Combined management report of Scout24 Group and Scout24 AG

Fundamentals of the Group

Business model and business lines

The Scout24 Group (referred to as "Scout24" or the "Group") is a leading operator of digital marketplaces specialising in the real estate and automotive sectors in Germany and other selected European countries. Finding a new home or buying a new car represent two of the most important decisions in people's lives. We support our users in helping them make the best decisions. To that end, we seek to maintain liquidity in terms of both audience and content on our marketplaces.

Scout24 provides consumers with an extensive range of listings, as well as value-added information and services to help them search, research and make informed decisions. Consumers can search the listings for free via various channels such as desktop, enhanced mobile applications ("apps"), or our fully responsive mobile website. Consumers also benefit from specific, paid products and services. At the same time, we offer professional and private listers effective tools to present their real estate and automotive listings and to reach a large, relevant and engaged audience by providing targeted advertising and lead generation solutions in a cost-effective manner. Here we offer specially customised and cost-effective solutions for marketing and lead generation.

Our platforms' products and services are designed to meet the needs of the respective target groups, whether they are searching for or listing real estate and automotive vehicles, or advertising on our platforms. As a consequence, we generate revenues from the listing of classifieds as well as from non-listing revenues generated through the sale of additional tools for real estate agents, advertising, lead generation and value chain products. In terms of listing products, we offer three different models to our business customers: a membership model, a listing package model, and a pay-per-listing model ("pay-per-ad model").

We operate our business primarily through two well-known and popular brands, ImmobilienScout24 ("IS24") and AutoScout24 ("AS24"), which also represent our main 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 – on a paid basis – real estate classifieds in order to reach potential buyers and tenants. IS24 also provides real estate professionals with additional services to acquire and manage customers. Customers subscribing for a membership with IS24 can boost their listings' effectiveness with supplementary products to add on individually. Vendors can book visibility products to give their products a more prominent placing in search results, for example. Supplementary products can also be added in the pay-per-ad model.
Inquiries and searches by users – meaning aspiring buyers or tenants – translate) into traffic, which drives the lead generation for both professional and private listers. IS24 offers its users additional assistance through valuations, credit checks, relocation services, mortgage financing and insurance services.

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] IS24 is the first choice among digital real estate classifieds platforms for 50 % of consumers.[4] IS24 also ranks first in the brand index published by German business periodical WirtschaftsWoche, measured in terms of quality, value for money, satisfaction and overall impression of the brand.[5] The ImmobilienScout24.de portal is the first choice among search channels for 79 % of owners seeking an agent online.[6]
In Austria, we also operate a leading vertical real estate marketplace with our portals ImmobilienScout24.at and Immobilen.net.[7] The Immodirekt.at portal has also formed part of the Scout24 Group in Austria since 2016.

AutoScout24

AS24 offers listing platforms for used and new cars, motorcycles and commercial vehicles to dealers and private sellers. It also offers complementary services, such as the display of advertising for automotive original equipment manufacturers (“OEMs”).

AS24 is a European automotive classifieds leader (management estimate based on listings and unique monthly visitors) with leading market positions in Italy, Belgium (including Luxembourg), the Netherlands and Austria, as well as second position in Germany, all based on listings.[8] AS24 also operates in Spain and France and offers local language versions of the marketplace in ten additional countries. Moreover, at

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[2] Management assessment
[3] Based on visitor numbers (Unique Monthly Visitors, "UMV") and user activity, comScore December 2016 (desktop PC for visitor numbers, desktop PC and mobile devices regarding user activity)
[4] GfK Brand & Communication Research, January 2017
[5] WirtschaftsWoche BrandIndex, May 2016
[6] Mindline energy, February 2016
[7] Management estimate based on the number of real estate listings compare to other real estate listings portals (excluding general classifieds portals comprising very different product categories).
[8] Autobiz, December 2016

AutoScout24.com, AS24 offers an English-language version that also enables cross-border searches.
The aided brand awareness of AS24 among Internet users considering a car purchase stands at 94 % in Germany, 64 % in Italy, 78 % in Austria and 72 % in the Netherlands, in each case in the relevant target group.[9]

Corporate

Corporate is another division of Scout24 that supports the operating segments IS24 and AS24. It includes management services (finance, legal, human resources, facility management, IT, corporate development and strategy, risk and compliance management and other related functions) provided to the Group companies. The core operations of Scout24 are comprised of its two operating segments, and Corporate.

Non-core operations

Excluded from core operations is the "Other" segment, which includes mainly FinanceScout24 ("FS24").

Organisation and corporate structure

Management and control

Scout24 AG, which is based in Munich, Germany, manages the Scout24 Group. Scout24 AG is managed as a management holding company. As of the balance sheet date, Scout24 AG holds indirect interests in 17 operating subsidiaries, which are fully consolidated in the consolidated financial statements, as well as in two companies accounted for using the equity method, and one minority interest.

Additional disclosures for Scout24 AG ↘page 96

The Management Board of Scout24 AG is comprised of two members. The Management Board is responsible for the Group's strategy and management. Greg Ellis is responsible as CEO for the operational functions of sales, marketing, IT for IS24 and AS24, human resources, corporate communications, corporate development and strategy, business development as well as mergers and acquisitions. Christian Gisy, as the CFO, is responsible for the functions of finance, controlling, investor relations, treasury, legal and compliance, risk management and internal control system as well as procurement. The Supervisory Board consisted of a total of nine members during the 2016 financial year. The Supervisory Board comprises representatives of strategic investors of Scout24 AG as well as independent industry experts. It consults with the Management Board and supervises its management 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 AGM on the results of this assessment.

9 Norstat, December 2016

Compensation Report
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The remuneration of the Management and Supervisory Boards as well as the incentive and bonus systems are described in the compensation report of the notes to the consolidated financial statements (as part of Section 5.7) respectively in the notes to the annual financial statements.

Takeover-relevant information pursuant to Sections 289 (4), 315 (4) of the German Commercial Code (HGB), as well as additional disclosures to the individual financial statements of Scout24 AG are provided as integral parts of the combined management report in the respective Sections.

www.scout24.com

The Management and Supervisory Boards of Scout24 place great emphasis on responsible corporate management with a focus on long-term success, and are committed to the recommendations of the German Corporate Governance Code. The Corporate Governance Report, including the corporate governance declaration pursuant to Sections 289a, 315 (5) of the German Commercial Code (HGB), is available on our corporate website (www.scout24.com) in the section Investor Relations/Corporate Governance.

Group structure

In the reporting period, the following changes to the organisational Group structure occurred:

On 1 February 2016, AutoScout24 Nederland B.V., Amsterdam, acquired a 100 % equity interest in European AutoTrader B.V., Hoofddorp (hereinafter also referred to as "AutoTrader.nl").

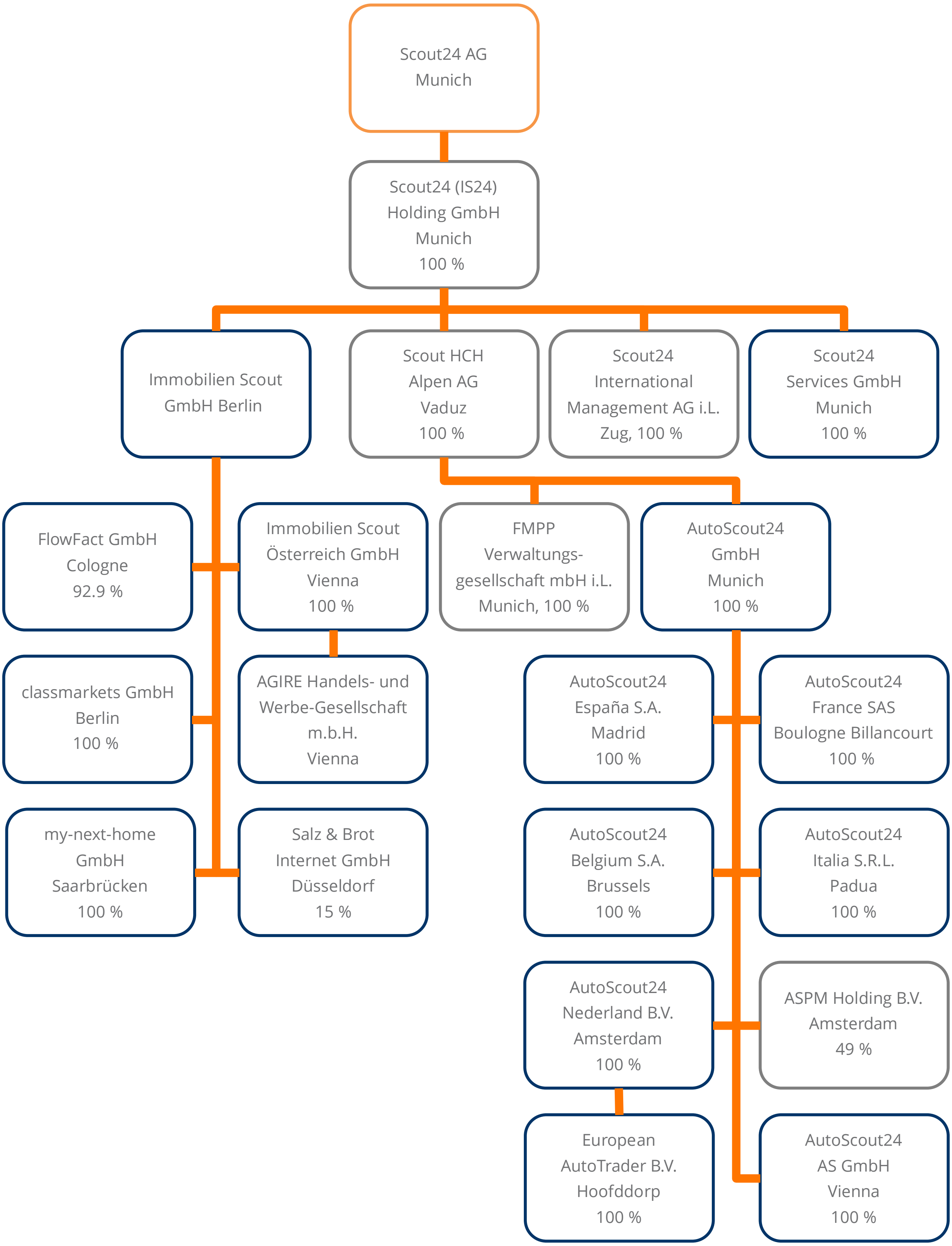
On 1 June 2016, Immobilien Scout Österreich GmbH, Vienna, acquired a 100 % interest in AGIRE Handels-und Werbe- Gesellschaft m.b.H., Vienna (also referred to below as "Agire"). Also on 1 June, Immobilien Scout GmbH, Berlin, acquired 100 % of the shares in my-next-home GmbH, Saarbrücken (hereinafter also referred to as "my-next-home").

On 6 December 2016 Immobilien Scout GmbH, Berlin, sold its entire equity interest in Stuffle GmbH, Berlin.

To streamline the Group structure, easyautosale GmbH, Munich, was merged with AutoScout24 GmbH, Munich, on 11 August 2016. The merger was realised at carrying amounts.

Also in 2016, Scout24 HCH Alpen AG relocated its corporate seat from Zug, Switzerland, to Vaduz, Liechtenstein.

The following presentation provides (in simplified form) an overview of the direct and indirect investments of the Scout24 AG as of 31 December 2016:



Strategy

Our classifieds revenues are not directly dependent on the number of completed housing transactions or car sales, but on the amount and duration of customers' listings and thus, 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 its leading positions in terms of both traffic and engagement. A high volume of listings and a large number of users are mutually reinforcing as providers and users tend to prefer the marketplace that offers the most liquidity, and is consequently the most efficient. Accordingly, we will continuously strive to introduce new features and functionalities to our websites to offer the best user experience. We plan to optimise the value proposition and use of our classifieds portals for customers through attractive pricing models and additional services. For example, we offer our customers the possibility to improve the effectiveness of their listings with the help of additional visibility products, and assist them in managing their image with our marketing products for professional vendors. Being a leader in user traffic and engagement, we are well-positioned to benefit from the revenue and growth potentials in the large adjacent market segments outside our core classifieds business, be it the value chain for the entire property 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 following our strategy of developing ourselves from a pure classifieds portal in the direction of a market network. Our focus is on sustainable and profitable growth as well as on a sustainable growth of our company value.

In this context, our future M&A strategy will focus on smaller bolt-on acquisitions along the value chain, strengthening our market position or enabling us to further tap into adjacent revenue pools, or expand our technological capabilities.

We are continuing to pursue our "OneScout24" approach, which streamlines the operations of IS24 and AS24 to more efficiently provide our users with a high-quality experience, leverage synergies and economies of scale, and promote best practice transfer across the Group. OneScout24 recognises 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 tangible operational synergies, such as consumer-centric product development, innovation-driven IT, efficient brand marketing, high-performing sales operations, and unique data opportunities that lead to enhanced efficiency.

Based on our focus on sustainable and profitable growth, we are pursuing a corresponding dividend policy, which allows us to finance further growth and to further reduce our leverage ratio (ratio of net debt to ordinary operating EBITDA for the last 12 months). The target for the leverage ratio stands at 2.50:1. We expect to reach this target by mid of 2017. Taking this and the significant reduction in interest margin achieved as part of the refinancing by end of 2016 into account, we propose a dividend of EUR 0.30 per share entitled to dividend to the Supervisory Board for the year 2016. This corresponds to a pay-out of EUR 32.28 million. In relation to the share price at December 30, 2016, this represents a dividend yield of 0.9 %.

Control system

In line with our strategy, we have designed our internal management system and defined appropriate performance indicators. We differentiate between financial and non-financial performance indicators in measuring our success in implementing our strategy.

Our detailed monthly reporting, which contains a consolidated income statement, a consolidated balance sheet, a cash flow statement and the monthly results of our core businesses, represents an important element of our internal management system. Furthermore, at our bi-weekly Executive Leadership Team (ELT) meetings, current business performance and forecasts of financial and non-financial performance indicators for the following weeks are discussed. Based on these reports, we perform budget/actual comparisons, and in the event of variations we implement further analyses or appropriate corrective measures.

These reports are supplemented by regular long-term forecasts of business performance and an annual budget process.

Both the current results of operations and the forecasts are presented to our Supervisory Board at quarterly meetings.

Performance indicators

Given our focus on sustainable and profitable growth, as well as sustainably growing our company value, our most important performance indicators at both Group and segment level are revenues and ordinary operating EBITDA margin[10].

These indicators are supplemented by capital expenditures in property, plant and equipment and intangible assets ("capex") as well as further segment-specific auxiliary indicators ("auxiliary indicators").

In line with our strategy, the financial success of our portals is determined essentially by the number of listings, as well as user traffic and engagement. The most important auxiliary indicators at segment level are consequently the number of listings, particularly compared to our competitors, as well as user traffic and engagement

[10] Ordinary operating EBITDA is defined as earnings before interest, tax, depreciation and amortisation (EBITDA) and the gain/loss on the disposal of subsidiaries, adjusted to reflect non-operating effects and special effects. The ordinary operating EBITDA margin reflects the ratio of ordinary operating EBITDA to revenues.

data. In addition, we examine the revenues of main customer groups and related performance indicators, such as numbers of customers and the average revenue per customer ("ARPU").

ImmobilienScout24

- The **number of listings** shows the inventory of all real estate listings on the respective website as of a certain record date (as a general rule end of month).
- **UMV (unique monthly visitors)** refers to the monthly unique visitors visiting the website via desktop PC or visiting the website via desktop PC, mobile devices or apps (multi-platform), as the case may be, regardless of how often they visit during the relevant month and (for multi-platform metrics) regardless of how many platforms (desktop and mobile) they use.[11]
- **Revenues from core agents** refer to revenues derived from IS24 core agents' purchases of memberships under the membership model, including all services provided under these new contracts. Revenues from core agents also include purchases of listing services under the listing package-based pricing model and all other services provided under these contracts for those core agents not yet transitioned to the membership model.
- **Revenues from other agents** refer to revenues derived from real estate professionals who are not core agents, and include IS24 promotions, the IS24 commercial real estate marketplace, pay-per-ad revenues, revenues from FlowFact (our customer relationship management software for real estate professionals) and non-listing revenues. Revenues from our portals in Austria are also reported here.
- **Other revenues** consist of revenues derived from private listings or services along the real estate selling or rental process including credit checks and valuation services, lead generation revenues derived from services offered for relocation, financing and mortgages, revenues from listing sales not directly related to real estate and other sundry revenues.
- **Core agents** are defined as real estate professionals in Germany who have a package or bundle contract with IS24.The number of core agents is defined as the number of real estate professionals as of the period-end that have either a membership or package contract at the period-end.
- **Core agent ARPU** in Euro per respective period is calculated by dividing the revenues generated by our core agents in the respective period by the average number of core agents (calculated from the base of core agents at the beginning and end of the period), and further dividing by the number of months in the period.

[11] Data source: comScore

- **Number of listings** of a country represents the total number of new and used cars and vans on a certain record date (as a rule by mid-month) on the respective website.[12]
- **UMV (unique monthly visitors)** refers to the monthly unique visitors visiting the website via desktop PC or visiting the website via desktop PC, mobile devices or apps (multiplatform), as the case may be, regardless of how often they visit during the relevant month and (for multiplatform metrics) regardless of how many platforms (desktop and mobile) they use. The UMV for Benelux/Italy represent the aggregate of the UMVs for Belgium, the Netherlands, Luxembourg and Italy.[13]
- **Revenues from core dealers** refer to revenues derived from purchases by AS24 core dealers in Germany or in Belgium (including Luxembourg), the Netherlands and Italy ("Benelux/Italy") of listing services under the listing package-based model and all other related products purchased by such dealers.
- **Revenues from other dealers** refer to revenues from AS24 commercial vehicle market dealers, dealers from Spain, Austria and France, revenues generated through our garage portal, and from other services for dealers such as platform interfaces. Revenues from the "Express Sale" product are also included.
- **Other revenues** consist of revenues derived from AS24 private listings and advertising sales (primarily from OEMs).
- The **number of core dealers** is defined as the total number of professional car and motorcycle dealers in Germany or Benelux/Italy that have either a package or bundle contract to advertise their car or motorcycle listings on AS24 market websites as at period end.
- **Core dealer ARPU** in Euro per respective period is calculated by dividing the revenues generated by our core dealers in the respective period by the average number of core dealers (calculated from the base of core agents at the beginning and end of the period), and further dividing by the number of months in the period.

[12] Data source: autobiz
[13] Data source: comScore

Research and development

Based on the OneScout24 approach our product development is decentralised and set up in the IS24 and AS24 segments respectively, but operates in line with identical principles. The project we launched in the 2015 financial year regarding the technical alignment of the two IS24 and AS24 platforms as part of migrating to a Cloud-based data system was advanced further in the 2016 financial year.

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

Having grown large as a classic desktop Internet company, nowadays almost 70 percent of the total IS24 and AS24 traffic in Germany comes through mobile channels as a result of a stringent mobile-first strategy.[14] The mobile individual increasingly searches for property and cars while on the move. Smartphones and tablets are replacing home desktop PCs to an ever greater extent. 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.

We strive to permanently design new products that cater to the needs of our private and professional customers. For example, vendors are supported during the process of inserting a listing and in presentation of their object by the best possible product and services. We would like to structure communication between vendors and consumers so it is more direct and more personal. In the 2016 financial year, developments by IS24 included an in-app messaging-service that allows contact between agents and property seekers in a short and direct way. A similar function is also planned for AS24 allowing users to contact dealers via text messages in real time. According to the DAT report, 21 % of car buyers bought a new car instead of a used car in 2016 due to Internet offers.[15] To address this target group better, AS24 developments include a new product that seamlessly integrates a new car site into search results. The products developed undergo regular in-house user tests in UX ("User Experience") research labs, so this experience also flows into product optimisation.

The total expenditure for product development, in other words, for internal operating IT functions and purchased services, amounted to EUR 28.7 million in 2016 (2015: EUR 24.1 million), of which a total of EUR 16.0 million or 55.7 % (2015: EUR 14.7 million or 61.0 %) was capitalised on the basis of existing accounting regulations. The year-on-year change in development costs is mainly due increased personnel ex-

[14] Management estimates, based on the sum of IS24 and AS24 platform visitors (not reduplicated) via mobile devices, mobile optimised websites and apps in relation to the sum of total visitors monitored by the Company's own Traffic Monitor (Google Analytics), December 2016

[15] DAT, DAT Report 2017

penses and capitalising additional projects in 2016, especially in the IS24 segment. Research costs exist only to an immaterial extent, and are reported in the income statement.

Corporate social responsibility

Social responsibility at Scout24 is a corporate culture that is lived and practised. We will publish our first publication on corporate social responsibility during the first half of 2017. In our Scout24 CSR Report, we will provide information about our current campaigns, important indicators on the topic of corporate governance, compliance, diversity, ecology and social responsibility, as well as an outlook on future measures relating to sustainability.

Below we give a key overview of our perception on corporate social responsibility: Finding a new home or buying a new car represent two of the most important decisions in people's lives. We accompany our users in helping them make the best decisions.

At the same time, it is our ambition to use our digital and technological competencies in the best way possible 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 our customers 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 treating 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 guarantee a safe work 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, and 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.

Exchange drives innovation ↘page 20

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, users can make targeted searches for handicapped-accessible properties on our IS24 platform, for example.

Report on economic position

Macroeconomic and sector-specific environment

Economic conditions

Scout24 is 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, consequently within the Eurozone. Germany remains the main market of Scout24, with 83 % of revenues generated in Germany in the 2016 financial year. The economic situation in Germany in 2016 was marked by stable and continuous economic growth registering 1.9 % year-on-year GDP expansion.[16] Moderate growth of 1.8 % is also expected for 2017.[17] This trend in the Eurozone is expected to be similar, according to the "Eurozone Economic Outlook" published by an association of three leading European economic research institutes. [18]

Given a stable economic trend, our business model is nevertheless mainly supported by the economic conditions for online marketplaces. Internet penetration in Germany has increased rapidly over the past decade. The development, in parallel, of a diverse array of digital media and e-commerce websites and mobile apps has promoted the use of the Internet as a fixed element of German consumers' lifestyles. In total, 87 % of the population in Germany used the Internet in the first quarter 2016 (2015: 85 %). A total of 73 % of the users went online via mobiles, an increase of 3 percentage points year-on-year. A total of 89 % used the Internet in searching for information on goods and services.[19] According to a study by AS24, 7 out of 10 individuals interested in new or used cars search online for information before visiting a car dealer.[20] In Europe, 85 % of private households had Internet access in 2016, an increase of 2 percentage points compared to the previous year.[21]

This trend is increasingly influencing the allocation of marketing budgets. In Germany, the share of total advertising expenditures allocated by marketers to newspapers declined from 37.8 % in 2006 to 23.5 % in 2016 and is expected to reduce further to 20.2 % in 2019. By contrast, the share of online has increased from 8.3 % of total advertising expenditures in 2006 to 31.6 % in 2016. In 2016, online advertising expenditure was already 38.1 % higher than TV marketing budgets. Online advertising expenditure is expected to continue to increase its share and reach 36.6 % in 2019.[22] Car dealers are also investing a significant proportion of their advertising budgets in online advertising: a total of 48.4 % of total advertising expenditure was deployed in online advertising in 2016 (2015: 54.2 %). The year-on-year reduction in the online share is mainly attributable to independent dealers, who advertised to a greater

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[16] German Federal Statistical Office, initial annual results of 12 January 2017
[17] Deutsche Bundesbank, Outlook for the German economy, December 2016
[18] Eurozone Economic Outlook of 11 January 2017
[19] Federal Statistical Office, Private households in the information society – Use of Information and communication technology, survey 2015 und 2016
[20] puls market research, November 2016
[21] Eurostat, Internet penetration – households, retrieval on 22 January 2016
[22] ZenithOptimedia, Advertising Expenditure Forecasts, December 2016

extent offline through listings and flyers last year. Overall, the online share has risen very significantly over the past five years from 28.5 % in 2011 to 48.4 % in 2016. A total of 34 % of dealers anticipate a further increase in the online share next year.[23]

We are well-positioned to benefit 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 market-leading real estate listings portal in Germany[24], and AS24 is a leading digital car marketplace in Europe, with leading positions in Italy, Belgium (including Luxembourg), the Netherlands and Austria, and ranking second in the market in Germany[25].

German residential property market trends

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

A total of 602,700 sale transactions were realised in the residential property market in 2015 (excluding residential building land). This figure is anticipated to grow by 3.6 % to around 624,800 sale transactions in 2016, according to the most recent forecast from GEWOS on 13 September 2016. Based on a further increase in demand for properties – including due to a high level of immigration into Germany – as well as continued favourable financing conditions and stable economic growth, GEWOS anticipates transaction volumes in the residential real estate market[26] growing by around 9.7 % in 2016 compared with 2015. The positive trend in the German property market will also continue in 2017, according to the forecast by GEWOS.[27]

The real estate agency market in Germany is highly fragmented. According to evaluations by Scout24, the market is consolidating, as a consequence of which the number of agents active in the market continued to fall in 2016 by around 8 %, despite higher transaction volumes. This is partly attributable to the so-called "Bestellerprinzip" (defined in the German Rental Law Amendment Act [MietNovG]), which was newly introduced in June 2015, as well as to the professionalization trend in line with real estate markets that are already further developed.

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[23] puls market research, November 2016
[24] Based on number of real estate listings (management estimate) and visitor numbers (Unique Monthly Visitors, "UMV") and user activity, comScore December 2016 (desktop PC for visitor numbers, desktop PC and mobile devices regarding user activity)
[25] Based on the number of car listings (Autobiz, December 2016)
[26] Excluding residential building land
[27] GEWOS 2016

European automotive market trends

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

Germany is the largest automotive market in Europe with a total number of 45.1 million registered passenger cars in 2015 [28] and total sales of around EUR 169.5 billion from new and used cars transactions.[29] Approximately 7.4 million used cars changed owners in 2016, which is approximately 1 % more than in 2015, according to the German Federal Office for Motor Transport (KBA). A total of approximately 3.35 million new cars have been registered in 2016, an increase of 4.5 % compared to 2015.[30] For 2017, the German Federation for Motor Trades and Repairs (ZDK) expects a slight reduction to around 3.2 million new car registrations. As far as the used car market is concerned, for 2017 the ZDK forecasts a similar trend to 2016, expecting 7.3 to 7.4 million ownership changes.[31] In addition, 75 % of vehicle dealers anticipate a successful first half of 2017, at least at a comparatively high level to 2016, according to a Scout24 survey. Brand-tied dealers are particularly optimistic in this context.[32]

Italy is another big automotive market in Europe with around 37.4 million registered cars.[33] The number of cars sold in Italy fell in the period after the economic crisis. For 2016, Italy's transport ministry reports 15.8 % year-on-year growth to around 1.8 million vehicle registrations (2015: 1.5 million vehicle registrations).[34] The Italian automotive market continues to languish 28.0 % below its pre-crisis level (2007: 2.5 million vehicle registrations), but is showing signs of recovery. For 2017, the Italian research institute for the automotive market, Centro Studi Promotor, expects further growth of around 12.8 % in 2017 to 2.0 million vehicle registrations. [35] Given this, the average number of online car classifieds listings in December 2016 increased 13.2 % year-on-year.[36]

The automotive markets in the Benelux region, by contrast to Italy, have proven relatively consistent in volume over the past ten years. Belgium reported 7.7 % year-on-year growth with 539,519 new registrations (2015: 501,066).[37] In the Netherlands, 2016 saw 382,825 new registrations and consequently 14.7 % less than in the previous year, mainly due to tax changes in the company cars area. For 2017, the market is expected to stabilise due to tax adjustments, with significant growth in new registrations to around 415,000 expected.[38] The used car market grew by 3.6 % in 2016

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[28] German Federal Office for Motor Transport (KBA)
[29] DAT, DAT Report 2016
[30] German Federal Office for Motor Transport (KBA), vehicle registrations in December 2016, January 2017
[31] German Federation for Motor Trades and Repairs (ZDK), November 2016
[32] puls market research, November 2016
[33] Automobile Club d'Italia, figure for 2015, 2016 statistical annual
[34] UNRAE, Immatricolazioni di autovetture per marca dicembre 2016, January 2017
[35] Centro Studi Promotor, Dati e Analisi, January 2017 edition
[36] Autobiz, December 2016
[37] FEBIAC, Immatriculations de véhicules neufs décembre 2016, January 2017
[38] RAI, January 2017

compared with 2015, with around 2.0 million vehicles changing owners in 2016.[39] The number of online car listings in Benelux countries in December 2016 grew by 11.5 % year-on-year.[40]

Recent trends and situation of the Group

The strategy of consistently focusing on users' needs, boosting the listings base, improving service commitment through additional products, as well as further development from a classifieds portal to a market network, is paying off. Scout24 remains on its growth track, achieving marked growth in external revenues of 12.3 % to EUR 442.1 million in the 2016 financial year. This growth is mainly attributable to a higher number of customers and increasing penetration of visibility products at AS24, programmatic advertising, and an improved offering of services along the real estate selling and rental process. Acquisitions also contributed to growth in 2016, especially the acquisition of the Dutch digital automotive classifieds platform European AutoTrader B.V. ("AutoTrader.nl").

The Group-wide Scout24 Media function, which supports activities in display advertising sales and bundles all activities in field of consumer services, extended its position in 2016 and further strengthened the positioning of Scout24 as a leading data-driven publisher in Germany and Europe.

Based on strong operating leverage and consequently a cost growth-rate below the top-line growth rate, consolidated ordinary operating EBITDA over the full course of 2016 was up by 18.4 % to EUR 224.5 million, representing a 50.8 % margin compared with 48.2 % in the full 2015 year.

Capital expenditure amounted to EUR 19.5 million in 2016, equivalent to the previous year's level (2015: EUR 19.3 million). As a percentage of revenues, the investment ratio reduced to 4.4 % compared to 4.9 % in the comparable previous year's period.

The cash contribution, defined as ordinary operating EBITDA less capital expenditure, rose compared with the 2015 financial year by EUR 34.7 million to reach EUR 205.0 million in the 2016 financial year. The cash conversion rate[41], based on ordinary operating EBITDA, was 89.8 %, compared to 91.3 % in the previous year's period.

Capital resources and financing structure ↘page 68

Cash and cash equivalents amounted to EUR 43.4 million as of 31 December 2016 (31 December 2015: EUR 70.6 million). Net financial debt[42] stood at EUR 633.9 million, compared with EUR 711.3 million as of 31 December 2015. This is chiefly attributable to the voluntary repayment of a total of EUR 100.0 million of financial debt.

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[39] VWE Automotive, January 2017
[40] Autobiz, December 2016
[41] The cash conversion rate is defined as (ordinary operating EBITDA less capital expenditure) in relation to ordinary operating EBITDA.
[42] Net financial debt is defined as total debt (current and non-current liabilities) less cash and cash equivalents.

With the reported figures, Scout24 fully met the forecast issued in its 2015 annual report. Revenue growth of 12.3 % was in line with expectations (growth in the low double-digit percentage range), and the ordinary operating EBITDA margin of 50.8 % was slightly above expectations (between 49.5 % and 50.5 %). Non-operating costs totalled EUR 17.8 million, consequently also above the targeted level (approximately EUR 14.5 million). This is mainly due to higher expenses for the reorganisation the Company implemented. Capital expenditure of EUR 19.5 million was slightly above expectations, which assumed slightly lower investments than in the 2015 financial year (EUR 19.3 million). This especially reflects a higher level of capitalisation of development costs in the IS24 segment.

Segment trends

In order to assess business performance, the Scout24 management focuses on core operations, comprising IS24, AS24 and Corporate, and in so doing utilises revenues, ordinary operating EBITDA and the ordinary operating EBITDA margin, as well as other key performance indicators to manage the business, as explained in the section on the control system. These performance metrics and their trends in the reporting period are outlined in the following section.

Key performance indicators

(EUR million)	Q4 2016 (unaudited)	Q4 2015 (unaudited)	+/-	FY 2016	FY 2015	+/-
Revenues from core agents (Germany)	39.7	38.7	2.6 %	156.9	149.6	4.9 %
Revenues from other agents	9.1	8.3	9.6 %	35.4	33.7	5.0 %
Other revenues	24.3	22.7	7.0 %	92.4	83.5	10.7 %
Total external revenues	**73.1**	**69.8**	**4.7 %**	**284.6**	**266.7**	**6.7 %**
Ordinary operating EBITDA	**45.7**	**40.0**	**14.3 %**	**179.2**	**159.2**	**12.6 %**
Ordinary operating EBITDA – margin %	**62.5 %**	**57.3 %**	**5.2pp**	**63.0 %**	**59.7 %**	**3.3pp**
EBITDA	**42.3**	**35.8**	**18.2 %**	**162.6**	**147.9**	**9.9 %**
Capital expenditure	**3.4**	**2.2**	**54.5 %**	**11.1**	**9.8**	**13.3 %**
Core agents (end of period, number)	**17,411**	**19,355**	**(10.0) %**	**17,411**	**19,355**	**(10.0) %**
Core agents (average during period, number)	**17,390**	**19,698**	**(11.7) %**	**18,383**	**20,724**	**(11.3) %**
Core agent ARPU (EUR/month)	**762**	**655**	**16.3 %**	**711**	**602**	**18.1 %**
Unique monthly visitors (UMV)[43] (desktop only, in millions)	**5.1**	**7.2**	**(29.2) %**	**6.4**	**7.7**	**(16.9) %**
Unique monthly visitors (UMV)[44] (multiplatform, in millions)	**10.3**	**11.7**	**(12.0) %**	**11.9**	**11.9**	**(0.0) %**

External revenues in the IS24 segment grew by 6.7 % to EUR 284.6 million in the reporting period compared with EUR 266.7 million in 2015. This revenue growth consequently lay at the lower end of the range of expectations communicated in the 2015 annual report (growth in the high single-digit to low double-digit percentage range). As in the previous year, the largest revenue share is attributable to revenue from core agents, which was up by 4.9 % to EUR 156.9 million (2015: EUR 149.6 million). This revenue growth was driven by – as expected – strong ARPU[45] growth of 18.1 % to EUR 711 for the full 2016 year (2015: EUR 602), which partially offset a declining number of core agents. The number of core agents decreased by 1,944, from 19,355 at the end of December 2015 to 17,411 at the end of December 2016. This decrease is slightly below expectations and is due to churn and shifts to the

[43] ComScore 2016, average for the respective period

[44] ComScore 2016, average for the January to May 2016 and October to December 2016 periods. Erroneous data were gathered in the June to September 2016 period, as a consequence of which this period was excluded from the calculation of the average.

[45] ARPU: Average revenue per user, calculated by the revenues generated with core dealers in the respective period divided by the average number of core agents (calculated from the base of core agents at the start and at the end of the period), and further divided by the number of months in the period

professional pay-per-ad model, as well as some agents leaving the market due to the introduction of the "Mietrechtsnovellierungsgesetz" (German Rental Law Amendment Act [MietNovG], also known as"Bestellerprinzip") in June 2015 and market conditions in Germany. Our customers' migration to the membership model continues to progress nevertheless, as expected. By the end of December 2016, of the approximately 90.0 % of our core agents to which we offered our membership model in 2016, 86.9 % have switched (2015: 76.4 %).

Revenues from other agents grew 5.0 % year-on-year to EUR 35.4 million (2015: EUR 33.7 million). This growth lies slightly above the forecast communicated in the 2015 annual report (growth in a low single-digit percentage range), mainly due to a dynamic increase in revenues from the real estate marketplaces in Austria, which were additionally supported by the acquisition of immodirekt.at (revenue contribution since 1 June 2016: EUR 0.5 million). Revenues from professional pay-per-ad were also up slightly, despite a reduction in booking figures. Revenues for FlowFact CRM software were largely stable. My-next-home has contributed EUR 0.2 million to revenues from other agents since being acquired as of 1 June 2016.

Initiatives in the area of services across the entire real estate selling and rental process, driven by the Group-wide Scout24 Media function, contributed primarily to the 10.7 % growth in other revenues to EUR 92.4 million in the first half of 2016 (2015: EUR 83.5 million). The private listings area also made a positive contribution to revenue growth due to a slight increase in booking figures. Other revenues also include EUR 1.6 million revenues of classmarkets GmbH, Berlin ("classmarkets"), which was acquired on 8 September 2015 (2015: EUR 0.5 million). Growth in other revenues consequently fully corresponds to expectations of growth in the low double-digit percentage range.

IS24 further expanded its market position during the past financial year.
In accordance with the market trend accompanying a reduction in listings' average durations on platforms, the overall number of listings on the IS24 platform reduced slightly in 2016 (around 466 thousand listings as of December 2016 compared with approximately 504 thousand listings in December 2015), although market share was expanded. [46] The number of listings compared with the next competitor went up from 1.4 times in 2015 to 1.6 times in 2016.[47]

Based on extensive content offering, IS24 was able to maintain its leading position in terms of consumer traffic and engagement with an average of 477 million minutes monthly time spent in 2016 (desktop and mobile, 2.6 times compared to its closest competitor).[48] The average number of sessions per month on the websites amounted to 72 million in 2016 (2015: 72 million), whereas, supported by our "mobile-first"

[46] Management estimates
[47] Management estimates
[48] ComScore 2016, average for the January to June 2016 and November to December 2016 periods. Erroneous data were gathered in the July to October 2016 period, as a consequence of which this period was excluded from the calculation of the average.

approach, the average number of sessions via mobile devices grew by 9.6 %.[49] The average number of visits via mobile devices meanwhile account for 68.6 % of total sessions (63.2 % in 2015).

On the basis of the positive revenue development and consistent further implementation of the "OneScout24" approach, ordinary operating EBITDA increased by 12.6 % to EUR 179.2 million in 2016 compared to the previous year. The ordinary operating EBITDA margin rose to 63.0 % compared to 59.7 % during the full 2015 year, thereby outstripping the expectations communicated in the 2015 annual report (between 60.5 % and 61.5 %).

Capital expenditure stood at EUR 11.1 million in the reporting period compared with EUR 9.8 million in the equivalent period of 2015. A significant reason for the increase was a higher level of capitalisation of development costs than in the previous year, mainly due to additional projects and higher personnel costs.

[49] 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).

Key performance indicators

(EUR million)	Q4 2016 (unaudited)	Q4 2015 (unaudited)	+/-	FY 2016	FY 2015	+/-
Revenues from core dealers (Germany)	15.2	12.1	25.6 %	55.8	43.3	28.9 %
Revenues from core dealers (Benelux/Italy)	12.7	9.6	32.3 %	48.9	36.0	35.8 %
Revenues from other dealers	3.5	3.1	12.9 %	13.6	11.6	17.2 %
Other revenues	10.1	8.7	16.1 %	33.6	30.0	12.0 %
Total external revenues	**41.5**	**33.4**	**24.3 %**	**152.0**	**120.7**	**25.9 %**
Ordinary operating EBITDA	**16.7**	**8.9**	**87.6 %**	**64.2**	**43.8**	**46.6 %**
Ordinary operating EBITDA – margin %	**40.2 %**	**26.7 %**	**13.5pp**	**42.2 %**	**36.2 %**	**6.0pp**
EBITDA	**14.1**	**8.1**	**74.1 %**	**55.9**	**39.7**	**40.8 %**
Capital expenditure	**1.7**	**3.1**	**(45.2) %**	**7.3**	**9.0**	**(18.9) %**
Germany						
Core dealers (end of period, number)	**24,421**	**22,298**	**9.5 %**	**24,421**	**22,298**	**9.5 %**
Core dealers (average during period, number)	**24,351**	**22,137**	**10.0 %**	**23,360**	**21,036**	**11.0 %**
Core dealer ARPU (EUR/month)	**208**	**182**	**14.3 %**	**199**	**171**	**16.4 %**
Unique monthly visitors (UMV)[50] (desktop only, in millions)	**3.0**	**4.2**	**(28. 6) %**	**3.7**	**4.5**	**(17.8) %**
Unique monthly visitors (UMV)[51] (multiplatform, in millions)	**5.3**	**6.2**	**(14.5) %**	**6.1**	**6.5**	**(6.2) %**
Benelux/Italy						
Core dealers (end of period, number)	**18,747**	**17,447**	**7.5 %**	**18,747**	**17,447**	**7.5 %**
Core dealers (average during period, number)	**18,623**	**17,363**	**7.3 %**	**18,097**	**16,922**	**6.9 %**
Core dealer ARPU (EUR/month)	**228**	**184**	**23.9 %**	**225**	**177**	**27.1 %**
Unique monthly visitors (UMV)[52] (desktop only, in millions)	**2.5**	**2.9**	**(13.8) %**	**2.8**	**3.1**	**(9.7) %**

External revenues in the AS24 segment report a strong growth track with a 25.9 % increase to EUR 152.0 million in the 2016 financial year, compared with EUR 120.7 million in the 2015 financial year. This growth by far exceeds the forecast communicated in the 2015 annual report, which assumed similar growth to 2015 (13.0 %). This dynamic growth was mainly due to a higher-than-expected rise in revenues from core dealers in Germany of 28.9 % (expected: low double-digit per-

[50] ComScore 2016, average for the respective period
[51] ComScore 2016, average for the respective period
[52] ComScore 2016, average for the respective period

centage rate) and Benelux/Italy of 35.8 % (expected: similar magnitude to 2015, in other words, around 15.1 %). In line with expectations, both are benefiting from a growing number of core dealers as well as strong ARPU growth (average revenue per core trader per month). The ARPU growth is largely attributable to increasing penetration of visibility products. AutoTrader.nl, which was acquired in February, contributed EUR 5.5 million to revenues at AS24, as expected, of which EUR 5.0 million reflected revenues from core dealers. Adjusted for the consolidation effect, revenues from Benelux/Italy core dealers were up by 21.9 %, with external revenues in the AS24 segment increasing by 21.7 %. The number of core dealers in Germany grew by 9.5 % to 24,421 as of 31 December 2016, and ARPU (average revenue per core dealer) rose by 16.4 % to EUR 199 compared with the full 2015 year. In Benelux and Italy, ARPU grew by 27.1 % to EUR 225, along with a growing number of core dealers up 7.6 % to 18,747.

Revenues from other dealers also reported a significant increase of 17.2 % to EUR 13.6 million (2015: EUR 11.6 million), driven by revenue growth in Austria and Spain. The "Express Sale" product, which arose as a result of acquiring easyautosale in 2015, made a positive contribution to revenue from other dealers. Other revenues benefited from solid growth in advertising revenue, especially with OEMs, and were up 12.0 % to EUR 33.6 million (2015: EUR 30.0 million). The forecast of a positive trend in revenues from other dealers and other revenues was fully confirmed as a consequence.

By executing further on its strategic focus to increase the listings base and enhance user-friendliness, an improved offering for mobile devices, as well as continuing the strategy of acquiring new dealers over the past twelve months, AS24 achieved a further increase in its total listing base of 6.6 % to 1,286 thousand in December 2016 (compared with 1,206 thousand in December 2015). Moreover, AS24 successfully defended its market leadership based on numbers of listings in Belgium (including Luxembourg), the Netherlands and Austria, and further expanded its market leadership in Italy.[53] Driven by mobile functionality enhancements, mobile sessions in Germany increased to 63.0 % of total sessions up on a year-average basis in 2016. In 2015, sessions via mobile devices averaged 49.7 % of all sessions. The average share of visits via mobile devices in relation to total visits in Belgium, the Netherlands and Italy was up from 53.1 % to 63.5 % over the same period.[54]

The positive revenue development and continuation of the "OneScout24" approach is reflected in ordinary operating EBITDA, which grew 46.6 % to EUR 64.2 million. The ordinary operating EBITDA margin was up 6.0 percentage points to 42.2 %. The forecast from the 2015 annual report was also exceeded here as a consequence (increase of a few percentage points in the ordinary operating EBITDA margin).

[53] Autobiz, December 2016

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

Capital expenditure amounted to EUR 7.3 million in the 2016 financial year, compared with EUR 9.0 million in the 2015 equivalent period. This reduction is mainly attributable to expiring capital expenditures connected with a technological shift of the AS24 platform and the migration of some apps to the Cloud.

Corporate

As expected, external revenues continued to fall in the 2016 financial year (EUR 1.3 million compared with EUR 2.8 million in 2015). Ordinary operating EBITDA adjusted for the management fee was negative to the tune of EUR 18.7 million in the 2016 financial year, compared to minus EUR 14.1 million in the full 2015 year. The expected deterioration is due to the continuation of the "OneScout24" approach and related greater bundling of Group-wide functions in the Corporate segment.

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

Changes to the reporting structure

To standardise and improve the management and steering structure, the consolidated income statement was modified from the cost of sales method to the nature of expense method as of 1 January 2016. This conversion to the nature of expense method represents a voluntary modification of accounting policies and reporting methods in the meaning of IAS 8.14b. To ensure comparability with the previous year's accounting periods, the corresponding figures were restated retrospectively.

Results of operations

Scout24 remained on its growth track in the 2016 financial year, with external revenues up EUR 48.5 million, or 12.3 %, to EUR 442.1 million compared with the 2015 financial year (EUR 393.6 million), mainly driven by the strong performance of AutoScout24 (AS24) and consumer monetisation initiatives under the Scout24 Media umbrella. In the 2016 financial year, the newly acquired AutoTrader.nl, immodirekt.at and my-next-home.de contributed a total of EUR 6.3 million to Group revenues in 2016. Adjusted for acquisitions, revenues in the 2016 financial year were up 10.7 % compared to the full year 2015.

Capitalised development costs increased by EUR 1.0 million to EUR 11.7 million in the 2016 financial year due to a greater level of development work performed.
Other operating income of EUR 2.6 million in the 2016 financial year was markedly below the previous year's level (EUR 8.5 million). This is mainly attributable to EUR 5.0 million of income in 2015 from charging on IPO costs.

Personnel expenses (including EUR 15.3 million of non-operating costs) were up by EUR 12.5 million, or 12.6 %, to EUR 112.0 million (2015: EUR 99.5 million, of which EUR 11.9 million were non-operating effects), and thereby increasing faster than the average number of employees. This is mainly due to non-operating expenses as part

of the reorganisation implemented in 2016, as well as share-based compensation, but also a higher level of personnel expenses per FTE due to a change in the personnel structure, which takes into account the increased requirements of the Company. Due to the operating leverage, advertising expenses (EUR 50.6 million) and IT expenses (EUR 13.3 million) were largely stable year-on-year (2015: EUR 50.6 million and EUR 12.3 million), despite revenue growth in 2016.
Other operating expenses reduced by EUR 9.5 million or 11.4 %, compared with the 2015 financial year to a level of EUR 73.7 million (2015: EUR 83.2 million). This is mainly attributable to a lower level of consulting and other services, which in 2015 were burdened by non-operating IPO costs of EUR 10.5 million.

As a result of the aforementioned developments, earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 23.9 % to EUR 206.8 million in the reporting period (2015: EUR 166.9 million).

Included in the EBITDA are EUR 17.8 million non-operating costs (previous year: EUR 22.6 million), which essentially consist of personnel expenses as well as costs in the context of M & A transactions. Personnel expenses include personnel expenses from share-based compensation for management equity programs (2014 program and 2015 program) totalling to EUR 4.1 million (previous year: EUR 3.6 million) as well as performance-based remuneration from share purchase agreements totalling to EUR 2.8 million (previous year: EUR 2.2 million). Ordinary operating EBITDA correspondingly increased by 18.4 % from EUR 189.6 million to EUR 224.5 million.

The reconciliation to ordinary operating EBITDA is as follows:

Reconciliation ordinary operating EBITDA

Group (in EUR million)	FY 2016	FY 2015
Ordinary operating EBITDA	**224.5**	**189.6**
Non-operating cost	(17.8)	(22.6)
of which personnel expenses	(15.3)	(11.9)
of which attributable to M&A transactions	(3.3)	0.0
of which IPO costs	0.0	(5.5)
of which other non-operating costs	0.8	(5.3)
EBITDA	**206.8**	**166.9**

IS24 (in EUR million)	FY 2016	FY 2015
Ordinary operating EBITDA	**179.2**	**159.2**
non-operating costs	(16.6)	(16.6)
of which personnel expenses	(9.6)	(5.4)
of which attributable to M&A transactions	(0.1)	(1.0)
of which other non-operating costs	0.7	(1.1)
of which Management Fee[55]	(7.5)	(3.8)
EBITDA	**162.6**	**147.9**

AS24 (in EUR million)	FY 2016	FY 2015
ordinary operating EBITDA	**64.2**	**43.8**
non-operating costs	(8.3)	(4.1)
of which personnel expenses	(1.5)	(2.0)
of which attributable to M&A transactions	(2.4)	(0.1)
of which other non-operating costs	(0.3)	(0.2)
of which Management Fee[56]	(4.1)	(1.7)
EBITDA	**55.9**	**39.7**

Depreciation, amortisation and impairment losses amounted to EUR 65.5 million, of which EUR 49.6 million was attributable to intangible assets arising from purchase price allocations (2015: EUR 65.6 million and EUR 48.8 million respectively).

The net financial expense stood at EUR 43.8 million in the 2016 financial year, compared with EUR 22.4 million in the 2015 financial year, whereby 2015 includes EUR 22.1 million of one-off income from the disposal of interests in companies accounted for using the equity method. The interest expense paid to third parties included in the net financial expense amounted to EUR 45.8 million in the 2016 financial year (2015: EUR 47.7 million). Due to the refinancing implemented at the end of 2016 financial year and early repayments over the course totalling to EUR 100.0 million on the previous syndicated loan, the net financial expense was burdened by EUR 14.4 million of one-off effects for the amortisation of debt acquisition cost.

Income tax expenses totalled EUR 31.6 million in the 2016 financial year, equivalent to a 32.1 % effective tax rate, compared with EUR 22.0 million of tax expenses in the 2015 financial year. Income tax expenses included offsetting effects from deferred taxes amounting to EUR 11.2 million, largely on the amortisation of assets deriving from purchase price allocations. Deferred tax income totalled EUR 10.1 million in the 2015 financial year.

[55,58] The Corporate segment charges IS24 and AS24 with a management fee for covering certain management services. This is part of the profit from ordinary operating activities in the Corporate segment, but not in the IS24 and AS24 segments, where it is shown as a non-operating effect and thus is not included in the ordinary operating EBITDA

In consequence, Scout24 reported EUR 66.9 million of consolidated earnings after tax for the 2016 financial year. This includes a EUR 0.3 million loss attributable to the shares of non-controlling shareholders. Consequently, earnings of EUR 67.2 million were attributable to the shareholders of the Company, resulting in earnings per share of EUR 0.62.

Financial position

Principles and objectives of financial management

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

The current dividend policy is linked to the leverage ratio (ratio of net debt to ordinary operating EBITDA for the last 12 months). The target for the leverage ratio stands at 2.50:1 and is expected to be achieved by mid 2017. Taking this and the significant reduction in interest margin achieved as part of the refinancing by end of 2016 into account, we propose a dividend of EUR 0.30 per share entitled to dividend to the Supervisory Board for the year 2016. This corresponds to a pay-out of EUR 32.28 million. In relation to the share price at December 30, 2016, this represents a dividend yield of 0.9 %.

Capital resources and financing structure

Scout24 AG refinanced its debt at the end of the 2016 financial year and repaid its existing syndicated loan with a remaining liability of EUR 681.0 million as of 30 December 2016. As part of the new syndicated loan agreement (Facility Agreement, hereinafter abbreviated as "FA"), Scout24 AG had access to a total lending facility of EUR 800.0 million as of 31 December 2016. The unsecured syndicated loan consists of a EUR 600.0 million term loan as well as a revolving credit facility of EUR 200.0 million, of which EUR 80.0 million has been drawn down. A EUR 30.0 million of the term loan is to be repaid every year until maturity as of 29 December 2021, with the remaining amount, as well as the revolving credit facility, being due at maturity.

The interest rate for the facilities drawn under the syndicated loan is based on EURIBOR plus an interest margin tied to leverage. The new FA enabled interest margins to be reduced significantly, so the highest interest margin now stands at 2.0 % (before the refinancing: 4.25 %). EURIBOR is limited to a minimum of 0.0 % on the downside.

The covenant applicable as part of the FA refers to the ratio of net debt to ordinary operating EBITDA for the last twelve months (leverage ratio) and stands at 3.75:1.00 as of 31 December 2016. The covenant was complied with in the reporting period, with the EBITDA headroom amounting to 24.0 % on 31 December 2016.

Due to the good cash conversion rate[57], during the course of 2016 a total of EUR 100.0 million of the then existing loan was repaid voluntarily, of which EUR 40.0 million was repaid in April and EUR 60.0 million in September 2016.

Along with the liquid assets position of EUR 43.4 million (31 December 2015: EUR 70.6 million), the Group also has liquidity from the aforementioned revolving facility of EUR 120.0 million, which was not utilised as of 31 December 2016. Besides the FA a further lending agreement of EUR 0.4 million was concluded to secure the Company's guarantees

As of the balance sheet date, off-balance sheet liabilities totalled EUR 30.2 million, including EUR 13.1 million with a term of less than one year, EUR 15.2 million with a term between one and five years, and EUR 1.9 million with a term of more than five years. As of 31 December 2015, off-balance sheet liabilities amounted to EUR 36.2 million. The EUR 6.0 million reduction is mainly due to shortening the residual rental duration for office spaces due to time-delimited rental contracts.

Leases and other obligations ↘page 162

Liquidity and investment analysis

Scout24 generated EUR 154.9 million of cash flow from operating activities in the 2016 financial year, an increase of 24.4 % compared with EUR 124.5 million in the 2015 financial year. This mainly reflects EBITDA growth. Offsetting effects included cash outflows for income tax payments of EUR 43.0 million related to the 2016 financial year as well as the previous year.

The negative cash flow from investing activities of EUR 48.8 million arose mainly from the acquisition of AutoTrader.nl for EUR 29.5 million as well as investments in assets of EUR 19.5 million. Capital expenditures comprise EUR 17.1 million of investments in intangible assets and EUR 2.4 million of investments in property, plant and equipment. Capital expenditures on intangible assets mainly reflect the capitalisation of own and third-party development work, whereby a significant proportion is attributable to investments connected with the technology switch of the AS24 platform as well as the migration of some apps to the Cloud. Further developments include product innovations in the area of communication in the context of property searches as well as in the IS24 pay-per-ad business.

In the 2015 financial year, Scout24 generated EUR 36.2 million from net divestitures, mainly due to the disposal of the investment in PropertyGuru Pte. Ltd., Singapore. Capital expenditures amounted to EUR 19.3 million in 2015.

Cash flow from financing activities amounted to negative EUR 133.3 million in the reporting period. This includes voluntary repayments of the previous syndicated loan agreement of EUR 100.0 million as well as EUR 29.1 million of interest payments.

[57] The cash conversion rate is defined as ordinary operating EBITDA less capital expenditure in relation to ordinary operating EBITDA.

In total, in the 2016 financial year cash and cash equivalents decreased by EUR 27.2 million from EUR 70.6 million as of 31 December 2015 to EUR 43.4 million as of 31 December 2016.

Net assets

The Group's consolidated total assets as of 31 December 2016 of EUR 2,130.9 million remained almost unchanged compared to the previous financial year-end (31 December 2015: EUR 2,173.2 million).

Non-current assets decreased by 1.0 %, or by EUR 20.8 million, to EUR 2,034.7 million (31 December 2015: EUR 2,055.5 million). This reflects mainly a reduction in other intangible assets of 16.1 %, or EUR 41.9 million, to EUR 217.6 million through amortisation from purchase price allocations. This was offset by a EUR 28.9 million increase due mainly to the acquisition of AutoTrader.nl.

Current assets diminished from EUR 117.7 million to EUR 96.2 million, with the item making the greatest contribution to this reduction being cash and cash equivalents, which were down from EUR 70.6 million to EUR 43.4 million.

Current liabilities rose from EUR 86.9 million to EUR 112.3 million in the reporting period, mainly due to an increase in financial liabilities. As part of the refinancing as of 30 December 2016, an annual mandatory repayment of EUR 30.0 million has been agreed upon, which is reported under current liabilities.

Non-current liabilities decreased from EUR 1,165.0 million as per 31 December 2016 to EUR 1,027.8 million as per 31 December 2015. This is primarily due to voluntary repayments of the syndicated loan agreement of EUR 100.0 million as well as the reclassification of EUR 30.0 million to current liabilities. Deferred tax liabilities, which were recognised primarily on temporary differences arising from purchase price allocation, reduced in line with intangible assets.

Equity grew from EUR 921.3 million to EUR 990.8 million. Correspondingly, the equity ratio now stands at 46.5 % as of 31 December 2016 compared with 42.4 % as of 31 December 2015.

Employees

As Scout24 operates in a fast-changing industry, a key competitive advantage is to attract and retain the “best and brightest” talents. The constructive use of diversity management and dealing with the social diversity of all employees is of great importance to Scout24. Scout24 stands for a respectful corporate culture, in which open and unprejudiced interaction forms a central aspect. Working for Scout24 are individuals with the most different convictions, cultural and occupation-related backgrounds, skills and values. Diversity is seen to be a strength – because it enables the Group to respond to the individual needs of customers and the challenges of a constantly changing market.

As of 31 December 2016, Scout24 employed 1,135 full-time equivalent employees ("FTE"), compared to 1,120 FTE as of 31 December 2015, excluding trainees, apprentices, short-term employees ("Aushilfen") interns, temporary agency employees ("Leiharbeitnehmer") and freelancers.

The following tables show the number of FTE – including members of the Management Board and the management – as of 31 December 2016, as well as of 31 December 2015, presented by segment and region:

FTE (end of period)	**31/12/2016**	**31/12/2015**
Group	1,135	1,120
IS24	653	681
AS24	378	379
Corporate	95	48
Other	9	12

FTE (end of period)	**31/12/2016**	**31/12/2015**
Group	1,135	1,120
Germany	994	993
Abroad	141	127

Overall statement

With overall very positive business development and growth during the reporting period, the Scout24 Group once again proved the success of its focus on sustainable and profitable growth. We have driven our revenue growth mainly organically, but also through targeted acquisitions that bolster our market position. Moreover, we continued to successfully advance the realignment of our organisation in 2016 and promoted the leveraging of synergies.

The trend in our ordinary operating EBITDA reflects the success of our strategy. Based on our margin quality, strong cash contribution,[58] solid balance sheet structure and good ratio of net debt to ordinary operating EBITDA for the past twelve months, we are in an outstanding position to progress the transformation of our Company from a provider of digital classifieds portals to a sector-leading provider of digital marketplaces, as well as to maintain and further boost our profitability.

[58] Cash contribution is defined as ordinary operating EBITDA less capital expenditure.

Risks and opportunities

The Scout24 Group is regularly confronted with 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. An existence-threatening risk to the Group is currently not foreseeable.

The Internet business in Germany, Europe and worldwide remains on a growth track. Especially in the advertising 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 online marketplaces with relevant content and offerings for users represents a significant business potential for innovative marketing strategies for the offerings and their trading platforms. We are positioned well both operatively and strategically to benefit from this market dynamic, and to exploit it as a growth opportunity for the listings 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 listings business and made preparations to tap the future revenue growth potential that also lies outside the classic listings business of an online marketplace. 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 in terms of its balance sheet.

Accordingly, we assess the risks at the time of preparation of the management report as limited, overall risk is manageable. Compared to the reporting period as of 31 December 2015, no (fundamental) change has occurred to overall risk. No identifiable risks currently exist that either individually or together would lead to a significant and sustainable impairment of the Scout24 Group's results of operations, financial position and net assets.

Risk management system, compliance management system and internal control system

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

The internal control system forms a significant component of the risk management system and comprises the entirety of the rules and measures, principles and procedures to achieve the Company's objectives. It is especially intended to ensure the security and efficiency of business processing, 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 should enable the Scout24 Group to identify unfavourable developments at an early stage in order to promptly take counteractive measures and monitor them.

Risk management in the reporting period 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.

Scout24 classifies its risks according to external, financial, operational, strategic and compliance risks – so-called risk areas. The assessment of the risks is carried out, to the extent possible, according to quantitative parameters, likelihood of occurrence and the potential financial impact.

Objective of the 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 audit activities of the internal audit. The starting point and connecting factor in this connection are the requirements for the risk management and compliance management systems for capital market oriented companies.

Principles of risk and opportunity management at the Scout24 Group

The principles of a responsible corporate management at the Scout24 Group include the constant, responsible weighing of risks and opportunities that arise from business activity. The goal of the risk and opportunity management system is to develop a strategy and establish goals that create an optimal balance between growth and profitability on the one hand and the related risk on the other, and thereby systematically and sustainably increase shareholder value.

Risk characteristics that we have already taken into account in our financial planning are not explained as a consequence.

Scout24 reports on the risks and opportunities that are significant overall for the Group's corporate development comprehensively as part of the annual budget planning process. To derive the integrated 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 provides for the risks and opportunities survey and assessment by an established method throughout the Company. The specific assessment of the opportunities and risks at the time of the budget preparation are re-verified during the year in additional revisions of the planning and the risk reporting, so a quarterly assessment of the opportunities and risks for the Scout24 Group is performed.

Above and beyond this, current risks and opportunities as well as their effects on the Company are discussed at bi-weekly Executive Leadership Team (ELT) meetings, in quarterly meetings with the Supervisory Board, and in regularly occurring budget, strategy and results 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 juncture, analyse them, manage them, monitor them 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 and central functions, who bear responsibility for implementing the risk and opportunity management system in the risk reporting units, in other words, the operating units.

In this connection, the effectiveness of the integrated risk management, compliance and internal control systems is controlled through random testing by a co-sourced internal audit function provided by an external consulting firm.

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

A significant component of the internal monitoring system of the Company is formed by the accounting-related risk management system as well as the internal control system. Through applying the aforementioned COSO framework, the effectiveness and efficiency of the operations as well as the completeness and reliability of the financial reporting is ensured through the effective interaction of the risk management system and the internal control system. In this connection, the accounting-related risk management and the internal control system include all organisational rules and measures for the identification and handling of risks emanating from financial reporting.

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

- Process for the identification, assessment and documentation of all significant accounting-relevant Company processes and risk fields, including related key controls. These include processes of financial and accounting and operational Company processes that provide significant information for the preparation of the annual and consolidated financial statements, including the management report.
- Process-integrated controls (IT-supported controls and access limitations, authorisation concept, especially in the case of accounting-related IT systems, dual control system, and segregation of duties).
- Standardised and documented financial bookkeeping processes.
- Group financial accounting guidelines and reporting processes.
- Regular information to all consolidated companies regarding current developments relating to accounting and financial reporting and the preparation process for the financial statements, 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 the ordinary business activities. Uniform Group standards to systematically handle risks and opportunities form the basis for successful risk prevention compliance in this context. The standards are set out in the Scout24 Group Governance, Risk & Compliance Handbook (GRC Handbook) and are put into force by the Management Board. The core GRC process it sets out – for which the Risk Management & Compliance department is responsible – ensures standardised processes to evaluate, analyse and report risk, as well as implement steering 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 forms 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 corporate processes that are of relevance to risk and compliance to meet the requirements of the corporate structure and strategy.

Along with updating existing risk management and compliance guidelines and processes, this also includes the introduction of new and important regulations and standards, as well as the consistent promotion of our Code of Conduct and external whistleblower system. This was supplemented by a communication and training

Code of Conduct: Corporate Social Responsibility ↘page 53

concept newly introduced in the reporting year in relation to relevant risk and compliance information for all Company units, to raise employee awareness accordingly and achieve a uniform Company-wide understanding of our risk management and compliance standards. In November 2016, this training concept was distinguished by the "Outstanding Security Performance Awards" (OSPAs) in the "Outstanding Initiative for Security Training" category. The Scout24 Group thereby operates a system of rules, processes including preventative trainings, and internal controls, with which help potential deficits within the Company are identified at an early stage, allowing them to be minimised through corresponding measures.

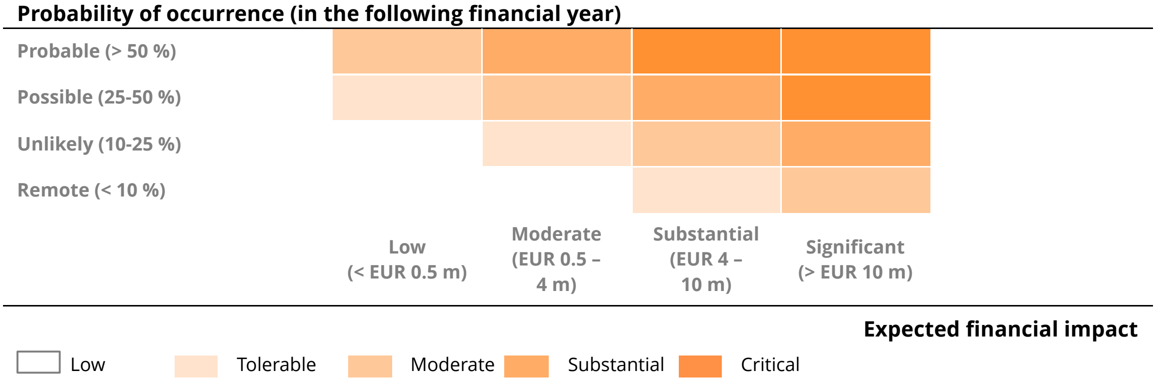
Development of the risk assessment

Identifying significant risks represents the start of the process. In this connection, risks that exceed a certain materiality threshold or represent a subjective urgency are brought to the Management Board's attention on an ad hoc basis by the risk owner, or via 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. An expansion of the early warning system to include automated fraud indicators (so-called "fraud risk red flags") for key processes is planned for the 2017 financial year.

The risk assessment is performed taking into consideration the anticipated effects on the financial position and performance, as well estimated probabilities of occurrence as "unlikely", "tolerable", "moderate", "substantial" or "critical". Risk assessment is based on quantitative parameters, in other words, the probability of a risk materialising in percent (event risk) and the potential level of loss in euros. The quantification in this connection is primarily to make clear the relevance of the reported risk. The assessment of the monetary extent of damages is the responsibility of the business units. The time horizon for estimating risks amounts to 1 year for the probability of occurrence and approximately 2-3 years for the potential loss level.

The identified risks are measured applying the gross/net method. In the gross observation, the loss level and probability of occurrence are initially measured excluding any measures put in place to reduce the loss level or probability of occurrence. The aim of the gross measurement is to reflect the entire extent of potential loss, to thereby prevent an erroneous estimate that can arise from overestimating the impact from existing risk management measures. In a second step, the net appraisal takes into any account risk management measures that have been put in place, by contrast. The objective of the gross/net method is to gauge the economic efficiency of the prevention expense deployed.

Here, risks are presented by their net expected value of loss, in other words, on a basis of a net view of their expected financial impact regarding the likelihood of occurance of all risks aggregated in the risk clusters. The risk-reducing measures that have been implemented are therefore considered in the risk classification. The scales for measuring the assessment magnitudes (probability of occurrence and expected financial impact) as well as the resulting risk classification matrix are presented in the following table.



Analysing causes and interactions also forms part of the risk evaluation. Opportunities are not included in the measurement, but are instead covered as part of the planning account.

The third step finally consists of the risk management. Given the existence of certain risk indicators in relation to the defined materiality thresholds, countermeasures are developed and launched. The defined measures and risks are updated in connection with interim reporting to management.

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

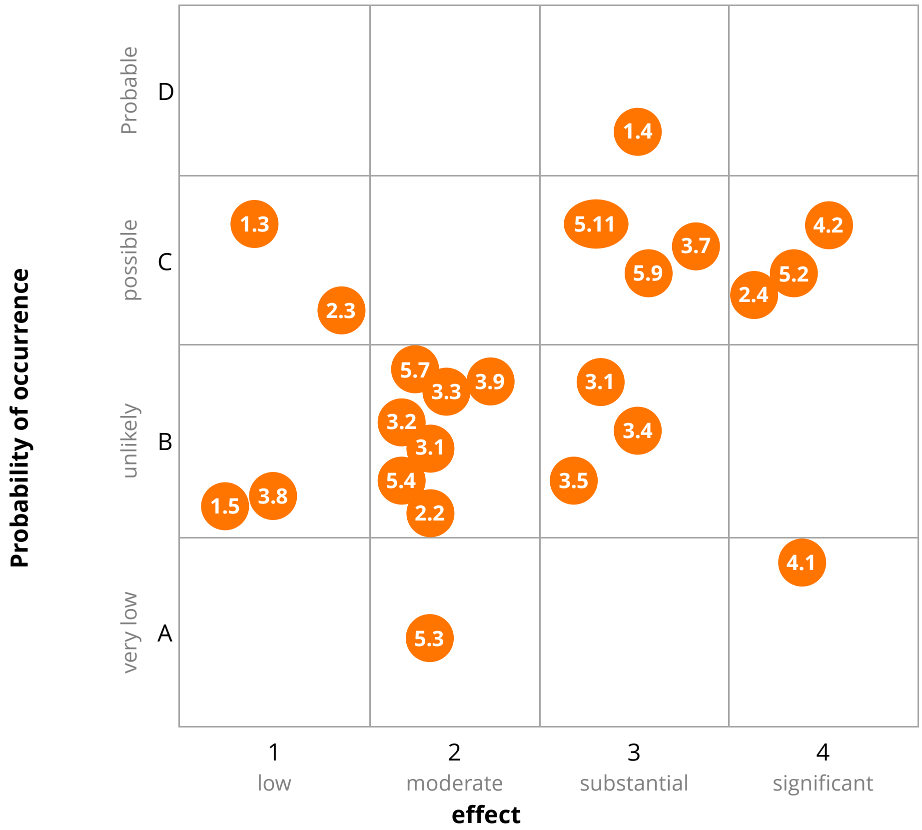
Overall risk situation, risk clusters and risk fields

The overall risk situation (net) is determined by assessing the risk clusters as the result of a consolidated consideration: The year-on-year changes are as follows:

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

↓ Decrease ↑ Increase

= Unchanged ↙↗ Immaterial change



The preceding graphic only shows risk clusters having a net expected value of loss higher than 500,000 EUR with a weighted likelihood of occurrence over 10 percent.

Risk clusters that from today's perspective could significantly affect the Scout24 Group's financial position and performance are presented below. In this context, all the risks that are included in the "significant" and "critical" fields in the underlying risk classification matrix are considered substantial. These are not necessarily the only risks to which the Company is exposed. Further risks that could affect our operations are currently not foreseen, or we appraise them as not substantial.

We assess the overall risk situation for the Group and its business units to be manageable.

External risks

1.3 Legal environment

Along with operational and financial risks, our business activities generate a wide range of legal risks, which we nevertheless currently gauge as tolerable both individually and together. Due to the relative importance of this risk factor, 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.

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

We are also subject to a variety of laws and regulations, many of which are not yet firmly established or are still developing. These also include the legal areas of consumer protection, data protection, e-commerce and competition, some areas of which prove highly effective in attracting general public attention. Antitrust and competition claims or investigations may also require changes in our business operation.

On 1 June 2015, a new statutory regulation came into force in Germany that now requires property owners, as landlords, to bear the costs of the agent they mandate ("Bestellerprinzip"). This has led to a structural shift in rentals via agents to a greater level of private rentals, and also considerably reduced the agent commission for rental properties. Partly as a consequence of this, the number of agents in Germany has reduced. An extension of the "Bestellerprinzip" to real estate sales is currently being discussed, and whether it will be implemented is still open. For properties for sale, too, this new regulation could lead to a structural shift from listings by agents to private listings, as well as a reduction in the agent commission.

German legislation introduced a draft law that tightens the professional requirements for real estate agents, to ensure a common quality standard. Under the new agent certification regime, agents would have to fulfil certain professional minimum requirements, such as providing proof of their expertise. This can also lead to a reduction in the number of agents. In consequence, this may reduce the customer base of IS24 and the number of listings, which may negatively impact revenues from professional customers, from which IS24 derives the major share of revenues. Further, sold and leased properties are subject to energy efficiency regulations, under which sellers and landlords are obliged to obtain an energy performance certificate (Energieausweis). The requirements of such energy efficiency regulation may be tightened and adversely altered in the future, as already occurred in 2014. More stringent regulation may have consequences on listings volumes, as for example the introduction of the energy efficiency legislation led to a temporary drop in listings.

Similarly, the Energy Consumption Labelling Ordinance ("Energieverbrauchs-kennzeichnungsverordnung") requires sellers of goods that consume energy resources and produce carbon dioxide emissions, such as cars, to provide certain information regarding emissions and performance. Failure to provide such information when listing cars on Scout24 platforms might therefore result in administrative or legal proceedings against customers by regulatory agencies or environmental organisations. As a result, customers might refrain from listing cars on digital listing platforms such as AS24 in general, or, in the case of administrative or legal proceedings regarding a listing on AS24, might attribute any legal consequences to Scout24 platforms. As a consequence, AS24 might incur churn and/or risk a damage to its reputation.

Also, any changes to the ability of Scout24 to utilise user and member data in its systems, or share data, could impact its revenues. For example, offering value-added services, such as valuation, would be impeded if the Company were prevented, either by law or on a regulatory basis, from utilising the transaction database. Likewise, Scout24 relies on e-mail and messaging services in its marketing efforts. Restrictions in the ability to contact its customers and consumers could therefore adversely affect its business.

The risk of negative consequences from the discontinuation of the EU Safe Harbour in international data transfer cannot yet be gauged effectively. Although the so-called 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 as tolerable at present.

Any risks arising from changes to the legal environment are counteracted by internal and external law experts by a thorough examination of all contractual and regulatory matters. We endeavour to fulfil all our obligations by continuous supervision and avoid conflicts arising from the violation of third parties' rights or breach of regulatory provisions.

Litigation risks – in other words, pending court or regulatory procedures against the companies of the Scout24 Group – that could lead to significant claims, or which probably could not be fulfilled, do not exist.

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

1.4 Competition & market

Our profitability depends crucially 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 sales could reduce, impairing 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 could be able to encourage our customers to use other platforms 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.

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 expenses or the loss of customers. For example, competitors might introduce new products and services at any time, which would 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 revenues from the European automotive market, especially from original equipment manufacturers ("OEMs"). Recent developments in the automotive industry might negatively affect OEMs' advertising budgets 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 aggregate a critical 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 gauge them as tolerable to moderate. Above and beyond this, competition and market risks also rank for us as general business risks.

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

Financial risks

2.4 Financial accounting

The Scout24 Group capitalised around EUR 1.2 billion of intangible assets as of the balance sheet date. The extent to which such assets retain their value is subject to constant testing for potential impairment, in other words, circumstances that can negatively affect long-term value and necessitate the application of extraordinary write-downs in the form of impairment losses. Given this, the risk exists that the valuation of such capitalised intangible assets, such as contractual customer relationships, are subject to devaluation due to declining customer numbers, including those partly caused by statutory changes. Considering the quantitative effects and probability of occurrence, we gauge this risk as critical at individual risk level.

Due to our continuous monitoring of our capitalised intangible assets for potential impairment, we nevertheless gauge the risk of having inappropriately valued such assets as of the reporting date as low.

Operational risks

3.7. IT risks

The security of customer information that we store, or the functioning of our portals and our general systems, can be jeopardised. Scout24 business segments are connected to geographically separated and redundant data centres to ensure our systems' security and stability. The operation of the platforms is under permanent monitoring so as to quickly initiate appropriate countermeasures in case of failure. Additionally, a comprehensive multi-stage protection of our systems as well as personalised, role-based access controls guarantee protection against unauthorised access and external attacks. To align our measures in the cyber security area to current benchmarks and best practices, in the first quarter of 2016 we conducted a comprehensive external IT/cyber security audit, and supplemented it with ongoing intensive penetration tests. From this, we consistently derive new, risk-reducing measures to secure both our platform as well as internal and external access to our business data against unauthorised access.

Due to the importance of our data for our business, we gauge this risk as substantial, despite existing and effective risk-reducing measures.

Strategic risks

4.2. Sales, marketing & brand

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

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

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

Overall, the strategic risks have critical significance for us, as they characterise the orientation of our business model medium- to long-term. We nevertheless regard such risk as manageable due to our intensive market research and detailed analysis.

5.2. Data protection & data security

We receive and process data from customers and users as part of our operating activities. The users of our platforms entrust us not only with data required for registration, but also information about their personal life circumstances (such as the ImmobilienScout24 applicants package). Customer confidence in the security of our platforms deriving from IT security and data protection must be justified.

The products are developed and set up with a view to data protection and the IT security of data. Regular training sessions ensure that data handling in line with data protection regulations is firmly anchored in staff awareness. New products and procedures are examined in defined processes to ensure they are compatible with data protection and data security.

Data storage and processing in this context always occurs within the context of statutory regulations, and we always protect all data and information from unauthorised access. Unauthorised publication by unauthorised third parties is consequently a high risk relating to the confidence of our customers and users and the transfer of their data. The same is true for the unauthorised transmission to third parties by unauthorised individuals or without corresponding approval. In particular, the utilisation of new third-party technologies of relevance to competition bears the risk – in the context of EU data protection regulations – of being partly non-compliant with statutory requirements.

We counter such risks through securing the customer and user data that are entrusted to us using current technologies and security concepts, as well as corresponding internal regulations and processes. Despite extensive security precautions, however, our data can be spied upon, sold, deleted, published or compromised in another manner both internally and externally by illegally gained criminal access.

Due to the key significance of data for our business model, we gauge risks connected with data protection and data security as critical, despite our extensive technical security measures, internal regulations and processes.

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 securing the loyalty of appropriately qualified employees. In order to ensure a proper staffing to meet the growth challenges and to enhance our attractiveness as employer we conduct a strategic personnel planning which implies a comprehensive recruiting.

Particular risks are seen in the loss of know-how and a lack of transfer of knowledge 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 significant.

5.11 Documentation obligations

A functioning contract management system is an important precondition for the smooth processing of all supply and performance relationships. Due to the high number of individual contracts, especially with customers and suppliers, and including as part of our online business, the risk generally exists that disadvantageous obligations or disadvantageous contractual consolations can arise in specific cases. We utilise both standardised purchasing, sale and supply contracts as well as standardised general terms and conditions of business to avoid such risks relating to individual contracts structures. Though, this increases the risk that such contractual conditions are invalid, and unenforceable as a result.

Due to the large number of contracts concluded, within the online business, we see in aggregate the risk of insufficiently documented contractual components, including requisite internal approvals, as significant generally.

The regular involvement of our legal department as well as the purchasing department in the context of our internal (purchasing) processes is absolutely mandatory to avoid such risks. From 2017, new underwriting guidelines also help reduce overall risk.

Given this, we classify this risk as manageable.

Opportunities

Overall statement on opportunities from the viewpoint of management

The Internet business continues on a growth track in Germany, Europe and worldwide. In particular, business models in the advertising business are shifting from offline offerings such as print media to online offerings. Online advertising expenditures accounted for a 31.6 % share in 2016, for example, and is expected to reach 36.6 % by 2019.[59] It is precisely this change that generates growth potential for the Scout24 business models.

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

[59] ZenithOptimedia, Advertising Expenditure Forecasts, December 2016

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

Significant opportunities

Potential for further income growth at ImmobilienScout24
ImmobilienScout24 is Germany's largest online real estate advertising portal with supported brand recognition of 84 %.[60] Today, almost 70 % of customers already use our services via mobile devices. Such services can be utilised across all devices. Our own apps have already been downloaded more than 14 million times[61], which underscores the attractiveness of the platform.

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 real estate advertising budgets (both with respect to classifieds as well as general advertising). The advantageous network effect in this sector should work in our favour, and we believe it will lead to a disproportionately high share of advertisements and visitors (measured by access numbers, reach and visitor activity) on our marketplace. In the case of our commercial real estate providers, especially regarding the larger ones, we see substantial potential to increase our share of their advertising expenditures ("share of wallet").

Our average revenues per core agent ("ARPU") have room for growth, since they are lower than those of comparable market-leading companies in other countries where the shift from offline media to online advertising portals is already further advanced.

We believe our ARPU can be significantly increased, since we are constantly increasing the added value for our customers, and the market is continuously shifting from print products to online offerings. This development should lead in the medium term to an increase in the ordinary operating EBITDA margin in the ImmobilienScout24 segment.

Largest EU-wide online automobile advertising portal with potential for increased performance
AS24 operates the leading digital car classifieds portal in Europe and is market leader in Italy, Belgium (including Luxembourg), the Netherlands and Austria – measured in terms of the total number of classifieds – and ranked second in Germany.[62]

AS24 benefits from a Europe-wide presence through fixed-cost digression effects. The Europe-wide presence allows it to allocate costs for parts of the business, especially the fixed costs for development and the operation of our Internet sites and the

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[60] GfK Brand & Communication Research, January 2017
[61] Management estimate
[62] Autobiz, December 2016

mobile apps to the markets. Furthermore, the pan-European reach enables us to provide regional car dealers with access to demand in the European market, thereby expanding their target group of potential buyers. With a view to the cross-border sales of automobiles in Europe, this offers substantial added value.

The similarities in the sales processes and listing placements for automobiles and real estate allow us to use our expertise and our tried and tested practices for both areas and optimise the processes. Especially with respect to our new developments for mobile products, such as the refurbished app for mobile phones, we can accelerate the mobile access to our offering and improve user friendliness for our customers in our AutoScout24 segment. In parallel, we are endeavouring to constantly deliver growing added value to our dealer customers through product innovation, thereby improving our position compared to our main competitor. As a result, we expect an increase of the ordinary operating EBITDA margin of our AutoScout24 segment in the medium term.

Good starting position for further expansion of our online portal and development of further market opportunities along the value chain in the real estate and automobile sectors

The leading position of our IS24 portal by access numbers and user activity[63] in Germany, and of AS24 at a European level, provides us with strong and far-reaching access to customers who are ready to buy, and should enable us to generate additional income from our reach, for example, through fee-based services along the value chain. We have already successfully introduced the first added-value service offerings, which should serve to support customers through the entire real estate sales or letting process.

At the same time, the pan-European presence of AS24 enables additional income to be generated through the large number of individuals seeking cars, online advertising sales and lead models along bordering segments of the automobile value chain. We intend to establish AutoScout24 as the "go-to" online portal for automotive manufacturers (OEMs), loan and insurance agents, replacement parts and accessory dealers and repair shops.

Stable business model with constant revenue growth, strong margins and higher cash flow generation

From 2013 to 2016, our external revenues have grown at a compound annual growth rate of 12.5 %, and reached a total of EUR 442.1 million in the reporting period. Our revenues are not directly dependent on the market prices of real estate and automobiles or the number of real estate transaction or auto 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 newly introduced membership model with which our customers can offer their entire

[63] Based on visitor numbers (Unique Monthly Visitors, "UMV") and user activity, comScore December 2015 (desktop PC for visitor numbers, desktop PC and mobile devices regarding user activity)

real estate portfolio, we are additionally tailoring our pricing arrangement to the specific advertising quotas of our customers.

Our marketplace model and our leading market position make us highly profitable. In the reporting period, our Group generated ordinary operating EBITDA of EUR 224.5 million, and consequently an ordinary operating EBITDA margin of 50.8 %. We believe, however, that our ordinary operating EBITDA margin can be improved even further. The relatively small investment requirements of our business model lead to a significant generation of cash flows.

Benefiting from user interest overlap in our digital marketplaces

Scout24 Media was established in 2015 as a Group-wide function to advance the generation of leads and sale of listings Group-wide, and helps position Scout24 as a leading data-based premium supplier in Germany and Europe. Scout24 Media combines Group-wide product marketing capabilities and resources as well as third party and agency sales teams. Based on the intensive usage of our portals and the significant synergies across IS24 and AS24, the Management Board believes Scout24 is positioned well to deliver value-added services and products extending beyond classifieds advertising. Management estimates that approximately 30 % of AS24 users in Germany are also interested in real estate and approximately 43 % of IS24 users in Germany are also interested in cars. This significant user base overlap allows the Group to offer relevant products and services to its consumers and to effectively offer targeted, data-driven advertising and lead-generation solutions to companies interested in reaching the large and qualified base of approximately 16 million monthly individual users.[64]

[64] AGOF digital facts 2016-10

Outlook

Market and sector expectations

As described in the section "Macroeconomic and sector-specific environment", Scout24 is expecting favourable tailwinds in the stable macroeconomic backdrop, as well as in 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 market.

Company expectations

Scout24 reported a successful financial year in 2016 with 12.3 % revenue growth and an ordinary operating EBITDA margin of 50.8 %, which demonstrates our continued focus on sustainable and profitable revenue growth.

The online advertising outlook in Germany and Europe remains positive as both consumers and customers become increasingly digital. Scout24 is well positioned to benefit from this structural shift due to the market leading positions of our ImmobilienScout24 and AutoScout24 platforms, with both divisions benefiting from the shift of marketing budgets from traditional marketing channels to online. Our profitable growth is especially driven by revenues from our core agent and core dealer partners and by increasing consumer monetization along the value chain of real estate or automotive.

We are confident that this momentum will continue in 2017, and expect group revenue to record a growth rate in the high single-digit area. Reflecting the scalable nature of our business model, our total cost base should grow at a disproportionately lower rate than revenues and we therefore expect the ordinary operating EBITDA margin to increase by around one percentage point.

For 2017, we expect total non-operating costs to amount to approximately EUR 10.0 million. This will include approximately EUR 3.0 million of share-based compensation and around EUR 3.0 million from a share purchase agreement. Approximately EUR 0.6 million of share-based compensation relate to an accounting effect of the existing Management Equity program, and another around EUR 2.4million to a virtual management equity program launched in 2015. We expect a non-recurring charge for reorganisation of approximately EUR 4.0 million.

Finally, we expect capital expenditure to be on a comparable level to 2016.

ImmobilienScout24
For 2017, we expect IS24 to achieve a mid-single-digit percentage revenue growth rate. Revenue growth will be weighted towards the second half, where we expect an acceleration to a mid to high single-digit percentage rate. As in previous years, underlying costs are expected to grow at a disproportionately lower rate than revenues. However, we are stepping up investment in marketing and product innovation for both, our customers and consumers. We expect these investments to have a positive impact on our top line growth, starting in the second half of 2017. As a result, we expect ordinary operating EBITDA margin on a slightly lower to similar level than in 2016.

Revenues from core agents increased by 4.9 % in 2016 compared to 2015, in the fourth quarter 2016 revenues from core agents increased by 2.6 % compared to the fourth quarter 2015. From an operational perspective, we saw a successful development of the most important performance indicators: IS24 increased its listings market share versus its closest competitor (from 1.4x to 1.6x) and it maintained a strong competitive lead in consumer traffic and engagement (2.7 the next closest competitor) while growing traffic and leads for its agent customers. In addition, 86.9 % of IS24 customers were migrated to the new membership model. The migration should be completed by end of 2017, as the package based products are expiring. The number of core agents as of December 2016 declined by 10.0 % compared to December 2015 with a stabilization of agent numbers in the fourth quarter 2016, mainly in line with the general market development.

For 2017, the operational focus for the core agent business will be to maintain or grow its listings market share. In addition, we will continue to drive penetration of our visibility products in order to achieve an ARPU increase in the high-single- to low-double-digit percentage. ARPU growth will be weighted towards the second half of 2017, where we expect measures taken throughout 2016 to kick in. Core Agent numbers are assumed to remain stable excluding any potential impact of agents leaving the business as a result of prevailing market conditions throughout the year. As a result, we expect revenues from core agents to increase by a low single-digit percentage rate with an accelerated growth rate in the second half of 2017.

Revenues from other agents are estimated to grow by a low single digit percentage.

Other revenues are expected to grow by a low teens percentage rate, largely driven by strong growth opportunities in the consumer monetization segment.

AutoScout24
For 2017, we expect AS24 to grow revenues by a mid-teens percentage growth rate and for ordinary operating EBITDA margin to expand further by at least five percentage points.

We do anticipate a more moderate growth in the number of core dealers in Germany versus the previous year, given our already high market penetration. We expect AS24 revenues from core dealers in Germany to grow to at least in the mid-teens, driven by ARPU growth through the ongoing penetration of the visibility products.

2017 revenues from core dealers in Benelux and Italy should grow at levels similar to revenues from core dealers in Germany.

We expect a positive development for revenues from other dealers and other revenues both with an increase in the low teens percentage.

Other disclosures

Dependency Report

Closing statement of the Management Board report concerning relations to associated companies pursuant to Section 312 of the German Stock Corporation Act (AktG)
Scout24 AG was a company dependent on Willis Lux Holdings 2 S.à r.l. i.L., Luxembourg, during the 2016 financial year. As no control agreement exists with Willis Lux Holdings 2 S.à r.l. i.L., pursuant to Section 312 of the German Stock Corporation Act (AktG) the Management Board of Scout24 AG is obliged to compile a report on the relationships to other affiliated companies. This report comprises information on the relationship to the controlling company and to other companies affiliated to the controlling company, as well as to companies of the Scout24 Group for the 2016 financial year.

The Management Board, in accordance with Section 312 (3) of the German Stock Corporation Act (AktG), declares the following:

> “Our company received an appropriate compensation for any legal transactions specified in this report concerning the relationships with affiliated companies, based on the circumstances of which we were aware at the time when the legal transactions were carried out. No other measures were concluded in the financial year 2016 at the instigation or in the interests of the affiliated companies.”

Takeover-relevant information pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB)

The following presents information according to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB) as of 31 December 2016.

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 (individual share certificates) with a proportional interest in the share capital 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 no-par value share grants the same rights and carries one vote at the Company's annual shareholders' meeting. All registered shares are fully paid in.

Restrictions affecting the voting shares or share transfers
The independent Supervisory Board members entered into a commitment to the Company to re-invest a certain part of their Supervisory Board compensation in shares. Those shares are to be held for the duration of their terms of their Supervisory Board membership at Scout24 AG.

Direct or indirect equity investments exceeding 10 % of voting rights

As of 31 December 2016, the Company is aware of the following equity investments representing more than 10 % of voting rights: Willis Lux Holdings 2 S.à r.l. i.L., Luxembourg, 24.92 %, and Deutsche Telekom AG, Bonn, 10.10 %.

Shares endowed with special rights

All shares grant the same rights. No classes of shares exist that are endowed with special control rights.

Control of voting rights for equity investments of employees

No provisions exist for control of voting rights if employees participate in the share capital without directly exercising their voting rights.

Appointment and dismissal of Management Board members, amendments to the articles

Pursuant to Section 6 (2) of the articles of incorporation of Scout24 AG, the Management Board members are to be appointed, and their appointments are to be revoked, by the Supervisory Board. Further provisions are set out in the Sections 84 and 85 of the German Stock Corporation Act (AktG). Any amendment to the articles of incorporation shall require a majority of at least three quarters of the attending share capital at the General Meeting of Shareholders. The provisions of Sections 179 et seq. of the German Stock Corporation Act (AktG) are applicable. Pursuant to Section 10 (4) of the articles of incorporation, the Supervisory Board shall be entitled to amend the articles solely relating to their wording. In particular, the Supervisory Board is authorised to amend the wording of the articles of incorporation after complete or partial implementation of the increase of the share capital out of the Authorised Capital 2015 stipulated in Section 4 (6) of the articles or after the expiry of the authorised period in accordance with the amount of the capital increase out of Authorised Capital 2015.

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 against cash or non-cash capital contributions, by an amount of up to EUR 50.0 million in total (Authorised Capital 2015). Shareholders are to be granted subscription rights in this context. Pursuant to Section 186 (5) of the German Stock Corporation Act (AktG), the new shares can also be transferred to a bank or enterprise operating pursuant to Section 53 (1) Clause 1 or Section 53b (1) Clause 1 or Section 53b (7) of the German Banking Act (KWG), with the obligation to offer them to the shareholders for subscription (indirect subscription right). The Management Board, with Supervisory Board approval, is authorised to exclude shareholders' subscription rights in whole or in part in the following cases:

- in case of a capital increase against cash capital contributions if the issue price of the new shares is not substantially (in the meaning of Section 186 (3) Clause 4 AktG) lower than the stock exchange price of shares of the Company

carrying the same rights, and the shares issued by excluding the subscription right in accordance with Section 186 (3) Clause 4 AktG, in aggregate do not exceed ten percent (10 %) of the share capital, either at the time of this authorisation entering into effect or at the time of exercise of this authorisation. Those shares must be taken into account with regard to this limit that have been issued or sold subject to exclusion of the shareholder subscription rights during the time when this authorisation is in effect up to the time of exercise of the respective authorisation in direct or corresponding application of Section 186 (3) Clause 4 AktG. Those shares must also 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 point in time of the respective exercise of the authorisation if the convertible bonds/bonds with warrants were issued by the Company or Group companies subject to exclusion of the subscription right of the shareholders in direct or corresponding application of Section 186 (3) Clause 4 AktG after this authorisation takes effect;
- in case of capital increases against non-cash capital contributions, in particular for the purpose of acquiring companies, parts of companies or interests in companies; for the purpose of excluding fractional amounts from the shareholders' subscription rights;
- for fractional amounts;
- for issuance of 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 Section 204 (3) AktG;
- for the purpose of granting subscription rights to holders of conversion or option rights related to bonds to be issued by the Company or an affiliated company.

Altogether, the portion of the share capital that is attributable to shares being issued on the basis of the Authorised Capital 2015 with the shareholders' subscription rights being excluded shall not exceed 10 % of the share capital, either at the time of that authorisation taking effect or at the time when the authorisation is exercised. The shares issued or to be issued to service bonds with conversion or warrant rights or an obligation to convert them shall count towards the aforementioned 10 % limitation if such bonds were issued during the term of this authorisation with the shareholders' subscription rights being excluded.

The Management Board is authorised to determine the further details of the capital increase and its implementation, in particular the content of the share-related rights and the terms and conditions of the share issue, with the approval of the Supervisory Board.

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

By resolution of the Extraordinary Meeting of Shareholders of Scout24 AG on 17 September 2015, and in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act (AktG), the Management Board is authorised to purchase its own shares representing an amount of up to 10 % of the lesser of the share capital at the time of the authorisation or the share capital at the time of the respective exercise of the authorisation. The share capital at the time of the authorisation amounted to EUR 100,000,000. This authorisation can be exercised in full, or in part, once, or on several occasions and is valid until 16 September 2020. The shares may be purchased (1) on the stock market or (2) by way of a public offer to all shareholders made by the Company or (3) by way of a public invitation to submit offers for sale or (4) by granting rights to tender to the shareholders.

Material agreements of the Company that take effect in the event of a change of control following a takeover bid
The Facility Agreement signed on 19 December 2016 represents a significant Group agreement subject to a change of control. In the case of a change of control and under additional preconditions, this enables individual lenders to claim their share of the loan within a set timeframe.

Compensation agreements with the Management Board members or with employees in the event of a takeover bid
No such agreements exist.

Corporate Governance Declaration according to Articles 289a, 315 (5) of the German Commercial Code (HGB)

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

www.scout24.com

Additional disclosures for the individual financial statements of Scout24 AG

The management report for Scout24 AG and the Group management report for the Scout24 Group have been combined. The following statements refer exclusively to the separate annual financial statements of Scout24 AG prepared according to the statutory accounting regulations of Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code and the supplementary regulations of Sections 150 et seq. of the German Stock Corporation Act (AktG).

The consolidated management report was prepared in accordance with International Financial Reporting Standards (IFRS). Differences in the measurement provisions, of fixed assets and financial instruments were the main differences to arise in this context.

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 with a focus on real estate and automotive in Germany and other selected European countries.

The object of the Company is to acquire and hold participating interests in other companies as well as to provide management services to direct and indirect subsidiaries in the meaning of the "OneScout24" approach. In this function, it is responsible for the management and strategic focus of the Group's business segments.

Scout24 AG provides finance, accounting, controlling, internal auditing, risk management & compliance, business development and corporate strategy, communication, investor relations, human resources and legal services within the Group.

Scout24 AG also renders services as part of the Scout24 Media business. Scout24 Media, as a Group-wide function, undertakes activities in listings sales, and bundles all activities in the field of services for consumers. The latter means that services along the value chain of selling and renting property and the automotive market respectively, are provided. These services include for example property financing, property valuation, information on potential borrowers' credit standing (schufa) and automobile financing. As part of Scout24 Media, Scout24 AG combines Group-wide marketing competences and resources with third-party providers and sales partners.

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

The individual subsidiaries and business areas of Scout24 AG are managed through effective controlling of the Company's participating interests, a function that monitors activities continuously. In the course of monthly analyses, the planned targets are compared with the actual figures and arising differences are analysed.

Scout24 AG measures the performance of its subsidiaries and business areas applying the management metrics of revenue and ordinary operating EBITDA margin. These are supplemented by capital expenditures in property, plant and equipment and intangible assets ("capex") as well as further segment-specific auxiliary indicators.

From the management's perspective Scout24 AG is not controlled in a considerably independent way. The main focus in management lies on the subsidiaries. Scout24 Media is not managed independently but within the subsidiaries of Scout24 AG.

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

In the financial year under review, the financial position of Scout24 AG was especially determined by the further growth of the subsidiaries, expanding the support services in the Scout24 Media field, and the refinancing of the syndicated loan, and can be described as very positive overall.

Results of operations

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

Income statement (condensed)

(EUR thousands)	**FY 2016**	**FY 2015**	**+/-**	**+/- in %**
Revenues	37,659	12,975	24,684	190.2
Other operating income	3,065	9,815	(6,750)	(68.8)
Material costs	(18,664)	(2,143)	(16,521)	770.9
Personnel expenses	(18,370)	(7,910)	(10,460)	132.3
Amortizations and depreciation	(57)	(23)	(34)	147.8
Other operating expenses	(14,068)	(42,486)	28,418	(66.9)
Income from profit transfer agreements	129,852	127,571	2,281	1.8
Income from financial asset lendings	32,623	35,536	(2,913)	(8.2)
Other interest and similar income	2,211	4,561	(2,350)	(51.5)
Interest and similar expenses	(34,383)	(37,007)	2,624	(7.1)
Taxes on income and on revenue	(35,539)	(26,861)	(8,678)	32.3
Earnings after tax	84,329	74,028	10,301	13.9
Other taxes	135	(48)	183	(381.3)
Annual net profit	84,464	73,980	10,484	14.2

Revenues increased year-on-year by EUR 24.7 million, from EUR 13.0 million to EUR 37.7 million. This arises, firstly, from invoiced services (increase by EUR 16.8 million) that Scout24 AG receives from its subsidiaries as part of the Scout24 Media business, and, secondly, from an increase in management services charged out to subsidiaries (increase by EUR 9.2 million).

Other operating income reduced by 68.8 % compared with the previous year, from EUR 9.8 million to EUR 3.0 million. This is mainly attributable to income from passing on EUR 5.0 million of the IPO costs to the shareholders in 2015, as well as a reduction in income relating to other accounting periods. This was offset by the release of the provision for pending losses for the measurement of the interest floor in an amount of EUR 1.8 million.

The material costs rose from EUR 2.1 million in 2015 to EUR 18.7 million in the financial year under review. One reason for this increase is the assumption of the services of the Scout24 Media area by Scout24 AG (increase by EUR 16.8 million) and corresponds to the revenue growth.

Personnel expenses rose from EUR 7.9 million in 2015 to EUR 18.4 million in 2016 in line with the higher number of employees as well as the employee structure. In the 2016 financial year, Scout24 AG employed a year-average of 72 staff members excluding the Management Board members (previous year: 20).

Other operating expenses reduced by 66.9 % to EUR 14.1 million compared with the previous year (EUR 42.5 million). In the previous year, these expenses were burdened by legal and advisory costs connected with the IPO. In the financial year under review, these expenses include, among other items, general legal and advisory costs, rental expenses, and expenses for marketing, advertising and PR.

Income from profit transfer agreements amounted to EUR 129.9 million in the financial year under review (previous year: EUR 127.6 million), representing 1.8 % growth. The income arises from the profit transfer agreement with Scout24 Holding GmbH, Munich (hereinafter also referred to as "Scout24 Holding").

Due to the improved earnings situation of the subsidiaries and Scout24 AG, taxes on income and revenue amounted to EUR 35.5 million in the 2016 financial year (previous year: EUR 26.9 million), representing an increase of EUR 8.6 million (32.3 %). The disproportionately high increase in taxes compared to the increase in earnings arises from other internal effects such as a lower possibility of tax deductions compared to the previous year and the carry forward of losses from mergers in 2015, which could not be recognized in the previous financial year.

Earnings after tax rose by 13.9 % from EUR 74.0 million to EUR 84.3 million.

As a consequence, the net profit for the year grew by a total of 14.2 % to EUR 84.5 million, compared with EUR 74.0 million in the previous year.

Financial position and net assets

Scout24 AG manages the Group's liquidity through its financial management function. Scout24 AG provides for sufficient liquidity in order to meet its payment obligations at all times. This is performed on the basis of a multi-year financial planning and monthly rolling liquidity planning.

The financial position of Scout24 AG is presented by the following condensed balance sheet:

Balance sheet (condensed)

(EUR thousands)	31/12/2016	31/12/2015	+/-	+/- in %
Intangible assets	865	-	865	100.0
Property, plant and equipment	283	229	54	23.6
Financial assets	1,561,930	1,561,929	1	0.0
Fixed assets	**1,563,078**	**1,562,158**	**920**	**0.1**
Trade receivables	5,022	506	4,516	892.5
Receivables from affiliated companies	188,997	201,841	(12,844)	(6.4)
Other assets	263	2,087	(1,824)	(87.4)
Cash holdings and bank credit balances	143	30	113	376.7
Liquid assets	**194,425**	**204,464**	**(10,039)**	**(4.9)**
Deferred expense	2,953	2,562	391	15.3
Total assets	**1,760,456**	**1,769,184**	**(8,728)**	**(0.5)**
Subscribed share capital	107,600	107,600	0	0.0
Nominal value of treasury shares	(13)	0	(13)	-
Capital reserve	423,170	423,892	(722)	(0.2)
Reserves for treasury shares	13	0	13	-
Retained earnings	53,800	53,800	0	0.0
Balance sheet profit	454,608	370,144	84,464	22.8
Equity	**1,039,178**	**955,436**	**83,742**	**8.8**
Provisions	**33,512**	**20,295**	**13,217**	**65.1**
Liabilities	**686,383**	**791,929**	**(105,546)**	**(13.3)**
Deferred income	1,383	1,524	(141)	(9.3)
Total liabilities and equity	**1,760,456**	**1,769,184**	**(8,728)**	**(0.5)**

The increase in intangible assets arises mainly from prepayments rendered for software purchased from third parties.

Trade receivables rose by EUR 4.5 million year-on-year to EUR 5.0 million. This increase is in line with the revenue growth.

Receivables due from affiliated companies comprise mainly receivables from the profit transfer agreement with Scout24 Holding as well as receivables from the cash pooling. The reduction in receivables in 2016 from EUR 201.8 million to EUR 189.0 million arises chiefly from the decrease in cash pooling receivables.

Equity changed by EUR 83.7 million, from EUR 955.4 million in the previous year to EUR 1,039.2 million. This effect is mainly attributable to the net profit. The subscribed share capital includes the deduction of EUR 13 thousand treasury shares from the share capital of EUR 107.6 million.

Share-based payments, ↘page 171

The capital reserve also reduced by EUR 0.7 million. The purchase of treasury shares and subsequent issuing of shares to managers as part of the stock option program entailed withdrawing EUR 1.6 million from the capital reserve. A total of EUR 3.8 million was also provisioned for shares yet to be repurchased.

Moreover, personnel expenses of EUR 4.7 million were recognised in the capital reserve in connection with share-based compensation.

Above and beyond this, the capital reserve was reduced by EUR 13 thousand through forming the reserve for treasury shares.

We kindly advise to consider additional information on treasury shares in the notes of the annual financial statements.

The equity ratio improved by 5.0 percentage points to 59.0 % (previous year: 54.0 %).

Provisions rose by EUR 13.2 million from EUR 20.3 million to EUR 33.5 million, mainly due to the higher level of provisions for outstanding invoices connected with the Scout24 Media business, as well as due to the anticipated repurchase of treasury shares from the employee participation programs. Adverse effects arose from the reversal of a provision for contingent losses at an amount of EUR 1.8 million.

Liabilities are characterised by EUR 680.0 million of bank borrowings (previous year: EUR 780.8 million). The reduction EUR 100.8 million in bank borrowings arises chiefly from the repayment of the original loan (Senior Facility Agreement) and the conclusion of a new lending agreement for a Term Loan of EUR 600.0 million as well as a revolving credit line of EUR 200.0 million, of which EUR 80.0 million was drawn as of 31 December 2016.

Risk and opportunities report of Scout24 AG

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

The description pursuant to Section 289 (5) of the German Commercial Code (HGB) referring to the essential features of the internal control and risk management system in relation to the financial reporting process for the Scout24 AG is included in the risk and opportunities report of the Group.

Forecast report for Scout24 AG

Due to the interdependence between Scout24 AG and its subsidiaries, the results of Scout24 AG are almost completely determined by its subsidiaries. For this reason, Scout24 AG endeavours to support its subsidiaries to ensure and further develop their market success.

In general, the statements made in the forecast report of the Scout24 Group on the development of the market, sales and results apply to Scout24 AG accordingly. The forecast increase in revenue as well as the ordinary operating EBITDA margin of the Scout24 Group will contribute correspondingly to positive business growth at Scout24 AG.

Scout24 Media is not managed independently but within the subsidiaries of Scout24 AG. Therefore, we do not provide a forecast report on Scout24 Media.

Munich, 16 March 2017
Scout24 AG

The Management Board

Gregory Ellis

Christian Gisy