a separate operating segment as of 2018.

### 3.4 Improving the EBITDA margin at AutoScout24 by centralising crucial business processes

AS24 benefits from economies of scale thanks to its Europe-wide presence. The Europe-wide presence of the Scout24 Group allows it to allocate costs for parts of the business, especially the fixed costs for development and operation of the platforms and the mobile apps, to the markets. Furthermore, the pan-European reach enables us to provide regional car dealers with access to demand from the European market, thereby expanding their target group of potential car buyers. This model offers substantial added value for cross-border sales of automobiles in Europe. We assess the opportunity as very good.

### 3.5 Exceeding post-merger integration targets

To the extent that we are able to exceed our post-merger integration targets, this has a direct positive effect on forecast revenue growth and ordinary operating EBITDA – and also on the possibility of providing new, added-value products to customers and users. For example, we believe that the successful integration of FINANZCHECK.de will offer considerable synergy potential for AutoScout24 and ImmobilienScout24. Besides offering relevant financial services to users interested in buying a car, Scout24 will also be able to offer car dealers services in the field of financing in addition to our marketing products.

We assess this opportunity as solid.

### 3.6 Opportunity from change in legislation on contracting-party-pays principle for the sale of real estate

The possibility that the contracting-party-pays principle may be introduced in the sale of real estate, i.e. legislation requiring the party that contracted the estate agent (usually the seller) to pay the commission could have a number of positive effects on IS24.

We expect the introduction of the contracting-party-pays principle to generally increase competition among estate agents and, over time, possibly put pressure on estate agent commission. It therefore seems likely that estate agents may focus on more efficient marketing channels. This should reduce offline marketing expenditure for print media, etc. and lead to an increasing number of online listings by estate agents. As clear market leader in the field of online real estate portals, IS24 can be expected to benefit from such a development.

In addition, we expect the introduction of the contracting-party-pays principle to increase competition among estate agents in acquiring mandates to sell properties. IS24 already has a suitable range of products to support estate agents in setting up their own online brand and acquiring mandates to sell properties online. We believe that IS24 is well positioned to benefit from the expected competition among estate agents. There is demand from estate agents for further products and services to strengthen their own brand and help them acquire new mandates to sell properties.

Furthermore, on account of the anticipated increase in competition among estate agents, it appears possible that estate agents may cross-charge an increasing share of the cost of advertising real estate listings to owners. IS24 would be likely to benefit more than most from such a development as, in our assessment, we are the "leading household brand" with the highest level of brand awareness among owners in Germany.

Should owners decide to use estate agents' services less and transact more business themselves, our IS24 private listings business is equally prepared to benefit from such a trend. As we estimate that we are the "leading household brand" in the overall German market measured by listings, too, IS24 would benefit from such a development as a result of the increased volume of private listings as well as a greater willingness, on average, of private listers to pay for listings.

## Other opportunities

### 4.1 Further ARPU growth

Our average revenue per core agent or core dealer (ARPU) enjoys scope for further growth when compared with average revenue for the relevant peer group from regions where the shift from offline media to online classifieds portals is already more advanced.

We believe that the added value from the presence on our platforms increases steadily for our customers and that the market is constantly shifting from offline products (e.g. print media) to online products. We therefore see potential that our ARPU can be increased further through price adjustments and the sale of additional visibility products. Based on our high operating leverage, we believe that this development can contribute to a further increase in our ordinary operating EBITDA margin. We appraise the opportunity as very good.

# Outlook

The following chapter provides an overview of the expectations for the financial year 2019. Non-financial performance indicators are not planned and are therefore not included in this outlook.

## Market and sector expectations

As described in the section "Macroeconomic and sector-specific environment", Scout24 is expecting favourable tailwinds from stable macroeconomic development as well as from sector-specific trends on the German real estate and European automotive markets.

Scout24 is well positioned to benefit from those tailwinds, given its leading market positions, high brand recognition and significant audience reach in the German and European markets.

## Company expectations

Scout24 reported a successful financial year in 2018 with 12.5% revenue growth and an ordinary operating EBITDA margin of 54.8%. Without taking into account the contribution of FINANZCHECK.de, revenue growth reached 9.9% and the ordinary operating EBITDA margin came to 56.5%, underscoring yet again our strategy to pursue sustainable and profitable revenue growth.

The online advertising market outlook in Germany and Europe remains positive, as both private users and customers increasingly adopt digital communication. With its leading platforms ImmobilienScout24 and AutoScout24, Scout24 is ideally positioned to benefit from this ongoing structural change. Both platforms are benefiting from the shift in marketing budgets from traditional (print) media to online media. Scout24 Consumer Services addresses this trend and the increasing expectations of partners and users of Scout24 regarding digitisation throughout the process of buying or selling real estate and cars. Due to the intensive usage of the marketplaces IS24 and AS24, and also on the back of the synergies between IS24 and AS24, Scout24 is in an outstanding position to further tap into the potential in this area and to position Scout24 as a market network around real estate and cars in Germany and in Europe. The acquisition of FINANZCHECK.de in 2018 has the objective of expanding the market network offering, for instance, in the automotive financing sector.

We are confident that this momentum will continue in 2019, and expect Group revenue to grow by between 15.0% and 17.0%. Adjusted for consolidation effects – i.e. taking into account the contribution of FINANZCHECK.de for the full year 2018[68] and excluding the contributions of the deconsolidated entities AS24 Spain and classmarkets[69] – the percentage growth rate will range between the low- to mid teens. In view of further investment in the growth of FINANZCHECK.de, we anticipate an ordinary operating EBITDA margin ranging between 52.0% and 54.0%. Adjusted for consolidation effects, this corresponds to a low single-digit percentage increase in the margin, as we continue to benefit from the scalability of our business model and therefore from a disproportionally lower growth rate of our total cost base relative to revenues.

For the financial year 2019, we currently anticipate non-operating costs to reach between EUR 25.0 million and EUR 27.0 million. We expect non-recurring costs, mainly in the context of post-merger integration, of around EUR 7.0 million. In addition, we expect roughly EUR 16.0 million from share-based payments. Nonrecurring charges related to reorganisations shall not exceed EUR 3.0 million.

Finally, we expect capital expenditure (adjusted) to sum up to around EUR 25.0 million.

[68] If FINANZCHECK.de had already been consolidated as of 1 January 2018, it would have contributed EUR 38.2 million to revenue and a negative ordinary operating EBITDA of EUR 4.3 million.

[69] The deconsolidation of AS24 Spain and classmarkets had an impact on revenue of EUR 8.8 million, while the effect on ordinary operating EBITDA was EUR 4.8 million.

## Segment expectations

The Management Board of Scout24, as the company's chief operating decision-maker, has decided to make minor adjustments to the Group's internal management system as well as the reporting structure and system for the year 2019. In future, advertising revenue with OEM partner agencies (2018: EUR 15.5 million) and the corresponding ordinary operating EBITDA (2018: EUR 9.0 million) will no longer be reported in the AutoScout24 segment but rather in the Scout24 Consumer Services segment due to the close structural relationship with Third-Party Display Revenue. Revenue from the project business with OEMs will, however, remain in the AutoScout24 segment, but will in future be reported as part of Revenue with Dealers in Germany and European Core Countries.

The key indicators applied by the Management Board to assess segment performance remain external Revenues and ordinary operating EBITDA margin. If the new reporting structure had already been applied in 2018, the key indicators by segment would have been as follows:

| (EUR millions) | External revenue 2018 | Year-on-year change | Ordinary operating EBITDA 2018 | Ordinary operating EBITDA margin 2018 |
|---|---|---|---|---|
| ImmobilienScout24 | 250.0 | 6.0% | 170.3 | 68.1% |
| AutoScout24 | 166.0 | 15.8% | 88.2 | 53.1% |
| Scout24 Consumer Services | 115.6 | 24.5% | 40.6 | 35.1% |
| Total, reportable segments | 531.6 | 12.6% | 299.1 | 56.3% |
| Reconciling items | 0.1 | -65.7% | -7.6 | n/a |
| **Total, consolidated (unchanged)** | **531.7** | **12.5%** | **291.5** | **54.8%** |

For the IS24 segment, we anticipate revenue growth adjusted for consolidation effects[70] for 2019 of between 9.0% and 11.0%, with an expected unadjusted revenue growth rate between 8.0% and 10.0%. Revenue growth will be mainly driven by ARPU growth with our agent customers in residential real estate as well as business real estate backed by low customer churn as well as stable customer regain and new acquisition rates. Growth of ordinary operating EBITDA is expected to slightly outpace revenue growth driven by disproportional lower cost growth. Ordinary operating EBITDA margin for the full year 2019 should thus climb to up to 70.0%.

For the AS24 segment, we expect in 2019 an increase in external revenue for the still fully consolidated entities[71] of between 12.0% and 14.0%. This corresponds to an unadjusted revenue growth rate of between 9.0% and 11.0%. For AS24, the main driver of revenue growth is likewise ARPU growth of our dealer customers, especially in Germany, Belgium, Netherlands, Italy and Austria. Revenue growth will presumably be slightly burdened through expected lower growth in project revenues with OEMs due to long project lead times. In addition, we intend to sell our platform for commercial vehicles ("TruckScout24") and thus expect a lower revenue contribution from this area in the low single-digit millions. Driven by operating leverage the ordinary operating EBITDA growth is expected to exceed revenue growth. The ordinary operating EBITDA margin for 2019 should thus climb to up to 54.0%.

[70] Adjustment for consolidation effects: Without taking into account the contribution to revenue of classmarkets totalling EUR 2.1 million for 2018.

[71] This takes into account the deconsolidation of AS24 Spain due to the transfer of shares to an associate with a contribution to revenue in 2018 of EUR 6.7 million and to ordinary operating EBITDA of EUR 4.1 million.

Scout24 Consumer Services' adjusted external revenue (i.e. as if FINANZCHECK.de had already been part of the Scout24 Group since 2018) is expected to grow in 2019 by between 15.0% and 17.0%. That corresponds to an unadjusted revenue growth percentage rate ranging between the high 30s and low 40s. Revenue growth will mainly be driven by increased use of our offerings along the real estate and automotive value chains, particularly in the brokerage of consumer loans including in mortgage and car financing, credit checks and premium membership. The ordinary operating EBITDA margin will decrease slightly on 2018 driven by a negative contribution from FINANZCHECK.de, although it will still reach up to 30.0%. Adjusted for consolidation effects,[72] this corresponds to an increase of between three and four percentage points.

[72] Adjustment for consolidation effects: As if FINANZCHECK.de had already been part of the Scout24 Group since 1 January 2018.

# Other disclosures

## Takeover-relevant information pursuant to Articles 289a (1) and 315a (1) of the German Commercial Code (HGB)

Information in accordance with Articles 289s (1) and 315a (1) HGB as of 31 December 2018 is presented in the following.

### Composition of subscribed share capital

The subscribed share capital of Scout24 AG amounts to EUR 107.6 million. It is divided into 107,600,000 registered ordinary no-par-value shares with a nominal value of EUR 1.00 per share. The shares are deposited in the form of a global share certificate. The right to demand issuance of individual share certificates is excluded. Each share grants the same rights and carries one vote at the Annual General Meeting. All registered shares are fully paid in.

### Direct or indirect equity investments exceeding 10% of voting rights

We were not aware of any equity investments representing more than 10% of voting rights in the subscribed share capital as of 31 December 2018.

### Shares endowed with special rights

All shares grant the same rights; there are no shares endowed with any special rights granting control.

### Control of voting rights for equity investments of employees

No provisions exist to control voting rights if employees hold equity interests in the share capital without directly exercising their voting rights.

### Appointment and dismissal of members of the Management Board, amendments to the Articles of Association

Pursuant to Article 6 (2) of Scout24 AG's Articles of Association, the members of the Management Board are appointed and dismissed by the Supervisory Board. Further provisions are set out in Articles 84 and 85 of the German Stock Corporation Act (AktG). Any amendment to the Articles of Association requires a majority of at least three quarters of the share capital represented at the Annual General Meeting. The requirements of Article 179 et seq. AktG apply. Pursuant to Article 10 (4) of the Articles of Association, the Supervisory Board is entitled to make amendments to the Articles of Association provided they relate solely to the wording. In particular, the Supervisory Board is authorised to amend the wording of the Articles of Association after performance, in full or in part, of the capital increase out of authorised capital 2015 governed by Article 4 (6) of the Articles of Association or after expiry of the authorised period in accordance with the amount of the capital increase out of authorised capital 2015. The same applies in the event of utilisation, in full or in part, of conditional capital governed by Article 4 (7) of the Articles of Association.

### Authorisation of the Management Board to issue new shares or repurchase shares

The Management Board is authorised to increase the Company's share capital with the approval of the Supervisory Board in one or several tranches until 3 September 2020 by issuing new no-par-value registered shares in return for cash or non-cash capital contributions by an amount of up to EUR 50.0 million in total (authorised capital 2015). Den Aktionären ist dabei ein Bezugsrecht einzuräumen. Pursuant to Article 186 (5) AktG, the new shares can also be transferred to a bank or enterprise operating pursuant to Article 53 (1) Sentence 1 or Article 53b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them to the shareholders for subscription (indirect subscription right). The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in full or in part in the following cases:

- in the event of new shares issued in accordance with Article 186 (3) Sentence 4 AktG in return for contributions in cash at an issue price not significantly lower than the stock exchange price of shares already listed and providing that the proportion of shares issued excluding subscription rights in accordance with Article 186 (3) Sentence 4 AktG does not exceed ten percent (10%) of the share capital, either at the date on which this authorisation is entered in the commercial register or at the date on which this authorisation is exercised. Those shares must be taken into account with regard to this limit that have been issued or sold subject to exclusion of shareholder subscription rights during the time when this authorisation is in effect up to the time of exercise of the respective authorisation applying Article 186 (3) Sentence 4 AktG directly or by analogy. Further, those shares must be taken into account that have been issued or can still be issued by the Company on the basis of convertible bonds/bonds with warrants issued as of the date of the respective exercise of the authorisation if the convertible bonds/bonds with warrants were issued by the Company or group entities subject to exclusion of shareholders' subscription rights applying Article 186 (3) Sentence 4 AktG directly or by analogy after this authorisation takes effect;
- in the event of capital increases in return for non-cash capital contributions, in particular for the purpose of offering the new shares to third parties in acquiring companies, parts of companies or interests in companies;
- for fractional amounts;
- to issue shares to employees of the Company and employees and board members of subordinated affiliated companies, and, in addition, with regard to employees in accordance with the requirements of Article 204 (3) AktG;
- for the purpose of granting subscription rights to holders of conversion rights or warrants related to bonds issued by the Company or any subordinated group entities.

In aggregate, the proportion of share capital that is attributable to shares issued on the basis of the authorised capital 2015 with the shareholders' subscription rights being excluded must not exceed 10% of share capital, either at the date when that authorisation takes effect or at the date when the authorisation is exercised. The shares issued or to be issued to service bonds with conversion rights or warrants or an obligation to convert them count towards the aforementioned 10% limitation if such bonds were issued excluding the shareholders' subscription rights while this authorisation is in effect.

The Management Board is authorised to determine, with the approval of the Supervisory Board, the further details of capital increases and their performance, including but not limited to the content of the share-related rights and the general terms and conditions of the share issue.

In the course of the initial public offering, this authorisation was partly used in an amount of EUR 7.6 million.

By resolution of the Annual General Meeting on 21 June 2018, the Company increased its share capital conditionally by up to EUR 10,760,000 by issuing up to 10,760,000 new registered no-par-value shares. The conditional capital increase will only be carried out to the extent that

- holders or creditors of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or any combination of such instruments) with warrants or conversion rights issued or guaranteed by Scout24 AG or its direct or indirect majority shareholdings until 20 June 2023 on the basis of the authorisation of the Annual General Meeting of 21 June 2018 make use of their warrants or conversion rights, or

- the parties liable to fulfil the obligations from bonds with warrants, convertible bonds, profit participation rights and/or participating bonds (or any combination of such instruments) with warrants or conversion rights issued or guaranteed by Scout24 AG or its direct or indirect majority shareholdings until 20 June 2023 on the basis of the authorisation of the Annual General Meeting of 21 June 2018 fulfil their warrants or conversion obligation (also in the event of Scout24 AG exercising its repayment option upon maturity to grant shares instead of cash payment for all or some of the amount due)

and no other forms of settlement are used. The new shares participate in profit from the beginning of the financial year in which they originate through the exercise of warrants or conversion rights or through the settlement of warrants and conversion obligations.

By resolution of Scout24 AG's Annual General Meeting on 8 June 2017 and in accordance with Article 71 (1) No. 8 AktG, the Management Board is authorised to purchase treasury shares representing up to 10% of share capital at the date of the Annual General Meeting's resolution or at the date of the respective exercise of the authorisation, whichever amount is lower. The share capital at the date of the resolution amounted to EUR 107,600,000. This authorisation can be exercised in full or in part once or on several occasions and is valid until 7 June 2022. The Company can purchase treasury shares (1) through the stock market or (2) by means of a public purchase offer or by means of a public invitation to submit such an offer or (3) by using derivatives (put or call options or a combination of both).

### Significant agreements of the Company that take effect in the event of a change of control following a takeover bid

The term loan and revolving facilities agreement ("RFA") signed on 16 July 2018 represents a significant agreement of the Group subject to a change of control. A change of control occurs when a shareholder acquires 30% of the shares in the Company. In the case of a change of control and under additional preconditions, the RFA entitles each lender to claim their share of the facility within a set period of ten days after the facts have become known. The promissory note loan ("Schuldscheindarlehen") placed on 28 March 2018 represents a further significant agreement of the Group subject to a change of control. A change of control occurs when a shareholder acquires more than 50% of the shares in the Company. In the case of a change of control, the promissory note loan entitles each lender to terminate prematurely their share of the promissory note loan within a set period of ten days after the facts have become known.

### Compensation agreements between the Company and members of the Management Board or employees in the event of a takeover bid

No such agreements exist.

## Corporate governance declaration pursuant to Articles 289f, 315d of the German Commercial Code (HGB)

The corporate governance declaration is part of the corporate governance report, and is available in the Investor Relations/Corporate Governance section of our corporate › website.

## Non-financial report pursuant to Article 315b et seq. HGB

The non-financial report is part of CSR reporting, which is made permanently available on our › website under Investor Relations/Corporate Governance with publication of the CSR Report in accordance with Article 315 (3) No. 2 b HGB.

## Additional disclosures relating to the separate financial statements of Scout24 AG

The management report of Scout24 AG and the group management report of the Scout24 Group have been combined. The following statements refer exclusively to the separate financial statements of Scout24 AG prepared in accordance with the accounting provisions of Article 242 et seq. and Article 264 et seq. of the German Commercial Code (HGB) and the supplementary provisions of Article 150 et seq. of the German Stock Corporation Act (AktG).

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The main accounting differences relate to the measurement of provisions, of fixed assets and financial instruments.

### Business activity of Scout24 AG

Scout24 AG as the parent entity and its direct and indirect subsidiaries together form the Scout24 Group, a leading operator of digital marketplaces specialising in real estate and cars in Germany and other selected European countries.

The purpose of the Company is to acquire, hold and manage and sell interests in companies – in Germany and abroad – of any legal form which are active in the field of online/Internet services, as well as all measures which relate to the activities of a holding company with group-management functions, especially rendering management and other advisory services for a consideration for affiliated companies, as well as activities in the field of Internet business in Germany and abroad.

Scout24 AG therefore renders intragroup services for its subsidiaries in the fields of finance, accounting, controlling, internal audit, risk management and compliance, corporate development and strategy, communication, investor relations, human resources and legal services.

Due to the Group-wide One-Scout approach, Scout24 AG also bundles some of the activities in the area of the Scout24 Consumer Services (CS) business. In this connection, Scout24 AG primarily markets advertisements from non-real estate and non-automotive-related third parties on the Scout24 Group's digital marketplaces. Since the merger with Scout24 Services GmbH as of 1 January 2018, however, its activities have also included FinanceScout24.

The members of the Management Board of Scout24 AG are responsible for operational management.

Scout24 AG is managed by means of an effective investment controlling system that monitors activities continuously. In the course of monthly analyses, the planned targets are compared with the actual figures and any differences are analysed.

Management does not have any material separate control measures in place for Scout24 AG. To this extent, the Group-wide steering metrics are not applied at the level of Scout24 AG. The main focus is on managing the Group segments and the subsidiaries.

## Results of operations, financial position and net assets of Scout24 AG

In the financial year, Scout24 AG's business situation primarily reflected the merger with Scout24 Holding GmbH and Scout24 Services GmbH and the further growth of the subsidiaries and can be described as very positive overall. Because of the mergers, the results of operations, financial position and net assets are comparable to only a limited extent.

### Result of operations

The results of operations of Scout24 AG are presented in the following condensed income statement:

### Income statement (condensed)

| (EUR '000) | FY 2018 | FY 2017 | +/- | +/- in % |
|---|---|---|---|---|
| Revenue | 90,947 | 76,310 | 14,637 | 19.2 |
| Other operating income | 5,794 | 3,802 | 1,992 | 52.4 |
| Cost of materials | -35,543 | -37,192 | 1,649 | -4.4 |
| Personnel expenses | -45,735 | -30,583 | -15,152 | 49.5 |
| Amortisation, depreciation and write-downs | -1,505 | -295 | -1,210 | 410.2 |
| Other operating expenses | -49,706 | -28,336 | -21,370 | 75.4 |
| Income from profit transfer agreements | 294,831 | 154,869 | 139,962 | 90.4 |
| Income from long-term loans | 0 | 32,508 | -32,508 | -100.0 |
| Other interest and similar income | 1,088 | 1,200 | -112 | -9.3 |
| Interest and similar expenses | -10,327 | -11,814 | 1,487 | -12.6 |
| Income taxes | -54,218 | -50,606 | -3,613.0 | 6.7 |
| Earnings after tax | 195,626 | 109,863 | 85,763 | 78.1 |
| Other taxes | -2 | -5 | 3 | -60.0 |
| Net profit for the year | 195,624 | 109,858 | 85,766 | 78.1 |

Revenue increased year-on-year by EUR 14.6 million, from EUR 76.3 million to EUR 90.9 million. EUR 7.1 million of this increase results from the business of Scout24 Services GmbH assumed by way of the merger. Revenue from the advertising sales business developed positively, increasing by a further EUR 3.3 million. In addition, management services cross-charged to subsidiaries increased by EUR 4.2 million.

Other operating income increased by EUR 2.0 million compared with the previous year, from EUR 3.8 million to EUR 5.8 million. This was mainly attributable to the income from the sale of the JobScout24 brand of EUR 1.4 million and a merger gain of EUR 1.5 million. At the same time, income from the reversal of provisions decreased.

Cost of materials fell from EUR 37.2 million in the previous year to EUR 35.5 million. This reduction results primarily from the reduction in agencies' purchasing activities.

Personnel expenses rose from EUR 30.6 million in 2017 to EUR 45.7 million in 2018. The introduction of a long-term incentive programme (LTIP) for the Management Board and executives accounted for EUR 11.3 million of this figure. The slight increase in headcount and salaries also contributed to the increase. Scout24 AG had an annual average of 244 employees in the financial year 2018 (previous year: 228), excluding senior executives.

Amortisation, depreciation and write-downs increased in 2018 as a result of the merger with Scout24 Holding GmbH and was up from EUR 0.3 million to EUR 1.5 million.

Other operating expenses increased by 75% to EUR 49.7 million compared with the previous year (EUR 28.3 million). This is mainly due to an increase in legal and consulting costs of EUR 13.0 million (previous year: EUR 5.4 million) primarily in connection with corporate transactions. The refinancing performed gave rise to expenses of EUR 4.1 million. Marketing costs also rose by EUR 3.8 million.

Income from profit transfer agreements amounted to EUR 294.8 million in the financial year (previous year: EUR 154.9 million), up 90.4% year-on-year. The income is attributable to the profit transfer agreements with Immobilien Scout GmbH (EUR 177.3 million) and AutoScout24 GmbH (EUR 117.5 million). The rise is primarily due to the increase at AutoScout24 GmbH, which received dividend payments of EUR 42.3 million and recognised a gain from the contribution of 100.00% of the shares in AutoScout24 España S.A., Madrid, Spain, in Alpinia Investments 2018, S.L.U., Madrid, Spain (EUR 32.4 million). In return, AutoScout24 GmbH received 49.999% of the shares, less one share.

Because the loan to Scout24 Holding GmbH ceased to exist as part of the merger, no income from long-term loans was generated in 2018.

Other interest and similar income has decreased only slightly from EUR 1.2 million in 2017 to EUR 1.1 million in 2018.

Despite the year-on-year increase in debt, interest and similar expenses fell by 12.6% to EUR 10.3 million as a result of the successful refinancing.

Due to the improved results of operations of the subsidiaries and Scout24 AG, income taxes amounted to EUR 57.8 million in the 2018 financial year (previous year: EUR 50.6 million), up EUR 7.2 million (14.2%).

In the financial year, deferred taxes of EUR 3.6 million were recognised through profit or loss. The first-time recognition of deferred tax assets is due to the mergers performed during the year.

As a consequence, the net profit for the year grew by a total of 78.1% to EUR 195.6 million, compared with EUR 109.9 million in the previous year.

### Financial position and net assets

Scout24 AG manages the Group's liquidity through its financial management function. It ensures that the Group always has sufficient liquidity available to meet all payment obligations. This is performed on the basis of annual budgeting and rolling liquidity planning for the Group.

Scout24 AG's net assets and financial position are presented in the condensed balance sheet below:

## Balance sheet (condensed)

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 | +/- | +/- in % |
|---|---|---|---|---|
| Intangible assets | 1,395 | 1,122 | 273 | 24.3 |
| Property, plant and equipment | 6,128 | 800 | 5,328 | 666.0 |
| Financial assets | 2,056,795 | 1,561,929 | 494,866 | 31.7 |
| **Fixed assets** | **2,064,318** | **1,563,852** | **500,466** | **32.0** |
| Trade receivables | 8,693 | 7,428 | 1,265 | 17.0 |
| Receivables from affiliated companies | 320,228 | 195,164 | 125,064 | 64.1 |
| Other assets | 627 | 152 | 475 | 312.5 |
| Cash on hand and bank balances | 47,126 | 10,447 | 36,679 | 351.1 |
| **Current assets** | **376,674** | **213,191** | **163,483** | **76.7** |
| Prepaid expenses | 5,885 | 5,690 | 195 | 3.4 |
| **Total assets** | **2,446,877** | **1,782,733** | **664,144** | **37.3** |
| Subscribed share capital | 107,600 | 107,600 | 0 | 0.0 |
| Capital reserve | 170,324 | 422,956 | -252,632 | -59.7 |
| Other retained earnings | 0 | 53,800 | -53,800 | -100.0 |
| Balance sheet profit | 973,986 | 532,186 | 441,800 | 83.0 |
| **Equity** | **1,251,910** | **1,116,542** | **135,368** | **12.1** |
| **Provisions** | **65,575** | **32,785** | **32,790** | **100.0** |
| **Liabilities** | **1,115,251** | **632,161** | **483,090** | **76.4** |
| Deferred income | 4,093 | 1,245 | 2,848 | 228.8 |
| Deferred tax liabilities | 10,048 | 0 | 10,048 | 100.0 |
| **Total equity and liabilities** | **2,446,877** | **1,782,733** | **664,144** | **37.2** |

In the financial year 2018, the balance sheet was characterised by the merger of Scout24 Holding GmbH and of Scout24 Services GmbH.

The change in financial assets compared with the previous year of EUR 494.9 million arises from the increase in shares in affiliated companies as a result of the merger of Scout24 Services GmbH with Scout24 Holding GmbH and of Scout24 Holding GmbH with Scout24 AG. Financial assets consist primarily of the equity investments in Immobilien Scout GmbH and Scout24 HCH Alpen AG. In additional, a loan of EUR 279.1 million was issued to Consumer First Services GmbH in the financial year. This was offset by the loan to Scout24 Holding GmbH (EUR 497,7 million) that ceased to exist as part of the merger.

Trade receivables rose in line with the increased revenue by EUR 1.2 million to EUR 8.7 million.

Receivables from affiliated companies mainly comprise receivables from the profit transfer agreements with Immobilien Scout GmbH and AutoScout24 GmbH. The increase in receivables in 2018 from EUR 195.2 million to EUR 320.2 million results primarily from the increase in income from profit and loss transfers.

Equity changed by EUR 135.4 million, from EUR 1,116.5 million in the previous year to EUR 1,251.9 million in 2018. This effect is mainly attributable to the net profit for the year. This was offset by the dividend of EUR 60.3 million (previous year: EUR 32.3 million) passed at the Annual General Meeting. Furthermore, withdrawals of EUR 252.6 million from the capital reserve and EUR 53.8 million from other retained earnings were transferred to the balance sheet profit.

The equity ratio changed from 62.6% in the previous year to 51.1%, primarily as a result of the increase in liabilities.

Provisions rose to EUR 65.5 million in 2018 (previous year: EUR 32.8 million), principally on account of the tax provisions of EUR 15.7 million (as of 2018: EUR 26.3 million, previous year: EUR 10.6 million), resulting from the significantly improved earnings compared with the previous year. The increase in other provisions is mainly due to the new long-term incentive programme (EUR 11.3 million) and to the higher provisions for outstanding invoices (increase of EUR 4.4 million).

The main items under liabilities are liabilities to affiliated companies of EUR 317.3 million (previous year: EUR 3.4 million) as well as the liabilities to banks of EUR 787.9 million (previous year: EUR 620.0 million).

The increase in liabilities to affiliated companies results almost exclusively from the cash pool management assumed by way of the merger of Scout24 Holding GmbH.

The liabilities to banks were characterised by the refinancing performed in the 2018 financial year. In the first quarter, a promissory note loan ("Schuldscheindarlehen") of EUR 215.0 million was taken out for the first time. On 29 March, 2018, the term loan from the term and revolving facilities agreement of EUR 250.0 million was repaid early with the proceeds from the promissory note. On 16 July, 2018, Scout24 signed the EUR 1,000 million term and revolving facilities agreement (RFA). The loan consists of the term loan facility (facility A) of EUR 300.0 million, revolving credit facility I of EUR 200.0 million (amount drawn as of 31 December 2018: EUR 22.8 million) and revolving credit facility II of EUR 500.0 million. The last of these was drawn to finance the acquisition of the Finanzcheck Group of EUR 250,0 million.

Deferred taxes resulted from the temporary differences between the carrying amounts of assets, liabilities and deferred income and prepaid expenses in the balance sheet and in the tax accounts. As a result of offsetting deferred tax assets of EUR 3.8 million against the deferred tax liabilities of EUR 13.8 million, there is for the first time a net liability position of EUR 10.0 million. This was reported in the deferred tax liabilities. In the previous year, no deferred taxes were recognised because the non-disclosure option pursuant to Articles 274 (1) sentence 2 of the German Commercial Code (HGB) was exercised.

## Risks and opportunities of Scout24 AG

The business development of Scout24 AG is shaped by the economic performance of the individual subsidiaries. For this reason, the risks and opportunities relating to the subsidiaries are also pertinent to Scout24 AG. The statements concerning the future development and the risks and opportunities of the Scout24 Group may therefore be deemed a summary of the risk situation of Scout24 AG.

Munich, 11 March 2019
Scout24 AG

The Management Board

| | |
|---|---|
| Tobias Hartmann | Christian Gisy |
| Dr Thomas Schroeter | Ralf Weitz |

# Consolidated financial statements and notes

## Consolidated income statement

| (EUR '000) | Note | 2018 | 2017[73] (adjusted) |
|---|---|---|---|
| **Revenue** | **3.1** | **531,748** | **472,589** |
| Own work capitalised | 3.2 | 18,618 | 15,087 |
| Other operating income | 3.3 | 2,799 | 1,059 |
| **Total operating performance** | | **553,165** | **488,735** |
| Personnel expenses | 3.4 | -133,614 | -116,896 |
| Advertising expenses | 3.5 | -61,373 | -53,466 |
| IT expenses | 3.6 | -20,838 | -16,994 |
| Other operating expenses | 3.7 | -80,074 | -68,601 |
| **Earnings before interest, tax, depreciation and amortisation – EBITDA** | | **257,266** | **232,778** |
| Amortisation, depreciation and impairment losses | 4.5; 4.6; 4.7 | -66,093 | -56,830 |
| **Earnings before interest and tax – EBIT** | | **191,173** | **175,948** |
| Profit/loss from investments accounted for using the equity method | 3.8 | 53 | -31 |
| Finance income | 3.9 | 42,686 | 3,819 |
| Finance costs | 3.10 | -15,440 | -14,194 |
| **Financial result** | | **27,299** | **-10,406** |
| | | | |
| **Earnings before tax** | | **218,472** | **165,542** |
| Income taxes | 3.11 | -54,045 | -54,644 |
| **Earnings after tax** | | **164,427** | **110,898** |
| | | | |
| **Of which attributable to:** | | | |
| Shareholders of the parent company | | 164,427 | 110,898 |

## Earnings per share

| (EUR) | Note | 2018 | 2017 |
|---|---|---|---|
| **Basic earnings per share** | 3.12 | | |
| Earnings per share after tax | | **1.53** | **1.03** |
| **Diluted earnings per share** | 3.12 | | |
| Earnings per share after tax | | **1.53** | **1.03** |

Accompanying notes form an integral part of the consolidated financial statements

[73] With respect to the effect of changes in accounting policies, please refer to note 1.3 New accounting regulations.

## Consolidated statement of comprehensive income

| (EUR '000) | Note | 2018 | 2017 |
|---|---|---|---|
| Earnings after tax | | 164,427 | 110,898 |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement gains/losses on pension obligations – before tax | 4.16 | 0 | -48 |
| Deferred taxes on remeasurement gains/losses on pension obligations | 4.16 | 0 | 12 |
| Remeasurement gains/losses on pension obligations – after tax | 4.16 | 0 | -36 |
| | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Currency differences | | -9 | -51 |
| | | | |
| **Other comprehensive income, after tax** | | **-9** | **-87** |
| **Total comprehensive income** | | **164,418** | **110,811** |
| | | | |
| **Of which attributable to:** | | | |
| Shareholders of the parent company | | 164,418 | 110,811 |
| **Total comprehensive income** | | **164,418** | **110,811** |

Accompanying notes form an integral part of the consolidated financial statements

# Consolidated balance sheet

| Assets (EUR '000) | Note | 31 Dec. 2018 | 31 Dec. 2017[74] |
|---|---|---|---|
| **Current assets** | | **168,879** | **115,275** |
| Cash and cash equivalents | 4.1 | 58,420 | 56,659 |
| Trade receivables | 4.2 | 58,442 | 47,432 |
| Financial assets | 4.3 | 7,407 | 1,075 |
| Income tax assets | 3.11 | 721 | 2,653 |
| Other assets | 4.4 | 10,114 | 7,456 |
| Assets held for sale | 4.9 | 33,775 | - |
| **Non-current assets** | | **2,295,809** | **2,025,188** |
| Goodwill | 4.5 | 1,064,086 | 836,675 |
| Trademarks | 4.5 | 980,943 | 984,609 |
| Other intangible assets | 4.5 | 169,009 | 188,873 |
| Right-of-use asset from leases | 4.6 | 24,682 | - |
| Property, plant and equipment | 4.7 | 13,331 | 8,161 |
| Investments accounted for using the equity method | 4.8 | 38,984 | 1,052 |
| Financial assets | 4.3 | 2,575 | 991 |
| Deferred tax assets | 3.11 | 1,206 | 2,312 |
| Other assets | 4.4 | 993 | 2,515 |
| **Total assets** | | **2,464,688** | **2,140,463** |

Accompanying notes form an integral part of the consolidated financial statements

[74] With respect to the effect of changes in accounting policies, please refer to note 1.3 New accounting regulations.

| Equity and liabilities (EUR '000) | Note | 31 Dec. 2018 | 31 Dec. 2017[75] |
|---|---|---|---|
| **Current liabilities** | | **148,014** | **159,194** |
| Trade payables | 4.10 | 37,648 | 22,224 |
| Financial liabilities | 4.11 | 23,404 | 79,511 |
| Lease liabilities | 4.12 | 5,998 | - |
| Other provisions | 4.13 | 8,971 | 6,889 |
| Income tax liabilities | 3.11 | 28,452 | 12,843 |
| Contract liabilities | 4.14 | 9,650 | 9,735 |
| Other liabilities | 4.15 | 22,143 | 27,992 |
| Liabilities associated with assets held for sale | 4.9 | 11,748 | - |
| **Non-current liabilities** | | **1,143,904** | **915,773** |
| Financial liabilities | 4.11 | 756,020 | 538,043 |
| Lease liabilities | 4.12 | 19,228 | - |
| Pensions and similar obligations | 4.16 | 546 | 526 |
| Other provisions | 4.13 | 13,191 | 3,569 |
| Income tax liabilities | 3.11 | 43 | 62 |
| Deferred tax liabilities | 3.11 | 352,230 | 371,492 |
| Other liabilities | 4.15 | 2,646 | 2,081 |
| **Equity** | **4.17** | **1,172,770** | **1,065,496** |
| Subscribed share capital | | 107,600 | 107,600 |
| Capital reserve | | 423,689 | 423,302 |
| Revenue reserve | | 640,555 | 533,659 |
| Remeasurement gains/losses on pension obligations | | -121 | -121 |
| Other reserves | | 1,047 | 1,056 |
| Equity attributable to owners of parent company | | 1,172,770 | 1,065,496 |
| **Total equity and liabilities** | | **2,464,688** | **2,140,463** |

Accompanying notes form an integral part of the consolidated financial statements

[75] With respect to the effect of changes in accounting policies, please refer to note 1.3 New accounting regulations.

## Consolidated statement of changes in equity

| (EUR '000) | Note | Subscribed share capital | Capital reserve | Revenue reserve | Remeasurement gains/losses on pension obligations | Other reserves | Treasury shares | Equity attributable to shareholders | Equity of the Group |
|---|---|---|---|---|---|---|---|---|---|
| **Balance on 1 Jan. 2017** | | **107,600** | **427,570** | **455,041** | **-85** | **1,107** | **-463** | **990,770** | **990,770** |
| Remeasurement gains/losses on pension obligations | 4.16 | - | - | - | -36 | - | - | -36 | -36 |
| Currency differences | | - | - | - | - | -51 | - | -51 | -51 |
| Earnings after tax | | - | - | 110,898 | - | - | - | 110,898 | 110,898 |
| **Total comprehensive income** | | **0** | **0** | **110,898** | **-36** | **-51** | **0** | **110,811** | **110,811** |
| Dividend | | - | - | -32,280 | - | - | - | -32,280 | -32,280 |
| Share-based payments | 5.3 | - | -804 | - | - | - | - | -804 | -804 |
| Purchase of treasury shares | | - | - | - | - | - | -1,378 | -1,378 | -1,378 |
| Issue of treasury shares | | - | -3,464 | - | - | - | 1,841 | -1,623 | -1,623 |
| **Previously reported balance on 31 Dec. 2017** | | **107,600** | **423,302** | **533,659** | **-121** | **1,056** | **-** | **1,065,496** | **1,065,496** |
| **Transitional effect from adopting IFRS 9 (after tax)** | | **-** | **-** | **2,725** | **-** | **-** | **-** | **2,725** | **2,725** |
| **Adjusted balance on 1 Jan. 2018** | | **107,600** | **423,302** | **536,384** | **-121** | **1,056** | **-** | **1,068,221** | **1,068,221** |
| Remeasurement gains/losses on pension obligations | 4.16 | - | - | - | 0 | - | - | 0 | 0 |
| Currency differences | | - | - | - | - | -9 | - | -9 | -9 |
| Earnings after tax | | - | - | 164,427 | - | - | - | 164,427 | 164,427 |
| **Total comprehensive income** | | **0** | **0** | **164,427** | **0** | **-9** | **0** | **164,418** | **164,418** |
| Dividend | | - | - | -60,256 | - | - | - | -60,256 | -60,256 |
| Share-based payments | 5.3 | - | 387 | - | - | - | - | 387 | 387 |
| Changes in the consolidation scope | | - | - | - | - | - | - | - | - |
| **Balance on 31 Dec. 2018** | | **107,600** | **423,689** | **640,555** | **-121** | **1,047** | **-** | **1,172,770** | **1,172,770** |

Accompanying notes form an integral part of the consolidated financial statements

## Consolidated cash flow statement

| (EUR '000) | Note | 2018 | 2017 |
|---|---|---|---|
| **Earnings after tax** | | **164,427** | **110,898** |
| Amortisation, depreciation and impairment losses | | 66,093 | 56,830 |
| Income tax expense | | 54,045 | 54,644 |
| Finance income | | -42,686 | -3,819 |
| Finance costs | | 15,440 | 14,194 |
| Profit/loss from investments accounted for using the equity method | | -53 | 31 |
| Gain/loss on disposal of intangible assets and property, plant and equipment | | -1,635 | - |
| Other non-cash transactions | | -1,853 | -237 |
| Change in trade receivables and other assets not attributable either to investing or financing activities | | -4,302 | -5,139 |
| Change in trade payables and other liabilities not attributable to investing or financing activities | | -175 | -2,765 |
| Change in provisions | | 11,024 | 5,678 |
| Income taxes paid | | -52,857 | -66,090 |
| **Cash flow from operating activities** | **5.1** | **207,468** | **164,225** |
| Investments in intangible assets, including internally generated intangible assets and intangible assets under development | 4.5 | -19,217 | -19,997 |
| Investments in property, plant and equipment | 4.7 | -9,167 | -2,793 |
| Proceeds from disposal of intangible assets and property, plant and equipment | | 1,803 | 140 |
| Proceeds from sale of financial assets | | 112 | 47 |
| Acquisition of investments accounted for using the equity method | | -350 | -350 |
| Acquisition of subsidiaries net of cash acquired | 2.1; 2.2 | -266,347 | -22,424 |
| Disposal of subsidiaries | | -862 | - |
| Interest received | | -24 | 1,889 |
| **Cash flow from investing activities** | **5.1** | **-294,052** | **-43,488** |

**continued on next page...**

**...continuation**

| (EUR '000) | Note | 2018 | 2017 |
|---|---|---|---|
| Raising of short-term financial liabilities | | 70,000 | 1 |
| Repayment of short-term financial liabilities | | -106,265 | -30,172 |
| Raising of long-term financial liabilities | | 765,000 | 29 |
| Repayment of medium- and long-term financial liabilities | | -570,029 | -30,000 |
| Interest paid | | -10,116 | -13,670 |
| Dividends paid | | -60,256 | -32,280 |
| Purchase of treasury shares | | - | -1,378 |
| **Cash flow from financing activities** | **5.1** | **88,334** | **-107,470** |
| Net foreign exchange difference | | 11 | -49 |
| **Change in cash and cash equivalents** | | **1,761** | **13,218** |
| **Cash and cash equivalents at beginning of period** | | **56,659** | **43,441** |
| **Cash and cash equivalents at end of period** | **4.1** | **58,420** | **56,659** |

Accompanying notes form an integral part of the consolidated financial statements

# Notes to the consolidated financial statements

## 1 Information about the Company and basis for preparing the financial statements

### 1.1 Information about the Company

Scout24 AG is a listed public stock corporation with its registered office in Munich, Germany. The business address is: Bothestrasse 11-15, 81675 Munich, Germany. Scout24 AG is registered at the Munich District Court (HRB 220 696).

The › shares of Scout24 AG (hereinafter also referred to as the "Company") have been listed on the Prime Standard of the Frankfurt Stock Exchange since 1 October 2015. On 18 June 2018, Scout24 AG was listed on the MDAX.

Scout24 AG as the parent entity and its direct and indirect subsidiaries together form the Scout24 Group (hereinafter also referred to as "Scout24" or the "Group").

The Scout24 Group is a group of entities with online marketplaces in Germany and other selected European countries in the real estate, mobility and financial services sectors.

The Scout24 Group is represented in a total of seven countries with its digital marketplaces and offers private and business customers possibilities for placing online listings. It also provides supplemental classifieds services and online advertising space, brokers financing arrangements and acts as a lead generator, also for other online platforms. Furthermore, the Group operates websites in ten additional language versions.

The most well-known Scout24 marketplaces are ImmobilienScout24 and AutoScout24, which along with the Consumer Services segment that was established as of 1 January 2018 represent the three operating segments.

### 1.2 Basis of preparation

Scout24 AG prepares its consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), London, applicable on the reporting date. It complies with the International Financial Reporting Standards (IFRSs) as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), as adopted by the European Union, as well as with the supplementary requirements of German commercial law pursuant to Article 315e (1) of the German Commercial Code (HGB).

Scout24 applied all accounting standards that were effective as of 31 December 2018. For information about the application of new or amended standards and interpretations, please refer to note 1.3 New accounting regulations.

The financial statements of the entities included in the Group are based on uniform accounting policies in accordance with IFRSs, as adopted by the EU.

The financial year for all entities included in the Group corresponds to the calendar year. All entities including associates and joint ventures (accounted for using the equity method) are included on the basis of their financial statements prepared as of 31 December 2018 for the period from 1 January to 31 December 2018. In accordance with IFRS 10, entities acquired during the financial year are included from the date on which control is obtained.

The consolidated financial statements are prepared based on historical cost, except for financial assets and financial liabilities (including derivative financial instruments) that are measured at fair value either through profit or loss or through other comprehensive income. The balance sheet presentation distinguishes between current and non-current assets and liabilities. The consolidated income statement is classified using the nature of expense method. The consolidated financial statements are prepared in euro, which is the reporting currency. Unless otherwise indicated, figures are generally presented in thousands of euros. The tables and information presented can contain rounding differences.

## 1.3 New accounting regulations

### i. Standards, interpretations and amendments that became effective in the past financial year

In addition to the previous standards applied, all accounting standards adopted by the EU that became effective for Scout24 as of 1 January 2018 were applied. The effects arising from first-time application are described below. The standards applicable beginning as of 1 January 2018 are presented in the following table:

| **Standard/Interpretation** | **Effect** |
|---|---|
| IFRS 9 Financial Instruments | See information below |
| IFRS 15 Revenue from Contracts with Customers | See information below |
| IFRS 15 Clarifications to IFRS 15 | See information below |
| IFRS 2 Amendments to IFRS 2: Share-based Payment | No effect |
| IFRS 4 Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | Not relevant |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | No significant effects |
| IAS 40 Amendments to IAS 40: Investment Property | Not relevant |
| Annual Improvements to IFRS Standards 2014-2016 Cycle | No relevance or disclosure requirement only |

In addition, the Group applied IFRS 16 Leases for the first time as of 1 January 2018. The standard is effective for financial years beginning on 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 before or at the date of initial application of IFRS 16. The Group meets this requirement.

| **Standard/Interpretation** | **Effect** |
|---|---|
| IFRS 16 Leases | See information below |

## IFRS 9 Financial Instruments

### Effect of adopting IFRS 9 Financial Instruments

IFRS 9 became effective for financial years beginning on or after 1 January 2018. As Scout24 elected not to early adopt the standard, the date of initial application of IFRS 9 is 1 January 2018, the beginning of the current reporting period.

The requirements of IFRS 9 differ in some respects from the requirements of the previously applied standard IAS 39. Significant effects from applying IFRS 9 relate to the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting. The effects of first-time adoption of IFRS 9 on the Group's accounting policies and the Group's equity as of 1 January 2018 are summarised below.

### Classification and measurement

IFRS 9 comprises a new classification and measurement approach for financial assets based on the business model within which they are held and their contractual cash flow characteristics. All financial assets within the scope of IFRS 9 are required to be measured at amortised cost or fair value. With regard to measurement at fair value, changes in value are recognised either through profit or loss or through other comprehensive income (OCI). IFRS 9 thus comprises three measurement categories for financial assets, eliminating the previous IAS 39 categories.

The Group reclassified its financial assets in accordance with the new requirements of IFRS 9 as of 1 January 2018. As a result, financial assets have been reclassified into the measurement categories "at amortised cost", "at fair value through profit or loss" and "at fair value through other comprehensive income". The previous IAS 39 categories "loans and receivables", "available for sale", "held for trading" and "other financial liabilities" were accordingly discontinued as of 1 January 2018.

In accordance with the transitional provisions of IFRS 9, the Group did not apply the standard retrospectively or adjust comparative information for previous periods with regard to the change in classification and measurement (including impairment). Instead, the revenue reserve at the beginning of the reporting period was adjusted to include the effect of first-time adoption of the new impairment methodology. Differences between the carrying amounts of financial assets and financial liabilities resulting from the application of IFRS 9 were thus recognised in revenue reserves as of 1 January 2018.

The table below summarises the changes and effects on classification and measurement of financial assets and liabilities held by Scout24 in relation to the first-time adoption of first-time application of IFRS 9.

| (EUR ‘000) | **Previous measurement category and carrying amount pursuant to IAS 39 (31 Dec. 2017)** | | | | | **New measurement category and carrying amount pursuant to IFRS 9 (1 Jan. 2018)** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Loans and receivables** | **Available for sale** | **Held for trading** | **Other financial liabilities** | **Remeasurement from IFRS 9 (1 Jan. 2018)** | **At fair value through profit or loss** | **At fair value through other comprehensive income** | **Amortised cost** | **Effects on revenue reserves as of 1 Jan. 2018** |
| Cash and cash equivalents | 56,659 | | | | | | | 56,659 | |
| Trade receivables | 47,432 | | | | 3,897 | | | 51,329 | 3,897 |
| Other current financial assets | 1,351 | | | | | | | 1,351 | |
| Other non-current financial assets | | | | | | | | | |
| - Available-for-sale financial assets | | 180 | | | | | 180 | | |
| - Derivative financial instruments | | | 0 | | | | | | |
| - Sundry non-current financial assets | 1,807 | | | | | | | 1,807 | |
| **Total assets** | **107,249** | **180** | **0** | **0** | **3,897** | **0** | **180** | **111,146** | **3,897** |
| Trade payables | | | | 22,224 | | | | 22,224 | |
| Current financial liabilities | | | | | | | | | |
| - Finance leases | | | | | | | | 0 | |
| - Other current financial liabilities | | | | 79,462 | | | | 79,462 | |
| Other current liabilities | | | | | | | | | |
| - Other current financial liabilities | | | | 1,882 | | | | 1,882 | |
| - Other current non-financial liabilities | | | | | | | | 0 | |
| Non-current financial liabilities | | | | | | | | | |
| - Derivative financial instruments | | | 2,380 | | | 2,380 | | | |
| - Finance leases | | | | | | | | 0 | |
| - Other non-current financial liabilities | | | | 535,625 | | | | 535,625 | |
| **Total liabilities** | **0** | **0** | **2,380** | **639,194** | **0** | **2,380** | **0** | **639,194** | **0** |

The “available for sale” category was transformed to the “at fair value through other comprehensive income” category. Financial assets and liabilities classified as “held for trading” are now classified as “at fair value through profit or loss”. The “loans and receivables” category and “other financial liabilities” were reclassified to “at amortised cost”.

The new IFRS 9 classification requirements have not had any significant effects on the recognition of trade receivables or other financial assets. As of 31 December 2017, the Group held participating interests classified as available for sale with a carrying amount of EUR 180 thousand. As the “available for sale” category no longer exists under IFRS 9, the Group has elected to present fair value changes relating to this asset within other comprehensive income (FVOCI). The transition to IFRS 9 did not involve any effect on profit or loss in this respect, as fair value changes are recognised in OCI both under IAS 39 and under IFRS 9.

There were no significant effects as a result of reclassifying the Group’s financial liabilities in accordance with IFRS 9. This is because Scout24 had not previously used the fair value option to classify financial liabilities as “at fair value through profit or loss” and the requirements relating to financial liabilities are otherwise largely the same under IAS 39 and IFRS 9.

## Impairment of financial assets

Scout24 adapted the impairment methodology applicable to financial assets on aggregate for the whole Group to the requirements of IFRS 9 as of 1 January 2018. The standard replaces the incurred losses of IAS 39 with the forward-looking model of expected credit losses. This requires considerable judgement about the extent to which expected credit losses are affected by changes in economic factors. This estimate is calculated on the basis of weighted probabilities. Due to the stable political environment and the current nature of receivables, forecasts have at present not been included in measurement to any significant extent.

In accordance with the transitional provisions of IFRS 9, Scout24 decided not to retrospectively apply the changes to previous periods. Instead, the allowance for doubtful trade receivables was revalued as of 1 January 2018 in accordance with the IFRS 9 impairment methodology.

The table below includes the closing balances of the impairment losses as of 31 December 2017 and their opening balances as of 1 January 2018 and shows the effects of first-time adoption of the expected loss model on the Group’s trade receivables.

| (EUR ‘000) | **Impairment losses as of 31 Dec. 2017** | **Impairment losses as of 1 Jan. 2018** |
|---|---|---|
| Cash and cash equivalents | | |
| Trade receivables | -5,108 | -1,211 |
| Other current financial assets | | |
| Other non-current financial assets | | |
| Sundry non-current financial assets | | |

First-time adoption of the impairment requirements did not give rise to any significant amount relating to cash and cash equivalents or other financial assets. Bank balances are held exclusively at banks with good credit ratings. They either have investment grade rating or there are no other indications for banks without a rating.

## IFRS 15 Revenue from Contracts with Customers, including Clarifications to IFRS 15

The Group adopted IFRS 15 Revenue from Contracts with Customers (IFRS 15) as of 1 January 2018. The standard replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Scout24 applied the retrospective method for first-time adoption of the standard in the 2018 financial year and consequently also presents the comparative period in accordance with IFRS 15.

The Scout24 Group generates its revenue from rendering services, in particular from offering online listings, generating leads and providing advertising space.

Revenue is recognised under IFRS 15 when the Group satisfies the performance obligation or transfers control. Revenue from online listings chiefly relates to performance obligations satisfied over time that are accounted for pro rata temporis. The Scout24 Group also offers services in a bundle (for example online classifieds, combined with other components such as placement of corporate logo and providing market information), but these relate exclusively to services invoiced over the same period (usually monthly). This means that, even if there are separable performance obligations, there is no effect on the amount and timing of revenue recognition as a result of allocating consideration on the basis of the relative stand-alone selling prices. The terms of the contracts usually vary between minimum terms of one month and twelve months.

In relation to determining the consideration for the (individual) performance obligations, it is found that for some contracts variability exists in the form of staggered prices linked to the volumes bought. Under IAS 18, billing and revenue recognition was already performed on the basis of actual consumption, applying a consistent individual price to the relevant quantity billed per month.

In the case of certain contractual structures in connection with the provision of advertising space involving media agencies, application of IFRS 15 gives rise to a change in terms of amount and presentation of revenue: commission paid to media agencies are payments to the customer under IFRS 15 and are deducted from revenue accordingly. Accordingly, the amount of revenue reported decreases as does other operating expenses, leading to unchanged EBIT/EBITDA and a higher EBITDA margin. No changes arise for the balance sheet, in particular revenue reserves, as a consequence.

Above and beyond this, there are no significant effects on the Group's accounting policies from the first-time adoption of IFRS 15.

The effects arising from retrospective first-time adoption of IFRS 15 to the previous year as the comparative period are shown in the consolidated income statement below. There were no effects on the items below EBITDA:

| Consolidated income statement<br>(EUR '000) | **2017<br>as reported** | **IFRS 15<br>Adjustment** | **2017<br>in acc. with IFRS 15** |
|---|---|---|---|
| **Revenue** | **479,755** | **-7,166** | **472,589** |
| Own work capitalised | 15,087 | - | 15,087 |
| Other operating income | 1,059 | - | 1,059 |
| **Total operating performance** | **495,901** | **-7,166** | **488,735** |
| Personnel expenses | -116,896 | - | -116,896 |
| Advertising expenses | -54,091 | 625 | -53,466 |
| IT expenses | -16,994 | - | -16,994 |
| Other operating expenses | -75,142 | 6,541 | -68,601 |
| **Earnings before interest, tax, depreciation and amortisation – EBITDA** | **232,778** | **-** | **232,778** |
| **Earnings before interest and tax – EBIT** | **175,948** | **-** | **175,948** |
| **Earnings before tax** | **165,542** | **-** | **165,542** |
| **Earnings after tax** | **110,898** | **-** | **110,898** |
| | | | |
| **Of which attributable to:** | | | |
| Non-controlling interests | - | - | - |
| Shareholders of the parent company | 110,898 | - | 110,898 |

Applying IFRS 15 the Company reports an additional item in the balance sheet ("contract liabilities") previously presented within other liabilities. Contract liabilities reflect the Group's obligation to transfer services to its customers for which it has received consideration. The corresponding effects on the balance sheet at the beginning and at the end of the previous year are shown in the condensed consolidated balance sheet below:

| Equity and liabilities (EUR '000) | 31 Dec. 2017 as reported | IFRS 15 Adjustment | 31 Dec. 2017 in acc. with IFRS 15 |
|---|---|---|---|
| **Current liabilities** | **159,194** | **-** | **159,194** |
| Trade payables | 22,224 | - | 22,224 |
| Financial liabilities | 79,511 | - | 79,511 |
| Other provisions | 6,889 | - | 6,889 |
| Income tax liabilities | 12,843 | - | 12,843 |
| Contract liabilities | - | 9,735 | 9,735 |
| Other liabilities | 37,727 | -9,735 | 27,992 |
| **Non-current liabilities** | **915,773** | **-** | **915,773** |
| **Equity** | **1,065,496** | **-** | **1,065,496** |
| **Total equity and liabilities** | **2,140,463** | **-** | **2,140,463** |

## IFRS 16 Leases

IFRS 16 replaces the previous requirements relating to leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

The standard is effective for financial years beginning on 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 before or at the date of initial application of IFRS 16. The Group has changed its accounting policies in accordance with the transitional provisions and applied IFRS 16 for the first time as of 1 January 2018 using the modified retrospective method. The comparative information has therefore not been restated. The Group has chosen to apply the practical expedient not to reassess its portfolio of contracts on the basis of the new definition of a lease under IFRS 16 and instead to apply the standard to contracts previously identified as leases applying IAS 17. Applying a further practical expedient, the present value of rights-of-use asset approximated the present value of the lease liability as of 1 January 2018. In addition, with the exception of the right-of-use asset for vehicles, the Group applies the practical expedient relating to leases for which the lease term ends within twelve months of the date of initial application and accounts for such leases as short-term leases, including the associated cost within the disclosure of lease expenses. The Group elected not to apply the recognition and measurement requirements for short-term leases and right-of-use assets of low value only.

The principal effects as of 1 January 2018 are as follows:

Balance sheet: In relation to the obligations arising from leases, there was an increase of EUR 16,850 thousand in lease liabilities, and a corresponding increase of the same amount in non-current assets, as of 1 January 2018. As a result of this increase in total assets, the equity ratio as of 1 January 2018 was 0.39 percentage points lower compared with 31 December 2017. Net financial debt increased accordingly by EUR 16,850 thousand to EUR 577,745 thousand, compared with EUR 560,895 thousand as of 31 December 2017. The average incremental borrowing rate of interest was 1.10%. There is a difference between the present value of obligations from operating leases reported in the notes to the consolidated financial statements as of 31 December 2017 in accordance with IAS 17 and the present value of the lease liabilities reported as of 1 January 2018. This is related to the fact that the obligations from operating leases include lease payments which did not yet fulfil the recognition and measurement requirements of IFRS 16 as of 1 January 2018 since use had not yet commenced. In addition, the operating leases contain incidental lease expenses, which in accordance with IFRS 16 were not capitalised, and short-term leases for which the Group elected to disclose the associated cost in lease expenses.

Income statement: The changed recognition of expenses for operating leases on a straight-line basis as depreciation of right-of-use assets and interest expenses for lease liabilities led to an improvement in the key indicator ordinary operating EBITDA of EUR 6,079 thousand in the 2018 financial year.

Cash flow statement: Repayments of lease liabilities and the payments attributable to the interest portion of lease liabilities are allocated to the cash flow from financing activities. Only payments not included in the calculation of the lease liability and payments from short-term and low-value leases, where use is made of the practical expedients, have been allocated to the cash flow from operating activities. This new allocation of lease expenses from operating leases compared with the previous year led to an improvement in the cash flow from operating activities and a decrease of EUR 6,079 thousand in the cash flow from financing activities in the 2018 financial year.

ii. Standards, interpretations and amendments that will become effective in future reporting periods (standards published, but not yet effective)

The following new or amended accounting standards already issued by the IASB were not applied in the consolidated financial statements for the 2018 financial year as application was not yet mandatory. Some of the effects arising from the new or amended standards on the financial statements are still being analysed.

| **Standard/Interpretation** | | **Following endorsement by the EU effective for financial years beginning on or after[1]:** | **Effect** |
|---|---|---|---|
| IFRS 17 | Insurance Contracts | EU endorsement pending | Not relevant |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 | No significant effects are expected. |
| IFRS 3 | Amendments to IFRS 3: Definition of a Business | EU endorsement pending | Still being analysed |
| IFRS 9 | Amendments to IFRS 9: Prepayment Features with Negative Compensation | 1 January 2019 | No significant effects are expected. |
| IAS 1 and IAS 8 | Amendments to IAS 1 and IAS 8: Definition of Material | EU endorsement pending | Still being analysed |
| IAS 19 | Amendments to IAS 19: Plan Amendment, Curtailment or Settlement | EU endorsement pending | No significant effects are expected. |
| IAS 28 | Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures | EU endorsement pending | No significant effects are expected. |
| | Annual Improvements to IFRS Standards 2015-2017 Cycle | EU endorsement pending | Still being examined or currently not relevant |
| | Revised Conceptual Framework | EU endorsement pending | Still being analysed |

[1] Status as of 14 January 2019

## 1.4 Basis of consolidation

### Scope of consolidation

Subsidiaries are entities that Scout24 AG controls either directly or indirectly. Control exists if, and only if, Scout24 AG has the power to control the financial and operating policy, directly or indirectly, in such a way that group entities obtain benefits from the activities of such entities.

The existence or effect of substantial potential voting rights that can be exercised or converted at present are taken into account when assessing whether an entity is controlled. All German and foreign subsidiaries over which Scout24 has direct or indirect control, and which are not immaterial, are included in the consolidated financial statements of Scout24 in accordance with the principles of full consolidation.

Joint arrangements where two or more parties exercise joint control of an activity are classified either as joint operations or as joint ventures.

A joint operation is characterised by the fact that the parties involved in joint control (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator recognises the assets, liabilities, revenue and expenses that are attributable to it, as well as its interest in the joint assets, liabilities, revenue and expenses.

In a joint venture, by contrast, the parties involved in joint control (venturers) have rights to the entity's net assets.

Associates are entities over which Scout24 AG exercises significant influence, and which are neither subsidiaries nor joint ventures. Associates and joint ventures are accounted for in the consolidated financial statements using the equity method. The share of profit/loss is reported under finance result.

| Number | 2018 | 2017 |
|---|---|---|
| **Scout24 AG and its fully consolidated subsidiaries** | | |
| Germany | 8 | 7 |
| Other countries | 10 | 10 |
| **Entities accounted for using the equity method** | | |
| Germany | 2 | 2 |
| Other countries | 1 | - |
| **Non-consolidated subsidiaries** | | |
| Germany | - | - |
| Other countries | - | - |
| **Total** | **21** | **19** |

In July 2018, Scout24 AG, Munich, acquired 100% of the shares in equity of Blitz Erste Gründungs GmbH, Munich, which it renamed Consumer First Services GmbH, Munich. In August 2018, Consumer First Services GmbH acquired 100% of the shares in equity of FFG FINANZCHECK Finanzportale GmbH, Hamburg, which in turn holds a 100% interest in FVG FINANZCHECK Versicherungsvergleiche GmbH, Hamburg, and finanzcheckPRO GmbH, Hamburg (also see note 2.1 Entities acquired in the reporting period).

In August 2018, Immobilien Scout GmbH, Berlin, acquired 100% of the shares in equity of immosuma GmbH, Vienna, Austria (also see note 2.1 Entities acquired in the reporting period).

On 21 December 2018, AutoScout24 GmbH, Munich contributed 100.00% of the shares in AutoScout24 España S.A., Madrid, Spain to Alpinia Investments 2018, S.L.U., Madrid, Spain. The investment held in Alpinia Investments 2018, S.L.U. was classified as an associate.

On 31 December 2018, Immobilien Scout GmbH, Berlin, sold its 100.00% interest in classmarkets GmbH, Berlin.

In addition, two mergers were transacted during the financial year 2018:

| Transferring entity | Acquiring entity |
|---|---|
| Germany: | |
| Scout24 Services GmbH, Munich | Scout24 Holding GmbH, Munich |
| Scout24 Holding GmbH, Munich | Scout24 AG, Munich |

A complete list of shareholdings of Scout24 is provided in note 5.9.

## Consolidation methods

Subsidiaries are fully consolidated applying the acquisition method as of the date on which the Group obtains control and are deconsolidated as of the date when control is lost.

Capital consolidation is performed by offsetting the carrying amount of the investments against the proportionate equity of the subsidiaries. In accordance with IFRS 3, first-time consolidation is based on the acquisition method by offsetting cost against the acquisition-date fair value of identifiable assets acquired and liabilities and contingent liabilities assumed. Any excess of the cost of the investment over the share in remeasured equity acquired gives rise to goodwill (for subsequent measurement see note 1.6 Accounting policies).

Intercompany transactions are eliminated. Receivables and liabilities between consolidated entities are offset. Intercompany profits are eliminated, and intragroup revenue is offset against the corresponding expenses.

When a subsidiary is sold, the assets and liabilities included until that date as well as any goodwill allocable to the subsidiary are offset against the disposal proceeds.

Investments in associates and interests in joint ventures are accounted for using the equity method in the consolidated financial statements in accordance with IAS 28, and initially recognised at cost. After the acquisition date, the cost is increased or decreased annually by the share in total comprehensive income. Changes in other comprehensive income of the investee are recognised in the Group's other comprehensive income. Furthermore, the Group recognises its share of any changes recognised directly in the equity of the associate or joint venture and are, were required, presents these in the consolidated statement of changes in equity. Dividends paid by the associate reduce the cost accordingly at the date of distribution. At each reporting date, the Group examines whether there are any indications that any investments in associates or interests in joint ventures may be impaired. In such a case, the difference between the carrying amount and the recoverable amount is recognised as an impairment loss in the income statement. Dilution gains and losses resulting from investments in entities accounted for using the equity method are recognised in profit or loss.

In the past financial year, AutoScout24 GmbH, Munich contributed 100.00% of the shares in Auto-Scout24 España S.A., Madrid, Spain to Alpinia Investments 2018, S.L.U., Madrid, Spain. In return, AutoScout24 GmbH received 49.999% of the shares. The investment held in Alpinia Investments 2018, S.L.U. is classified as an associate. The associate was recognised at fair value. The gain on deconsolidation arising from the transaction was recognised in full exercising the de facto option provided by IFRS 10.

## Foreign currency translation

The financial statements of subsidiaries and entities accounted for using the equity method that are outside of the eurozone are translated in accordance with the functional currency concept. The functional currency of the subsidiaries depends on the primary economic environment in which the entity operates. The functional currency of all Scout24 Group entities is the respective local currency. The reporting currency of the consolidated financial statements is the euro (EUR).

Transactions in foreign currencies are translated at the relevant exchange rate at the date of the transaction. In subsequent periods, monetary assets and liabilities are measured at the closing rate, and currency differences are recognised through profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated at the rate on the transaction date. In addition, non-monetary items measured at fair value in a foreign currency are translated at the rate effective as of the date of the fair value measurement.

Financial statements of foreign subsidiaries whose functional currency is not the euro are translated into euros as the Group's reporting currency applying the modified closing rate method. In this connection, income statement items are translated at the annual average exchange rate. Equity is translated at historical rates and asset and liability items are translated at the closing rate as of the reporting date. All exchange rate differences resulting from the translation of financial statements prepared in foreign currencies are recognised in other reserves within equity. These currency differences are only recognised in the income statement upon the sale of the relevant subsidiary.

The underlying exchange rates for currency translation are presented below:

| One euro in foreign currency unit | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| **Switzerland** | | |
| CHF closing rate | 1.1269 | 1.1702 |
| CHF average rate | 1.1550 | 1.1207 |

## 1.5 Judgements and estimation uncertainty

Judgements are relevant in two respects when preparing consolidated financial statements: Firstly, undefined terms and rules have to be interpreted. Secondly, management is required to make (forward-looking) assumptions and estimates that can affect the net assets, financial position and results of operations.

Judgements concerning the interpretation of rules were made especially in connection with the recognition of internally generated intangible assets, the classification of changes in financing agreements and concerning the timing of future cash flows in the measurement and reporting of loans. In addition, judgement was involved in the classification of non-current assets and liabilities as held for sale and in determining whether the Company qualifies as principal or agent for revenue recognition purposes.

Significant (forward-looking) assumptions and estimates were made for purchase price allocations as well as for asset impairment testing, determining fair value for the purpose of reallocating goodwill and calculating the gain on deconsolidation, measuring investments in associates, the collectability of receivables, and the recognition and measurement of provisions, especially provisions for share-based payments. Actual results may later differ from these estimates.

The assumptions and estimates that give rise to a significant risk that a material adjustment of the carrying amounts of assets and liabilities may be necessary in future reporting periods are described below.

### Purchase price allocation

For purchase price allocations in connection with business combinations, assumptions are made regarding the recognition and measurement of assets and liabilities. The determination of the acquisition-date fair value of the acquired assets and assumed liabilities as well as the useful lives of the acquired intangible assets and property, plant and equipment involves making assumptions. The measurement of intangible assets is based to a large extent on forecast cash flows and discount rates. The actual cash flows can differ significantly from the cash flows underlying the determination of fair value, which can lead to other values and impairment losses. In the financial year, goodwill of EUR 238,293 thousand (previous year: EUR 20,444 thousand) and identifiable other intangible assets of EUR 32,996 thousand (previous year: EUR 4,697 thousand) were recognised as part of the purchase price allocation in connection with initial consolidation. More detailed disclosures are presented in note 2 Changes in the consolidation scope.

### Goodwill impairment

In the financial year, the consolidated balance sheet of Scout24 reports goodwill of EUR 1,064,086 thousand (previous year: EUR 836,675 thousand), which is described in more detail in note 4.5 Goodwill and intangible assets.

In accordance with the accounting policy presented below, goodwill is tested for impairment at least once a year and additionally when there is any indication of potential impairment. In this connection, goodwill is first assigned to a cash-generating unit and tested for impairment based on forward-looking assumptions.

Goodwill was required to be reallocated as of 1 January 2018 on account of the changed segment structure following introduction of the Consumer Services segment. Since 1 January 2018, goodwill is monitored at the level of the three operating segments IS24, AS24 and Consumer Services.

The change in the reporting structure constituted an indication of potential impairment and further impairment testing in addition to the annual impairment test therefore had to be performed before reallocating goodwill. The impairment test did not indicate any need to record an impairment loss before the reallocation. Reallocation of goodwill was carried out in accordance with IAS 36.87 based on the relative fair values less costs of disposal as of 1 January 2018.

Determining the fair value involves estimating the expected future cash flows of the cash-generating unit and an appropriate discount rate. The forecast of future cash flows depends to a large extent on assumptions made regarding expected revenue and profit developments for the operating segments over the next three years and long-term growth rates. Future changes in the expected cash flows and discount rates can lead to impairment losses in the future.

### Impairment of trademarks

Indefinite useful lives are applied for major trademarks, as it is assumed that these will generate cash flows over an indefinite period. For this reason, such trademarks are not amortised until their useful life is determined to be finite. Trademarks are tested for impairment at least once a year and additionally when there is any indication of potential impairment. However, as they constitute corporate assets, the carrying amounts of the trademarks ImmobilienScout24 and AutoScout24 are allocated to the cash-generating units and tested for impairment together with goodwill at segment level.

The consolidated balance sheet of Scout24 as of 31 December 2018 reports a trademark of EUR 980,943 thousand (previous year: EUR 984,609 thousand). More detailed disclosures are presented in note 4.5 Goodwill and intangible assets.

### Determining the fair value of investments in associates

Determining the fair value of investments in associates involves estimating the expected future cash flows and an appropriate discount rate. The forecast of future cash flows depends to a large extent on assumptions made regarding expected revenue and profit developments for the respective entities over the next three years and long-term growth rates. Future changes in the expected cash flows and discount rates can lead to impairment losses in the future.

In this context, the consolidated balance sheet of Scout24 as of 31 December 2018 reports the investment accounted for using the equity method of EUR 38,102 thousand (previous year: EUR 0 thousand) held in Alpinia Investments 2018, S.L.U. For more detailed information, please refer to note 2.2 Entities sold in the reporting period and note 4.8 Investments accounted for using the equity method.

### Measurement of the provision for share-based payments

The recognition and measurement of provisions for share-based payments, in particular the long-term incentive programme 2018, requires estimates to be made by the Company to a significant extent. Estimation uncertainties involving the risk of material adjustments of the provision’s carrying amount in the next financial year relate to the degree of achievement of revenue targets and growth targets relating to ordinary operating EBITDA as well as assumptions with respect to fluctuation.

As of 31 December 2018, Scout24 has in this connection recognised the provision of EUR 11,333 thousand (previous year: EUR 0 thousand) for the 2018 long-term incentive programme under other provisions, specifically provisions for share-based payments.

## 1.6 Accounting policies

The main accounting policies are presented below.

### Business combinations

Business combinations are accounted for applying the acquisition method. The assets, liabilities and contingent liabilities identified in accordance with the requirements of IFRS 3 are measured at their acquisition-date fair value and compared with the cost of the business combination. Goodwill is determined as the excess of the cost of the business combination over the fair value of the recognisable assets and liabilities. Any difference arising from the remeasurement of Scout24’s previously held equity interests is recognised through profit or loss.

If the sum of the cost of the business combination, the non-controlling interests and the fair value of Scout24's previously held equity interests (step acquisition) is less than the fair value of the recognisable assets and liabilities in the event of a bargain purchase, the difference is recognised in profit or loss following a further review of the carrying amounts of the assets and liabilities.

Goodwill is tested for impairment at least once annually and additionally if there is any indication of potential impairment. Any impairment loss is recognised through profit or loss. The impairment test is performed in accordance with IAS 36.

Acquisition-related costs are recognised through profit or loss.

Contingent consideration is measured at acquisition-date fair value. Subsequent changes in value are recognised in accordance with IFRS 9 either through profit or loss or directly in equity. If contingent consideration is classified as equity, it is not remeasured. Subsequent settlement is accounted for within equity.

## Financial instruments

### Classification as of 1 January 2018

IFRS 9 comprises a new classification and measurement approach for financial assets based on the business model within which they are held and their contractual cash flow characteristics. The following categories of financial instruments are possible under IFRS 9:

a. Assets

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI) with cumulative gains and losses reclassified to profit or loss upon derecognition of the financial asset (reclassification adjustment);
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL);
- Equity instruments at fair value through other comprehensive income (FVOCI) with gains and losses remaining in other comprehensive income (no reclassification adjustment).

b. Liabilities

- Financial liabilities measured at amortised cost (FLAC);
- Financial liabilities at fair value through profit or loss (FVTPL) if they are classified as held for trading, constitute derivatives or the liabilities are designated at initial recognition as at fair value through profit or loss.

### Classification until 31 December 2017

Classification as the basis for measuring financial instruments is performed in accordance with IAS 39. Classification is based on the purpose for which financial assets were acquired, or financial liabilities were assumed. Possible categories of financial instruments include:

a. Assets

- Financial assets measured at fair value through profit or loss, whereby a differentiation is made between those that (i) are classified as such on initial recognition and those financial assets measured at fair value through profit or loss (FVTPL) and those which (ii) pursuant to IAS 39 are categorised as held for trading (trading assets, FAHfT);
- Held-to-maturity investments (HTM);
- Loans and receivables (LaR);
- Available-for-sale financial assets (AfS).

b. Liabilities

- Financial liabilities measured at fair value through profit or loss, whereby a differentiation is made between those that (i) are categorised as such on initial recognition, and those financial liabilities measured at fair value through profit or loss (FVTPL), and those which (ii) pursuant to IAS 39 are categorised as held for trading (trading liabilities, FLHfT);
- Available-for-sale financial assets (AfS);
- Financial liabilities measured at amortised cost (FLAC).

**Initial recognition and measurement as of 1 January 2018**

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. The method used must be applied consistently for all purchases and sales of financial assets that belong to the same category under IFRS 9. Scout24 applies the trade date accounting method.

In accordance with IFRS 9, upon initial recognition all financial assets and financial liabilities are measured at fair value irrespective of the measurement category to which a financial instrument is allocated. Transaction costs are included in the carrying amount for financial instruments that are subsequently measured at amortised cost.

**Initial recognition and measurement until 31 December 2017**

Depending on the accounting method, a regular way purchase or sale of financial assets can be recognised or derecognised as of the trade date or the settlement date. The method applied is to be applied consistently for all purchases or sales of financial assets that belong to the same category of financial assets. Scout24 applies the trade date accounting method. The trade date is the date on which Scout24 commits to a purchase or sale.

Financial assets and liabilities are initially recognised at fair value. Transaction costs for financial instruments measured at fair value through profit or loss are expensed. For all other financial instruments, initial measurement is at fair value plus transaction costs.

**Subsequent measurement as of 1 January 2018**

The subsequent measurement of financial instruments depends on their classification. They are measured either at i) amortised cost, ii) fair value through profit or loss, or iii) fair value through other comprehensive income. The effective interest method is used for instruments measured at amortised cost.

i) Amortised cost

- Financial assets and financial liabilities measured at amortised cost.

ii) At fair value through profit or loss

- Financial instruments measured at fair value through profit or loss.

iii) At fair value through other comprehensive income

- Financial instruments measured at fair value through other comprehensive income.

**Subsequent measurement until 31 December 2017**

Depending on the classification of the financial instruments, subsequent measurement is at i) amortised cost or ii) fair value; as far as fair value changes are concerned, a distinction continues to be made between value changes recognised in profit or loss and value changes recognised in other comprehensive income.

i) Amortised cost

- Held-to-maturity investments
- Loans and receivables
- Financial liabilities measured at amortised cost

ii) Fair value

- Financial assets measured at fair value through profit or loss; recognised in the income statement under other operating income (expenses)
- Available-for-sale financial instruments; fair value changes carried directly to other comprehensive income
- Financial liabilities measured at fair value through profit or loss; fair value changes recognised in the income statement

Details of the individual categories used at Scout24 are provided in the following:

**Categories as of 1 January 2018:**

**Category: Financial assets/liabilities measured at amortised cost**

Financial instruments that satisfy the following criteria are allocated to this category:
i) Financial instruments are held within a business model whose objective is to hold these in order to collect contractual cash flows;
ii) The contractual terms of financial instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Category: Financial instruments at fair value through profit or loss**

If one of the above criteria is not satisfied or if the fair value option is exercised, the instruments are measured at fair value through profit or loss.

**Category: Financial instruments at fair value through other comprehensive income**

If one of the above criteria is not satisfied or if the fair value option is exercised, the instruments are measured at fair value. In addition, there is an option relating to equity instruments that are not held for trading. These can be recognised either through other comprehensive income or through profit or loss.

**Categories until 31 December 2017:**

**Category: Financial assets/liabilities at fair value through profit or loss**

Financial instruments measured at fair value through profit or loss comprise financial instruments held for trading. A financial instrument is assigned to this category if it was acquired with the intention of being resold soon. Derivatives are also assigned to this category if they are not designated as a hedging instrument. To date, Scout24 has not made use of the option to designate financial instruments on initial recognition as assets or liabilities measured at fair value through profit or loss (fair value option).

**Category: Loans and receivables**

Loans and receivables are non-derivative financial instruments issued or acquired by the Company with fixed or determinable payments and that are not quoted in an active market.

**Category: Available-for-sale financial assets**

Available-for-sale financial assets are all non-derivatives which were either designated as such or are not assigned to the other categories.

**Category: Financial liabilities measured at amortised cost**

Financial liabilities measured at amortised cost comprise mainly trade payables, liabilities to financial institutions and other financial liabilities. After initial recognition, the liabilities are measured at amortised cost, applying the effective interest-rate method.

#### Impairment as of 1 January 2018

The basic principle of impairment in IFRS 9 allows distinguishing between three levels that differ in terms of period considered, loss allowances and recognition of interest revenue. In addition, impairment losses are recognised in profit or loss. Financial instruments are generally allocated to level 1 with the explicit exception of financial assets that are credit-impaired already at initial recognition.

- Level 1: Financial instruments whose credit risk at the reporting date has not increased significantly since initial recognition are recognised through profit or loss at the amount of the 12-month expected credit loss (ECL). Interest revenue is recognised based on gross carrying amount;
- Level 2: If the credit risk has increased significantly as of the reporting date, a loss allowance is recognised at the amount of the lifetime ECL. The ECL is a probability-weighted estimate of credit losses. Interest revenue is recognised in the same way as in level 1;
- Level 3: If there is objective evidence that a financial instrument is credit-impaired, it is allocated to level 3. The loss allowance is also recognised at the amount of the lifetime ECL. However, interest revenue is adjusted in subsequent periods such that the amount of interest is based on net carrying amount in future.

Loss allowances for trade receivables are generally calculated and recognised based on the lifetime ECL.

#### Impairment until 31 December 2017

Based on various types of objective evidence, Scout24 is required to assess on each reporting date whether objective indications exist that a financial asset has become impaired. Any impairment of a financial instrument is equivalent to the difference between the carrying amount of a financial asset and the present value of its future cash flows. Discounting is based on the original effective interest rate. Impairment losses are generally recognised through profit or loss with the exception of the available-for-sale financial instruments category. Related fair value changes are recognised in equity, and are not recognised in profit or loss until the financial instrument is sold. If impairment losses are reversed in subsequent periods, such reversals may not exceed amortised cost.

The decision whether a credit risk is recognised through an allowance account or by directly derecognising the receivable depends on the estimated probability of default. In the case of receivables categorised as uncollectible, Scout24 recognises the credit risk by derecognising the impaired receivable and any related balance in the loss allowance account. If the reasons for a previously recognised impairment loss no longer exist, we reverse the impairment loss accordingly through profit or loss.

#### Dividend income

Dividend income from financial assets is recognised through profit or loss under other operating income when the Group's legal right to the income arises.

#### Offsetting and derecognition

Financial assets and liabilities are only offset and presented on a net basis in the balance sheet if the Group has a legal right to offset and intends to either settle on a net basis or to realise the asset and settle the related liability simultaneously.

Financial assets are derecognised when the rights to payments from the financial assets have expired or have been transferred, and the Group has substantially transferred all the risks and rewards incidental to ownership.

As of the reporting date, Scout24 has no continuing involvement in financial assets that were transferred but not fully derecognised.

### Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cheques, cash on hand and short-term deposits with residual terms of not more than three months calculated from the acquisition date. They are measured at nominal values, which approximate their fair values due to their short term to maturity.

## Receivables and other financial assets

Receivables and other financial assets which are classified as current assets are recognised at their fair value, plus transaction costs. For non-current receivables and other non-current financial assets, the fair value is calculated as the present value of the future cash flows, discounted using the market interest rate at initial recognition. Subsequent measurement depends on their classification. Receivables and other financial assets are usually classified as at amortised cost and measured accordingly using the effective interest method.

As of 1 January 2018, IFRS 9 replaces the *incurred losses* of IAS 39 with the forward-looking model of *expected credit losses*.

In accordance with IFRS 9, loss allowances are calculated based on expected losses. The standard provides for expected losses over the entire remaining term to maturity to be considered as of the date on which the receivables are recognised. Such lifetime expected credit losses are expected credit losses arising from all kinds of potential default events during the expected term of a financial instrument.

IFRS 9 permits a simplified impairment approach involving loss allowances equal to the amount of lifetime expected credit losses for all financial assets irrespective of their credit quality. For current receivables, the 12-month expected credit loss corresponds to the lifetime expected credit loss. For non-current receivables with a term of more than one year, the Group also applies the simplified approach. Based on records of bad debt over the past three years, default rates are determined for different maturity bands and then applied to the respective outstanding balance of receivables in the maturity bands.

A financial asset or a group of financial assets is impaired and an impairment loss is recognised if there is any evidence of impairment as the result of one or more events after initial recognition of the financial asset. This estimate continues to be made as of each reporting date.

## Investments accounted for using the equity method

Associates and joint ventures are generally accounted for using the equity method, with the exception of associates and joint ventures previously classified as held for sale.

When applying the equity method, the cost of the investment is adjusted by Scout24's share of the change in net assets. Shares in losses that exceed the carrying amount of the Group's equity interest in an entity accounted for using the equity method, taking into account any attributable non-current loans, are not recognised. Recognised goodwill is presented in the carrying amount of the investment accounted for using the equity method. Unrealised intercompany profits and losses from transactions with investments accounted for using the equity method are eliminated proportionately during consolidation if the underlying transactions are material.

In impairment testing, the carrying amount of an investment accounted for using the equity method is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, the difference is recognised as an impairment loss. If the reasons for a previously recognised impairment loss no longer exist, a corresponding reversal of the impairment loss is recognised through profit or loss.

The financial statements of investments accounted for using the equity method are generally prepared based on uniform accounting policies in the Group.

## Intangible assets (excluding goodwill)

Intangible assets (excluding goodwill) are recognised at historical cost less accumulated straight-line amortisation (except assets with indefinite economic useful lives) and impairment losses.

Internally generated intangible assets are recognised if all of the requirements of IAS 38 are satisfied. The following criteria are relevant in this respect:

A The technical feasibility of completing the intangible asset so that it will be available for use or sale.

B The Group intends to complete the intangible asset and use or sell it.

C The Group is able to use or sell the intangible asset.

D The manner in which the intangible asset will generate probable future economic benefits can be demonstrated; the Group can, among other things, demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

E The Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

F The Group is able to reliably measure the expenditure attributable to the intangible asset during its development.

The useful lives and amortisation methods of intangible assets are reviewed at least at each period-end reporting date.

If current expectations deviate from the previous estimates, appropriate adjustments are recognised as changes in accounting estimates pursuant to IAS 8.

Intangible assets with indefinite useful lives are not amortised. Instead, they are tested for impairment annually as well as when there is any indication of impairment at the level of the smallest cash-generating unit. The approach corresponds to that for goodwill. If the reason for an impairment loss previously recognised on intangible assets with an indefinite useful life no longer applies, the impairment loss is reversed (see below).

The expected economic useful lives are as follows:

| | |
|---|---|
| Trademarks | Indefinite* |
| Customer base | 8 – 15 years |
| Internally generated intangible assets | 3 – 5 years |
| Purchased software | 3 – 5 years |
| Other concessions, rights and licences | 1 – 8 years |

* The value of trademarks with a finite useful life is immaterial and is therefore amortised over a period of 5 to 15 years.

Scout24 separates trademarks into two categories: (1) trademarks with a finite useful life that are amortised and (2) trademarks with an indefinite useful life that are not amortised. Scout24 determines the useful life of trademarks based on specific factors and circumstances. In determining the useful life, Scout24 considers the contractual agreement underlying the asset, the historical development of the asset, the long-term corporate strategy for this asset, all statutory or other local regulations which could have an effect on the useful life of the asset as well as the competitive situation and specific market conditions.

If trademarks with an indefinite useful life totalling EUR 971 million had instead been amortised since acquisition applying a finite useful life of ten years, amortisation would have amounted to EUR 97.1 million per year.

The customer base includes existing customer relationships, in particular with commercial customers such as real estate agents and car dealers, that were purchased. These customer relationships represent ongoing business with an assumed useful life of 8 to 15 years.

Purchased software, other concessions, rights and licences are presented as technology-based intangible assets in the purchase price allocation (see note 2 Changes in the consolidation scope).

Gains and losses on the disposal of intangible assets are determined as the difference between the disposal proceeds and the carrying amounts of the intangible assets and are recognised in the income statement in “other operating income” in the case of a gain and in “other operating expenses” in the case of a loss.

## Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the difference between the purchase price and the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed.

For impairment testing purposes, goodwill is assigned to the cash-generating unit or group of cash-generating units which is expected to benefit from synergies arising from the acquisition. The cash-generating units represent the lowest level within the Company at which goodwill is monitored for internal management purposes. Within the Scout24 Group, this is the segment level.

Goodwill is not amortised but is tested for impairment on an annual basis and additionally if there is any indication of potential impairment. Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit or units with its/their recoverable amount. The recoverable amount corresponds to the higher of the two amounts: fair value less costs of disposal and value in use. The Group generally calculates fair value less costs of disposal for this purpose.

If the carrying amount exceeds the recoverable amount, goodwill is impaired and its carrying amount is written down to the recoverable amount. If fair value less costs of disposal is greater than the carrying amount, it is not necessary to calculate value in use; the asset is not impaired. An appropriate valuation technique is used to determine the fair value less costs of disposal. This technique is based on discounted cash flow valuation techniques or other available indicators of fair value. It is not permitted to subsequently reverse an impairment loss recognised on goodwill in a previous financial year or interim reporting period because the reasons for the impairment no longer apply. Goodwill is recognised in the currency of the acquired entity.

## Property, plant and equipment

Property, plant and equipment is measured at cost, less straight-line depreciation and any impairment losses. Cost includes the cost directly allocable to the acquisition as well as borrowing costs if the recognition criteria are satisfied.

Uniform depreciation periods are applied throughout the Group based on the expected economic useful life as follows:

| | |
|---|---|
| Leasehold improvements | 3 – 10 years |
| Other equipment, furniture and fixtures | 3 – 10 years |

Repair and maintenance expenses are expensed when incurred.

The residual carrying amounts and economic useful lives are reviewed at each reporting date and adjusted if necessary. Property, plant and equipment is tested for impairment if events or changed circumstances indicate that an impairment may have occurred. In such cases, the asset is tested for impairment pursuant to IAS 36. An impairment loss is recognised for the amount by which the asset's residual carrying amount exceeds its recoverable amount. The remaining useful life is adjusted accordingly, if necessary.

If the reasons for a previously recognised impairment loss no longer exist, the impairment loss is reversed through profit or loss; the increased carrying amount attributable to such a reversal of an impairment loss may not exceed the carrying amount that would have resulted had no impairment loss been recognised in previous periods.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the property, plant and equipment and are recognised in the income statement in "other operating income" in the case of a gain and in "other operating expenses" in the case of a loss.

## Provisions

Provisions are recognised if the Group has a current obligation from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the amount that reflects the best estimate of the expenditure required to settle the present obligation as at the reporting date, with expected reimbursements from third parties not netted but instead recognised as a separate asset if it is virtually certain that they will be realised. If the time value of money is material, the provision is discounted using the market interest rate adequate for the risk.

## Pension provisions and similar obligations

The Group has both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension scheme under which the Group pays fixed contributions to a non-Group company (fund). The Group has no legal or constructive obligation to make additional contributions if the fund does not have sufficient assets to settle the pension entitlements of all employees from the current and previous financial years. In contrast, defined benefit plans typically specify an amount of pension benefits that an employee will receive upon retirement, which as a rule is dependent on one or more factors such as age, length of service in the Company and salary.

The defined benefit obligation is calculated annually by an independent actuary based on the projected unit credit method.

## Contingent liabilities and off-balance sheet contractual obligations

Contingent liabilities and off-balance sheet contractual obligations are not recognised as liabilities in the consolidated financial statements until utilisation is more likely than not.

In the context of a business combination, however, contingent liabilities are accounted for in accordance with IFRS 3 if their fair value can be determined reliably.

## Contingent assets

Contingent assets arise from unplanned or unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements until the flow of economic benefits is virtually certain. Contingent assets are disclosed in the notes to the financial statements if the inflow of economic benefits is more likely than not.

## Equity

Transaction costs associated with issuing equity instruments are accounted for as a deduction from equity, net of tax. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and the capital reserve.

## Treasury shares

When the Company repurchases ordinary shares in connection with share-based payments, these are reported in the “treasury shares” item and deducted from equity in the balance sheet. The cost of shares issued in connection with exercising share-based payments as well as the wage tax incurred on the exercise reduce the capital reserve.

## Income taxes

Income taxes comprise both current as well as deferred taxes.

Current taxes on income are calculated on the basis of the tax regulations enacted or substantively enacted as of the reporting date in those countries in which the respective entity operates and generates taxable income.

Deferred taxes are recognised for temporary differences between the amounts recognised in the IFRS balance sheets of the group entities and the tax accounts as well as for unused tax losses. No deferred taxes are recognised if these result from the first-time recognition of an asset or liability in connection with a transaction that is not a business combination and affects neither the profit (before income taxes) under IFRS nor the taxable profit or loss. Additionally, deferred taxes are not recognised on the first-time recognition of goodwill under IFRS. Deferred taxes are calculated using the tax regulations enacted or substantively enacted at the end of the reporting period and which are expected to apply when the temporary difference is reversed or realised.

Deferred tax assets are recognised only if it is probable that a taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities are also recognised for temporary differences from investments in subsidiaries and investments accounted for using the equity method unless the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss with the exception of those which relate to matters which are offset in other comprehensive income or directly in equity. Income taxes that relate to such matters are also recognised in the other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if an enforceable right exists to offset deferred taxes, and these deferred taxes relate to income taxes that are assessed by the same tax authority on either the same taxable entity or different entities which intend to settle the amounts on a net basis.

## Share-based payments

The Company has various management equity programmes. Some of these programmes grant the Company the contractual option to settle share-based payments in cash or in shares.

Pursuant to IFRS 2 “Share-based Payment”, the management equity programmes are recognised as equity-settled share-based payment transactions, or as cash-settled share-based payment transactions when there is a constructive obligation to settle in cash. Accordingly, the fair value of the work performed by employees is recognised as consideration for the equity instruments or cash settlement thereby granted both as expenses through profit or loss and as an increase in equity or as a provision. As the fair value of the work performed by employees cannot be determined reliably, however, if equity instruments are granted reference is made for measurement purposes to the fair value of the equity instruments at the time at which they are granted.

The value of a provision to be recognised for a cash settlement is reassessed at each reporting date.

## Leases

### Accounting treatment as of 1 January 2018

A lessee is required to recognise the rights and obligations from all leases in the balance sheet as right-of-use assets and lease liabilities. Lease liabilities are measured at the present value of the future lease payments at the commencement date. Right-of-use assets comprise the amount of the initial measurement of the lease liability plus any lease payments made at or before the commencement date, less any lease incentives received, and plus initial direct costs and any restoration obligations.

With the exception of the right-of-use asset for vehicles, the Group applies the practical expedient relating to leases for which the lease term ends within twelve months of the date of initial application and accounts for such leases as short-term leases, including the associated cost within the disclosure of lease expenses. The Group additionally exercises the option not to apply the recognition and measurement principles of IFRS 16 for leases of low-value assets.

In subsequent measurement, the carrying amount of the lease liability is increased using the applied interest rate and reduced to reflect the lease payments made. Right-of-use assets are subsequently depreciated over the term of the lease.

The expected economic useful lives are as follows:

| | |
|---|---|
| Right-of-use asset for buildings | 1 – 10 years |
| Right-of-use asset for vehicles | 0 – 4 years |
| Right-of-use asset for IT equipment | 2 – 3 years |
| Right-of-use asset for office equipment | 4 – 5 years |

The straight-line expenses for leases constitute depreciation of right-of-use assets and interest expenses on lease liabilities.

**Accounting treatment until 31 December 2017**

Pursuant to IAS 17, leases where a substantial portion of the risks and opportunities associated with economic ownership remain with the lessor are to be treated as operating leases by the lessee. All other leases represent finance leases from the lessee's point of view.

At the beginning of a finance lease, from the lessee's point of view the asset in question as well as a corresponding liability are recognised in the amount of the fair value of the asset, or if lower, in the amount of the present value of the minimum lease payments. For subsequent measurement, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. In addition, depreciation and possible impairment losses for the asset are considered. Depreciation is recognised over the lease term, or if shorter, over the useful life of the asset.

The lease payments from operating leases are recognised on a straight-line basis over the term of the corresponding contracts under other operating expenses in the income statement.

## Principles of revenue recognition

The Scout24 Group generates its revenue from rendering services, in particular from offering online listings, generating leads and providing advertising space. In addition, the Scout24 Group generates revenue by brokering credit contracts and contracts for residual debt insurance with private customers to banks.

Revenue is recognised under IFRS 15 when the Group satisfies the performance obligation or transfers control. Revenue is reported net of VAT, sales deductions and credit notes. The underlying estimates of the Group are based on historical amounts taking into consideration the type of customer, the transaction, and particular features of the agreement.

Revenue from online listings chiefly relates to performance obligations satisfied over time that are accounted for pro rata temporis as the customer's benefits are distributed equally. The Scout24 Group also offers services in a bundle (for example online classifieds, combined with other components such as placement of corporate logo and providing market information), but these relate exclusively to services invoiced over the same period (usually monthly). This means that, even if there are separable performance obligations, there is no effect on the amount and timing of revenue recognition as a result of allocating consideration on the basis of the relative stand-alone selling prices. Commission from establishing and referring business contacts (lead generation) is recognised in accordance with the transactions brokered. Depending on the nature of the advertising contract, revenue from advertising space is recognised in the period in which the advertising is placed or shown. In cases where invoicing occurs in advance, revenue, including discounts, is initially recognised under contract liabilities, which are subsequently amortised through profit or loss as the contractual obligation is performed.

In addition, the Scout24 Group generates revenue by brokering credit contracts and contracts for residual debt insurance with private customers to banks. The performance obligation relates to providing banks with credit applicant data. The Scout24 Group receives commission for the brokerage service. Revenue is recognised at the point in time when the performance obligation is satisfied, in this case when the lead is provided to the bank.

Revenue from granting temporary rights to use software licences is recognised on a pro rata basis over the period for which the temporary rights are granted. If the features are predominantly those of a sale, revenue is recognised immediately. Revenue from the maintenance business is recognised on a pro rata basis over the period in which the services are rendered. Revenue from service contracts invoiced based on hours worked is recognised when the services are performed.

### Finance income and finance costs

Finance income and finance costs comprise interest income and expenses as well as foreign currency gains and losses. Finance income and costs are recognised using the effective interest method. This item also includes changes in value from financial instruments measured at fair value and gains on deconsolidation.

### Earnings per share

Basic earnings per share are calculated as the Group's net profit for the year attributable to the owners of the parent company, divided by the weighted average number of ordinary shares outstanding. Treasury shares reduce the number of ordinary shares outstanding. To calculate diluted earnings per share, the average number of shares issued is adjusted to reflect the maximum number of all potentially dilutive shares. This dilution effect is based solely on potential shares arising from share-based payment programmes.

### Assets held for sale and liabilities directly associated with assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This criterion is considered satisfied only if the non-current asset is available for immediate sale in its present condition and its sale is highly probable. Management must be committed to a plan to sell the asset. It must be possible to assume that a sale will be completed within one year of classifying the asset as held for sale.

Non-current assets classified as held for sale are measured at the lower of their original carrying amount and their fair value less costs of disposal.

In the event that the Group has committed to a sale involving a loss of control over a subsidiary, all of that subsidiary's assets and liabilities are classified as held for sale provided the criteria given above are satisfied.

# 2 Changes in the consolidation scope

## 2.1 Entities acquired in the reporting period

The consolidation scope changed as follows during the reporting period due to company acquisitions:

On 17 August 2018, Immobilien Scout GmbH, Berlin, acquired 100% of the shares in equity of **immosuma GmbH**, Vienna, Austria. The purchase price amounted to EUR 1,960 thousand. An amount of EUR 1,400 thousand thereof was paid in cash and contingent consideration of EUR 560 thousand was agreed. The contingent consideration is linked to reaching certain revenue and traffic benchmarks. Based on the revenue and traffic benchmarks, the amount of consideration payable ranges from EUR 0 thousand to EUR 560 thousand.

immosuma GmbH operates a meta search engine for real estate listings in Austria. Together with Immobilien Scout Österreich GmbH, the Group seeks to further expand its position on the market for online real estate listings in Austria. The entity is allocated to the Immobilienscout24 segment.

The goodwill of EUR 1,699 thousand arising from the transaction is attributable to the future earnings potential from strengthening the Group's market position. The goodwill is not deductible for tax purposes.

The table below summarises the consideration paid for immosuma GmbH as well as the fair value of the acquired assets and liabilities:

| (EUR '000) | 17 Aug. 2018 |
|---|---|
| **Consideration** | |
| Cash and cash equivalents | 1,400 |
| Contingent consideration | 560 |
| **Total consideration** | **1,960** |
| **Acquisition-date fair value of acquired identified assets and liabilities assumed** | |
| Trade receivables and other assets | 58 |
| Cash and cash equivalents | 225 |
| Deferred tax liabilities | |
| Trade payables and other liabilities | -22 |
| **Total net assets identified** | **261** |
| Goodwill | 1,699 |
| **Total** | **1,960** |

The gross amounts of contractual receivables correspond to the fair value of trade receivables and other receivables. Their fair value amounts to EUR 58 thousand and is regarded in its entirety as collectable.

Acquisition-related costs of EUR 89 thousand were reported in other operating expenses.

Since initial consolidation, immosuma GmbH has contributed revenue of EUR 209 thousand and earnings after tax of EUR 128 thousand to the income statement. If immosuma GmbH had already been consolidated since 1 January 2018, the entity would have contributed revenue of EUR 539 thousand and earnings after tax of EUR 315 thousand.

On 12 July 2018, Scout24 AG, Munich, acquired 100% of the shares in equity of Blitz Erste Gründungs GmbH, Munich, which it renamed **Consumer First Services GmbH**, Munich. The purchase price amounted to EUR 28 thousand and was paid in cash. Since this date, Scout24 AG, Munich, has control over Consumer First Services GmbH.

On 28 August 2018, Consumer First Services GmbH acquired 100% of the shares in equity of **FFG FINANZCHECK Finanzportale GmbH**, Hamburg, which in turn holds a 100% interest in FVG FINANZCHECK Versicherungsvergleiche GmbH, Hamburg, and finanzcheckPRO GmbH, Hamburg. The purchase price amounted to EUR 272,107 thousand and was paid in cash.

FFG FINANZCHECK Finanzportale GmbH is a financial services company that specialises in the online comparison and brokerage of instalment loans and consumer finance products in Germany.

With the acquisition of FFG FINANZCHECK Finanzportale GmbH, the Group has expanded its Scout24 Consumer Services operating segment. The Group intends to leverage synergies by providing financial products for prospective car and real estate buyers as well as sellers within the Scout24 Group.

The goodwill of EUR 236,591 thousand arising from the transaction is attributable to the future earnings potential from exploiting acquirer-specific synergies as well as from strengthening its market position. The goodwill is not deductible for tax purposes.

The table below summarises the consideration paid for FFG FINANZCHECK Finanzportale GmbH as well as the fair value of the acquired assets and liabilities:

| (EUR '000) | 1 Sep. 2018 |
|---|---|
| **Consideration** | |
| Cash and cash equivalents | 272,107 |
| **Total consideration** | **272,107** |
| **Acquisition-date fair value of acquired identified assets and liabilities assumed** | |
| Trademarks | 8,574 |
| Customer base | 5,073 |
| Technology | 19,350 |
| Other intangible assets | 1,433 |
| Property, plant and equipment | 940 |
| Deferred tax assets | 8,092 |
| Trade receivables and other assets | 9,981 |
| Cash and cash equivalents | 6,939 |
| Deferred tax liabilities | -10,650 |
| Trade payables and other liabilities | -14,216 |
| **Total net assets identified** | **35,516** |
| Goodwill | 236,591 |
| **Total** | **272,107** |

The gross amounts of contractual receivables correspond to the fair value of trade receivables and other receivables. Their fair value amounts to EUR 9,981 thousand and is regarded in its entirety as collectable.

Acquisition-related costs of EUR 661 thousand were reported in other operating expenses.

Since initial consolidation, the FFG FINANZCHECK Finanzportale group has contributed revenue of EUR 12,304 thousand and earnings after tax of EUR -4,256 thousand to the income statement. If the FFG FINANZCHECK Finanzportale group had already been consolidated since 1 January 2018, it would have contributed revenue of EUR 38,164 thousand and earnings after tax of EUR -9,740 thousand.

## 2.2 Entities sold in the reporting period

On 21 December 2018, AutoScout24 GmbH, Munich contributed 100.00% of the shares in AutoScout24 España S.A., Madrid, Spain to **Alpinia Investments 2018, S.L.U.**, Madrid, Spain, a joint venture with the Vocento group which in its turn contributed Autocasión Hoy, S.A. In return, AutoScout24 GmbH received 49.999% of the shares. The fair value of the shares is EUR 37,500 thousand.

| (EUR '000) | **21 Dec. 2018** |
|---|---|
| Goodwill | 2,395 |
| Other intangible assets | 106 |
| Property, plant and equipment | 19 |
| Trade receivables and other assets | 1,431 |
| Financial assets | 727 |
| Cash and cash equivalents | 6 |
| Deferred tax assets | 150 |
| Trade payables and other liabilities | -633 |
| Financial liabilities | -106 |
| **Total net assets identified** | **4,095** |

Deconsolidation of the entity resulted in a gain of EUR 33,405 thousand. The gain on deconsolidation is reported under the item "finance income".

The investment held in Alpinia Investments 2018, S.L.U. is classified as an associate. For further details, please refer to note 4.8 Investments accounted for using the equity method.

On 31 December 2018, Immobilien Scout GmbH, Berlin, sold its 100.00% interest in **classmarkets GmbH**, Berlin. The sale was executed by transferring all of the shares previously held by the Company to the buyer. The purchase price amounts to EUR 5,300 thousand and was paid in January 2019.

| (EUR '000) | **31 Dec. 2018** |
|---|---|
| Goodwill | 1,217 |
| Other intangible assets | 2,311 |
| Property, plant and equipment | 12 |
| Trade receivables and other assets | 240 |
| Cash and cash equivalents | 856 |
| Trade payables and other liabilities | -219 |
| Provisions | -3 |
| Deferred tax liabilities | -692 |
| **Total net assets identified** | **3,722** |

Deconsolidation of the entity resulted in a gain of EUR 1,578 thousand. The gain on deconsolidation is reported under the item "finance income".

# 3 Notes to the consolidated income statement

## 3.1 Revenue

The Scout24 Group generates its revenue from rendering services, in particular from offering online listings, generating leads and providing advertising space. In addition, the Scout24 Group generates revenue by brokering credit contracts and contracts for residual debt insurance with private customers to banks.

Breakdown of revenue
The table below shows revenue by category:

| External revenue (EUR '000) | 2018 | 2017[76] (adjusted) |
|---|---|---|
| **ImmobilienScout24** | | |
| Revenue with Residential Real Estate Partners | 122,608 | 113,635 |
| Revenue with Business Real Estate Partners | 53,462 | 47,316 |
| Revenues with Private Listers and Others | 73,890 | 74,965 |
| **Total external revenue** | **249,960** | **235,916** |
| **AutoScout24** | | |
| Revenue with Dealers in Germany | 77,495 | 67,907 |
| Revenue with Dealers in European Core Countries | 73,746 | 61,470 |
| Revenue with OEMs | 18,860 | 17,491 |
| Other Revenue | 11,408 | 11,803 |
| **Total external revenue** | **181,509** | **158,671** |
| **Scout24 Consumer Services** | | |
| Revenue with Finance Partners | 54,794 | 39,451 |
| Services Revenue | 27,930 | 23,729 |
| Third-Party Display Revenue | 17,408 | 14,393 |
| **Total external revenue** | **100,132** | **77,573** |
| **Total, reportable segments** | **531,601** | **472,160** |
| Reconciling items | 147 | 429 |
| **Total external revenue of the Group** | **531,748** | **472,589** |

The presentation of revenue by geographic region is based on the respective Scout24 entity's registered office (see note 5.9 List of shareholdings).

[76] With respect to the effect of changes in accounting policies, please refer to note 1.3 New accounting regulations.

Contract balances
The table below shows the balances reported in accordance with IFRS 15:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Trade receivables | 58,442 | 47,432 |
| Contract liabilities | 9,650 | 9,735 |

Loss allowances of EUR 3,934 thousand (previous year: EUR 3,135 thousand) were recognised in the past financial year in connection with trade receivables.

Contract liabilities primarily result from advance invoicing and developed as follows:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| **Balance on 1 January** | **9,735** | **8,651** |
| Recognised in the reporting period | 94,734 | 88,276 |
| Amortised through profit or loss in the reporting period | 94,591 | 87,179 |
| Changes in the consolidation scope | -5 | -13 |
| Assets held for sale | -223 | - |
| **Balance on 31 December** | **9,650** | **9,735** |

There were no significant changes in the reported balances.

Remaining performance obligations
Remaining performance obligations relate to contracts with an expected original term of no more than one year or performance obligations that will be invoiced at a fixed hourly rate. Therefore, as permitted by IFRS 15, no disclosures are made relating to the remaining performance obligations as of 31 December 2018.

Contract costs
No additional costs are incurred in fulfilling the contracts that would need to be recognised as an asset.

## 3.2 Own work capitalised

This item reports internally generated software that is recognised as an asset. Of the total amount of EUR 18,618 thousand (previous year: EUR 15,087 thousand), an amount of EUR 8,947 thousand (previous year: EUR 12,619 thousand) is attributable to the ImmobilienScout24 segment, EUR 5,305 thousand (previous year: EUR 2,468 thousand) to the AutoScout24 segment, and EUR 4,366 thousand (previous year: EUR 0.00 thousand) to the Scout24 Consumer Services segment. The total amount of research and development costs expensed in the financial year stands at EUR 16,234 thousand (previous year: EUR 19,283 thousand).

## 3.3 Other operating income

Other operating income comprises the following:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Income from the disposal of intangible assets and property, plant and equipment | 1,666 | 20 |
| Income from the reversal of specific loss allowances | 250 | 323 |
| Income from derecognised receivables | 105 | 135 |
| Other | 778 | 581 |
| **Total** | **2,799** | **1,059** |

Income from the disposal of intangible assets and property, plant and equipment mainly stems from the sale of the JobScout24 trademark.

## 3.4 Personnel expenses and number of employees

Personnel expenses break down as follows:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Wages and salaries | -102,352 | -97,066 |
| Social security costs | -14,895 | -14,033 |
| Pension costs and other post-employment benefits | -1,051 | -1,046 |
| Share-based payments | -15,316 | -4,751 |
| **Total** | **-133,614** | **-116,896** |

The average number of employees breaks down as follows:

| Number of employees | 2018 | 2017 |
|---|---|---|
| Executives | 4 | 5 |
| Other employees | 1,548 | 1,389 |
| **Total** | **1,552** | **1,394** |

## 3.5 Advertising expenses

Advertising expenses comprise the following:

| (EUR '000) | 2018 | 2017[77] (adjusted) |
|---|---|---|
| Advertising costs – online[5] | -51,208 | -44,431 |
| Advertising costs – offline | -10,165 | -9,035 |
| **Total** | **-61,373** | **-53,466** |

## 3.6 IT expenses

IT expenses comprise the following:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Data transfer, network costs | -560 | -409 |
| IT services | -10,138 | -8,299 |
| Other IT costs | -10,140 | -8,286 |
| **Total** | **-20,838** | **-16,994** |

## 3.7 Other operating expenses

Other operating expenses comprise the following:

| (EUR '000) | 2018 | 2017[78] (adjusted) |
|---|---|---|
| Third-party services | -27,621 | -22,737 |
| Purchased services | -11,111 | -9,704 |
| Legal and consulting costs | -10,602 | -4,345 |
| Other staff-related expenses | -5,008 | -5,121 |
| Other rent incidentals[6] | -4,568 | -7,191 |
| Loss allowances for credit-impaired receivables | -4,289 | -3,594 |
| Travel expenses | -3,940 | -3,917 |
| Communication | -3,056 | -2,544 |
| Sales commission | -1,936 | -712 |
| Motor vehicle costs | -841 | -2,516 |
| Other | -7,102 | -6,220 |
| **Total** | **-80,074** | **-68,601** |

[77] With respect to the effect of changes in accounting policies, please refer to note 1.31.3 New accounting regulations.
[78] In the previous year: lease payments for buildings and incidental costs. With respect to the effect of changes in accounting policies, please refer to note 1.3 New accounting regulations.

## 3.8 Profit/loss from investments accounted for using the equity method

The profit/loss from investments accounted for using the equity method comprises:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Energieausweis48 GmbH, Cologne[1] | 156 | 33 |
| eleven55 GmbH, Berlin | -103 | -64 |
| Alpinia Investments 2018, S.L.U., Madrid, Spain | - | - |
| **Total** | **53** | **-31** |

[1] As of 1 December 2018, the investment accounted for using the equity method was classified as an asset held for sale. See note 4.9 for details.

## 3.9 Finance income

Finance income comprises the following:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Gains on the disposal of subsidiaries | 34,984 | - |
| Interest income from third parties | 6,209 | 1,889 |
| Income from derivative financial instruments | 1,402 | 1,856 |
| Price gains from financing | 91 | 44 |
| Price gains on investments | - | 30 |
| **Total** | **42,686** | **3,819** |

The gains on the disposal of subsidiaries are attributable to the contribution of the shares in AutoScout24 España S.A. to Alpinia Investments 2018, S.L.U., and the sale of classmarkets GmbH. For details see note 2.2 Entities sold in the reporting period.

Interest income from third parties mainly resulted from the refinancing arrangements under the RFA. For details see note 4.11 Financial liabilities.

Income from derivative financial instruments relates to the measurement of the interest floor in connection with the term loan under the facility agreement ("FA"). For more information see note 4.11 Financial liabilities.

## 3.10 Finance costs

Finance costs comprise the following:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Interest expenses to third parties | -14,268 | -13,736 |
| Interest expense from leases | -712 | - |
| Expenses from derivative financial instruments | -375 | -315 |
| Price losses from financing | -83 | -128 |
| Other | -2 | -15 |
| **Total** | **-15,440** | **-14,194** |

The interest expenses to third parties relate to the liabilities drawn upon under the FA, the promissory note loan ("Schuldscheindarlehen") and the RFA. For details see note 4.11 Financial liabilities. In addition, the item includes amortisation through profit or loss of the incidental costs of obtaining the credit lines under the FA, the promissory note loan and the term loan and revolving facilities agreement using the effective interest method. For details see note 4.11 Financial liabilities.

## 3.11 Income taxes

Since the 2014 assessment period, Scout24 AG is the parent company in a consolidated tax group for income tax purposes with Immobilien Scout GmbH, FlowFact GmbH and AutoScout24 GmbH as the subsidiaries. As a result of the chain merger of Scout24 Services GmbH into Scout24 Holding GmbH, which was merged into Scout24 AG for tax purposes as of 31 December 2017, these entities are no longer part of the consolidated tax group for income tax purposes from the 2018 assessment period onwards.

As the parent, Scout24 AG is liable for the income taxes of the whole consolidated tax group. Tax allocations were not made to the subsidiaries in the consolidated tax group.

The current taxes paid or owed in the individual countries as well as deferred taxes are reported as income taxes.

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Current tax charge on profits for the period | -69,795 | -62,129 |
| Current tax income/expense from previous years | -585 | 406 |
| **Total current tax expense/income** | **-70,380** | **-61,723** |
| Deferred tax income from tax rate changes | 3,649 | -2,924 |
| Deferred tax income from timing differences | 13,101 | 10,011 |
| Deferred tax expense from unused tax losses | -415 | -8 |
| **Total deferred tax income** | **16,335** | **7,079** |
| **Total income taxes** | **-54,045** | **-54,644** |

Income taxes comprise trade tax, corporate income tax and the solidarity surcharge, as well as corresponding foreign taxes on income. As in the previous year, the corporate income tax rate in Germany amounted to 15.0% for the 2018 assessment period, with a solidarity surcharge of 5.5% thereof. The trade tax rate changed to 15.435% due to changes to trade tax breakdown amounts (previous year: 15.75%). This results in a Group tax rate of 31.26% for 2018 (previous year: 31.575%).

The reasons for the difference between the expected and the reported tax expense within the Group are as follows:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| **Earnings before tax** | **218,472** | **165,542** |
| Expected tax expense 2018: 31.26% (2017: 31.5%) | -68,294 | -52,270 |
| Tax effects from previous years | 3,160 | -2,047 |
| Tax-free income | 9,509 | - |
| Non-deductible expenses | -1,368 | -820 |
| Permanent differences | 3,175 | 335 |
| Tax effects from equity investments | 17 | -10 |
| Tax effects from unused tax losses (current non-recoverable tax losses) | -1,252 | -101 |
| Tax effects from add-backs and reductions for local taxes | -568 | -629 |
| Adjustments of the tax amount to differing national tax rates | 1,570 | 899 |
| Other | 6 | -1 |
| | **-54,045** | **-54,644** |
| **Effective tax rate** | **-24.7%** | **-33.0%** |

The tax effects from previous years arise mainly from changes of EUR 3,649 thousand in the average Group tax rate compared with the previous period, as well as true-up effects based on the tax returns filed for previous years of EUR -572 thousand for current taxes and EUR 83 thousand for deferred taxes.

The non-deductible expenses consist primarily of the 5% non-deductible business expenses relating to the dividend of AutoScout24 España S.A (EUR 194 thousand), AutoScout24 Belgium S.A. (EUR 1,049 thousand), AutoScout24 Italia srl (EUR 622 thousand) and AutoScout24 Nederland B.V. (EUR 250 thousand) as well as the 5% non-deductible business expenses relating to the disposal proceeds from the sale of classmarkets GmbH (EUR 53 thousand), the 5% non-deductible business expenses from the share swap as part of contributing AutoScout24 España S.A. to an associate (EUR 1,620 thousand) and non-deductible compensation of the Supervisory Board of EUR 270 thousand.

The tax-free income relates to the sale of classmarkets GmbH and the contribution of AutoScout24 España S.A. to an associate.

The effects relating to local taxes are predominantly due to the trade tax add-back of fees for liabilities of Scout24 AG.

The tax assets and tax liabilities as of the reporting date are as follows:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Income tax assets (current) | 721 | 2,653 |
| **Income tax assets** | **721** | **2,653** |
| Income tax liabilities (current) | 28,452 | 12,843 |
| Income tax liabilities (non-current) | 43 | 62 |
| **Income tax liabilities** | **28,495** | **12,905** |

Deferred tax assets developed as follows:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| **Previously reported balance on 31 Dec. 2017** | **2,312** | **3,482** |
| **Transitional effect from adopting IFRS 9** | **-** | **-** |
| **Adjusted balance on 1 Jan. 2018** | **2,312** | **3,482** |
| Changes in the consolidation scope | 319 | - |
| Recognised through profit or loss | -1,425 | -1,182 |
| Recognised in other comprehensive income | | 12 |
| **Closing balance for the period** | **1,206** | **2,312** |

Deferred tax liabilities developed as follows:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| **Previously reported balance on 31 Dec. 2017** | **371,492** | **378,579** |
| **Transitional effect from adopting IFRS 9** | **1,171** | |
| **Adjusted balance on 1 Jan. 2018** | **372,663** | |
| Changes in the consolidation scope/reclassification to assets held for sale | -2,673 | 1,174 |
| Recognised through profit or loss and/or in total comprehensive income | -17,760 | -8,261 |
| Recognised in other comprehensive income | | - |
| **Closing balance for the period** | **352,230** | **371,492** |

The deferred tax liabilities arise mainly from the purchase price allocations. Taking depreciation and amortisation into account, deferred tax liabilities of EUR 335,333 thousand (previous year: EUR 355,508 thousand) were recognised as of 31 December 2018 in this context, of which EUR 298,212 thousand (previous year: EUR 316,819 thousand) was attributable to Immobilien Scout GmbH including its equity investments, and EUR 37,378 thousand (previous year: EUR 38,690 thousand) was attributable to AutoScout24 GmbH including its equity investments.

Deferred tax assets and liabilities on timing differences and unused tax losses in the Group can be allocated to the following items:

| (EUR '000) | **31 Dec. 2018** | | **Adjusted balance on 1 Jan. 2018** | | **Transitional effect from adopting IFRS 9** | | **Previously reported balance on 31 Dec. 2017** | |
|---|---|---|---|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Trademarks | 108 | 306,739 | 12 | 310,771 | - | - | 12 | 310,771 |
| Other intangible assets including right-of-use assets from leases | 667 | 61,898 | 425 | 58,119 | - | - | 425 | 58,119 |
| Property, plant and equipment | 23 | 12 | 891 | - | - | - | 891 | - |
| Other assets | 145 | 778 | 227 | 1,934 | - | 1,171 | 227 | 763 |
| **Non-current assets** | **943** | **369,427** | **1,555** | **370,824** | **-** | **1,171** | **1,555** | **369,653** |
| Other provisions | 0 | 0 | 21 | - | - | - | 21 | - |
| Other liabilities including lease liabilities | 833 | 19 | 1,975 | - | - | - | 1,975 | - |
| **Current liabilities** | **833** | **19** | **1,996** | **-** | **-** | **-** | **1,996** | **-** |
| Pensions and similar obligations | 75 | - | 58 | - | - | - | 58 | - |
| Other provisions | 2,917 | 46 | 38 | 994 | - | - | 38 | 994 |
| Other liabilities including lease liabilities | 5,911 | - | 11 | 2,303 | - | - | 11 | 2,303 |
| **Non-current liabilities** | **8,903** | **46** | **106** | **3,297** | **-** | **-** | **106** | **3,297** |
| **Unused tax losses/interest carried forward** | **7,789** | | **112** | **-** | **-** | **-** | **112** | **-** |
| **Total** | **18,468** | **369,492** | **3,770** | **374,121** | **-** | **1,171** | **3,770** | **372,950** |
| Offsetting | -17,262 | -17,262 | -1,458 | -1,458 | - - - | - - - | -1,458 | -1,458 |
| **Recognised in the balance sheet** | **1,206** | **352,230** | **2,312** | **372,663** | **-** | **1,171** | **2,312** | **371,492** |

Deferred taxes changed by EUR 1,171 thousand as a result of applying IFRS 9 for the first time as of 1 January 2018. For more information about the first-time application of IFRS 9, please refer to note 1.3 New accounting regulations.

Of the total change in deferred taxes of EUR 19,327 thousand (previous year: EUR 5,913 thousand), income of EUR 16,335 thousand (previous year: EUR 7,079 thousand) was recognised through profit or loss and EUR 0 thousand (previous year: EUR 12 thousand) through other comprehensive income. In connection with accounting for business combinations, deferred taxes of EUR -2,017 thousand (previous year: EUR -1,174 thousand) were recognised through other comprehensive income. For more details regarding the disclosure of deferred taxes of EUR 5,009 thousand in connection with non-current assets held for sale, please refer to note 4.9 Non-current assets held for sale.

The deferred tax assets on unused tax losses outlined below have not been recognised or reduced after recognition to the extent that the respective tax benefits are not, or no longer, expected to be recovered in the medium term.

Of the unused tax losses for corporate income tax purposes in Germany of EUR 46,990 thousand (previous period: EUR 4,221 thousand), an amount of EUR 23,028 thousand (previous period: EUR 4,221 thousand) was not included in the recognition of deferred taxes.

Of the unused tax losses for trade tax purposes in Germany of EUR 46,697 thousand (prior period: EUR 4,582 thousand), an amount of EUR 22,736 thousand (prior period: EUR 4,582 thousand) was not included in the recognition of deferred taxes.

Of the unused tax losses in other countries – which according to the Group's present knowledge do not expire – of EUR 14,507 thousand (previous period: EUR 18,408 thousand), an amount of EUR 14,309 thousand (previous period: EUR 18,073 thousand) was not included in the recognition of deferred taxes.

The change in unused tax losses in Germany is principally attributable to the initial consolidation of FFG Finanzcheck Finanzportale GmbH in 2018.

No deferred tax liabilities were recognised on temporary differences in connection with investments in subsidiaries amounting to EUR 5,673 thousand (previous year: EUR 6,106 thousand), as it is not probable that these temporary differences will reverse in the foreseeable future. The temporary differences arise due to subsidiaries' undistributed profits. Such income would be 95% tax-free if a dividend were paid or the investment were to be sold.

## 3.12 Earnings per share

The table below shows the calculation of basic and diluted earnings per share attributable to the shareholders of the parent company:

| | | 2018 | 2017 |
|---|---|---|---|
| **Earnings attributable to shareholders of the parent company** | **(EUR '000)** | **164,427** | **110,898** |
| | | | |
| **Weighted average number of shares for earnings per share** | | | |
| Basic | Number | 107,600,000 | 107,599,941 |
| Diluted | Number | 107,722,363 | 107,684,291 |
| | | | |
| **Earnings per share** | | | |
| Basic | EUR | 1.53 | 1.03 |
| Diluted | EUR | 1.53 | 1.03 |

The dilution is based solely on potential shares deriving from share-based payments.

# 4 Notes to the consolidated balance sheet

## 4.1 Cash and cash equivalents

Cash and cash equivalents include bank balances and cash on hand of EUR 58,420 thousand (previous year: EUR 56,659 thousand).

## 4.2 Trade receivables

Trade receivables consist of the following:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Receivables from third parties | 58,436 | 47,426 |
| Receivables from associates and joint ventures | 6 | 6 |
| **Total** | **58,442** | **47,432** |

The table below presents information on the estimated credit risk and the expected credit losses for trade receivables as of 31 December 2018. For the calculation of the credit loss rates, please refer to note 1.6 Accounting policies.

| (EUR '000) | Gross carrying amount | Loss allowance | Credit-impaired | Credit loss rate |
|---|---|---|---|---|
| Not past due | 36,545 | -144 | No | 0.47% |
| 1 to 30 days past due | 13,466 | -61 | No | 0.55% |
| 31 to 90 days past due | 4,774 | -147 | No | 3.67% |
| more than 90 days past due | 5,246 | -1,243 | Yes | 27.73% |
| **Total** | **60,031** | **-1,595** | **-** | **-** |

The credit loss rates are applied to net trade receivables from third parties, i.e. excluding VAT. The balance of receivables not past due of EUR 36,545 thousand includes receivables of EUR 4,976 thousand to which the credit loss rates are not applied. There is no credit risk for these receivables, as they are due from banks with high ratings and low historical default rates. In addition, the credit loss rates are not applied to receivables from barter transactions of EUR 418 thousand as no default events are expected with reference to the barter transactions.

The loss allowances on trade receivables developed as follows. The comparative figures for 2017 are based on the allowance account in accordance with IAS 39.

| (EUR '000) | |
|---|---|
| **Balance on 1 Jan. 2017** | **-4,463** |
| Additions to the consolidation scope | -21 |
| Disposals from the consolidation scope | - |
| Increase | -1,932 |
| Utilisation | 977 |
| Reversal | 323 |
| Reclassifications | - |
| Reclassification to assets held for sale | - |
| Currency differences | 8 |
| **Balance on 31 Dec. 2017/1 Jan. 2018 pursuant to IAS 39** | **-5,108** |
| Changes from adopting IFRS 9 | 3,897 |
| **Balance on 1 Jan. 2018 pursuant to IFRS 9** | **-1,211** |
| Additions to the consolidation scope | 0 |
| Disposals from the consolidation scope | 65 |
| Increase | -824 |
| Utilisation | 45 |
| Reversal | 250 |
| Reclassifications | - |
| Reclassification to assets held for sale | 79 |
| Currency differences | 1 |
| **Balance on 31 Dec. 2018** | **-1,595** |

Loss allowances for trade receivables are revalued based on the credit loss rates in accordance with the expected credit loss model. Increases and reversals of loss allowances determined in this way are reported under other operating expenses and other operating income. Utilisation covers the derecognition of receivables written down.

### 4.3 Financial assets

The financial assets break down as follows as of the respective reporting dates:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| **Current** | | |
| Receivables from the sale of entities | 5,300 | - |
| Creditors with debit balances | 2,107 | 992 |
| Receivables from associates | - | 83 |
| **Total** | **7,407** | **1,075** |
| **Non-current** | | |
| Loan transaction costs | 2,367 | 807 |
| Equity investments | 180 | 180 |
| Interest receivables from third parties | 28 | - |
| Other | - | 4 |
| **Total** | **2,575** | **991** |

Receivables from the sale of entities relate to the purchase price receivable in connection with the sale of classmarkets GmbH. For details see note 2.2 Entities sold in the reporting period.

The loan transaction costs relate to the revolving facility I and revolving facility II credit lines concluded in the financial year. For details see note 4.11 Financial liabilities.

The equity investments item relates to the non-controlling interest in Salz & Brot Internet GmbH. As of the reporting date, there was no objective evidence that the recognised financial assets may be impaired.

## 4.4 Other assets

Other assets break down as follows as of the respective reporting dates:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| **Current** | | |
| Prepaid expenses | 8,006 | 6,468 |
| Taxes other than income taxes | 1,201 | 207 |
| Advance payments made | 132 | 409 |
| Other | 775 | 372 |
| **Total** | **10,114** | **7,456** |
| **Non-current** | | |
| Rent deposit | 989 | 996 |
| Prepaid expenses | 4 | 1,516 |
| Other | - | 3 |
| **Total** | **993** | **2,515** |

The increase in current prepaid expenses mainly reflects Scout24 AG expanding advance payments made on time-limited licence fees as part of further centralising its management functions.

In the reporting period and in the previous year, taxes other than income taxes relate to value-added tax refund claims and prepayments.

## 4.5 Goodwill and intangible assets

| (EUR '000) | Goodwill | Trademarks | Internally developed software | Concessions, rights and licences | Customer base* | Intangible assets under development | Subtotal other intangible assets | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **Balance on 1 Jan. 2017** | **816,231** | **984,301** | **22,730** | **98,467** | **246,155** | **18,722** | **386,074** | **2,186,606** |
| Additions to the consolidation scope | 20,444 | 1,422 | - | 88 | 3,275 | - | 3,363 | 25,229 |
| Disposals from the consolidation scope | - | - | - | - | - | - | - | - |
| Additions | - | - | 1,900 | 396 | - | 17,701 | 19,997 | 19,997 |
| Disposals | - | - | - | -271 | - | -68 | -339 | -339 |
| Reclassifications | - | - | 20,114 | 1,038 | - | -21,152 | - | - |
| Reclassification to assets held for sale | - | - | - | - | - | - | - | - |
| **Balance on 31 Dec. 2017/1 Jan. 2018** | **836,675** | **985,723** | **44,744** | **99,718** | **249,430** | **15,203** | **409,095** | **2,231,493** |
| Additions to the consolidation scope | 238,293 | 8,574 | 422 | 19,691 | 5,073 | 0 | 25,186 | 272,053 |
| Disposals from the consolidation scope | -3,612 | -505 | -122 | -1,263 | -602 | -905 | -2,892 | -7,009 |
| Additions | - | - | 1,987 | 455 | - | 16,729 | 19,171 | 19,171 |
| Disposals | - | -310 | -337 | - | - | - | -337 | -647 |
| Reclassifications | - | - | 24,578 | 28 | - | -24,606 | - | - |
| Reclassification to assets held for sale | -7,270 | -11,118 | -6,609 | -7,106 | -5,112 | - | -18,827 | -37,215 |
| **Balance on 31 Dec. 2018** | **1,064,086** | **982,365** | **64,663** | **111,523** | **248,789** | **6,421** | **431,396** | **2,477,846** |
| **Accumulated amortisation and impairment** | | | | | | | | |
| **Balance on 1 Jan. 2017** | **-** | **-778** | **-7,766** | **-82,787** | **-77,961** | **-** | **-168,514** | **-169,292** |
| Additions to the consolidation scope | - | - | - | - | - | - | - | - |
| Disposals from the consolidation scope | - | - | - | - | - | - | - | - |
| Additions (amortisation) | - | -336 | -11,013 | -8,028 | -32,937 | - | -51,978 | -52,314 |
| Additions (impairment) | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | 271 | - | - | 271 | 271 |
| Reclassifications | - | - | - | - | - | - | - | - |
| Reclassification to assets held for sale | - | - | - | - | - | - | - | - |
| **Balance on 31 Dec. 2017/1 Jan. 2018** | **-** | **-1,114** | **-18,779** | **-90,544** | **-110,898** | **-** | **-220,221** | **-221,335** |
| Additions to the consolidation scope | - | - | -422 | -248 | - | - | -670 | -670 |
| Disposals from the consolidation scope | - | - | 147 | 804 | 134 | - | 1,085 | 1,085 |
| Additions (amortisation) | - | -617 | -14,594 | -5,917 | -33,296 | - | -53,807 | -54,424 |
| Additions (impairment) | - | - | -195 | - | - | - | -195 | -195 |
| Disposals | - | 310 | 337 | - | - | - | 337 | 647 |
| Reclassifications | - | - | -482 | 482 | - | - | - | - |
| Reclassification to assets held for sale | - | - | 3,908 | 5,784 | 1,392 | - | 11,084 | 11,084 |
| **Balance on 31 Dec. 2018** | **-** | **-1,422** | **-30,080** | **-89,639** | **-142,668** | **-** | **-262,387** | **-263,808** |
| **Carrying amounts** | | | | | | | | |
| Balance on 31 Dec. 2017 | 836,675 | 984,609 | 25,965 | 9,174 | 138,532 | 15,203 | 188,873 | 2,010,158 |
| Balance on 31 Dec. 2018 | 1,064,086 | 980,943 | 34,583 | 21,884 | 106,121 | 6,421 | 169,009 | 2,214,038 |

* The customer base has a residual useful life of three to ten years.

Borrowing costs for intangible assets under development were not capitalised because the Group's borrowing costs are not directly attributable to the development of the intangible assets.

Changes in the consolidation scope relate to the acquisition of immosuma GmbH (ImmobilienScout24 cash-generating unit (CGU), Finanzcheck group (Scout24 Consumer Services CGU) as well as the sale of classmarkets GmbH (ImmobilienScout24 CGU) and of AutoScout24 España S.A. (AutoScout24 CGU). FlowFact GmbH (ImmobilienScout24 CGU) is reported under assets held for sale.

One trademark of the ImmobilienScout24 CGU, various trademarks of the AutoScout24 CGU and one trademark of the Scout24 Consumer Services CGU are amortised over their respective specific useful lives, for which positive cash inflows are expected. As of 31 December 2018, the carrying amount of these trademarks was EUR 9,943 thousand (previous year: EUR 1,986 thousand).

The trademarks ImmobilienScout24 and AutoScout24 have indefinite useful lives as they are expected to give rise to positive cash inflows over an indefinite period.

| (EUR '000) | **Trademarks as of 31 Dec. 2018** | **Trademarks as of 31 Dec. 2017** |
|---|---|---|
| ImmobilienScout24 trademark | 861,700 | 861,700 |
| AutoScout24 trademark | 109,300 | 109,300 |
| FlowFact trademark | 0 | 11,118 |
| Other | 0 | 505 |
| **Total** | **971,000** | **982,623** |

## Impairment testing

Goodwill is not amortised but is instead tested for impairment at least once annually pursuant to IAS 36 on the basis of the recoverable amount in accordance with the approach described in note 1.6 Accounting policies. Fair value less costs of disposal was calculated as the recoverable amount (level 3). No impairment losses were determined on the basis of this impairment test in accordance with IAS 36 either as of the date of reallocation 1 January 2018 nor as of the reporting date 31 December 2018. There was no indication of impairment as of 31 December 2017 either.

Trademarks with indefinite useful lives are generally tested for impairment in accordance with IAS 36 at least annually on the basis of the respective CGU's fair value less costs of disposal, by analogy to the approach for goodwill described in note 1.6 Accounting policies.

The trademarks ImmobilienScout24 and AutoScout24 do not give rise to any cash inflows that are largely independent of those of other assets. The ImmobilienScout24 and AutoScout24 trademarks are therefore tested for impairment at CGU level. As both trademarks contribute to the future cash flows of the CGU Scout24 Consumer Services, they are allocated to the ImmobilienScout24, AutoScout24 and Scout24 Consumer Services CGUs as corporate assets on the basis of planned EBIT.

| As of 31 December 2018 (EUR '000) | Goodwill | Trademarks with indefinite useful lives |
|---|---|---|
| ImmobilienScout24 cash-generating unit | 654,631 | 828,234 |
| AutoScout24 cash-generating unit | 145,217 | 107,453 |
| Scout24 Consumer Services cash-generating unit | 264,239 | 35,313 |
| **Total** | **1,064,086** | **971,000** |

| As of 31 December 2017 (EUR '000) | Goodwill | Trademarks with indefinite useful lives |
|---|---|---|
| ImmobilienScout24 cash-generating unit | 688,557 | 873,323 |
| AutoScout24 cash-generating unit | 148,118 | 109,300 |
| **Total** | **836,675** | **982,623** |

As a result of the reorganisation of the operating segments in accordance with IFRS 8, goodwill was allocated to the current three CGUs ImmobilienScout24, AutoScout24 and Scout24 Consumer Services as of 1 January 2018. Goodwill was allocated in accordance with IAS 36.87 based on the relative fair values less costs of disposal. The reorganisation constituted an indication of potential impairment and further impairment testing in addition to the annual impairment test therefore had to be performed before reallocating goodwill and no impairment loss was identified.

Goodwill and trademarks were tested for impairment as of 31 December 2018 using an after-tax WACC of 7.27% (previous year and 1 January 2018: 6.49%) for the CGUs ImmobilienScout24, AutoScout24 and Scout24 CS. The capitalisation rate increased in comparison with the previous year because more data was available and the period for determining the beta factor based on the peer group could thus be expanded from two to five years, thereby increasing the beta factor. The discount rate is based on a base interest rate of 1.25% (previous year and 1 January 2018: 1.25%) and a market risk premium of 6.50% (previous year and 1 January 2018: 7.00%). A beta factor derived from the peer group, a debt capital spread and a typified capital structure were also taken into consideration.

Furthermore, management assumes that revenue will increase significantly and, based on the operating leverage, that EBITDA margins will rise slightly, with more growth expected in the Consumer Services CGU on account of the acquisition of FINANZCHECK.de than in the IS24 and AS24 CGUs. The detailed planning period is three years, and for 2019 is subject to corporate planning approved by management and the Supervisory Board; the detailed planning for 2020 and 2021 is based on the multi-year plans presented to the Supervisory Board.

In the detailed planning period, revenue growth for the IS24 CGU is slightly higher than past growth rates. The growth is expected to be driven primarily by ARPU growth with agent customers in residential real estate as well as business real estate backed by low customer churn coupled with stable customer regain and new acquisition rates. For the AS24 CGU, revenue growth in the detailed planning period is at the level of previous years. This expectation is based mainly on the assumption of increased ARPU from partner dealers.

For the CS CGU, revenue growth is characterised primarily by the contribution from the newly acquired entity FINANZCHECK.de and growth in the area of additional services along the value chains. Revenue growth is expected to be driven above all by expanding the brokerage of consumer loans, credit checks and premium membership for users.

The assumptions relating to rising EBITDA margins are based on past experience of profitability of services increasing in line with revenue growth. At the level of the Group as a whole, the underlying assumptions lead to a recoverable amount that is consistent with external market assessments as of the valuation date.

For reconciliation with the terminal cash inflows, the detailed planning period is followed by a two-year transition phase in which falling revenue growth rates and stable (ImmobilienScout24 and AutoScout24 CGUs) or rising (Consumer Services CGU) EBITDA margins are assumed. For the revenue growth after the transition phase, a long-term growth rate of 1.25% (previous year: 2.00%) was used.

No impairment losses were identified in the reporting period (previous year: EUR 0 thousand).

As in the previous year, changes in assumptions regarded as possible do not result in impairment losses for the ImmobilienScout24 and AutoScout24 CGUs.

In the Scout24 Consumer Services CGU, the recoverable amount exceeds the carrying amount by EUR 32 million. For revenue growth in the detailed planning period and the transition phase, an average annual growth rate of 14.5% was assumed. If the annual average growth rate for revenue is reduced to 12.6% ceteris paribus, recoverable amount corresponds to the carrying amount. A long-term EBIT margin of 16% was assumed in the valuation. Down to an EBIT margin of 14.4%, ceteris paribus, there would not be any need to recognise impairment losses. Likewise, ceteris paribus, an increase in WACC up to 7.82% or a reduction in the terminal growth rate down to 0.71% would not give rise to any impairment losses.

## 4.6 Right-of-use assets from leases

| (EUR '000) | Right-of-use asset for buildings | Right-of-use asset for vehicles | Right-of-use asset for IT equipment | Right-of-use asset for office equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Transitional effect from adopting IFRS 16 | 13,333 | 2,286 | 1,231 | - | 16,850 |
| **Balance on 1 Jan. 2018 pursuant to IFRS 16** | **13,333** | **2,286** | **1,231** | **-** | **16,850** |
| Additions to the consolidation scope | 1,897 | 33 | - | - | 1,930 |
| Disposals from the consolidation scope | -193 | -67 | - | - | -260 |
| Additions | 16,774 | 999 | 457 | 58 | 18,288 |
| Disposals | - | - | - | - | - |
| Reclassification to assets held for sale | -5,656 | -28 | - | - | -5,684 |
| **Balance on 31 Dec. 2018** | **26,155** | **3,223** | **1,688** | **58** | **31,124** |
| **Accumulated depreciation and impairment** | | | | | |
| **Balance on 1 Jan. 2018** | **-** | **-** | **-** | **-** | **-** |
| Additions to the consolidation scope | -579 | -12 | - | - | -591 |
| Disposals from the consolidation scope | 90 | 65 | - | - | 155 |
| Additions (depreciation) | -4,391 | -1,545 | -665 | -9 | -6,609 |
| Additions (impairment) | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Reclassification to assets held for sale | 576 | 27 | - | - | 603 |
| **Balance on 31 Dec. 2018** | **-4,303** | **-1,465** | **-665** | **-9** | **-6,442** |
| **Carrying amounts** | | | | | |
| Balance on 31 Dec. 2018 | 21,852 | 1,758 | 1,023 | 49 | 24,682 |

The expense relating to short-term leases with a term of more than one month amounts to EUR 491 thousand. The expense relating to leases of low-value assets amounts to EUR 34 thousand. The total cash outflow for leases recognised as an asset in the 2018 financial year amounted to EUR 6,079 thousand.

## 4.7 Property, plant and equipment

| (EUR '000) | Leasehold improvements | Other equipment, furniture and fixtures | Total |
|---|---|---|---|
| **Cost** | | | |
| **Balance on 1 Jan. 2017** | **189** | **24,356** | **24,545** |
| Additions to the consolidation scope | - | 2 | 2 |
| Disposals from the consolidation scope | - | - | - |
| Additions | - | 2,793 | 2,793 |
| Disposals | -29 | -209 | -238 |
| Reclassification to assets held for sale | - | - | - |
| **Balance on 31 Dec. 2017/1 Jan. 2018** | **160** | **26,942** | **27,102** |
| Additions to the consolidation scope | 130 | 1,718 | 1,848 |
| Disposals from the consolidation scope | - | -302 | -302 |
| Additions | 2,658 | 6,997 | 9,655 |
| Disposals | -19 | -305 | -324 |
| Reclassification to assets held for sale | -1 | -967 | -968 |
| **Balance on 31 Dec. 2018** | **2,928** | **34,083** | **37,011** |
| **Accumulated depreciation and impairment** | | | |
| **Balance on 1 Jan. 2017** | **-147** | **-14,445** | **-14,592** |
| Additions to the consolidation scope | - | - | - |
| Disposals from the consolidation scope | - | - | - |
| Additions (depreciation) | -39 | -4,477 | -4,516 |
| Additions (impairment) | - | - | - |
| Disposals | 28 | 139 | 167 |
| Reclassification to assets held for sale | - | - | - |
| **Balance on 31 Dec. 2017/1 Jan. 2018** | **-158** | **-18,783** | **-18,941** |
| Additions to the consolidation scope | -64 | -844 | -908 |
| Disposals from the consolidation scope | - | 272 | 272 |
| Additions (depreciation) | -139 | -4,726 | -4,865 |
| Additions (impairment) | - | - | - |
| Disposals | 19 | 136 | 155 |
| Reclassifications | - | - | - |
| Reclassification to assets held for sale | 1 | 606 | 607 |
| Currency differences | 0 | - | - |
| **Balance on 31 Dec. 2018** | **-341** | **-23,339** | **-23,680** |
| **Carrying amounts** | | | |
| Balance on 31 Dec. 2017 | 2 | 8,159 | 8,161 |
| Balance on 31 Dec. 2018 | 2,587 | 10,744 | 13,331 |

There are customary retentions of title relating to purchase transactions.

## 4.8 Investments accounted for using the equity method

The associates and joint ventures included in the consolidated financial statements are accounted for using the equity method at the Group's share in equity.

The table below presents an overview of associates as of 31 December 2018 and 31 December 2017:

| | | | | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|---|---|---|
| Name of entity | Registered office | Interest % | Nature of investment | Measurement method | Measurement method |
| Energieausweis48 GmbH | Cologne, Germany | 50.00% | Joint ventures | n/a | Equity |
| eleven55 GmbH | Berlin, Germany | 25.004% | Associate | Equity | Equity |
| Alpinia Investments 2018, S L.U. | Madrid, Spain | 49.999% | Associate | Equity | n/a |

The associate Alpinia Investments 2018, S.L.U., Madrid, Spain (Alpinia), was acquired on 21 December 2018. For details see note 2.2 Entities sold in the reporting period. The carrying amount of the associate is EUR 38,102 thousand (previous year: EUR 0 thousand). The carrying amount of the immaterial associate amounts to EUR 882 thousand (previous year: EUR 986 thousand). Energieausweis48 GmbH was classified as an asset held for sale as of 1 December 2018. See note 4.9 for details.

Alpinia is of strategic importance for the Scout24 Group. The objective of the joint venture is to gain a leading position on the Spanish online car market. The condensed financial information for the associate is provided in the table below:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Non-current assets | 6,566 | - |
| Current assets | 3,211 | - |
| Non-current liabilities | 9 | - |
| Current liabilities | 2,069 | - |
| Net assets (100%) | 7,699 | - |
| Provisional difference | 67,301 | - |
| Carrying amount of the associate (100%) | 75,000 | - |
| Acquisition-related costs (ARC) | 602 | |
| **Carrying amount of the investment in the associate (49.999% + ARC)** | **38,102** | **-** |
| Revenue | - | - |
| Earnings from continuing operations (100%) | - | - |
| Other comprehensive income (100%) | - | - |
| Total comprehensive income (100%) | - | - |
| **Share in total comprehensive income (49.999%)** | **-** | **-** |

A provisional difference is reported because the identification and measurement of the associate's assets and liabilities acquired has not yet been completed as of the reporting date.

The condensed financial information for the immaterial associate, adjusted to the interest held by Scout24, is provided in the tables below:

| (EUR '000) | **31 Dec. 2018** | **31 Dec. 2017** |
|---|---|---|
| Carrying amount of eleven55 GmbH | 882 | 986 |

| (EUR '000) | **2018** | **2017** |
|---|---|---|
| Profit/loss from continuing operations | -103 | -64 |
| Profit/loss from discontinued operations | - | - |
| Other comprehensive income, after tax | - | - |
| Total comprehensive income | **-103** | **-64** |

The cumulative share in losses from the associate accounted for using the equity method amounted to EUR -168 thousand (previous year: EUR -64 thousand).

The investments accounted for using the equity method had a headcount of 58 as of 31 December 2018 (previous year: 10).

There are no contingent liabilities with respect to the indirect shares held by Scout24 in associates.

### 4.9 Non-current assets held for sale

In November 2018, management committed to a plan to sell the subsidiaries FlowFact GmbH and Flow Fact Schweiz AG, which are part of the ImmobilienScout24 segment. Accordingly, these entities are reported as a disposal group. Efforts to locate a buyer for the disposal group have been initiated, and a sale is expected to take place by December 2019.

No impairment losses were incurred, as the selling price realisable on the market less incidental costs to sell exceed the disposal group's carrying amount. Goodwill was allocated based on the relative fair values of the disposal group.

The disposal group was stated at carrying amount as of 31 December 2018, and comprises the assets and liabilities presented below.

| (EUR '000) | **31 Dec. 2018** |
|---|---|
| Goodwill | 7,270 |
| Trademarks | 11,118 |
| Customer base | 3,721 |
| Software | 3,620 |
| Right-of-use asset from lease | 5,081 |
| Other intangible assets | 403 |
| Property, plant and equipment | 361 |
| Interests in joint ventures | 223 |
| Financial assets | 91 |
| Trade receivables and other assets | 1,105 |
| Cash and cash equivalents | 782 |
| **Assets held for sale** | **33,775** |
| Lease liabilities | 5,193 |
| Trade payables and other liabilities | 1,546 |
| Deferred tax liabilities | 5,009 |
| **Liabilities associated with assets held for sale** | **11,748** |

There are no cumulative gains or losses relating to the disposal group reported under other comprehensive income.

### 4.10 Trade payables

The trade payables of EUR 37,648 thousand include trade payables to third parties of EUR 37,597 thousand (previous year: EUR 22,224 thousand) and trade payables due to associates of EUR 51 thousand.

## 4.11 Financial liabilities

As of the reporting date, financial liabilities comprise the following:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| **Current** | | |
| Liabilities to banks | 21,767 | 78,262 |
| Liabilities to associates | 1,077 | 350 |
| Liabilities from company acquisitions | 560 | - |
| Liabilities to third parties | - | 850 |
| Finance leases | - | 49 |
| **Total** | **23,404** | **79,511** |
| **Non-current** | | |
| Liabilities to banks | 540,378 | 535,247 |
| Promissory note loan | 214,289 | - |
| Derivative financial instruments | 1,353 | 2,380 |
| Liabilities to associates | - | 350 |
| Finance leases | - | 38 |
| Liabilities to third parties | - | 28 |
| **Total** | **756,020** | **538,043** |

On 19 December 2016, Scout24 AG signed a lending agreement with a syndicate of eleven European banks (term and revolving facility agreement, "FA") with a term until December 2021. This lending agreement comprised a term loan of EUR 600,000 thousand and a revolving credit line of EUR 200,000 thousand.

The interest rate for the facilities drawn was based on the EURIBOR plus an interest margin tied to the ratio of ordinary operating EBITDA to net debt. A floor of 0.0% was set for the EURIBOR in the FA.

A total amount of EUR 680,000 thousand was disbursed on 29 December 2016, with an amount of EUR 80,000 thousand drawn from the revolving credit facility.

Incidental costs of obtaining the FA were deducted from the original fair value of the loans and amortised through profit or loss over the term of the loans applying the effective interest method. Furthermore, the embedded interest-rate floor in connection with the term loan was deducted from its original fair value and amortised through profit or loss over the term of the loan.

No collateral was provided for the FA.

A repayment of EUR 30,000 thousand was made in the 2017 financial year. This was an early repayment of the term loan, which, pursuant to the agreement, falls due on 29 December of each respective year during the term of the loan. Furthermore, a repayment of EUR 30,000 thousand was made on the revolving credit line in 2017. As a consequence, the FA liabilities amounted to a nominal total of EUR 620,000 thousand as of 31 December 2017.

On 16 March 2018, Scout24 AG issued a promissory note loan ("Schuldscheindarlehen", SSD) of EUR 215,000 thousand. The loan comprises seven tranches (coupons) with terms ranging between three and six years.

Depending on the tranche, fixed or floating rates of interest were agreed. The fixed interest rate is based on the midswap rate (ICAP). The floating rate of interest is based on the EURIBOR. An interest margin is added to both interest rates. The floating rate includes a floor of 0.0% for the EURIBOR. The interest margin for the fixed rate ranges between 0.75% and 1.05%. The range for the floating rate is between 0.75% and 0.95%. If the ratio of ordinary operating EBITDA to net debt were to exceed 3.25, the interest margins of the promissory note tranches would increase by 0.50% in each case.

The loans were paid out in full on 28 March 2018. On 29 March 2018, an early repayment of EUR 250,000 thousand was made on the term loan under the FA, partly using the SSD and partly from cash reserves.

On the basis of the agreed-upon interest rates and taking into account the incidental costs of obtaining the SSD, an effective interest rate was determined for each tranche that is used to amortise the transaction costs attributable to the tranches over the term to maturity.

No collateral was provided for the SSD.

As of 31 December 2018, the promissory note loan amounted to a nominal EUR 215,000 thousand.

On 16 July 2018, Scout24 AG entered into the EUR 1,000,000,000 term and revolving facilities agreement (RFA). The RFA comprises a term loan facility (facility A) of EUR 300,000 thousand, revolving credit facility I (revolving facility I) of EUR 200,000 thousand and revolving credit facility II (revolving facility II) of EUR 500,000 thousand. The term to maturity of facility A and of revolving facility I is five years. Revolving facility II has a term of three years, including two prolongation options of one year each.

The interest rate for the facilities drawn is based on the EURIBOR plus an interest margin tied to the ratio of ordinary operating EBITDA to net debt. A floor of 0.0% was set for the EURIBOR in the RFA. The interest margin for facility A was 1.35% as of 31 December 2018. The interest margins for revolving facility I and revolving facility II were 1.05% and 1.00% respectively.

Facility A was paid out on 19 July 2018. For accounting purposes, this constitutes a non-substantial modification as defined by IFRS 9 of the existing term loan under the FA.

An amount of EUR 250,000 thousand was drawn under revolving facility II on 28 August 2018. The loan was used to acquire the FFG FINANZCHECK Finanzportale group. For details see note 2 Changes in the consolidation scope.

The incidental costs deducted from the original loans at the date of the non-substantial modification were reduced in proportion to the nominal value. In addition, these costs were increased by the anticipated positive interest effect arising from the modification as a result of the improved interest conditions. The incidental costs of obtaining the SSD and facility A are amortised using the effective interest method. The incidental costs of obtaining revolving facility I and revolving facility II are expensed on a straight-line basis in line with utilisation.

With respect to the embedded interest floor in connection with the term loan under the FA, the non-substantial modification did not result in any significant changes. The embedded interest-rate floor in connection with revolving facility A was deducted from facility A and is amortised through profit or loss over the term of the loan. This is reported under non-current derivative financial instruments.

No collateral was provided for under the EUR 1,000,000,000 term and revolving facilities agreement.

An early repayment of EUR 50,000 thousand was made on revolving facility I on 29 December 2018.

As of 31 December 2018, the RFA loan amounted to a nominal EUR 570,000 thousand.

In addition, Scout24 AG has a guarantee facility of up to EUR 1,917 thousand. An amount of EUR 1,094 thousand thereof was drawn for rent collateral. As of 31 December 2018, the guarantee facility amounted to EUR 1,094 thousand.

### 4.12 Lease liabilities

In accordance with IFRS 16, lease liabilities were measured at the present value of the future lease payments at the date of first-time application or the commencement date. The interest expense recognised relating to leases amounted to EUR 712 thousand in the 2018 financial year.

Options to extend the lease are taken into consideration in measuring the lease liabilities if it is reasonably certain that the option will be exercised. There are options to extend the lease under office rental agreements to provide for flexibility. As it is not reasonably certain that the respective options to extend the lease will be exercised, these were not taken into account in measuring the lease liability.

As of the reporting date, lease liabilities comprise the following:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Lease liabilities, current | 5,998 | - |
| Lease liabilities, non-current | 19,228 | - |
| **Total** | **25,226** | **-** |

Lease liabilities break down as follows:

| (EUR '000) | 31 Dec. 2018 |
|---|---|
| Gross lease liabilities – minimum lease payments | |
| Up to 1 year | 6,562 |
| 1-3 years | 8,804 |
| 3-5 years | 4,350 |
| More than 5 years | 7,932 |
| Gross lease liabilities | 27,648 |
| **Present value of the lease** | **25,226** |

The present values break down as follows:

| (EUR '000) | 31 Dec. 2018 |
|---|---|
| Up to 1 year | 5,998 |
| 1-3 years | 7,977 |
| 3-5 years | 3,792 |
| More than 5 years | 7,459 |
| | **25,226** |

Leases not yet commenced of EUR 51,618 thousand were entered into in the 2018 financial year. These relate to the conclusion of a rental agreement for an office building in Berlin that is expected to be made available in the third quarter of 2020.

### 4.13 Other provisions

| (EUR '000) | Provisions for litigation risks | Personnel-related provisions | Other provisions | Reorganisation provisions | Provisions for share-based payments | Total |
|---|---|---|---|---|---|---|
| **Balance on 31 Dec. 2017/1 Jan. 2018** | **159** | **-** | **630** | **4,114** | **5,555** | **10,458** |
| *of which current* | *109* | - | *450* | *4,114* | *2,216* | *6,889* |
| Changes in the consolidation scope | - | - | -3 | - | - | -3 |
| Increase | 73 | - | 1,409 | 2,180 | 14,930 | 18,592 |
| Utilisation | -2 | -82 | -91 | -2,624 | -2,322 | -5,121 |
| Reclassifications | - | 122 | 3 | - | - | 125 |
| Reclassification to held for sale | - | - | -25 | - | - | -25 |
| Reversal | -55 | - | -420 | -1,385 | - | -1,860 |
| Interest effect | - | -3 | -1 | - | - | -4 |
| **Balance on 31 Dec. 2018** | **175** | **37** | **1,502** | **2,285** | **18,163** | **22,162** |
| *of which current* | *77* | - | - | *2,285* | *6,609* | *8,971* |

Provisions for litigation risks relate mainly to disputes with employees. The differing uncertainties in relation to the level of this provision were measured sufficiently.

The increase in other provisions results mainly from the restoration obligation for the current office building in Berlin.

The reorganisation provisions in the reporting period and the previous year relate to Group-wide reorganisation measures. The respective employees received offers to terminate their employment contracts, most of which will come to bear in the subsequent year.

The increase in the provisions for share-based payments are attributable above all to the long-term incentive programme introduced in the financial year. For details see note 5.3 Share-based payments.

Provisions that are not expected to lead to an outflow of resources in the subsequent year are carried at settlement amount discounted to the reporting date. The discount on provisions that were already discounted in the previous year was unwound in the reporting period in accordance with their term. The discount factor is based on market interest rates.

The outflow of resources is mainly expected within the next financial year – at the amount shown as current above. For the amount shown as non-current, an outflow of resources of EUR 12,532 thousand (previous year: EUR 3,544 thousand) is expected within the next two to five years and EUR 672 thousand (previous year: EUR 40 thousand) for the period of more than five years.

### 4.14 Contract liabilities

Contract liabilities of EUR 9,650 thousand (previous year: EUR 9,735 thousand) reflect the Group's obligation to transfer services to its customers for which it has received consideration. For further details, please refer to note 3.1 Revenue.

## 4.15 Other liabilities

Other liabilities comprised the following as of the respective reporting dates:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017[79] |
|---|---|---|
| **Current** | | |
| Liabilities to employees | 12,672 | 19,071 |
| Taxes other than income taxes | 6,900 | 6,104 |
| Other deferred income[7] | 409 | 419 |
| Other | 2,162 | 2,397 |
| **Total** | **22,143** | **27,992** |
| **Non-current** | | |
| Other deferred income | 2,077 | 1,814 |
| Liabilities to employees | 560 | 267 |
| Other | 9 | - |
| **Total** | **2,646** | **2,081** |

The liabilities to employees essentially comprise liabilities arising from bonus agreements.

## 4.16 Pensions and similar obligations

The Group has post-employment benefit obligations in the form of defined contribution and defined benefit plans.

Defined contribution plans are in the form of retirement, disability and survivor benefits, the amount of which is based on length of employment and salary. The employer's contributions to be paid for the statutory pension insurance system in Germany are deemed defined contribution plans. The Group's payments to defined contribution pension plans are primarily contributions for the statutory pension insurance systems in Germany and Switzerland. In the reporting period, the expenses relating to defined contribution pension plans were EUR 7,592 thousand (previous year: EUR 6,591 thousand).

The defined benefit obligations remaining as of 31 December 2018 relate exclusively to the entity AutoScout24 Italia S.R.L. These are based on the regulations of the TRF ("Trattamento di Fine Rapporto") entailing capital payments on leaving the company. The basis is the Italian labour law (Article 2120 Codice Civile). The benefit obligation is accrued annually in the amount of the respective pensionable salary and discounted in accordance with the development of inflation. This plan has no plan assets. As of 31 December 2018, the benefit obligations from defined benefit pension plans amount to EUR 546 thousand (previous year: EUR 526 thousand).

[79] With respect to the effect of changes in accounting policies, please refer to note 1.3 New accounting regulations.

The defined benefit obligation developed as follows:

| (EUR '000) | DBO |
|---|---|
| Balance on 1 Jan. 2018 | 526 |
| Service cost | 99 |
| Net interest cost | 7 |
| Gains/losses on remeasurement | 0 |
| of which: | |
| – Actuarial gains and losses from experience adjustments | 3 |
| – Actuarial gains and losses from changes in demographic assumptions | -3 |
| Benefits paid | -85 |
| **Balance on 31 Dec. 2018** | **546** |

| (EUR '000) | DBO |
|---|---|
| Balance on 1 Jan. 2017 | 443 |
| Service cost | 62 |
| Net interest cost | 6 |
| Gains/losses on remeasurement | 48 |
| of which: | |
| – Actuarial gains and losses from experience adjustments | 45 |
| – Actuarial gains and losses from changes in financial assumptions | 3 |
| Benefits paid | -33 |
| **Balance on 31 Dec. 2017** | **526** |

The following actuarial assumptions were applied for Italy in determining pension provisions as of 31 December 2018: interest rate of 1.45% (previous year: 1.35%), salary increase of 3.50% (previous year: 3.00%) and inflation of 1.70% (previous year: 1.80%).

The pension obligations in Italy have a term of 8.6 years (previous year: 8.41 years).

In the 2019 financial year, benefits of EUR 51 thousand are expected to be paid to plan participants by the entity. In the previous year, the entity paid benefits of EUR 46 thousand to plan participants.

## 4.17 Equity

### Subscribed share capital

The subscribed share capital amounts to EUR 107,600 thousand as of 31 December 2018 (previous year: EUR 107,600 thousand) and is divided into 107,600,000 registered shares each with a notional interest in the share capital of EUR 1 per share. All registered shares are fully paid in. The subscribed share capital is not available for any distribution.

A total of 107,600,000 shares are outstanding as of the reporting date (previous year: 107,600,000).

| Shares outstanding | **Number** |
|---|---|
| **Opening balance (1 Jan. 2017)** | **107,586,600** |
| Purchase of treasury shares | -42,399 |
| Issue of treasury shares | 55,799 |
| **Closing balance (31 Dec. 2017)** | **107,600,000** |
| **Opening balance (1 Jan. 2018)** | **107,600,000** |
| Purchase of treasury shares | - |
| Issue of treasury shares | - |
| **Closing balance (31 Dec. 2018)** | **107,600,000** |

## Authorised capital

Pursuant to the Company’s Articles of Association, the Management Board of Scout24 AG, Munich, is authorised to increase the Company's share capital, with the Supervisory Board’s approval, in one or several tranches up until (and including) 3 September 2020, by issuing new registered no-par-value shares in return for contributions in cash and/or in kind, by an amount of up to EUR 50,000 thousand in total (authorised capital 2015). The shareholders must generally be granted subscription rights in this context. However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude such subscription rights in certain cases.

## Conditional capital

The Company’s share capital was increased conditionally by resolution of the Annual General Meeting on 21 June 2018. The conditional capital amounts to EUR 10,760 thousand and is divided into 10,760,000 no-par-value shares (conditional capital 2018).

The conditional capital increase is intended to grant shares to holders or creditors of the bonds with warrants, convertible bonds, profit participation rights and/or participating bonds (or any combination of such instruments) issued on the basis of the authorisation by the Annual General Meeting of 21 June 2018 when they exercise the warrants or conversion rights or fulfil their warrants or conversion duties.

The conditional capital increase will only be carried out to the extent that

(a) holders or creditors of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or any combination of such instruments) with warrants or conversion rights issued or guaranteed by Scout24 AG or its direct or indirect majority shareholdings until 20 June 2023 on the basis of the authorisation of the Annual General Meeting of 21 June 2018 make use of their warrants or conversion rights, or

(b) the parties liable to fulfil the obligations from bonds with warrants, convertible bonds, profit participation rights and/or participating bonds (or any combination of such instruments) with warrants or conversion rights issued or guaranteed by Scout24 AG or its direct or indirect majority shareholdings until 20 June 2023 on the basis of the authorisation of the Annual General Meeting of 21 June 2018 fulfil their warrants or conversion obligation (also in the event of Scout24 AG exercising its repayment option upon maturity to grant shares instead of cash payment for all or some of the amount due) and no other forms of settlement are used.

The new shares are fully entitled to participate in the profit from the beginning of the financial year in which the warrant or conversion duty arises.

The Supervisory Board is authorised to amend the related wording in the Articles of Association with reference to the respective utilisation of conditional capital and upon expiry of all warrant and conversion periods.

## Treasury shares

Pursuant to authorisation by the Annual General Meeting, the Company's Management Board is authorised until 7 June 2022 to purchase treasury shares pursuant to Article 71 (1) No. 8 of the German Stock Corporation Act (AktG) for any permissible purpose within the context of statutory restrictions and under certain terms.

The Company does not hold any treasury shares as of the reporting date.

## Capital reserve

As part of the capital increase in the 2015 financial year, an amount of EUR 98,000 thousand was converted from the capital reserve to subscribed share capital.

As a result of the IPO on 1 October 2015, proceeds of EUR 228,000 thousand accrued to the Company, of which EUR 220,400 thousand was allocated to the capital reserve as a premium. Transaction costs connected with the IPO reduce the capital reserve by EUR 5,953 thousand (after deducting tax).

In addition, an amount of EUR 387 thousand (previous year: EUR 4,751 thousand) was allocated to the capital reserve in connection with share-based payments and their settlement in treasury shares. This is partly offset by a withdrawal from the capital reserve of EUR 0 thousand (previous year: EUR 3,464 thousand) due to the settlement by equity instruments in connection with the exercise of share-based payment programmes. Furthermore, the capital reserve was reduced by EUR 5,555 thousand in the previous year as part of modifying the classification of the 2015, 2016 and 2017 share-based payment programmes from equity-settled share-based payments to cash-settled share-based payments (while recognising a provision at the same amount, also see note 5.3 Share-based payments).

Of the capital reserve, an amount of EUR 170,324 thousand (as of 31 December 2017: EUR 170,324 thousand) is frozen for any distribution.

## Revenue reserve

The revenue reserve as of the reporting date contains undistributed profits from previous financial years as well as the profit or loss for the reporting period (31 December 2018: EUR 640,555 thousand; previous year: EUR 533,659 thousand). An amount of EUR 2,725 thousand was recorded for the first time as of 1 January 2018 as a result of applying IFRS 9 (after tax, for more information, please refer to note 1.3 New accounting regulations).

## Remeasurement gains/losses on pension obligations

Equity is reduced by EUR 121 thousand (previous year: EUR 121 thousand) for actuarial losses from defined benefit obligations.

## Other reserve

The other reserve primarily includes currency differences.

## Dividend

Based on a corresponding resolution of the Annual General Meeting, in the 2018 financial year the Company paid a dividend of EUR 60,256 thousand (previous year: EUR 32,280 thousand) to its dividend-entitled shareholders, equivalent to EUR 0.56 (previous year: EUR 0.30) per dividend-entitled share.

# 5 Other notes

## 5.1 Notes to the consolidated cash flow statement

The cash flow statement presents how cash and cash equivalents changed during the financial year. In accordance with IAS 7 Statement of Cash Flows a distinction is made between changes in cash from operating, investing and financing activities.

The cash and cash equivalents presented in the cash flow statement comprise all cash reported in the balance sheet.

The indirect method is used for cash flow from operating activities and the direct method is used for cash flow from financing and investing activities. Effects from currency translation and changes in the consolidation scope were eliminated in the calculation.

The Group generated a cash flow from operating activities of EUR 207,468 thousand in the reporting period (previous year: EUR 164,225 thousand). Other non-cash transactions mainly comprise amounts from share-based payments recognised in profit or loss.

The cash flow from investing activities (reporting period: EUR -294,052 thousand; previous year: EUR -43,488 thousand) mainly includes investments in property, plant and equipment and the acquisition of the FFG FINANZCHECK Finanzportale group and of immosuma GmbH.

The cash flow from financing activities of EUR 88,334 thousand (previous year: EUR -107,470 thousand) chiefly consists of the repayment of the FA in an amount of EUR 620,000 thousand and the RFA and the SSD obtained totalling EUR 835,000 thousand (for further information, see note 4.11 Financial liabilities). Furthermore, the cash flow from financing activities includes interest paid in the 2018 financial year of EUR 10,116 thousand and dividends paid of EUR 60,256 thousand (for further information, see note 4.17 Equity).

Total liabilities from financing activities changed as follows in the past financial year:

| (EUR '000) | **31 Dec. 2017** | IFRS 16 transitional effect | **1 Jan. 2018** | Cash | Non-cash | | | | **31 Dec. 2018** |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | **Acquisition/sale of subsidiaries** | **Exchange rate changes** | **Fair value changes** | **Other changes** | |
| Liabilities to banks | 613,510 | - | 613,510 | 155,548 | - | - | - | 7,376 | 776,434 |
| Liabilities to third parties | 879 | - | 879 | -879 | - | - | - | - | - |
| Derivative financial instruments | 2,380 | - | 2,380 | - | - | - | -1,027 | - | 1,353 |
| Liabilities to associates | 700 | - | 700 | - | 727 | - | - | -350 | 1,077 |
| Finance leases | 86 | - | 86 | - | - | - | - | -86 | - |
| Lease liabilities | - | 16,850 | 16,850 | -6,079 | 1,345 | - | - | 13,110 | 25,226 |
| Interest payable to banks | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | 560 | - | - | - | 560 |
| **Total liabilities from financing activities** | **617,555** | **16,850** | **634,405** | **148,590** | **2,632** | **-** | **-1,027** | **20,050** | **804,650** |

| (EUR '000) | **31 Dec. 2016** | Cash | Non-cash | | | | **31 Dec. 2017** |
|---|---|---|---|---|---|---|---|
| | | | **Acquisition/sale of subsidiaries** | **Exchange rate changes** | **Fair value changes** | **Other changes** | |
| Liabilities to banks | 670,745 | -73,702 | - | - | - | 16,467 | 613,510 |
| Liabilities to third parties | 850 | 29 | - | - | - | - | 879 |
| Derivative financial instruments | 3,921 | - | - | - | -1,541 | - | 2,380 |
| Liabilities to associates | 1,632 | - | - | - | - | -932 | 700 |
| Finance leases | 133 | -47 | - | - | - | - | 86 |
| Interest payable to banks | 31 | -31 | - | - | - | - | - |
| Other | 63 | -63 | - | - | - | - | - |
| **Total liabilities from financing activities** | **677,374** | **-73,814** | **-** | **-** | **-1,541** | **15,535** | **617,555** |

## 5.2 Disclosures on financial instruments

### Carrying amounts and fair values

The following table presents the reconciliation of the balance sheet items and the categories pursuant to IFRS 9, analysed by category and with respect to fair value by class. Due to the chosen approach in the transition to IFRS 9, no information is available for the previous year.

Cash, trade receivables as well as other current financial assets and liabilities essentially have a short residual term. Therefore, their carrying amounts as of the end of the reporting period approximate their fair value.

The carrying amount of current financial liabilities approximates their fair value as of the reporting date. Liabilities are measured using the effective interest method. Measurement is performed by the Group's accounting function. There were no changes in valuation techniques in the reporting period.

Non-current financial assets also comprise investments in other entities' equity instruments that are not accounted for using the equity method. As a rule, these are classified as at fair value through profit or loss (FVTPL), but Scout24 makes use of the option allowed by IFRS 9 to classify them as at fair value through other comprehensive income (FVOCI). With regard to the investment in equity instruments as of the reporting date, the Group assumes that best estimate of fair value is the instruments' cost. The Group currently has no intention to sell this investment. These instruments are a participating interest in a start-up company.

In accordance with IFRS 13, financial assets and liabilities measured at fair value must be allocated to the three levels of the fair value hierarchy. The individual levels of the fair value hierarchy are defined as follows:

- Level 1: inputs are unadjusted quoted prices in an active market for identical assets or liabilities that the Company can access at the measurement date

- Level 2: significant inputs other than those included in Level 1 that are observable, either directly or indirectly

- Level 3: Inputs including at least one unobservable significant input.

For reclassification between the individual levels of the fair value hierarchy it is assumed that these are performed at the end of the period. In both reporting periods, there were no reclassifications between levels 1 and 2.

## Amount recognised in accordance with IFRS 9

| EUR '000 | IFRS 9 measurement category | Carrying amount as of 31 Dec. 2018 | Amortised cost | Fair value through other comprehensive income | Fair value through profit or loss | Fair value as of 31 Dec. 2018 | Level of the fair value hierarchy |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | FAAC | 58,420 | 58,420 | - | - | n/a | |
| Trade receivables | FAAC | 58,442 | 58,442 | - | - | n/a | |
| Other current financial assets | FAAC | 8,047 | 8,047 | - | - | n/a | |
| Other non-current financial assets | | 3,563 | | | | | |
| Financial assets (equity investments) | FAFVOCI | 180 | - | 180 | - | n/a | |
| Sundry non-current financial assets | FAAC | 3,383 | 3,383 | - | - | 3,323 | 2 |
| **Equity and liabilities** | | | | | | | |
| Trade payables | FLAC | 37,648 | 37,648 | - | - | n/a | |
| Current financial liabilities | | 29,403 | | | | | |
| Lease liabilities | n/a | 5,998 | 5,998 | - | - | n/a | |
| Liability for contingent consideration | FLFVTPL | 560 | - | - | 560 | 560 | 3 |
| Other current financial liabilities | FLAC | 22,844 | 22,844 | - | - | n/a | |
| Financial liabilities included in other current liabilities | FLAC | 1,271 | 1,271 | - | - | n/a | |
| Non-current financial liabilities | | 775,248 | | | | | |
| Derivative financial instruments | FLFVTPL | 1,353 | - | - | 1,353 | 1,353 | 2 |
| Lease liabilities | n/a | 19,228 | 19,228 | | - | n/a | |
| Other non-current financial liabilities | FLAC | 754,668 | 754,668 | - | - | 719,766 | 2 |
| **Of which aggregated by IFRS 9 category** | | | | | | | |
| Financial assets measured at amortised cost | FAAC | 128,292 | | | | | |
| Financial liabilities measured at amortised cost | FLAC | 816,431 | | | | | |
| Financial liabilities measured at fair value through profit or loss | FLFVTPL | 1,913 | | | | | |
| Financial assets measured at fair value through other comprehensive income | FAFVOCI | 180 | | | | | |

Due to first-time application of IFRS 9, no comparative amounts are available for the previous year.

Current other financial assets mainly include receivables of EUR 5,300 thousand from the sale of classmarkets GmbH. In addition, the item comprises creditors with debit balances and short-term rental deposits. Due to the short term to maturity of these items, the carrying amount represents an appropriate approximation of their fair value.

The main balance sheet item "other non-current financial assets" mostly consists of long-term rental deposits of EUR 989 thousand, whose fair values are calculated using a discounted cash flow model based on risk-free market interest rates in the form of German government bonds, and a credit risk premium derived from corporate bonds with a corresponding rating. As all inputs are directly or indirectly observable, the instruments are assigned to level 2. This item also includes deferred transaction costs attributable to the revolving credit line.

Current financial liabilities mainly comprise the revolving facility I (RCF I) of EUR 20,000 thousand. Other current financial liabilities also include current liabilities deriving from the equity investment of EUR 350 thousand held in eleven55 GmbH. Current financial liabilities include a liability from company acquisitions of EUR 560 thousand relating to the acquisition of immosuma GmbH (see note on entities acquired in the reporting period). Due to the short term to maturity of these items, the carrying amount represents an appropriate approximation of their fair value.

For the most part, non-current financial liabilities consist of the liabilities relating to the loan modified in July 2018 (term loan A) of EUR 300,000 thousand and the liabilities for the promissory note loan (SSD) of EUR 215,000 thousand issued in March 2018. The liabilities' fair value is calculated using a discounted cash flow model based on a discount rate derived from the risk-free market rate adjusted to reflect an appropriate credit risk premium. Premiums on corporate bonds with the same rating as Scout24 were utilised as the credit risk premium. The yield curve that was modelled takes into consideration trends similar to the market. Other non-current liabilities also include the new revolving facility II (RCF II) of EUR 250,000 thousand concluded in August. For details on refinancing, see note 4.11 Financial liabilities.

The fair value of the liability for contingent consideration, which is assigned to level 3 of the fair value hierarchy, is determined applying valuation techniques based on unobservable data as presented in the following.

The table below shows an overview of changes in level 3 instruments (liability for contingent consideration) for the reporting period from 1 January 2018 to 31 December 2018 and the previous year:

| (EUR '000) | **2018**<br>**1 Jan. 2018 - 31 Dec. 2018** | **2017**<br>**1 Jan. 2017 - 31 Dec. 2017** |
|---|---|---|
| **Balance** | **0** | **0** |
| New liabilities for contingent consideration | 560 | 0 |
| Settled liabilities for contingent consideration | 0 | 0 |
| Total for the period reported under other operating expenses/income | 0 | 0 |
| **Balance** | **560** | **0** |
| Changes in unrealised losses for the period included in gains/losses from liabilities held at the end of the period | - | - |

In connection with the acquisition of immosuma GmbH, contingent consideration was arranged that is linked to the achievement of specific hurdle rates. An amount of EUR 260 thousand of the liability is dependent on revenue and varies when certain hurdle rates are exceeded or missed. In addition, an amount of EUR 300 thousand of the liability is dependent on a hurdle rate for user traffic and related changes. The adjustment amount is additionally contingent on a cost budget that, if exceeded, causes the adjustment to be forfeited.

A sensitivity analysis of the unobservable input factors gives rise to the following effects on the liability for contingent consideration:

*Revenue* hurdle rate:

If the revenue generated in the period from 1 July 2018 to 30 June 2019 is 10% higher, there is no increase in contingent consideration. If the revenue generated in the period from 1 July 2018 to 30 June 2019 is 10% lower, contingent consideration is reduced by 96% to EUR 10 thousand.

*Traffic* hurdle rate (within cost budget):

If the traffic achieved in the period from 1 July 2018 to 30 June 2019 is 10% higher, there is no increase in contingent consideration. If the traffic achieved in the period from 1 July 2018 to 30 June 2019 is 10% lower, no contingent consideration is payable.

The fair value of the interest-rate floor, which was assigned to level 3 of the fair value hierarchy in the previous year, was in the past determined using valuation techniques based on unobservable data. As market data were available, the interest-rate floor was determined using observable market data as of 31 December 2018 and is allocated to level 2 accordingly this year.

**Net gains/losses**

Net gains and losses were allocated as follows to the IFRS 9 categories in the financial year:

| (EUR '000) | | **Measurement category pursuant to IFRS 9 2018** |
|---|---|---|
| Financial assets measured at amortised cost | FAAC | 41,547 |
| Financial liabilities measured at amortised cost | FLAC | -18,640 |
| Financial assets and liabilities measured at fair value through profit or loss | FAFVTPL/FLFVTPL | 1,027 |
| Recognised in profit or loss | Total | 23,934 |
| Financial assets measured at fair value through other comprehensive income | FAFVOCI | - |
| Recognised in other comprehensive income | | - |

Due to first-time application of IFRS 9, no comparative amounts are available for the previous year.

The net gains and losses in the FAAC measurement category include primarily interest income and gains/losses on the derecognition of receivables. The net gains and losses in the FLAC category comprise loss allowances for receivables, price losses on financing arrangements and current interest expenses from applying the effective interest method to loan liabilities. Expenses and income from financial derivatives are included in the FAFVTPL/FLFVTPL category.

**Offsetting**

Financial assets and liabilities on the basis of master netting arrangements are netted only if an enforceable right to offset exists, and settlement on a net basis is intended as of the reporting date. If, however, no right to offset exists, the financial assets and liabilities are recognised at their respective gross amounts as of the reporting date. Under the master netting arrangements, a conditional right to offset arises which is only granted if it is claimed. Discounts were also taken into consideration.

a) Financial assets

The following financial assets were netted in the balance sheet under the master netting arrangements or similar agreements:

| (EUR '000) | **31 Dec. 2018** Trade receivables | **31 Dec. 2017** Trade receivables |
|---|---|---|
| Gross amount of financial assets | 65,543 | 51,802 |
| Gross amount of financial liabilities netted in the balance sheet | -7,101 | -4,370 |
| Net amount of financial assets recognised in the balance sheet | 58,442 | 47,432 |
| Amounts not presented on a net basis in the balance sheet | | |
| – Financial instruments | - | - |
| – Collateral received | - | - |
| Net amount | 58,442 | 47,432 |

b) Financial liabilities

The following financial liabilities were netted in the balance sheet under the master netting arrangements or similar agreements:

| (EUR '000) | **31 Dec. 2018** Trade payables | **31 Dec. 2017** Trade payables |
|---|---|---|
| Gross amount of financial liabilities | 44,749 | 26,595 |
| Gross amount of financial assets netted in the balance sheet | -7,101 | -4,370 |
| Net amount of financial liabilities recognised in the balance sheet | 37,648 | 22,224 |
| Amounts not presented on a net basis in the balance sheet | | |
| – Financial instruments | - | - |
| – Collateral received | - | - |
| Net amount | 37,648 | 22,224 |

## Financial risk management and capital management

The Scout24 Group is exposed to various financial risks, which are explained below as credit risk, liquidity risk, foreign currency risk and interest rate risk. Risk management is performed by Group treasury. Group treasury identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. Appropriate changes are made to processes in response to changes in the risk situation. The objective of risk management is to reduce the financial risk through planned measures.

**Credit risk**

Credit risk is managed at Group level. Credit risks arise from cash and cash equivalents, current financial assets, trade receivables and other receivables. Customer risks are systematically recorded, analysed and managed in the respective subsidiary, whereby both internal and external information sources are used. The maximum credit risk was reflected by the carrying amounts of the financial assets recognised in the balance sheet. No collateral or other credit enhancements existed that would reduce the credit risk from financial assets.

The Group considers a financial asset to be credit-impaired when the probability is remote that the debtor will be able to pay all its credit obligations due to the Group without the Group having to revert to measures such as selling collateral (if provided).

Credit risks arise especially in connection with trade receivables and other receivables. Since the Group's business model is based on a broad customer base, the risk of significant bad debts is deemed to be relatively low. To the extent that credit risks are identifiable, these are countered with active receivables management as well as credit ratings of customers.

At each reporting date, Scout24 assesses whether any financial assets measured at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred:

Indicators that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the customer
- a breach of contract, such as a default or past due event by more than 90 days
- restructuring of a loan or credit facility by the Group that it would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties

A financial asset's gross carrying amount is reduced when the Group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof.

In accordance with IFRS 9, Scout24 applies the simplified expected credit losses approach for trade receivables based on lifetime expected losses. The expected losses are calculated on the basis of the customer's historical payment patterns. At each reporting date, the expected loss over the remaining term is calculated as a percentage in relation to the number of days past due. The estimated expected credit losses per maturity band were calculated using historical credit loss experience over the past three years. Scout24 calculated the expected credit losses with respect to the number of days past due.

The risk of impairment increases significantly for outstanding trade receivables that are more than 90 days past due. Unless the outstanding balance is immaterial, item-by-item measurement is performed to estimate expected credit losses.

### Liquidity risk

Liquidity risk describes the risk that Scout24 cannot meet its financial obligations, or can only meet them to a limited extent. Cash requirements are covered by the cash flow from operating activities, external financing as part of facility A as well as a revolving facility. Liquidity risks are monitored and managed centrally for the entire Group by the operating cash management of Scout24. The risk of a potential liquidity shortage is monitored by means of periodic liquidity planning and monthly cash flow analyses. The due dates of financial liabilities are continually monitored and managed.

| (EUR '000)<br>Balance on 31 Dec. 2018 | Up to 1 year | 1-3 years | 3-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | **64,704** | **339,616** | **428,967** | **5,500** | **838,787** |
| Trade payables | 37,648 | - | - | - | 37,648 |
| Financial liabilities | 27,056 | 339,616 | 428,967 | 5,500 | 801,139 |
| **Lease liabilities** | **6,562** | **8,804** | **4,350** | **7,932** | **27,648** |
| **Derivative financial instruments** | **872** | **592** | **-** | **-** | **1,464** |
| Derivative financial instruments | 872 | 592 | - | - | 1,464 |

| (EUR '000)<br>Balance on 31 Dec. 2017 | Up to 1 year | 1-3 years | 3-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Non-derivative financial instruments | 110,287 | 72,682 | 485,683 | - | 668,653 |
| Trade payables | 22,224 | - | - | - | 22,224 |
| Financial liabilities | 88,063 | 72,682 | 485,683 | - | 646,428 |
| Finance leases | 51 | 37 | - | - | 88 |
| Derivative financial instruments | 1,753 | 631 | - | - | 2,383 |
| Derivative financial instruments | 1,753 | 631 | - | - | 2,383 |

The above table shows the future undiscounted cash outflows (interest and principal) with respect to the existing financial liabilities. The amounts are accordingly not reconcilable with the amounts in the balance sheet; solely the amounts for trade payables are reconcilable since these are not discounted due to immateriality. Future cash outflows based on variable interest rates are determined by applying forward interest rates on the basis of the EURIBOR yield curve as of 31 December 2018.

In order to avoid short-term liquidity risks within the Group, a Group-wide cash pool is in place between Scount24 AG and most of its subsidiaries. Short-term fund transfers within the Group lead to lower financing costs at the subsidiaries.

### Currency and interest rate risk

The Group is currently exposed to certain currency risks. Revenue is primarily generated in euro. Translation risks from the translation of assets and liabilities of foreign subsidiaries into the reporting currency are generally not hedged.

Due to the Group-wide cash management, the intragroup receivables and liabilities are denominated in euro. As a result, for those subsidiaries of Scout24 AG whose functional currency is not the euro, effects arise in the income statement from exchange rate fluctuations. These effects are not eliminated during consolidation.

A sensitivity analysis was performed on the Swiss franc. An increase and decrease in the respective currency by +10% and -10% respectively was simulated in order to analyse possible effects on profit or loss in the event of an appreciation or devaluation of the respective currency. The outcome of these simulations is presented below:

| (EUR '000) | 31 Dec. 2018<br>Exchange rate change | | 31 Dec. 2017<br>Exchange rate change | |
|---|---|---|---|---|
| Effect on earnings before tax | **-10%** | **10%** | **-10%** | **10%** |
| CHF | -3 | 4 | -88 | 108 |

There were no effects on other comprehensive income.

The Scout24 Group is subject to interest rate risks due to its long-term external financing arrangements. The loans taken out with variable interest rates (3-month EURIBOR) in euro expose the Group to a cash flow interest-rate risk. As of 31 December 2018, the risk comprises EUR 615,000 thousand (previous year: EUR 620,000 thousand).

Based on the simulations carried out, the Group determined the effects on profit or loss of defined interest rate changes. The scenarios are analysed only for those liabilities which represent the significant portion of liabilities subject to interest. Given an assumed change in the market interest rate as of the respective reporting date of +100 or -30 base points, the following effects would arise on earnings before tax:

| (EUR '000) | 31 Dec. 2018<br>Change in market interest rate<br>Base points | | 31 Dec. 2017<br>Change in market interest rate<br>Base points | |
|---|---|---|---|---|
| Effect on earnings before tax | **-30** | **+100** | **-30** | **+100** |
| Non-derivative financial instruments | 1,570 | -5,489 | 2,038 | -6,793 |
| Derivative financial instruments | -2,370 | 1,353 | -4,032 | 2,380 |

Due to the continued very low interest rates, a move in interest rates to below 0 % is deemed possible for 2019. There were no effects on other comprehensive income.

Liquidity management is centralised at Scout24 as part of the Group-wide treasury management system. When investing cash and cash equivalents, the banks and types of investment are selected carefully and monitored regularly in connection with treasury management reporting. The risk position as well as compliance with risk limits are also regularly monitored. Cash and cash equivalents are only invested with renowned commercial banks with high credit ratings.

**Capital management**

The objective of Scout24 AG with respect to capital management is to secure the Scout24 Group's ability to continue as a going concern and finance its long-term growth. The capital structure of the Scout24 Group is optimised continuously and adapted to the respective general economic conditions.

The capital structure is monitored by the CFO based on weekly reporting on net debt. Where required, financing measures are carried out by Scout24 AG in the international financial markets.

Net debt comprised the following as of the reporting date:

| (EUR '000) | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Financial liabilities | -804,650 | -617,554 |
| Cash and cash equivalents | 58,420 | 56,659 |
| **Net financial liabilities** | **-746,230** | **-560,895** |

The ratio of net debt in relation to ordinary operating EBITDA for the last twelve months is 2.56:1. The target for the leverage ratio, which is to be further reduced over time, ranges between 1.5:1 and 1.0:1.

The Company complied with the external minimum capital requirements of a leverage ratio of 3.50:1 pursuant to the term and revolving facilities agreement (here: covenant) in the financial year. EBITDA headroom was 26.9% as of 31 December 2018.

## 5.3 Share-based payments

### Programme 2014

In connection with the takeover of shares in the Scout24 Group by Hellman & Friedman LLC (H&F), a management equity programme ("MEP") was established in the 2014 financial year. Members of the Management Board, other executives and members of the Advisory Board/Supervisory Board (hereinafter "participants") of the Scout24 Group were granted the possibility, commencing in the 2014 financial year, to indirectly acquire shares in the Scout24 Group through a specified structure.

The purchase price for the transfer of the shares to the MEP companies was determined taking into consideration the purchase price of the Scout24 Group as of 12 February 2014 and represents the extrapolated value at the acquisition date.

In the event of the sale of shares in Scout24 AG or in the event of their leaving the Company, the participants receive payments at market value to the extent that they accrued vested equity:

- The ordinary shares acquired by the participants are vested on a staggered basis and any proceeds generated from the sale of ordinary shares are paid out over an extended period. One year after the acquisition of the shares, the pay-out amounts to 20%, with this amount increasing by 5% each further quarter.

In addition, the MEP companies' articles of association set out rules according to which, in the event of a participant leaving the Company, the participant receives for the non-vested portion either the purchase price or market value, whichever is lower.

Specifically, the following rules are relevant:

- Participants leaving as "preferred leavers" (withdrawal due to death, or classification by the Company's Supervisory Board as "preferred leaver") receive the market value for restitution of their shares.
- Participants leaving as "good leavers" (withdrawal due to classification by the Company's Supervisory Board as a "good leaver", and no subsequent breach of contractual duties or non-competition agreement) receive an amount composed of market value and purchase price for the restitution of their shares in the first five years since inception of shareholder status. For the portion that is vested, participants receive the market value; for the portion that is not vested, they receive either the purchase price or market value, whichever is lower.
- Participants leaving as "bad leavers" (termination by the participant, or termination of the employment by the Company for good cause, or due to private insolvency of the participant) receive as payment for the restitution of their shares either the purchase price or market value, whichever is lower.

The participants and MEP companies are subject to various disposal restrictions:

- The participants are generally only permitted to sell or otherwise dispose of their investments with written approval from Willis Lux Holdings 2 S.à r.l. (in liquidation).

  In the event of a share disposal initiated by Willis Lux Holdings 2 S.à r.l. (in liquidation) ("Major Shareholder Initiated Disposal") managers holding interests in MEP Ord GmbH & Co. KG can sell the shares vested until this date pro rata in the scope at which Willis Lux Holdings 2 S.à r.l. (in liquidation) sells shares. The block trade, accelerated bookbuilding and other appropriate procedures can be used in this context.
- In the case of a share disposal initiated by a manager holding an interest of more than 10% in MEP Ord GmbH & Co. KG ("Manager Initiated Disposal"), managers deciding in favour of a share disposal are obligated to sell all of their vested shares by way of a block trade. The precondition in this case is that the market value of all of the shares sold should exceed an amount of EUR 1 million.
- As part of the block trade in December 2016, a divergent regulation was instituted insofar as the managers holding an interest in MEP Ord GmbH & Co. KG were entitled to sell between 0% and 100% of their vested shares, supplemented by the exemption that managers aiming for disposal exhibiting the "leaver" status were obligated to sell all of their vested shares.
- The shares held by the MEP companies are subject to a "drag-along, tag-along" rule. In the event of the share sale, Willis Lux Holdings 2 S.à r.l. (in liquidation) and Deutsche Telekom AG (DTAG) can request from the MEP companies that they should not sell their shares to third parties on terms less favourable than Willis Lux Holdings 2 S.à r.l. (in liquidation) and DTAG. All participants have the right to demand the simultaneous sale of the shares attributable to them, whereby the conditions are not permitted to be less favourable than those for sales by Willis Lux Holdings 2 S.à r.l. (in liquidation) and DTAG.

- The regulations on disposal restrictions expire at the latest as of the end of 31 December 2030. The disposal restrictions expire before this date if the interest held by Willis Lux Holdings 2 S.à r.l. (in liquidation) as lead investor in Scout24 AG has fallen below 5%. With the sale of their remaining stake in Scout24 AG on 15 February 2018, the vested shares of the participants are no longer subject to any restrictions on disposal.

Before the IPO implemented on 1 October 2015, Asa NewCo GmbH was converted into a public stock corporation ("Aktiengesellschaft") on 10 September 2015, trading under the name Scout24 AG. Only one class of shares in this public stock corporation now exists. The preferred shares and the participants' ordinary shares were consequently aggregated to form one share class.

The allocation of the shares to the participants was based on the issue price for the new shares: The value of the participants' equity was derived from the issue price and allocated to the ordinary shares and preferred shares in accordance with a mechanism determined in the Articles of Association, in order to determine the participants' value in the newly created share class.

The number of shares held in the scope of the programme described above is as follows as of 31 December 2018:

| (in '000) Number | |
|---|---|
| **Number of shares[1] 1 Jan. 2017** | **2,682.0** |
| **Exercisable shares 1 Jan. 2017[2]** | **974.9** |
| Issued | - |
| Exercised | 1,249.5 |
| Forfeited | 197.8 |
| **Number of shares 31 Dec. 2017/1 Jan. 2018** | **1,234.7** |
| **Exercisable shares 31 Dec. 2017[2]** | **422.3** |
| Issued | - |
| Exercised | 198.5 |
| Forfeited | 51.0 |
| **Number of shares 31 Dec. 2018** | **985.2** |
| **Exercisable shares 31 Dec. 2018[2]** | **869.0** |

1 One share corresponds to one ordinary share.
2 The exercisable shares are shares already vested over the gradual vesting period. However, it is only possible to dispose of these shares in connection with a block trade.

The shares outstanding as of 31 December 2018 have a weighted average remaining contractual term of 0.4 years (previous year: 0.9 years).

For individualised disclosures, please see note 5.5 Compensation report.

As part of the block trade in February and June 2018, managers participating in the MEP and members of the Supervisory Board participating in the BMEP were able to sell their vested shares. The members of the Management Board participating in the MEP did not participate in the block trades. Executives participating in the MEP sold vested shares in the block trade in February 2018 at a price of EUR 36.41 and in June 2018 at a price of EUR 44.25.

### Programme 2015

A virtual stock option programme for an additional four managers was introduced in the 2015 financial year. Under this programme the managers have the opportunity to earn 258,333 virtual stock options within a period of four years. During the four-year vesting period, the vesting after one year is 25%, with this amount increasing by 6.25% each further quarter. In accordance with the contractual arrangements, the Company has the option to settle the share-based payment in cash or in shares. In accordance with IFRS 2 the Company originally opted for an equity-settled transaction for this form of payment. The fair value of the stock option was determined applying an option pricing model (binomial model), resulting in values between EUR 26.65 and EUR 28.33. The stock option programme that was started in the 2015 financial year was expanded on 20 June 2017 by a further 50,000 virtual stock options with a strike price of EUR 0. The vesting period started retroactively as of 1 October 2015, although each quarter is vested at a rate of 8.325%. In accordance with the contractual arrangements, the Company has the option to settle the share-based payment in cash or in shares. At the time of granting, in accordance with IFRS 2, the Company opted for an equity-settled transaction for this form of payment. The fair value of the stock option was determined applying an option pricing model (binomial model), resulting in a value of EUR 34.27.

In December 2017, the Company decided to settle its share-based payments in cash in the future and communicated this to the participants. Accordingly, this programme was reclassified as a cash-settled share-based payment. The conversion effect in the 2017 financial year due to the different measurement principles amounted to EUR 235 thousand, whereby the value of the provision exceeded the amount accumulated up to that point in the capital reserve. A total amount of EUR 3,042 thousand was transferred from the capital reserve into a provision.

As cash-settled share-based payments, the stock options are measured at the respective fair value as of the reporting date. The fair value of the stock option was calculated applying a Monte Carlo simulation option pricing model. The risk-free interest rate was within a range of between -0.58% and -0.46% (31 December 2017: 0.15% and -0.31%). Depending on the remaining term, the volatility rates applied are within a range of between 23% and 24% (31 December 2017: 25% and 27%) for each year.

The number of shares held in the scope of the programme described above is as follows as of 31 December 2018:

| (in ‘000) | Number | Average strike price (EUR) |
|---|---|---|
| **Number of shares[1] 1 Jan. 2017** | **195.8** | **1.84** |
| **Exercisable shares 1 Jan. 2017** | **2.1** | |
| Issued | 50.0 | 0.00 |
| Exercised | 83.3 | 1.47 |
| Forfeited | - | |
| **Number of shares 31 Dec. 2017/1 Jan. 2018** | **162.5** | **1.46** |
| **Exercisable shares 31 Dec. 2017** | **-** | |
| Issued | - | |
| Exercised | 57.8 | 1.38 |
| Forfeited | 56.3 | |
| **Number of shares 31 Dec. 2018** | **48.4** | **1.71** |
| **Exercisable shares 31 Dec. 2018** | **4.7** | |

1 One share corresponds to one ordinary share.

The share price on the exercise date amounted to EUR 34.40 in January 2018, EUR 36.59 in April 2018, EUR 42.88 in September 2018 and EUR 41.62 in October 2018.

The shares outstanding as of 31 December 2018 have a weighted average remaining contractual term of 0.4 years (previous year: 0.9 years).

### Programmes 2016 and 2017

In 2016 and 2017, Scout24 AG launched further virtual stock option programmes for selected employees of the Scout24 Group. As part of these programmes, beneficiaries selected by the Company's Management Board can purchase virtual stock options. In accordance with the contractual arrangements, the Company has the option to settle the share-based payment in cash or in shares. At the grant date, the programmes were determined to be share-based transactions with settlement in equity instruments in accordance with the rules of IFRS 2 in the absence of a present obligation to settle in cash. The fair value the stock options at the grant date was calculated, taking into account any hurdle rates agreed, applying a Monte Carlo simulation option pricing model.

In December 2017, the Company decided to settle its share-based payments within the scope of these programmes in cash in the future and communicated this to the participants. Accordingly, this programme was reclassified as a cash-settled share-based payment. The conversion effect in the 2017 financial year due to the different measurement principles amounted to EUR 496 thousand, whereby the value of the provision exceeded the amount accumulated up to that point in the capital reserve. A total amount of EUR 2,513 thousand was transferred from the capital reserve into a provision. The related stock options were measured at the respective fair value on the reporting date in this context. The fair value of the stock options was calculated applying a Monte Carlo simulation option pricing model.

The planning data for the individual programmes is presented below:

| | **Programme 2016-1** | **Programme 2016-2** | **Programme 2017-1** | **Programme 2017-2** |
|---|---|---|---|---|
| Number of shares issued (in thousands) | 56.0 | 5.5 | 119.9 | 25.0 |
| Granted | July 2016 | January 2017 | June 2017 | July 2017 |
| Vesting period | 3 years | 3 years | 3 years | 3 years |
| Start of vesting period | 1 Jan. 2016 | 1 Jul. 2016 | 1 Jan. 2017 | 1 Jan. 2017 |
| Strike price | EUR 0.00 | EUR 0.00 | EUR 0.00 | EUR 0.00 |
| Hurdle rate | EUR 39.00 | EUR 44.46 | EUR 43.76 | None |

The following parameters were used in determining the fair values at the reclassification and/or measurement date:

| | Programme 2016-1 | Programme 2016-2 | Programme 2017-1 | Programme 2017-2 |
|---|---|---|---|---|
| **Measurement as of 31 Dec. 2017** | | | | |
| Fair value | EUR 22.98 | EUR 18.75 | EUR 20.13 | EUR 34.07 |
| Risk-free interest rate, ranging between | 0% and -0.47% | -0.15% and -0.31% | -0.15% and -0.31% | -0.15% and -0.31% |
| Volatility, ranging between | 25.5% | 25.8% | 27.3% | 27.3% |
| **Measurement as of 31 Dec. 2018** | | | | |
| Fair value | EUR 37.68 | EUR 28.25 | EUR 28.85 | EUR 40.15 |
| Risk-free interest rate | -0.62% | -0.58% | -0.58% | -0.58% |
| Volatility | 22.4% | 22.9% | 24.1% | 24.1% |

The number of shares held in the scope of the programmes described above breaks down as follows as of 31 December 2018:

| (in '000) | Programme 2016-1 | Programme 2016-2 | Programme 2017-1 | Programme 2017-2 |
|---|---|---|---|---|
| **Number of shares[1] 31 Dec. 2016/1 Jan. 2017** | **56.0** | **-** | **-** | **-** |
| **Exercisable shares 31 Dec. 2016** | **-** | **-** | **-** | **-** |
| Issued | - | 5.5 | 119.9 | 25.0 |
| Exercised | - | - | - | - |
| Forfeited | 4.2 | 0.4 | 6.2 | - |
| **Number of shares 31 Dec. 2017/1 Jan. 2018** | **51.8** | **5.1** | **113.7** | **25.0** |
| **Exercisable shares 31 Dec. 2017** | **-** | **-** | **-** | **-** |
| Issued | - | - | - | - |
| Exercised | 1.2 | - | 1.9 | - |
| Forfeited | 21.5 | 0.8 | 11.9 | - |
| **Number of shares 31 Dec. 2018** | **29.1** | **4.3** | **99.9** | **25.0** |
| **Exercisable shares 31 Dec. 2018** | **-** | **-** | **-** | **-** |
| **Weighted average residual contractual term (years)** | | | | |
| 31 Dec. 2017 | 1.0 | 1.5 | 2.0 | 2.0 |
| 31 Dec. 2018 | 0.0 | 0.5 | 1.0 | 1.0 |

1 One share corresponds to one ordinary share.

Programme 2016-1
The share price on the exercise date amounted to EUR 46.55 in July and EUR 45.60 in September.

Programme 2017-1
The share price on the exercise date amounted to EUR 47.12 in July and EUR 45.60 in September.

## Long-term incentive programme 2018

In July 2018, Scout24 AG introduced the long-term incentive programme (LTIP) 2018 for member of the Management Board and selected employees of the Scout24 Group.

The LTIP furthers employee retention with respect to members of the Management Board and executives of the Scout24 Group; it is aimed at aligning the structure of remuneration towards sustainable development of the Company and rewards enhanced profitability and revenue growth as well as the development of the Scout24 share compared with a group of selected peer companies. The selected beneficiaries receive virtual Scout24 share units. These are serviced in accordance with the rules of IFRS 2 as a cash-settled share-based transaction.

A proportion of 50% of the share units granted is subject to a three-year vesting period and the other 50% to a vesting period of four years. They are allocated as of 1 July 2018 and, accordingly, the vesting periods start on 1 July 2018.

In addition, 35% of the number of share units granted are retention share units subject to the condition of employment.

A proportion of 65% of the number of share units granted are performance share units subject both to the condition of employment and to performance conditions. A third of the performance conditions in each case relate to revenue growth targets, growth targets relating to ordinary operating EBITDA, and one target relating to a relative capital market condition. To calculate the amount of the cash settlement, the number of performance share units is multiplied by the performance factor, which is determined by the degree of achievement of the three performance conditions described; the performance factor is capped at 200%.

The revenue growth condition relates to the annualised growth rate of Scout24's reported revenue between the grant date and the end of the respective vesting period, calculated as compound annual growth rate (CAGR).

The growth targets relating to ordinary operating EBITDA likewise refer to the annualised growth rate of Scout24's last twelve months ordinary operating EBITDA (LTM ooEBITDA) reported in the respective interim financial statements for the first half of the year between the grant date and the end of the respective vesting period, calculated as CAGR.

The share price target as "relative capital market condition" refers to the relative performance of the Scout24 share's total shareholder return (TSR) compared with the TSR performance of a peer group of competitors within the respective vesting period.

The amount paid out per share unit is capped at three and a half times the share unit price on the grant date.

The fair value the instruments granted was calculated at EUR 34.79 applying a Monte Carlo simulation option pricing model. Depending on the term to maturity, a risk-free interest rate was assumed between -0.61% and -0.50%. For the historical volatility, reference was made to the share price of Scout24 AG; depending on the shares' term to maturity as of the reporting date, applicable volatility rates of 23.97% and 24.91% respectively were calculated. Additional parameters and expected dividends were not included in the fair value measurement. With respect to the revenue and ordinary operating EBITDA growth targets, target achievement of 100% was assumed for measurement purposes. When determining the personnel expenses to be recognised in the financial year, an appropriate staff turnover discount was applied.

The number of shares held in the scope of the long-term incentive programme is as follows as of 31 December 2018:

| (in '000) | LTIP |
|---|---|
| **Number of shares 31 Dec. 2017/1 Jan. 2018** | **-** |
| Issued | 1,393.7 |
| Exercised | - |
| Forfeited | - |
| **Number of shares 31 Dec. 2018** | **1,393.7** |

Total personnel expenses of EUR 15,316 thousand (previous year: EUR 4,752 thousand) were recognised for all share-based payment programmes described above. An amount of EUR 387 thousand thereof (previous year: EUR 411 thousand) is attributable to equity-settled programmes.

The total carrying amount of liabilities arising from share-based payments is EUR 18,163 thousand (previous year: EUR 5,555 thousand). This includes liabilities of EUR 2,640 thousand (previous year: EUR 0 thousand) for which the counterparty's right to cash or other assets had vested by the end of the reporting period.

For any dilutive effects arising from the virtual stock option programmes see note 3.12 Earnings per share.

### Share-based payment arrangements relating to acquisitions

The acquisition of FFG Finanzcheck Finanzportale GmbH by Consumer First Services GmbH, a wholly owned subsidiary of Scout24 AG, involves plans to enable the former managing directors of FFG Finanzcheck Finanzportale GmbH to participate in the future development of FFG Finanzcheck Finanzportale GmbH's company value via a management participation programme (MPP). For this purpose, the former managing directors will be offered to buy what are referred to as "tracking stocks" at fair value. Fair value will be determined using a generally accepted valuation technique. Tracking stocks are interests in FFG Finanzcheck Finanzportale GmbH equipped with specific dividend preference rights. The beneficiaries can participate in any future increase in FFG Finanzcheck Finanzportale GmbH's company value via these dividend preference rights.

The MPP is planned to have a term until the end of 2030. Leaver clauses are planned to provide for the possibility of a former managing director leaving the Group. Such clauses would involve Consumer First Services GmbH receiving a call option, or the former managing directors a put option, in certain instances which, if exercised, would transfer shares in profits back to Consumer First Services GmbH. The call and put options will be structured such that the former managing directors generally participate accordingly in any increase in company value of FFG Finanzcheck Finanzportale GmbH.

## 5.4 Related party disclosures

Related parties in the meaning of IAS 24 are deemed to be individuals or entities which Scout24 AG can influence, which can influence Scout24 AG, or which are influenced by a party related to Scout24 AG.

### Related parties (entities)

As of the reporting date and throughout the past financial year, no party was able to exert control or significant influence over Scout24 AG. To this extent, only business relationships with parties in the "associates" category are reported in the notes to the balance sheet.

| (EUR '000) | Total | Associates |
|---|---|---|
| | **2018** | |
| **Income statement** | | |
| Financial result | - | - |
| | **31 Dec. 2018** | |
| **Balance sheet** | | |
| Trade receivables | 6 | 6 |
| | | |
| Trade payables | 51 | 51 |
| Financial liabilities, non-current | 1,077 | 1,077 |

The extent of business relationships with related party entities in the 2017 financial year is presented in the table below:

| (EUR '000) | Total | Associates |
|---|---|---|
| | **2017** | |
| **Income statement** | | |
| Financial result | 3 | 3 |
| | **31 Dec. 2017** | |
| **Balance sheet** | | |
| Trade receivables | 6 | 6 |
| Financial assets | 83 | 83 |
| | | |
| Financial liabilities, current | 350 | 350 |
| Financial liabilities, non-current | 350 | 350 |

Transactions with related parties were conducted at arm's length, i.e. on the same terms as transactions with independent business partners.

The outstanding balances at the end of the reporting period are unsecured and will be settled by cash payment or by offsetting receivables and liabilities. No guarantees exist for receivables due from, and liabilities due to, related parties. No loss allowances were recognised on receivables due from related party entities.

## Related parties (individuals)

Individuals who exercise significant influence on the financial and operating policies of Scout24 (key management personnel), including their close family members, are considered to be related parties. These particularly include members of the Management Board and the Supervisory Board of Scout24 AG.

Compensation of key management personnel is presented in the table below:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| Short-term benefits | 3,160 | 2,284 |
| Post-employment benefits | 91 | 87 |
| Other long-term benefits | 191 | 489 |
| Termination benefits | 1,655 | 10 |
| Share-based payments | 805 | 438 |
| **Total** | **5,902** | **3,308** |

As of 31 December 2018, the Supervisory Board of Scout24 AG consisted of six members (previous year: seven members). The members of the Supervisory Board received annual fixed compensation of EUR 80 thousand until 31 May 2018, and the Audit Committee Chair additionally received fixed annual compensation of EUR 20 thousand. At the 21 June 2018 Annual General Meeting of Scout24 AG, a new concept was introduced regulating the level of compensation for work on the Supervisory Board from 1 June 2018 onwards. This takes into consideration in particular the increased responsibility and the considerable effort involved in working on the Supervisory Board and its committees. Each member of the Company's Supervisory Board receives fixed annual compensation of EUR 60,000.00 in addition to reimbursement of their expenses. The Chair of the Supervisory Board and his or her deputy receive fixed annual remuneration of EUR 140,000.00 and EUR 120,000.00 respectively. Each member of a committee additionally receives fixed annual remuneration of EUR 20,000.00 and each committee chair EUR 40,000.00.

For individualised disclosures, please see note 5.5 Compensation report.

## Management Board

The Management Board of Scout24 AG comprised the following individuals during the past financial year:

Tobias Hartmann
Chief Executive Officer, Berlin; since 19 November 2018

Gregory Ellis
Chief Executive Officer, Berlin; until 18 November 2018
Member of the Management Board from 19 November to 5 December 2018

Christian Gisy
Chief Financial Officer, Düsseldorf

Ralf Weitz
Chief Commercial Officer, Berlin; since 6 December 2018

Dr Thomas Schroeter
Chief Product Officer, Berlin; since 6 December 2018

The members of the Management Board held the following offices within the Group:

Gregory Ellis:

| **Entity** | **Office** | |
|---|---|---|
| Immobilien Scout GmbH | Member of the Supervisory Board | until November 2018 |

Christian Gisy:

| **Entity** | **Office** | |
|---|---|---|
| Immobilien Scout GmbH | Member of the Supervisory Board | |
| AutoScout24 Italia S.R.L. | Member of the Supervisory Board | |
| AutoScout24 Nederland B.V. | Commissaris | |
| Consumer First Services GmbH | Managing Director | since July 2018 |
| classmarkets GmbH | Managing Director | July to December 2018 |

Tobias Hartmann:

| **Entity** | **Office** | |
|---|---|---|
| Immobilien Scout GmbH | Member of the Supervisory Board | since November 2018 |
| AutoScout24 GmbH | Managing Director | since November 2018 |

Thomas Schroeter:

| **Entity** | **Office** | |
|---|---|---|
| Immobilien Scout GmbH | Managing Director | |
| Consumer First Services GmbH | Managing Director | since July 2018 |

Ralf Weitz:

| **Entity** | **Office** | |
|---|---|---|
| Immobilien Scout GmbH | Managing Director | since April 2018 |
| Consumer First Services GmbH | Managing Director | since July 2018 |

The following members of the Management Board held further comparable offices:

Christian Gisy: Business Heads AG, Winnweiler.
Thomas Schroeter: Andreas und Thomas Schroeter Beteiligungsgesellschaft mbH, Hamburg.

### Supervisory Board

As of 31 December 2018, the Supervisory Board comprised the seven individuals listed below who held the following further offices.

| Name<br>Function | Profession exercised | Member since | Appointed until | Other board positions in 2018 (during the term of office) |
|---|---|---|---|---|
| Dr Hans-Holger Albrecht<br>Chairman<br>(since 21 June 2018) | CEO and member of the Board of Directors of Deezer S.A., Paris, France and London, UK | 21 June 2018 | AGM 2020 | – ICE GROUP ASA, Oslo, Norway (Chairman of the Board of Directors, since August 2018);<br>– AINMT Holdings A.B., Stockholm, Sweden (Non-executive Director of the Board of Directors until November 2018); |
| Dr Liliana Solomon<br>Deputy Chairwoman<br>(since 21 June 2018) | Group Chief Financial Officer of Compass IV Ltd, London, UK | 4 September 2015 | AGM 2020 | – Metro AG, Düsseldorf, Germany (member of the Supervisory Board); |
| Stefan Goetz<br>Chairman<br>(until 21 June 2018) | Managing Director of Hellman & Friedman LLC, San Francisco, USA | 4 September 2015 | Stepped down as of 21 June 2018 | – Verisure Holding AB, Malmö, Sweden and other related entities in the holding structure of Securitas Direct AB, Malmö, Sweden (member of the Management Board);<br>– Asa GP GmbH, Düsseldorf, Germany (Managing Director);<br>– Evergood 1 ApS, Copenhagen, Denmark, and other related entities in the holding structure of Nets A/S Group, Ballrup, Denmark (member of the Management Board); |
| Patrick Healy<br>Deputy Chairman<br>(until 21 June 2018) | Managing Director (Deputy CEO) of Hellman & Friedman LLC, San Francisco, USA | 4 September 2015 | Stepped down as of 21 June 2018 | – TeamSystem Holding S.p.A., Pesaro, Italy and other related entities in the holding structure of TeamSystem S.p.A., Pesaro, Italy (member of the Supervisory Board);<br>– Verisure Holding AB, Malmö, Sweden and other related entities in the holding structure of Securitas Direct AB, Malmö, Sweden (member of the Supervisory Board); |
| Blake Kleinman<br>Member of the Supervisory Board | Managing Director of Hellman & Friedman LLC, San Francisco, USA | 4 September 2015 | Stepped down as of 21 June 2018 | – Asa GP GmbH, Düsseldorf, Germany (Managing Director);<br>– Barolo Midco S.p.A., Pesaro, Italy and other entities in the holding structure of TeamSystem S.p.A., Pesaro, Italy (member of the Supervisory Board);<br>– Allfunds Bank S.A.U., Madrid, Spain and other related entities |

| Name<br>Function | Profession exercised | Member since | Appointed until | Other board positions in 2018 (during the term of office) |
|---|---|---|---|---|
| | | | | in the holding structure of All-funds Bank S.A.U., Madrid, Spain (Chairman of the Board of Directors); |
| David Roche<br>Member of the Supervisory Board | Chairman of the Board of Directors of goHenry Limited, Lymington, UK | 4 September 2015 | AGM 2020 | – Guestline Ltd., Shrewsbury, UK (member of the Board of Directors); |
| Peter Schwarzen-bauer<br>Member of the Supervisory Board | Member of the Board of Management of BMW AG; Munich, Germany | 8 June 2017 | AGM 2020 | – Rolls-Royce Motor Cars Limited, Chichester, UK (member of the Board of Directors); |
| Ciara Smyth<br>Member of the Supervisory Board | Strategy consultant, Dublin, Ireland | 21 June 2018 | AGM 2020 | – None; |
| Michael Zahn<br>Member of the Supervisory Board | Chief Executive Officer, Deutsche Wohnen AG, Berlin, Germany | 8 June 2017 | AGM 2020 | – GSW Immobilien AG, Berlin, Germany (Chairman of the Supervisory Board until June 2018);<br>– WCM Beteiligungs- und Grundbesitz-AG, Frankfurt, Germany (Chairman of the Supervisory Board from November 2017 until June 2018);<br>– TLG Immobilien AG, Berlin, Germany (Chairman of the Supervisory Board);<br>– G+D Gesellschaft für Ener-giemanagement mbH, Magdeburg, Germany (Chairman of the Advisory Board);<br>– Funk Schadensmanagement GmbH, Berlin, Germany (Chairman of the Advisory Board);<br>– DZ Bank AG, Frankfurt, Germany (member of the Advisory Board);<br>– Füchse Berlin Handball GmbH, Berlin, Germany (member of the Advisory Board);<br>– GETEC Wärme & Effizienz GmbH, Magdeburg, Germany (member of the Real Estate Advisory Board); |

## 5.5 Compensation report

The compensation report describes the main features of the compensation scheme for the Management Board and Supervisory Board of Scout24 AG. It explains the structure and level of compensation of individual members of the Management Board and Supervisory Board. The compensation report forms part of the audited notes to the consolidated financial statements and complies with applicable statutory regulations; it also takes into account the recommendations of the German Corporate Governance Code (DCGK), in the version dated 7 February 2017.

### Compensation of the Management Board

The Supervisory Board sets the compensation for the members of the Management Board. In doing so, the Supervisory Board checks – with due regard of the prescribed requirements set out in Article 87 (1) AktG – the appropriateness of the compensation in terms of the tasks of the individual members of the Management Board, personal performance, the economic and business situation, the Company's success and future prospects, as well as the market-conformity of compensation taking into account the comparable environment, and the compensation structure otherwise applicable within the Company.

The compensation scheme for the Management Board of Scout24 AG is oriented towards creating an incentive for performance-based corporate management. It comprises fixed and performance-based components. The compensation is capped both overall and for the variable compensation components. The Management Board's compensation comprised the following components in the financial year 2018:

### Fixed compensation

Based on their respective areas of activity and responsibility, the members of the Management Board received a fixed basic salary that is paid monthly.

### Variable compensation components

The variable compensation consists of one-year variable compensation and multi-year variable compensation.

The Supervisory Board determines the associated targets and their weighting at the end of each financial year for the next year and informs the Management Board in writing. The targets can be financial targets (e.g. annual revenue growth rate, adjusted EBITDA growth rate and cumulative free cash flow) and/or non-financial targets. If the targets set by the Supervisory Board are fully achieved (100%), the target amount for the one-year variable compensation is EUR 324.6 thousand (previous year: EUR 298.4 thousand) gross for Mr. Ellis, EUR 30.5 thousand (previous year: EUR - thousand) for Mr. Hartmann, EUR 173.6 thousand (previous year: EUR 166.9 thousand) gross for Mr. Gisy, EUR 10.3 thousand (previous year EUR - thousand) for Mr. Schroeter and EUR 10.3 thousand (previous year: EUR - thousand) for Mr. Weitz. The Supervisory Board determines the exact amount at its own discretion, taking into account the achievement of the targets and recommendations of the Supervisory Board's Executive Committee. The Supervisory Board also determines whether and to what extent the entitlement is increased in the event that the target achievement exceeds 100%.

Since 2016, multi-year variable compensation with a target amount corresponding to the one-year variable compensation is also granted to Mr. Ellis and Mr. Gisy. In the financial year 2016, the Supervisory Board determined the targets and weighting for the multi-year variable compensation for the financial years 2016 to 2018 and informed the Management Board in writing. The targets are financial targets (e.g., revenue growth rate and ordinary operating EBITDA margin) and/or targets of a different nature. The target amount for the financial year 2018 (2017) for the multi-year variable compensation is EUR 359.8 thousand (previous year: EUR 298.4 thousand) gross for Mr. Ellis and EUR 173.6 thousand (previous year: EUR 166.9 thousand) gross for Mr. Gisy if the targets set by the Supervisory Board have been achieved (100%). The Supervisory Board determines the exact amount at its own discretion, taking into account individual target achievement and recommendations of the Supervisory Board's Executive Committee. The Supervisory Board also determines whether and to what extent the entitlement is increased in the event that the target achievement exceeds 100%. The payment is made annually in the following financial year.

Payment of such compensation may also be waived in full if targets are missed.

### Share-based payments

The members of the Management Board Ellis and Gisy received share-based payment from the Management Equity Programme (MEP). For details of the Management Equity Program, reference is made to note 5.3 Share-based payments.

Mr. Hartmann, Mr. Schroeter and Mr. Weitz have been granted share-based payment pursuant to the Long-Term Incentive Plan 2018 (LTIP 2018). For further details of the LTIP 2018, reference is made to note 5.3 Share-based payments.

### Pension expense

Scout24 AG pays members of its Management Board fixed pension fund contributions for the duration of their employment contracts, or grants pension payments to existing commitments to employee pension schemes. Otherwise, the Company itself has entered into no pension contracts for members of the Management Board, or granted pension commitments.

### Ancillary benefits

Ancillary benefits vary for each member of the Management Board, but mainly include rent costs subsidies, costs assumed for flights home, company cars, compensatory payments for waiving the use of a company car and reimbursement of health and long-term care insurance policies equivalent to the maximum monthly amount that the Company would be required to pay for statutory health and long-term care insurance. There are non-cash benefits in the form of participation in group accident and term life assurance cover. Members of the Management Board are insured as part of Group-wide insurance against invalidity risk with an insurance sum of EUR 400 thousand (EUR 1,000 thousand given full invalidity), and with an insurance sum of EUR 500 thousand in the case of a fatal accident.

### Special payments

At the Supervisory Board's discretion, members of the Management Board can be granted special payments for extraordinary services during the financial year. For Mr. Ellis and Mr. Gisy, such special payments cannot exceed three times the sum of one-year variable compensation and multi-year variable compensation. For Mr. Hartmann, special payments are limited to three times the sum of one-year variable compensation. For Mr. Schroeter and Mr. Weitz, special payments cannot exceed two times the sum of their annual fixed compensation.

### Limitation on total annual compensation

Annual compensation consisting of all compensation components including pensions, special payments and ancillary benefits of any type is limited in the case of Mr. Ellis to a maximum amount of EUR 2,475.5 thousand (previous year: EUR 2,517.3 thousand) gross, in the case of Mr. Hartmann to a maximum amount of EUR 1,012.7 thousand (previous year: EUR - thousand), in the case of Mr. Gisy to a maximum amount of EUR 1,410.0 thousand (previous year: EUR 1,378.8 thousand) in the case of Mr. Schroeter to a maximum amount of EUR 361.1 thousand (previous year: EUR - thousand) and in the case of Mr. Weitz to a maximum amount of EUR 361.1 thousand (previous year: EUR - thousand) gross.[80]

For the purpose of calculating the maximum amount, the LTIP 2018 payment is spread over five years. If the maximum amount is exceeded, the payment is reduced accordingly.

### Payments at the end of Management Board activity

In the event that a service agreement is terminated by the Company without due cause, the service agreements for the members of the Management Board include a settlement commitment equivalent to two times annual compensation, albeit to a maximum of the compensation that would be paid until the end of the contract.

Post-contract non-compete clauses have been agreed with the members of the Management Board including compensation to be paid by the Company for the duration of the post-contract non-compete period of two

[80] Because Mr. Ellis, Mr. Hartmann, Mr. Schroeter and Mr. Weitz took up or ended their duties during the year, the figures for them are pro rata temporis.

years. To the extent that this clause is applied, the members of the Management Board in each case receive monthly compensation for the duration of the post-contract non-compete period equivalent to half of the last fixed compensation paid, including any ancillary benefits.

Other income is taken into account in the compensation payments to be paid to Mr. Ellis, Mr. Hartmann, Mr. Schroeter and Mr. Weitz.

Mr. Gisy is required to subtract other income from the compensation payment to be paid to him. If the total amount of the compensation payment and settlement payable in the case of termination of the service agreement for the Management Board (irrespective of whether such termination is due to expiry, or early termination as a result of regular termination by the Company), and in the case of a full two-year non-compete period, does not correspond to 100% of the fixed salary last paid to Mr. Gisy (plus the amount for a company car and payment to the employee pension scheme), Mr. Gisy is entitled to payment of the difference as further severance payment.

The Company is entitled to waive the application of the non-compete clause. In such an event, the compensation payment decreases pro rata temporis from the waiver date.

As part of the service agreement for the Management Board with Mr. Ellis, it has further been agreed that he may claim relocation costs of up to EUR 50.0 thousand upon termination of his activities on the Management Board. The present value of the recognised aggregate provision amounts to EUR 50.0 thousand (previous year: EUR 32.0 thousand). Expenses from the allocation in financial year 2018 amounted to EUR 18.0 thousand (previous year: EUR 9.6 thousand).

Should a change of control occur before the end of the respective vesting periods under the long-term incentive programme (LTIP) by means of control, direct or indirect, being obtained over 50% or more of the voting rights in Scout24 AG, and Scout24 terminates the employment contract with the participating members of the Management Board within twelve months of the change of control, but not effectively for good cause without notice period, or the plan participants terminate their employment contract effectively for good cause within twelve months of the change of control, then the vesting periods end immediately and all share units vest immediately.

#### Disclosures pursuant to the German Corporate Governance Code

Pursuant to the requirements of the German Corporate Governance Code (DCGK) dated 7 February 2017, the following table presents the sums granted for the 2018 reporting year and for the previous year 2017 to the members of the Management Board in office in 2018, including ancillary benefits, and including the achievable maximum and minimum compensation for variable compensation components, as well as the actual amount accrued, for the reporting year.

## Benefits granted pursuant to DCGK

### Part 1:

| (EUR '000) | Gregory Ellis<br>CEO from 03/2014 to 11/2018 & member of the Management Board from 11/2018 to 12/2018 | | | | Tobias Hartmann<br>CEO since 11/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | **2018** | **2018** min | **2018** max | **2017** | **2018** | **2018** min | **2018** max |
| Fixed compensation | 795.6 | 769.4 | 769.4 | 769.4 | - | 82.4 | 82.4 | 82.4 |
| Ancillary benefits | 296.4 | 293.9 | 293.9 | 293.9 | - | 167.7 | 167.7 | 167.7 |
| **Total** | **1,092.0** | **1,063.3** | **1,063.3** | **1,063.3** | **-** | **250.1** | **250.1** | **250.1** |
| One-year variable compensation[1] | 298.4 | 324.4 | 324.4 | 324.4 | - | 30.5 | - | - |
| Multi-year variable compensation[1] | 298.4 | 359.8 | 359.8 | 359.8 | - | 5,135.3 | - | - |
| **Total** | **1,688.8** | **1,747.5** | **1,747.5** | **1,747.5** | **-** | **5,415.9** | **250.1** | **250.1** |
| Pension expense | 50.0 | 46.5 | 46.5 | 46.5 | - | 5.0 | 5.0 | 5.0 |
| **Total compensation** | **1,738.8** | **1,794.0** | **1,794.0** | **1,794.0** | **-** | **5,420.9** | **255.1** | **255.1** |

2 The variable compensation components are limited by annual total compensation. For the maximum compensation amount for members of the Management Board, please refer to the section “Limitation on total annual compensation”.

## Benefits granted pursuant to DCGK

### Part 2:

| (EUR '000) | Christian Gisy<br>CFO since 09/2014 | | | | Thomas Schroeter<br>CPO since 12/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | **2018** | **2018** min | **2018** max | **2017** | **2018** | **2018** min | **2018** max |
| Fixed compensation | 445.1 | 462.9 | 462.9 | 462.9 | - | 16.2 | 16.2 | 16.2 |
| Ancillary benefits | 36.5 | 38.2 | 38.2 | 38.2 | - | 0.7 | 0.7 | 0.7 |
| **Total** | **481.6** | **501.1** | **501.1** | **501.1** | **-** | **16.9** | **16.9** | **16.9** |
| One-year variable compensation[1] | 166.9 | 173.6 | - | - | - | 10.3 | - | - |
| Multi-year variable compensation[1] | 166.9 | 173.6 | - | - | - | 5,000 | - | - |
| **Total** | **815.4** | **848.3** | **501.1** | **501.1** | **-** | **5,027.2** | **16.9** | **16.9** |
| Pension expense | 37.0 | 37.0 | 37.0 | 37.0 | - | 1.2 | 1.2 | 1.2 |
| **Total compensation** | **852.4** | **885.3** | **538.1** | **538.1** | **-** | **5,028.4** | **18.1** | **18.1** |

1 The variable compensation components are limited by annual total compensation. For the maximum compensation amount for members of the Management Board, please refer to the section “Limitation on total annual compensation”.

## Benefits granted pursuant to DCGK

### Part 3:

| (EUR '000) | Ralf Weitz<br>CCO since 12/2018<br>2017 | 2018 | 2018<br>min | 2018<br>max |
|---|---|---|---|---|
| Fixed compensation | - | 16.2 | 16.2 | 16.2 |
| Ancillary benefits | - | 0.7 | 0.7 | 0.7 |
| **Total** | **-** | **16.9** | **16.9** | **16.9** |
| One-year variable compensation[1] | - | 10.3 | - | - |
| Multi-year variable compensation[1] | - | 5,000 | - | - |
| **Total** | **-** | **5,027.2** | **16.9** | **16.9** |
| Pension expense | - | 1.2 | 1.2 | 1.2 |
| **Total compensation** | **-** | **5,028.4** | **18.1** | **18.1** |

1 The variable compensation components are limited by annual total compensation.
For the maximum compensation amount for members of the Management Board, please refer to the section "Limitation on total annual compensation".

## Allocation pursuant to DCGK

### Part 1:

| | Gregory Ellis<br>CEO from 03/2014 to 11/2018 & member of the Management Board from 11/2018 to 12/2018 | | Tobias Hartmann<br>CEO since 11/2018 | |
|---|---|---|---|---|
| (EUR '000) | 2018 | 2017 | 2018 | 2017 |
| Fixed compensation | 769.4 | 795.6 | 82.4 | - |
| Ancillary benefits | 293.9 | 296.4 | 167.7 | - |
| **Total** | **1,063.3** | **1,092.0** | **250.1** | **-** |
| One-year variable compensation[1] | 173.9 | 204.8 | - | - |
| Special payment[1] | - | - | - | - |
| Multi-year variable compensation[1] | 355.0 | 409.5 | - | - |
| **Total** | **1,592.2** | **1,706.3** | **250.1** | **-** |
| Pension expense | 46.5 | 50.0 | 5.0 | - |
| **Total compensation** | **1,638.7** | **1,756.3** | **255.1** | **-** |

1 The variable compensation components are limited by annual total compensation. For the maximum compensation amount for members of the Management Board, please refer to the section "Limitation on total annual compensation".

## Allocation pursuant to DCGK

### Part 2 :

| | Christian Gisy CFO since 09/2014 | | Thomas Schroeter CPO since 12/2018 | |
|---|---|---|---|---|
| (EUR ‘000) | **2018** | **2017** | **2018** | **2017** |
| Fixed compensation | 462.9 | 445.1 | 16.2 | - |
| Ancillary benefits | 38.2 | 36.5 | 0.7 | - |
| **Total** | **501.1** | **481.6** | **16.9** | **-** |
| One-year variable compensation[1] | 97.3 | 112.9 | - | - |
| Special payment[1] | - | - | - | - |
| Multi-year variable compensation[1] | 198.6 | 225.8 | - | - |
| **Total** | **797.0** | **820.3** | **16.9** | **-** |
| Pension expense | 37.0 | 37.0 | 1.2 | - |
| **Total compensation** | **834.0** | **857.3** | **18.1** | **-** |

1 The variable compensation components are limited by annual total compensation. For the maximum compensation amount for members of the Management Board, please refer to the section “Limitation on total annual compensation”.

## Allocation pursuant to DCGK

### Part 3 :

| | Ralf Weitz CCO since 12/2018 | |
|---|---|---|
| (EUR ‘000) | **2018** | **2017** |
| Fixed compensation | 16.2 | - |
| Ancillary benefits | 0.7 | - |
| **Total** | **16.9** | **-** |
| One-year variable compensation[1] | - | - |
| Special payment[1] | - | - |
| Multi-year variable compensation[1] | - | - |
| **Total** | **16.9** | **-** |
| Pension expense | 1.2 | - |
| **Total compensation** | **18.1** | **-** |

1 The variable compensation components are limited by annual total compensation.
For the maximum compensation amount for members of the Management Board, please refer to the section “Limitation on total annual compensation”.

The members of the Management Board did not sell any shares in the past financial year.

In the previous year (October 2017), Mr. Ellis sold 350,000 shares at a price of EUR 34.10 per share. The proceeds amounted to EUR 11,564 thousand after deducting standard market fees. In November 2017, Mr. Ellis sold 325,000 shares at a price of EUR 34.45 per share. The proceeds amounted to EUR 11,169 thousand after deducting standard market fees.

In the previous year (November 2017), Mr. Gisy sold 36,971 shares at a price of EUR 34.10 per share. The proceeds amounted to EUR 1,220 thousand after deducting standard market fees.

### Total compensation of the Management Board pursuant to German Accounting Standard Number 17 (DRS 17)

The total compensation of individual members of the Management Board active in the 2018 reporting year and in the previous year pursuant to DRS 17 is presented in the following table:

## Compensation of the Management Board pursuant to DRS 17

### Part 1:

| | **Gregory Ellis** CEO from 03/2014 to 11/2018 & member of the Management Board from 11/2018 to 12/2018 | | **Tobias Hartmann** CEO since 11/2018 | |
|---|---|---|---|---|
| (EUR '000) | **2018** | **2017** | **2018** | **2017** |
| **Non-performance-related compensation components** | | | | |
| Fixed compensation[1] | 769.4 | 795.6 | 82.4 | - |
| Ancillary benefits | 293.9 | 296.4 | 167.7 | - |
| Pension expense | 46.5 | 50.0 | 5.0 | - |
| **Total** | **1,109.8** | **1,142.0** | **255.1** | **-** |
| **Performance-related compensation components** | | | | |
| One-year variable compensation | 498.3 | 204.8 | - | - |
| Special payment | - | - | - | - |
| **Total** | **498.3** | **204.8** | **-** | **-** |
| **Components of long-term incentive effects** | | | | |
| Multi-year variable compensation | 714.8 | 409.5 | 5,135.3 | - |
| **Total compensation excluding third-party remuneration** | **2,322.9** | **1,756.3** | **5,390.4** | **-** |

## Compensation of the Management Board pursuant to DRS 17

## Part 2:

| | Christian Gisy<br>CFO since 09/2014 | | Thomas Schroeter<br>CPO since 12/2018 | |
|---|---|---|---|---|
| (EUR '000) | **2018** | **2017** | **2018** | **2017** |
| **Non-performance-related compensation components** | | | | |
| Fixed compensation | 462.9 | 445.1 | 16.2 | - |
| Ancillary benefits | 38.2 | 36.5 | 0.7 | - |
| Pension expense | 37.0 | 37.0 | 1.2 | - |
| **Total** | **538.1** | **518.6** | **18.1** | **-** |
| **Performance-related compensation components** | | | | |
| One-year variable compensation | 97.3 | 112.9 | - | - |
| Special payment | - | - | - | - |
| **Total** | **97.3** | **112.9** | **-** | **-** |
| **Components of long-term incentive effects** | | | | |
| Multi-year variable compensation | 198.6 | 225.8 | 5,000 | - |
| **Total compensation excluding third-party remuneration** | **834.0** | **857.3** | **5,018.1** | **-** |

## Compensation of the Management Board pursuant to DRS 17

## Part 3:

| | Ralf Weitz<br>CCO since 12/2018 | | Total | |
|---|---|---|---|---|
| (EUR '000) | **2018** | **2017** | **2018** | **2017** |
| **Non-performance-related compensation components** | | | | |
| Fixed compensation | 16.2 | - | 1,347.1 | 1,240.7 |
| Ancillary benefits | 0.7 | - | 501.2 | 332.9 |
| Pension expense | 1.2 | - | 90.9 | 87.0 |
| **Total** | **18.1** | **-** | **1,939.2** | **1,660.6** |
| **Performance-related compensation components** | | | | |
| One-year variable compensation | - | - | 595.6 | 317.7 |
| Special payment | - | - | | - |
| **Total** | **-** | **-** | **595.6** | **317.7** |
| **Components of long-term incentive effects** | | | | |
| Multi-year variable compensation | 5,000 | - | 16,048.7 | 635.3 |
| **Total compensation excluding third-party remuneration** | **5,018.1** | **-** | **18,583.5** | **2,613.6** |

For the financial year 2018 (2017), each member of the Management Board was granted one-year variable compensation with a target value for Mr. Ellis of EUR 324.4 thousand (EUR 298.4 thousand), for Mr. Hartmann of EUR 30.5 thousand (EUR - thousand), for Mr. Gisy of EUR 173.6 thousand (EUR 166.9 thousand), for Mr. Schroeter of EUR 10.3 thousand (EUR - thousand) and for Mr. Weitz of EUR 10.3 thousand (EUR - thousand). As the final level of the variable compensation, apart from the commitment already made for Mr. Ellis, lies at the discretion of the Supervisory Board and it will not determine the level of the compensation until after the annual financial statements have been prepared, such commitments are not included in the total compensation for the financial year 2018.

The one-year variable compensation included in the total compensation for 2018 (2017) for Mr. Ellis and Mr. Gisy derives from a commitment in 2017 (2016) and from the commitments made for Mr. Ellis in 2018.

For the 2018 (2017) financial year, each Mr. Ellis and Mr. Gisy were granted multi-year variable compensation with a target value for Mr. Ellis of EUR 359.8 thousand (EUR 298.4 thousand), and for Mr. Gisy of EUR 173.6 thousand (EUR 166.9 thousand). Mr. Ellis has already received the commitment equivalent to the stated amount. As the final level of the variable compensation for Mr. Gisy lies at the discretion of the Supervisory Board and it will not determine the level of the compensation until after the annual financial statements have been prepared, this commitment is not included in the total compensation for the financial year 2018.

Under the LTIP, 121.9 thousand shares were issued to Mr. Hartmann, 112.6 thousand shares to Mr. Schroeter and 112.6 thousand to Mr. Weitz.

### Compensation paid to former management members

Mr. Ellis resigned from his position on the Management Board on 5 December 2018, and his employment relationship ends on 30 September 2019. His total compensation for the period from 5 December 2018 to 31 December 2018 comes to EUR 74.2 thousand. A provision was recognised in the past financial year for his fixed salary for the period from 1 January 2019 to 30 September 2019 of EUR 809.3 thousand and relocation expenses of EUR 18.0 thousand. In addition, an amount of EUR 827.4 thousand for the possible compensation payment was recognised in the provisions.

### Compensation of key management personnel pursuant to IAS 24

Total compensation presented in accordance with IAS 24 is shown in the following table:

## Compensation of key management personnel pursuant to IAS 24 – Management Board

## Part 1:

| | **Gregory Ellis** CEO from 03/2014 to 11/2018 & member of the Management Board from 11/2018 to 12/2018 | | **Tobias Hartmann** CEO since 11/2018 | |
|---|---|---|---|---|
| (EUR '000) | **2018** | **2017** | **2018** | **2017** |
| Short-term benefits | 1,662.1 | 1,376.0 | 285.3 | - |
| Post-employment benefits | 46.5 | 50.0 | 5.0 | - |
| Other long-term benefits | - | 313.3 | - | - |
| Termination benefits | 1,654.7 | 9.6 | - | - |
| Share-based payment (MEP & LTIP) | 194.0 | 366.3 | 369.1 | - |
| **Total compensation** | **3,557.3** | **2,115.2** | **659.4** | **-** |

## Compensation of key management personnel pursuant to IAS 24 – Management Board Part 2:

| | Christian Gisy CFO since 09/2014 | | Thomas Schroeter CPO since 12/2018 | |
|---|---|---|---|---|
| (EUR '000) | **2018** | **2017** | **2018** | **2017** |
| Short-term benefits | 649.3 | 640.7 | 16.8 | - |
| Post-employment benefits | 37.0 | 37.0 | 1.2 | - |
| Other long-term benefits | 190.9 | 175.2 | - | - |
| Termination benefits | - | - | - | - |
| Share-based payment (MEP & LTIP) | 33.0 | 56.6 | 104.4 | - |
| **Total compensation** | **910.2** | **909.5** | **122.4** | **-** |

## Compensation of key management personnel pursuant to IAS 24 – Management Board Part 3:

| | Ralf Weitz CCO since 12/2018 | | Total | |
|---|---|---|---|---|
| (EUR '000) | **2018** | **2017** | **2018** | **2017** |
| Short-term benefits | 16.8 | - | 2,630.3 | 2,016.7 |
| Post-employment benefits | 1.2 | - | 90.9 | 87.0 |
| Other long-term benefits | - | - | 190.9 | 488.5 |
| Termination benefits | - | - | 1,654.7 | 9.6 |
| Share-based payment (MEP & LTIP) | 104.4 | - | 804.9 | 422.9 |
| **Total compensation** | **122.4** | **-** | **5,371.7** | **3,024.7** |

## Compensation of key management personnel pursuant to IAS 24 – Supervisory Board Part 1:

| | Dr Liliana Solomon | | Thorsten Langheim | | Dr Hans-Holger Albrecht | |
|---|---|---|---|---|---|---|
| (EUR '000) | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Short-term benefits | 126.7 | 91.7 | - | - | 116.7 | - |
| Post-employment benefits | - | - | - | - | - | - |
| Other long-term benefits | - | - | - | - | - | - |
| Termination benefits | - | - | - | - | - | - |
| Other consultancy services | - | - | - | - | - | - |
| Share-based payment (BMEP) | - | - | - | 8.6 | - | - |
| **Total compensation** | **126.7** | **91.7** | **-** | **8.6** | **116.7** | **-** |

## Compensation of key management personnel pursuant to IAS 24 – Supervisory Board

## Part 2:

| | Vicente Vento Bosch | | David Roche | | Peter Schwarzenbauer | |
|---|---|---|---|---|---|---|
| (EUR '000) | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Short-term benefits | - | - | 80.0 | 80.0 | 80.0 | 46.7 |
| Post-employment benefits | - | - | - | - | - | - |
| Other long-term benefits | - | - | - | - | - | - |
| Termination benefits | - | - | - | - | - | - |
| Other consultancy services | - | - | - | - | - | - |
| Share-based payment (BMEP) | - | 6.6 | - | - | - | - |
| **Total compensation** | **-** | **6.6** | **80.0** | **80.0** | **80.0** | **46.7** |

## Compensation of key management personnel pursuant to IAS 24 – Supervisory Board

## Part 3:

| | Michael Zahn | | Ciara Smyth | | Total Part 1 + Part 2 + Part 3 | |
|---|---|---|---|---|---|---|
| (EUR '000) | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Short-term benefits | 80.0 | 46.7 | 46.7 | - | 530.1 | 267.1 |
| Post-employment benefits | - | - | - | - | - | - |
| Other long-term benefits | - | - | - | - | - | - |
| Termination benefits | - | - | - | - | - | - |
| Other consultancy services | - | - | - | - | - | - |
| Share-based payment (BMEP) | - | - | - | - | - | 15.2 |
| **Total compensation** | **80.0** | **46.7** | **46.7** | **-** | **530.1** | **282.3** |

### D&O insurance

The members of the Management Board are covered by a directors and officers (D&O) insurance policy. This D&O insurance covers personal liability risk in the event that claims for financial losses are brought against members of the Management Board in the course of exercising their professional duties for the Company. In this context, the members of the Management Board are subject to a deductible equivalent to 10% of the loss, limited to up to one and a half times their annual fixed compensation.

### Additional disclosures about share-based payment instruments

The shares held by active members of the Management Board under the MEP developed as follows in the financial year 2018:

## Shares held under the MEP

## Part 1:

| (in '000) Number | **Gregory Ellis** CEO from 03/2014 to 11/2018 |
|---|---|
| **Number of shares[1] 1 Jan. 2017** | **1,216.6** |
| **Exercisable shares 31 Dec. 2016[2]** | **572.5** |
| Average remaining contractual term | 1.2 years |
| Issued | - |
| Exercised | 675.0 |
| Forfeited | - |
| **Number of shares[1] 31 Dec. 2017/1 Jan. 2018** | **541.6** |
| **Exercisable shares 31 Dec. 2017[2]** | **183.8** |
| Average remaining contractual term | 0.7 years |
| Issued | - |
| Exercised | - |
| Forfeited | - |
| **Number of shares[1] 18 Nov. 2018** | **541.6** |
| **Exercisable shares 18 Nov. 2018[2]** | **541.6** |
| Average remaining contractual term | 0.2 years |

1 One share corresponds to one ordinary share.

2 The exercisable shares are shares already vested over the gradual vesting period. However, it is only possible to dispose of these shares in connection with a block trade.

## Shares held under the MEP

## Part 2:

| (in '000) Number | **Christian Gisy**<br>CFO since 9/2014 |
|---|---|
| **Number of shares[1] 1 Jan. 2017** | **221.8** |
| **Exercisable shares 31 Dec. 2016[2]** | **86.3** |
| Average remaining contractual term | 1.4 years |
| Issued | - |
| Exercised | 36.9 |
| Forfeited | - |
| **Number of shares[1] 31 Dec. 2017/1 Jan. 2018** | **184.9** |
| **Exercisable shares 31 Dec. 2017[2]** | **98.6** |
| Average remaining contractual term | 0.9 years |
| Issued | - |
| Exercised | - |
| Forfeited | - |
| **Number of shares[1] 31 Dec. 2018** | **184.9** |
| **Exercisable shares 31 Dec. 2018[2]** | **147.9** |
| Average remaining contractual term | 0.4 years |

1 One share corresponds to one ordinary share.
2 The exercisable shares are shares already vested over the gradual vesting period. However, it is only possible to dispose of these shares in connection with a block trade.

## Shares held under the MEP

## Part 3:

| (in '000) Number | **Ralf Weitz**<br>CCO since 12/2018 |
|---|---|
| **Number of shares[1] 11 Dec. 2018** | **21.0** |
| **Exercisable shares 11 Dec. 2018[2]** | **18.0** |
| Average remaining contractual term | 0.3 years |
| Issued | - |
| Exercised | - |
| Forfeited | - |
| **Number of shares[1] 31 Dec. 2018** | **21.0** |
| **Exercisable shares 31 Dec. 2018[2]** | **18.0** |
| Average remaining contractual term | 0.2 years |

1 One share corresponds to one ordinary share.
2 The exercisable shares are shares already vested over the gradual vesting period. However, it is only possible to dispose of these shares in connection with a block trade.

In the reporting period, personnel expenses resulting from equity-settled share-based payments were attributable to Mr. Ellis in the amount of EUR 194.0 thousand (previous year: EUR 366.3 thousand) and to Mr. Gisy in the amount of EUR 33.0 thousand (previous year: EUR 56.6 thousand).

## Shares held under the SOP & SSOP

| (in '000) Number | **Thomas Schroeter** CPO since 12/2018 | **Ralf Weitz** CCO since 12/2018 |
|---|---|---|
| **Number of shares[1] 1 Jan. 2018** | 15.0 | 2.0 |
| **Exercisable shares 31 Dec. 2017[2]** | - | - |
| Average remaining contractual term | 2.0 years | 0.0 years |
| Issued | - | - |
| Exercised | - | - |
| Forfeited | - | - |
| **Number of shares[1] 31 Dec. 2018** | **15.0** | **2.0** |
| **Exercisable shares 31 Dec. 2018[2]** | **-** | **-** |
| Average remaining contractual term | 2.0 years | 0.0 years |

1 One share corresponds to one ordinary share.
2 The exercisable shares are shares already vested over the gradual vesting period. However, it is only possible to dispose of these shares in connection with a block trade.

## Shares held under the LTIP

In the reporting period, personnel expenses resulting from cash-settled share-based payments were attributable to Mr. Hartmann in the amount of EUR 369.1 thousand (previous year: EUR - thousand), to Mr. Schroeter in the amount of EUR 104.4 thousand (previous year: EUR - thousand) and to Mr. Weitz in the amount of EUR 104.4 thousand (previous year: EUR - thousand).

### Compensation of the Supervisory Board

The compensation paid to the Supervisory Board is based on the corresponding provisions contained in the Company's Articles of Association.

At the 21 June 2018 Annual General Meeting of Scout24 AG, the number of members of the Supervisory Board was reduced from nine to six for reasons of efficiency and cost, and a casting vote was introduced for the Chairman of the Supervisory Board.

The members of the Supervisory Board received annual fixed compensation of EUR 80 thousand until 31 May 2018, and the Audit Committee Chair additionally received fixed annual compensation of EUR 20 thousand. At the 21 June 2018 Annual General Meeting of Scout24 AG, a new concept was introduced regulating the level of compensation for work on the Supervisory Board from 1 June 2018 onwards. This takes into consideration in particular the increased responsibility and the considerable effort involved in working on the Supervisory Board and its committees. Each member of the Company's Supervisory Board receives fixed annual compensation of EUR 60,000.00 in addition to reimbursement of their expenses. The Chair of the Supervisory Board and his or her deputy receive fixed annual remuneration of EUR 140,000.00 and EUR 120,000.00 respectively. Each member of a committee additionally receives fixed annual remuneration of EUR 20,000.00 and each committee chair EUR 40,000.00.

No special payments and meeting fees are granted. Besides this, Dr Solomon, Ms. Smyth, Dr Albrecht, Mr. Roche and Mr. Schwarzenbauer have committed to using 26% of their compensation to purchase shares in Scout24 AG. The members of the Supervisory Board who have waived their entitlement to fixed compensation payments are presented in the following table.

The members of the Supervisory Board received the following compensation in the financial year 2018:

## Compensation of the Supervisory Board[1]

| (EUR '000) | | Fixed basic compensation | Total |
|---|---|---|---|
| Dr Hans-Holger Albrecht | 2018 | 116.7 | 116.7 |
| | 2017 | - | - |
| Stefan Goetz [2] | 2018 | - | - |
| | 2017 | - | - |
| Patrick Healy [2] | 2018 | - | - |
| | 2017 | - | - |
| Blake Kleinman [2] | 2018 | - | - |
| | 2017 | - | - |
| Thorsten Langheim [2] | 2018 | - | - |
| | 2017 | - | - |
| Robert D. Reid [2] | 2018 | | |
| | 2017 | | |
| David Roche | 2018 | 80.0 | 80.0 |
| | 2017 | 80.0 | 80.0 |
| Peter Schwarzenbauer | 2018 | 80.0 | 80.0 |
| | 2017 | 46.7 | 46.7 |
| Ciara Smyth | 2018 | 46.7 | 46.7 |
| | 2017 | - | - |
| Dr Liliana Solomon | 2018 | 135.0 | 135.0 |
| | 2017 | 91.7 | 91.7 |
| Vicente Vento Bosch [2] | 2018 | - | - |
| | 2017 | - | - |
| Michael Zahn | 2018 | 80.0 | 80.0 |
| | 2017 | 46.7 | 46.7 |
| **Total** | **2018** | **538.4** | **538.4** |
| | **2017** | **265.1** | **265.1** |

1 Without reimbursed expenses and VAT
2 Waived fixed compensation for the term of appointment

Reimbursement of outlays (excluding VAT reimbursed) paid to members of the Supervisory Board amounted to EUR 44.1 thousand in the financial year under review (previous year: EUR 47.8 thousand). Members of the Supervisory Board are reimbursed for necessary outlays.

### 5.6 Segment reporting

IFRS 8 requires operating segments to be identified on the basis of an entity's internal management and reporting structure. The organisational and reporting structure of the Scout24 Group is designed towards management by area of business. As the chief operating decision-maker, the Management Board assesses the performance of the various segments and the allocation of resources on the basis of a reporting system that it has established.

Due to the growing importance of the Scout24 Consumer Services operating segment, the Management Board decided to adjust the Group's internal management system and the reporting structure and system accordingly. As of January 2018, the operating segments within the meaning of IFRS 8 thus comprise the "ImmobilienScout24" (IS24), "AutoScout24" (AS24) and "Scout24 Consumer Services" (CS) segments.

IS24 is a digital marketplace offering both real estate professionals and private listers the opportunity to place – for a fee – real estate classifieds in order to reach potential buyers and tenants. Users can search through the classifieds free of charge. Inquiries and searches by users – meaning aspiring buyers or tenants – translate into traffic on our digital marketplaces, which drives lead generation for both professional and private listers. The main products of IS24 are therefore classifieds for the sale and rental of real estate. For business real estate professionals, IS24 additionally offers services that support customer acquisition and care. Customers who have a listings contract with IS24 can boost their listings' effectiveness with supplementary products that can be booked for a fee individually from a range of product solutions tailored to their needs for branding, image and acquisition purposes ("VIA" products). For example, they can book visibility products to give their listing a more prominent placing in search results and reach a greater audience for their listings.

AS24 is a digital marketplace for automobiles and offers listing platforms for used and new cars, motorcycles and commercial vehicles to dealers and private sellers. AS24 offers professional car dealers and private sellers the opportunity to place classifieds in order to reach potential buyers. Users can search through the classifieds free of charge. Inquiries and searches by users – meaning aspiring buyers – translate into traffic, which drives lead generation for both professional and private listers. Car dealers have to pay a fee to place a listing. The main AS24 products are therefore classifieds for the sale of new and second-hand cars. In addition, dealers who have a listing contract with AS24 can boost their listings' effectiveness with supplementary products they can book for a fee individually from a range of product solutions tailored to their needs for marketing, image and acquisition purposes ("MIA" products). Private sellers can place listings for free or sell their car to verified dealers through the express sale option. For automotive manufacturers (original equipment manufacturers, OEMs), AS24 offers dedicated advertising products, especially in the area of display advertising.

As a segment active across multiple platforms, Scout24 Consumer Services (CS) bundles all services along the value chain of the real estate or automobile market and around advertisements from non-real estate or non-automotive-related third parties on the Scout24 Group's digital marketplaces. CS offers supplementary services – in some cases for a fee – designed to support users, from their search, to the decision and through to the rental, purchase or sale of real estate or the purchase or sale of a car. CS generates revenue through the sale of leads, the intermediation of services and from the placement of third-party advertising on the Scout24 Group's platforms. These activities were previously reported in the segments ImmobilienScout24, AutoScout24 and Other. The Other segment essentially comprised "FinanceScout24" (FS24), which is now reported in the Scout24 Consumer Services segment. The previous year's figures were restated accordingly in line with the new reporting structure. Since 1 September, the Finanzcheck group with its revenue generated from brokering credit agreements with private customers to banks is also allocable to the Scout24 Consumer Services segment.

The accounting principles for segment reporting are generally the same as those used for external financial reporting purposes; for details please refer to note 1.6 Accounting policies. Scout24 measures its segments' performance using revenue and ordinary operating EBITDA as performance indicators.

Segment EBITDA is defined as profit (based on total revenue) before the financial result (interest), income taxes, depreciation, amortisation and impairment losses, and the gain or loss on the disposal of subsidiaries. In accordance with the Group's corporate guidelines, ordinary operating EBITDA refers to EBITDA adjusted for non-operating effects, which mainly include restructuring expenses, expenses in connection with the Company's capital structure and company acquisitions (realised and unrealised), costs for strategic projects as well as effects on profit or loss from share-based payment programmes. In the reporting period, consolidated non-operating effects amounted to EUR -34,221 thousand (previous year: EUR -20,006 thousand).

The scope of transactions between segments was immaterial.

The key indicators applied by Scout24 to assess the performance of its segments are as follows:

## Segment information

| (EUR '000) | | External revenue[81] (2017 adjusted) | Ordinary operating EBITDA |
|---|---|---|---|
| ImmobilienScout24 | 2018 | 249,961 | 170,316 |
| | 2017 | 235,916 | 157,550 |
| AutoScout24 | 2018 | 181,509 | 97,182 |
| | 2017 | 158,671 | 76,554 |
| Scout24 Consumer Services | 2018 | 100,131 | 31,611 |
| | 2017 | 77,573 | 28,353 |
| **Total, reportable segments** | **2018** | **531,601** | **299,109** |
| | **2017** | **472,160** | **262,457** |
| Reconciling items | 2018 | 147 | -7,622 |
| | 2017 | 429 | -9,673 |
| **Total, consolidated** | **2018** | **531,748** | **291,487** |
| | **2017** | **472,589** | **252,784** |

The reconciling items primarily contain costs incurred in connection with central group functions.

Of the total amount of EUR 18,618 thousand (previous year: EUR 15,087 thousand) recognised as an asset for internally developed software, an amount of EUR 8,947 thousand (previous year: EUR 12,619 thousand) is attributable to the ImmobilienScout24 segment, EUR 5,305 thousand (previous year: EUR 2,468 thousand) to the AutoScout24 segment, and EUR 4,366 thousand (previous year: EUR 0.00 thousand) to the Scout24 Consumer Services segment.

[81] With respect to the effect of changes in accounting policies, please refer to note 1.3 New accounting regulations.

The following table shows the reconciliation of the Group's ordinary operating EBITDA and EBITDA to earnings before tax from continuing operations under IFRS:

| (EUR '000) | 2018 | 2017 |
|---|---|---|
| **Ordinary operating EBITDA** | **291,487** | **252,784** |
| Non-operating effects | -34,221 | -20,006 |
| **EBITDA** | **257,266** | **232,778** |
| Amortisation, depreciation and impairment losses | -66,093 | -56,830 |
| Profit/loss from investments accounted for using the equity method | 53 | -31 |
| Other financial result | 27,246 | -10,375 |
| **Earnings before tax** | **218,472** | **165,542** |

For the presentation of information by geographic region, revenue and non-current assets are presented in accordance with the respective Scout24 entity's registered office.

| (EUR '000) | 2018 External revenue | 2017 External revenue[82] (adjusted) | 2018 Non-current assets | 2017 Non-current assets |
|---|---|---|---|---|
| Germany | 434,219 | 387,474 | 2,221,168 | 1,954,096 |
| Other countries | 97,528 | 85,114 | 70,859 | 67,789 |
| **Total** | **531,748** | **472,588** | **2,292,027** | **2,021,885** |

Non-current assets include intangible assets, property, plant and equipment, investments accounted for using the equity method, and other non-current assets.

## 5.7 Auditor's fees and services

The total fees and services of the auditors of the Group are presented as follows in accordance with Article 315e (1) in conjunction with Article 314 (1) No. 9 of the German Commercial Code (HGB):

| (EUR '000) | 2018 |
|---|---|
| Audit services | 679 |
| Other assurance services | 44 |
| Tax advisory services | - |
| Other services | - |
| **Total** | **723** |

The fee for the audit services from KPMG AG related mainly to the audit of the consolidated financial statements and the separate financial statements of Scout24 AG as well as various audits of the separate financial statements of its subsidiaries. In addition, services were rendered in connection with enforcement proceedings. Moreover, reviews of interim financial statements were also integrated into the audit, along with assurance engagements relating to IT-supported accounting-related systems. Fees of EUR 43 thousand were attributable to the previous year.

[82] With respect to the effect of changes in accounting policies, please refer to note 1.3 New accounting regulations.

Other assurance services comprise the fee for reviewing the non-financial reporting of Scout24 AG.

## 5.8 Events after the reporting period

On 15 February 2019, Pulver BidCo GmbH, a holding company jointly controlled by funds which in turn are advised by Hellman & Friedman LLC and group entities of Blackstone Group L.P., ("BidCo") announced its decision to make a voluntary public takeover offer ("takeover offer") to all shareholders of Scout24 AG ("the Company") for all of its Scout24 shares at an offer price of EUR 46.00 in cash. The takeover offer will be subject to a minimum acceptance threshold of 50% plus one share and a market MAC (no decline of the DAX 30 by more than 27.50%) and other customary conditions, in particular merger control clearance. Following a careful and thorough review, the Management Board and the Supervisory Board of the Company have concluded to support the takeover offer. Accordingly, on 15 February Scout24 AG and BidCo signed an investment agreement for a strategic partnership.

Subject to the careful review of the offer document and their statutory fiduciary duties, the Management Board and the Supervisory Board of Scout24 AG welcome and support the takeover offer and the strategic partnership given the significant premium offered to shareholders and the favourable investment agreement signed. In compliance with their legal obligations, the Management Board and the Supervisory Board of Scout24 AG will release a reasoned statement regarding the takeover offer after receipt and review of the offer document. Furthermore, the members of the Management Board and the Supervisory Board, subject to applicable legal restrictions, have indicated that they will accept the takeover offer for any shares they hold in Scout24 AG.

In line with the Company's dividend policy, the Management Board plans to distribute a dividend again for the financial year 2018 in order to continue appropriately sharing the Company's profit with its shareholders. Based on current planning, the Management Board has therefore proposed to the Supervisory Board the payment of a dividend of EUR 0.64 per dividend-entitled share for 2018. This corresponds to a total distribution of EUR 68,864 thousand. Based on the share price as of 28 December 2018, this corresponds to a dividend yield of 1.6%.

However, in view of the intention of Pulver BidCo GmbH to submit a takeover offer (as described above), Management Board and Supervisory Board will, prior to the expiry or the final consummation of the takeover offer, refrain from convening the 2019 Annual General Meeting. Consequently, prior to the expiry or the final consummation of the takeover offer no resolution on the appropriation of profits of the financial year 2018 will be passed. Following a successful consummation of the takeover offer, the case maybe, the Management Board and Supervisory Board will revisit their decision for an appropriate proposal to the 2019 Annual General Meeting regarding the appropriation of profits of the financial year 2018.

The balance sheet profit (profit available for distribution), which is based on the financial statements of Scout24 AG according to German commercial law, amounts to EUR 973,986 thousand as of 31 December 2018 (previous year: EUR 532,186 thousand) and consists of the following items:

| (EUR '000) | **31 Dec. 2018** | **31 Dec. 2017** |
|---|---|---|
| Balance sheet profit of the previous year | 532,186 | 454,608 |
| Dividend distribution | -60,256 | -32,280 |
| **Profit carried forward** | **471,930** | **422,328** |
| Withdrawal from capital reserve | 252,632 | - |
| Withdrawal from other retained earnings | 53,800 | - |
| Annual net profit | 195,624 | 109,858 |
| **Balance sheet profit** | **973,986** | **532,186** |

The Management Board of Scout24, as the company´s chief operating decision-maker, has decided to make minor changes to the Group's internal management system as well as the reporting structure and system for the year 2019. In future, advertising revenue with OEM partner agencies (2018: EUR 15,463 thousand) and the corresponding ordinary operating EBITDA (2018: EUR 9,026 thousand) will no longer be reported in the AutoScout24 segment but rather in the Scout24 Consumer Services segment due to the close structural relationship with Third-Party Display Revenue. Revenue from the project business with OEMs will, however, remain in the AutoScout24 segment, but will in future be reported as part of Revenue with Dealers in Germany and European Core Countries.

The Group is not aware of any other events or developments after the reporting period that are specific to the Group and which might have led to a significant change in the disclosure or carrying amount of individual assets or liabilities as of 31 December 2018.

## 5.9 List of shareholdings held by Scout24 AG pursuant to Article 313 (2) Nos. 1 to 4 of the German Commercial Code (HGB)

| | | Currency | % | Full consolidation (F) Equity method (E) 31 Dec. 2018 |
|---|---|---|---|---|
| Scout24 HCH Alpen AG | Vaduz (Liechtenstein) | EUR | 100.00% | F |
| Consumer First Services GmbH | Munich (Germany) | EUR | 100.00% | F |
| FFG FINANZCHECK Finanzportale GmbH | Hamburg (Germany) | EUR | 100.00% | F |
| finanzcheckPRO GmbH | Hamburg (Germany) | EUR | 100.00% | F |
| FVG FINANZCHECK Versicherungsvergleiche GmbH | Hamburg (Germany) | EUR | 100.00% | F |
| AutoScout24 GmbH [1] | Munich (Germany) | EUR | 100.00% | F |
| AutoScout24 Belgium S.A. | Brussels (Belgium) | EUR | 100.00% | F |
| AutoScout24 Italia S.R.L. | Padua (Italy) | EUR | 100.00% | F |
| AutoScout24 Nederland B.V. | Amsterdam (Netherlands) | EUR | 100.00% | F |
| European AutoTrader B.V. | Hoofdoorp (Netherlands) | EUR | 100.00% | F |
| AutoScout24 France SAS | Boulogne Billancourt (France) | EUR | 100.00% | F |
| AutoScout24 AS GmbH | Vienna (Austria) | EUR | 100.00% | F |
| Immobilien Scout GmbH [1] | Berlin (Germany) | EUR | 100.00% | F |
| Immobilien Scout Österreich GmbH | Vienna (Austria) | EUR | 100.00% | F |
| immosuma GmbH | Vienna (Austria) | EUR | 100.00% | F |
| FlowFact GmbH [1; 2] | Cologne (Germany) | EUR | 100.00% | F |
| Flow Fact Schweiz AG | Zurich (Switzerland) | CHF | 100.00% | F |
| Alpinia Investments 2018 S.L.U. | Madrid (Spain) | EUR | 49.999% | E |
| Energieausweis48 GmbH [3] | Cologne (Germany) | EUR | 50.00% | E |
| eleven55 GmbH | Berlin (Germany) | EUR | 25.00% | E |

1 The entity made use of the exemption pursuant to Article 264 (3) HGB and filed the relevant requisite documents with the Bundesanzeiger (German Federal Gazette) for publication.

2 FlowFact GmbH holds 7.1% of its share capital as treasury shares.

3 Energieausweis48 GmbH was classified as an asset held for sale as of 1 December 2018. See note 4.9 for details.

### 5.10 German Corporate Governance Code

The Management Board and the Supervisory Board of Scout24 AG have issued a declaration of conformity to the German Corporate Governance Code (Article 161 of the German Stock Corporation Act (AktG)), which was published on the website of Scout24 AG in March 2018.

### 5.11 Date of release for publication

The Company's Management Board will release the consolidated financial statements on 11 March 2019 for publication and forwarding to the Supervisory Board. The Supervisory Board will adopt a decision on 19 March 2019 concerning the approval of the consolidated financial statements, which will be published on 25 March 2019.

Munich, 11 March 2019

Scout24 AG

The Management Board

| | |
|---|---|
| Tobias Hartmann | Christian Gisy |
| Dr Thomas Schroeter | Ralf Weitz |

## Responsibility statement

To the best of our knowledge, we assure that in accordance with the applicable accounting principles the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, that the group management report, which has been combined with the management report of the Company, gives a true and fair view of the Group's business development including the business performance and situation and describes the significant opportunities and risks relating to the Group's expected future development.

Munich, 11 March 2019

Scout24 AG

The Management Board

| | |
|---|---|
| Tobias Hartmann | Christian Gisy |
| Dr Thomas Schroeter | Ralf Weitz |

# Copy of the Independent Auditor's Report

## Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

### Opinions

We have audited the consolidated financial statements of Scout24 AG, Munich, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January 2018 to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Scout24 AG, Munich, which has been combined with the management report of Scout24 AG, for the financial year from 1 January 2018 to 31 December 2018. We have not audited disclosures extraneous to management reports which have been included in the group management report and which have been marked as unaudited.

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 Section 315e (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 of 31 December 2018, and of its financial performance for the financial year from 1 January 2018 to 31 December 2018, 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 opinion on the group management report does not cover the disclosures extraneous to management reports which have been included in the group management report and which have been marked as unaudited.

Pursuant to Section 322 (3) 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 Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 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) (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 evidence we have obtained is sufficient and appropriate to provide a basis for our 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 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

### Reallocation of goodwill as a consequence of the re-segmentation on 1. January 2018, and recoverability of the carrying amount of goodwill and trademarks with indefinite useful life

For further information on the applied accounting principles and policies please refer to section 1.6 of the notes to the consolidated financial statements. Disclosure of the amount of goodwill, on reallocation and on trademarks and the assumptions used for impairment tests is provided in section 4.5 of the notes to the consolidated financial statements.

#### THE FINANCIAL STATEMENT RISK

As at 31. December 2018, the group balance sheet of Scout24 AG showed goodwill at an amount of EUR 1,064.1 million and trademarks with indefinite useful life at an amount of EUR 871.0 million, thereby comprising a considerable 82.6% of the balance sheet total.

Goodwill is tested for impairment annually and when there is an indication for impairment. The basis for identifying any impairment is the recoverable amount, which at Scout24 regularly corresponds to the fair value less costs to sell and is compared with the respective book value of the group of cash-generating units. Fair Values are calculated by using the discounted-cash-flow method.

In accordance with IAS 36, goodwill is tested for impairment by allocating it to those groups of cash-generating units that are expected to benefit from the respective combination. Until 31 December 2017, these were the operating segments ImmobilienScout24 ("IS24") and AutoScout24 ("AS24"). A reallocation of goodwill was required as of 1 January 2018, as the segment structure was reorganized as a result of the introduction of the Scout24 Consumer Services (“CS”) segment. Since 1. January 2018, goodwill is monitored accordingly at the level of the three operating segments IS24, AS24, and CS.

The change in the reporting structure constituted an indication of impairment and therefore required an impairment test in addition to the annual impairment test prior to the reallocation of goodwill. As a result of this impairment test, the Group did not identify any impairment prior to reallocation.

Goodwill was reallocated in accordance with IAS 36.87 on the basis of the relative fair values less costs to sell as of 1. January 2018. The annual impairment test was performed by Scout24 as of 31. December 2018.

The determination of fair values is complex and is based on a number of discretionary assumptions. These include the expected sales and earnings development of the business segments for the next three years, the assumed long-term growth rates and the capitalization rate used.

Due to their indefinite useful lives, the recoverability of the ImmobilienScout24 and AutoScout24 trademarks must also be tested annually and if there are indications of impairment. As the trademarks do not generate cash inflows that are largely independent of those from other assets, Scout24 determines the recoverable amount of the smallest cash-generating unit to which the respective trademark belongs and compares this value with the carrying amount. Since the ImmobilienScout24 and AutoScout24 trademarks contribute to the future cash flows of both the IS24 or AS24 segments and the segment CS, the trademarks were each defined as corporate assets in accordance with IAS 36.100 ff. The carrying amounts of the trademarks were allocated to the cash-generating units proportionately on the basis of expected development of earnings and, together with goodwill, were tested for impairment at the level of operating segment.

As a result of the impairment tests performed as of 31. December 2018, the Group did not identify any impairment of goodwill or trademarks. The Group's sensitivity calculations for the Consumer Services segment showed that a possible change in individually significant assumptions would result in an impairment loss. For the IS24 and AS24 segments, the Group's sensitivity calculations did not indicate any impairment in the event of a possible variation in the key assumptions.

With regard to the reallocation of goodwill due to the changed segment structure as of 1.January 2018, the risk for the financial statements is that an incorrect allocation of goodwill to the new segment structure has been made. There is also the risk for the financial statements that an impairment existing on the balance sheet date will not be recognized. Furthermore, there is a risk that the related disclosures in the corresponding notes are not appropriate.

**OUR AUDIT APPROACH**

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the significant assumptions as well as the Company's valuation model. This included a discussion of the expected development of the business and results, which align with the budget prepared by the Executive Board and approved by the Supervisory Board, as well as of the assumed underlying long-term growth rates with those responsible for the planning process. In addition, we compared Scout24's expectations for the Group as a whole with the assessments of external analysts. Furthermore, we assessed the consistency of the assumptions with external market assessments by comparing the market capitalization of Scout24 as per the valuation date with the results of the impairment test.

We also assessed the Company's planning accuracy by comparing projections for previous financial years with the actual results realised and analysed deviations. We have compared the assumptions and parameters underlying the capitalisation rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data in order to assess whether Scout24's assumptions lie within acceptable ranges.

We tested the mathematical accuracy of the valuation model using elements selected from a risk-oriented perspective. In addition, the observance of the equivalence principle during the determination of the book value of the respective business segment was observed. The derivation of the book values from the Group's books as of the valuation date was comprehended.

On the basis of the sensitivity analyses carried out by Scout24, we have thus determined the possible extent at which a change in the key assumptions on which the calculation is based on would require an impairment.

We have used a corresponding approach in assessing the reallocation of goodwill. In doing so, we examined the appropriate reallocation in accordance with the relative fair values less costs to sell.

Finally, we assessed whether the disclosures in the notes on the recoverability of goodwill and trademarks are appropriate. This also included an assessment of the completeness and appropriateness of the disclosures in the notes in accordance with IAS 36.134(f) on sensitivities in the event of a possible change in material assumptions underlying the measurement.

**OUR OBSERVATIONS**

The reallocation of goodwill on the IS24, AS24 and CS segments is appropriate.

The calculation method used to test goodwill and trademarks for impairment is appropriate and consistent with the applicable valuation principles.

The underlying assumptions and parameters of the Group lie within acceptable ranges and are, in total, balanced.

The related disclosures in the notes are appropriate.

## Acquisition of FINANZCHECK.de

For further information on the applied accounting principles and policies please refer to section 1.6 of the notes to the consolidated financial statements. Disclosures with regard to the acquisition of FFG FINANZCHECK Finanzportale GmbH, Hamburg, including its subsidiaries FVG FINANZCHECKVersicherungsvergleiche GmbH, Hamburg, and finanzcheck PRO GmbH, Hamburg (hereafter FINANZCHECK.de) are provided in section 2.2 of the notes to the consolidated financial statements.

**THE FINANCIAL STATEMENT RISK**

On 1. September 2018, Scout24 acquired FINANZCHECK.de. The total purchase price amounted to EUR 272.1 million. Taking into account the acquired net assets of EUR 35.5 million, goodwill amounted to EUR 236.6 million.

In accordance with IFRS 3, the identifiable assets acquired and liabilities assumed are generally recognized at fair value on the acquisition date. Scout24 engaged an external expert to determine and measure the identifiable assets acquired and liabilities assumed.

Identification and measurement of the acquired assets and assumed liabilities are complex and are based on discretionary assumptions of the Management Board. The key assumptions for the valuation of the trademark, software and customer base relate to revenue planning and margin development of the acquired business, the license rates employed and the cost of capital.

There is a risk for the consolidated financial statements that the assets acquired and liabilities assumed may be incorrectly identified or incorrectly measured. There is also a risk that the disclosures in the notes to the consolidated financial statements may not be complete and appropriate.

**OUR AUDIT APPROACH**

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as the identification and valuation approaches. To this end, we first gained an understanding of the acquisition transaction by interviewing finance and strategy departments and evaluating the relevant contracts.

We have reconciled the total purchase price with the underlying purchase agreement and the evidence of payment.

We have assessed the competence, skills and objectivity of the independent expert engaged by Scout24. We also assessed the process of identifying the acquired assets and liabilities against the background of our knowledge of FINANZCHECK.de's business model for compliance with the requirements of IFRS 3. We considered the consistency of the measurement methods used and the measurement principles applicable. We discussed the expected sales and margin development with the Group's strategy manager. We also assessed the expected sales and margin development taking into account the results of the due diligence reports prepared by independent experts.

We compared the license rates used to measure intangible assets with reference values from relevant databases. We compared the assumptions and parameters underlying the cost of capital, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to assess the arithmetical accuracy, we have comprehended selected calculations from a risk-oriented perspective.

Finally, we assessed whether the disclosures in the notes to the financial statements concerning the acquisition of FINANZCHECK.de are complete and appropriate.

#### OUR OBSERVATIONS

The underlying approach to the identification and measurement of the assets acquired and liabilities assumed is appropriate and consistent with the accounting policies to be applied. The key assumptions and parameters are appropriate and the presentation in the notes to the consolidated financial statements is appropriate.

### Measurement of the provision for the long-term incentive program

For further information on the applied accounting principles and policies please refer section 1.6 of the notes to the consolidated financial statements. Disclosures on the long-term incentive program (hereafter LTIP) are provided in section 5.3 the notes to the consolidated financial statements.

#### THE FINANCIAL STATEMENT RISK

As at 31. December 2018, the provision for share-based payments amounting to EUR 18.2 million was recognized in the consolidated financial statements of Scout24. Of this amount, EUR 11.3 million relate to the share-based payments for the Management Board and senior executives (LTIP) granted in fiscal year 2018.

For cash-settled share-based payments, the services received and the provision incurred must be recognized in accordance with IFRS 2. The valuation of the LTIP provision is complex and based on discretionary assumptions made by the Management Board. Scout24 relied on an external expert to measure the liability using a Monte Carlo simulation. The key assumptions relate to the volatility of the shares of Scout24 AG and the peer group companies, the expected sales and earnings growth and the fluctuation rates of the plan participants.

The risk for the consolidated financial statements lies in the fact that the provision is incorrectly valued. There is also the risk that the information in the notes to the consolidated financial statements is inappropriate.

#### OUR AUDIT APPROACH

With the support of our valuation specialists, we assessed the appropriateness of the key assumptions and the valuation process. Initially, we gained an understanding of the LTIP conditions by interviewing employees in the finance department and evaluating the relevant contracts. In addition, we compared the assumptions used for sales and earnings growth with the corporate planning prepared by the Management Board and approved, respectively acknowledged, by the Supervisory Board. We have compared the fluctuation rates of the plan participants with historical data from a comparable plan.

We assessed the competence, abilities and objectivity of the independent expert commissioned by Scout24 AG. In addition, we have assessed the valuation procedure applied for compliance with the requirements of IFRS 2. In order to ensure the arithmetical correctness of the valuation model, we have reconstructed the calculations on the basis of risk-oriented selected elements. We ensured the accuracy of the quantity structure by taking a sample and inspecting the supporting documentation.

In order to take account of the existing forecast uncertainty, we examined the effects of possible changes in sales and earnings trends and fluctuation rates on the amount of provisions by calculating alternative scenarios and comparing them with the Group's figures.

OUR OBSERVATIONS

The valuation model used to measure the provision is appropriate. The underlying assumptions are, in total, balanced and appropriate. The corresponding disclosures in the notes to the consolidated financial statements are appropriate.

### Other Information

Management is responsible for the other information. The other information comprises:

- disclosures extraneous to management reports which have been included in the group management report and which have been marked as unaudited, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements, the group management report and our auditor’s report.
- the digital annual report 2018 published on the Scout24 Group website, with the exception of the audited consolidated financial statements and group management report and our audit opinion

Our 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 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 Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is 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 Section 315e (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, management is 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, management is 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, management is 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, management is 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 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 Section 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 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 opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- conclude on the appropriateness of management's 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 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 Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 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 management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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 21. June 2018. We were engaged by the supervisory board on 21. June 2018. We have been the group auditor of Scout24 AG without interruption since the financial year 2016.

We declare that the 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 Haiko Schmidt.

Hamburg, 18 March 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| signed Schmidt | signed Jordan |
| Wirtschaftsprüfer | Wirtschaftsprüferin |
| [German Public Auditor] | [German Public Auditor] |

# Glossary

- ARPU: Average revenue per user per month, calculated as the revenue generated from (contractual) residential real estate partners and business real estate partners (IS24) and dealers in Germany and European Core Countries (AS24) in the respective period divided by the average number of (contractual) real estate partners and dealers respectively (calculated from the number of (contractual) real estate partners and dealers at the beginning and end of the period) and further divided by the number of months in the corresponding period.
- Business real estate partners: Commercial real estate agents in Germany active in commercial real estate as well as partners in building and property development, who have contracted a package or bundle of services from IS24
- Capital expenditure (adjusted): Defined as capital expenditure adjusted for the effects arising from first-time application of accounting standard IFRS 16 (Leases)
- Cash contribution: Ordinary operating EBITDA less capital expenditure (adjusted).
- Consolidation effect: Accounting process that eliminates all intracompany transactions within a group (expenses/revenue, liabilities and equity) and presents all of the corresponding entities as if they were a single company.
- EBIT: Earnings before interest and tax
- EBITDA: Earnings before interest, tax, depreciation and amortisation, i.e. profit before the financial result, income taxes, depreciation, amortisation and impairment losses, and gains or losses on the sale of subsidiaries.
- EBITDA margin: EBITDA as a percentage of external revenue (for the respective segment).
- External revenue: Revenue that Scout24 entities generate with customers that are not entities of the Scout24 Group.
- Finance partners: Service providers focused on the financial services sector who have either contracted a package or bundle of services from the Scout24 Group.
- Lead: Generating a business contact, i.e. address data of a qualified prospect who is interested in a certain product and has given his or her consent to his or her data being shared.
- Listings (number of listings): For IS24, refers to the total number of all real estate listings on the website as of a specific cut-off date (as a rule, the end of the month). For AS24, refers to the total number of new and used cars and vans on a specific cut-off date (as a rule, the end of the month) in the respective country on the website in question.
- Net financial debt/net debt: Total current and non-current liabilities less cash.
- Ordinary operating EBITDA: refers to EBITDA adjusted for non-operating and special effects, which include restructuring expenses, expenses in connection with the Company's capital structure and company acquisitions (realised and unrealised), costs for strategic projects as well as effects on profit or loss from share-based payment programmes.
- Ordinary operating EBITDA margin: Ordinary operating EBITDA as a percentage of external revenue.
- OEM: Original equipment manufacturer, automotive manufacturer.
- Partner dealers: Commercial car, commercial vehicle or motorcycle dealers who have either contracted a package or bundle of services from AS24.
- Revenue: Revenue is all cumulative income generated from ordinary operating activities during the corresponding accounting period.
- Revenue adjusted for acquisitions: Group revenue reported excluding entities acquired.
- Sessions: The number of visits within a reporting period in which individual users interact with web or app

offerings via a device (desktop PC, mobile devices or apps (multiplatform)). A session ends automatically after 30 minutes (or longer) without user interaction.

- Unique monthly visitors (UMV): Unique monthly visitors to the website via desktop PC, mobile devices or apps (multi-platform), irrespective of how often they visit the portal during the month in question and (for multi-platform metrics) irrespective of how many platforms (desktop PC and mobile) they use (source: ComScore for IS24, AGOF for AS24)
- User engagement: Measures the total number of minutes a unique monthly visitor to the online platform spends on various interactions.
- User reach: The extent to which users are reached measured in terms of unique monthly visitors that we reach with our digital marketplaces within a given time period.

## Sources


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- ZenithOptimedia: ZenithOptimedia, Advertising Expenditure Forecasts, December 2017: Zenith Optimedia Group Limited, London; Advertising Expenditure Forecasts December 2017

# Disclaimer

This document may contain forward-looking statements regarding the business, results of operations, financial condition and earnings outlook of Scout24 Group. These statements may be identified by words such as "may", "will", "expect", "anticipate", "contemplate", "intend", "plan", "believe", "continue" and "estimate" and variations of such words or similar expressions. These forward-looking statements are based on the current views and assumptions of Scout24 management and are subject to risks and uncertainties. Such statements are subject to a number of known and unknown risks and uncertainties and there is no guarantee that the anticipated results and developments will actually materialise. They offer no guarantee that the expected results and developments actually occur. In fact, actual results and developments may differ materially from those reflected in our forward-looking statements. Differences may be due to changes in the general macroeconomic and competitive environment, capital market risks, exchange rate fluctuations, changes in international and national laws and regulations, especially regarding tax laws and regulation, relevant for Scout24, and many other factors. Scout24 undertakes no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise, unless expressly required to do so by law.

Due to rounding, numbers presented throughout this statement may not add up precisely to the totals indicated, and percentages may not precisely reflect the absolute figures for the same reason. Information on quarterly financials have not been subject to the audit and thus are labelled "unaudited".

Scout24 also uses alternative performance measures, not defined by IFRS, to describe the Scout24 Group's results of operations. These should not be viewed in isolation, but treated as supplementary information. The special items used to calculate some alternative performance measures arise from the integration of acquired businesses, restructuring measures, impairments, gains or losses resulting from divestitures and sales of shareholdings, and other material expenses and income that generally do not arise in conjunction with Scout24's ordinary business activities. Alternative performance measures used by Scout24 are defined in the "Glossary" section of Scout24's Annual Report 2017.

The management report should be read in conjunction with the consolidated financial statements and the additional disclosures.

This report is a non-binding English translation of the original German annual report. Both reports are available for download on our Internet website at › www.scout24.com/en/Investor-Relations/Financial-Publications/Financial-Reports/Financial-reports-44.aspx.

In case of any divergence between the two reports, the German version shall have precedence over the English translation.

# IMPRINT

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