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 accompany 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 digital 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. 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 for our listing customers as well as for other customers. In addition, users may also take advantage of special, partially fee-based, additional products and services that help them throughout the process of buying or selling real estate and cars.

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 or project 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. The unit Scout24 Consumer Services, previously “Scout24 Media”, is operating in both segments, bundles competencies in the services area along the value chain of real estate and automotive and drives lead-generation and advertising sales.

ImmobilienScout24 (IS24)

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. Users can browse the adverts free of cost. Inquiries and searches by users – meaning aspiring buyers or tenants – translate into traffic, which drives lead generation for both professional and private listers.

The main products are therefore classifieds for the sale and rental of real estate. IS24 also provides real estate professionals with additional services to acquire and manage customers. Customers who have a listings contract with IS24 can boost their listings' effectiveness with supplementary products to add on individually. Vendors can book visibility products to give their listing a more prominent placing in search results, for example. Supplementary products can also be added in the pay-per-ad model.

Additionally, IS24 offers its consumers additional assistance through valuations, credit checks, relocation services, mortgage financing and insurance services driven by Scout24 Consumer Services. In the form of a fee-based premium membership, users can easily order up-to-date credit information, save it in a digital application profile together with other application documents, and send it on to the listing the property. Furthermore, property hunters can use a premium membership to achieve a prominent placing of their inquiry in the inbox of the party offering the property, profiling themselves in relation to other applicants. For business customers, IS24 offers the possibility to address users through the display of advertising or other targeted advertising measures.

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] In the "Brand of the Year 2017" rankings awarded by market research institute YouGov in cooperation with German daily business newspaper Handelsblatt, the ImmobilienScout24 brand achieved first place among portals in the "Digital Living" category.[4]

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

AutoScout24 (AS24)

AS24 is a digital marketplace for automotive and offers listing platforms for used and new cars, motorcycles and commercial vehicles to dealers and private sellers, in order to reach potential customers. AS24 offers professional car dealers and private sellers the opportunity to place automotive classifieds in order to reach potential buyers. Users can browse the adverts free of cost. Inquiries and searches by users translate into traffic, which drives lead generation for both professional and private listers.

For placing a listing, car dealers have to pay a fee. The main products are therefore classifieds for the sale of new and second-hand cars. In addition, dealers who have a listing-contract with AS24 can can boost their listings' effectiveness with supplementary products to add on individually. In the second half of 2017, for example, a 360°-function was introduced as an additional product, which makes it possible to integrate a high-resolution, zoomable 360°-image of a car into the listing. Private sellers have the opportunity to list for free or to sell their car to verified dealers through the express sale. In addition, AS24 offers customers and consumers additional value-added products, for example the display of advertising for automotive original equipment manufacturers (“OEMs”) or other services like car financing.

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.[6]

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

[3] Based on visitor numbers (Unique Monthly Visitors, "UMVs") and user activity, comScore December 2017 (desktop PC for visitor numbers, desktop PC and mobile devices regarding user activity)

[4] YouGov BrandIndex, "Brand of the Year" in corporation with Handelsblatt, October 2017

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

[6] Autobiz, December 2017

AS24 also operates in Spain and France and offers local language versions of the marketplace in ten additional countries. Moreover, at AutoScout24.com, AS24 offers an English-language version that also enables cross-border searches.

The AutoScout24 Group also operates the digital automotive marketplaces AutoTrader.nl in the Netherlands and Gebrauchtwagen.at in Austria.

Along with the high degree of brand recognition, AutoScout24 enjoys users' confidence: a representative survey conducted by ServiceValue on behalf of German business magazine Focus-Money, highlighted the AutoScout24 app as the most customer-friendly mobile app in the category automotive marketplaces.[7]

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 and provides finance, accounting, controlling, internal auditing, risk management& compliance, business development and corporate strategy, communication, investor relations, human resources and legal services for its subsidiaries. Furthermore, the Scout24 AG provides services for its operating subsidiaries within the Scout24 Consumer Services business.

As of the balance sheet date, Scout24 AG holds indirect interests in 14 operating subsidiaries, which are fully consolidated in the consolidated financial statements, as well as in two companies accounted for applying the equity method, and one minority interest.

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. Pursuant to the company's Articles of Association, the Supervisory Board consisted of a total of nine members during the 2017 financial year. The size of the Supervisory Board reduced in the fourth quarter as some Supervisory Board members stepped down from office, and now consists of seven members until new nominations are made. The Supervisory Board is comprised of 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.

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[7] ServiceValue commissioned by Focus-Money, March 2017

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 289a (1), 315a (1) of the German Commercial Code (HGB), as well as additional disclosures relating to the individual financial statements of Scout24 AG, are provided as integral parts of the combined management report in the respective Sections starting at page 85.

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 289f, 315d 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:

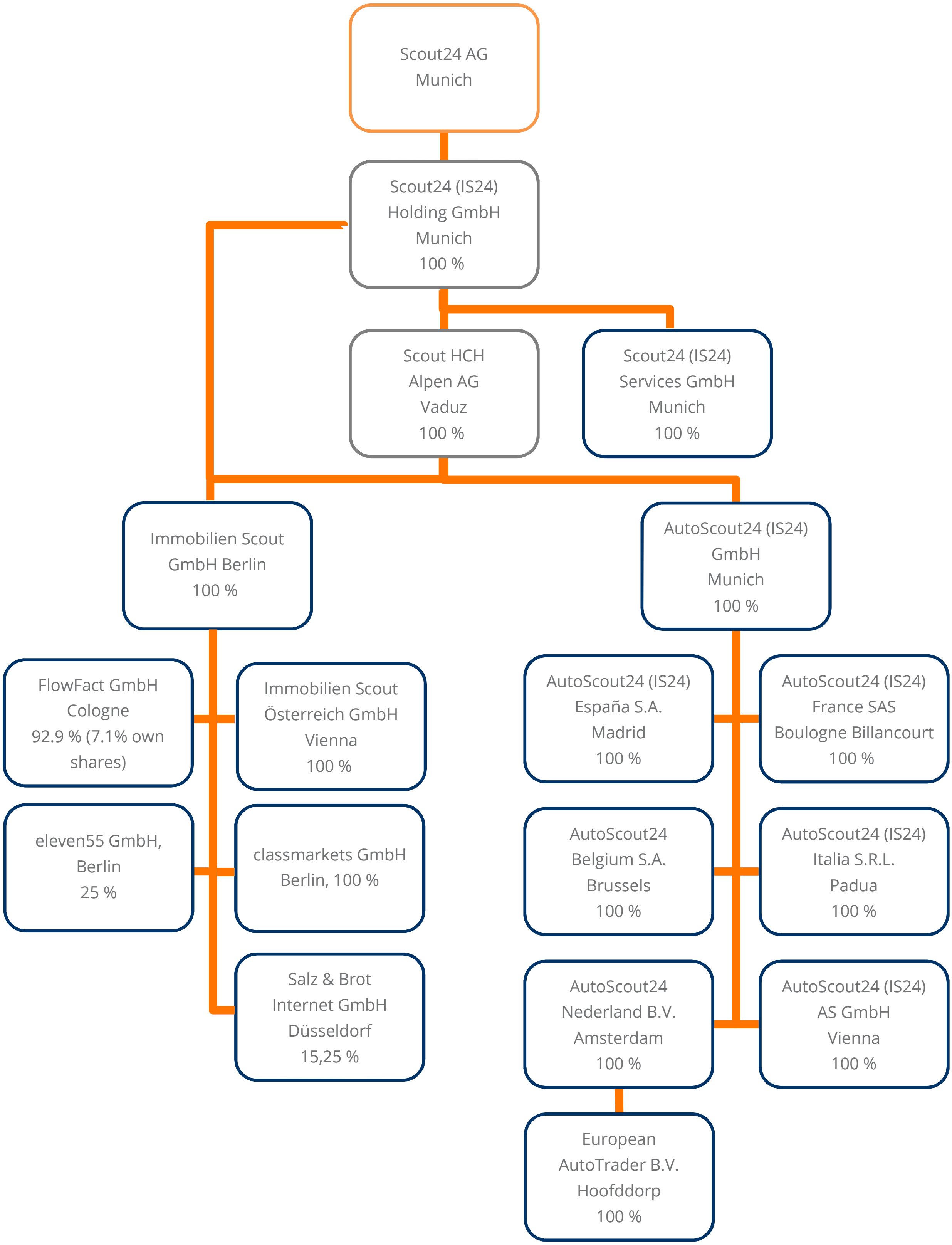
On 31 March 2017, Immobilien Scout GmbH, Berlin, acquired a 25% stake in eleven55 GmbH (hereinafter also referred to as "wg-suche.de").

The Scout24 International Management AG, i.L., Zug, was liquidated effective 18 April 2017. The FMPP Verwaltungsgesellschaft mbH, i.L. Munich, was liquidated on 13 March 2017 and ASPM Holding B.V., Amsterdam, was also liquidated on 10 August 2017.

On 22 August 2017, AutoScout24 GmbH, Munich, acquired a 100% interest in Gebrauchtwagen.at Internetportale GmbH, Leibnitz (hereinafter also referred to as "Gebrauchtwagen.at").

To streamline the Group structure, in the course of financial year 2017, my-next-home GmbH, Saarbrucken, was merged with Immobilien Scout GmbH, Berlin; IMPLIUS GmbH, Cologne, was merged with FloFact GmbH, Cologne; and AGIRE Handels- und Werbegesellschaft mbH, Vienna, was merged with Immobilien Scout Österreich Gmb, Vienna. The mergers were realized at carrying amounts.

The following presentation provides (in simplified form) an overview of the direct and indirect investments of the Scout24 AG as of 31 December 2017:



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 consequently, in particular, the online marketing spend of real estate professionals and car dealers. To remain attractive for listing customers, it is vital for Scout24 to maintain 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 continuously optimise the service commitment of our classifieds portals for our customers and users through attractive pricing models and other services and product innovations. 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. During the first half of 2017, amongst other optimisations, we added a technical feature to the IS24 platform that makes it possible to integrate not only images but also virtual tours – so-called 360°-tours or virtual reality (VR) tours to the real estate exposé. In the second half of 2017, we also launched a 360°-function for AS24, enabling our dealers to easily and cost efficiently use a mobile app to take a high-resolution, zoomable 360°-image of a vehicle – of both the interior and exterior of the car – and integrate it into the car listing. 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 shifting from a pure classifieds portal in the direction of a market network in the medium-term. The establishment of the Group-wide "Scout24 Consumer Services" area takes this strategy into account. We will also reflect the growing significance of this area in our internal and external reporting from 2018, and report it as an operating segment supporting the existing segments IS24 and AS24.

Our strategy for all business areas focuses on sustainable and profitable growth as well as on sustainable growth in our company's value.

In this context, our future M&A strategy will concentrate 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 operations, 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 in the medium-term.

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 twelve months). The Scout24 Management Board plans to further delever, aiming for a target leverage-ratio range between 1.5:1 and 1.0:1 (end of 2017: 2.22:1). In 2017, the company distributed to the shareholders its first dividend after its IPO in 2015, paying out a dividend for 2016 of EUR 0.30 per dividend-entitled ordinary share. The Management Board's dividend policy envisages shareholders continuing to participate appropriately in the company's success and profitability in the future.

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 on-demand 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[8].

These indicators are supplemented by capital expenditures in property, plant and equipment and intangible assets ("capex") as well as further segment-specific 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 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 (IS24)

- 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.[9]
- 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 contracts. Revenues from core agents also include purchases of listing services under the listing of project- or package-based pricing model

[8] 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. These include primarily expenses for reorganisation, expenses in connection with the capital structure of the Company and company acquisitions (realised and unrealised), as well as parts of the effects. These include primarily expenses for reorganisation, expenses in connection with the capital structure of the Company and company acquisitions (realised and unrealised), as well as parts of the effects

[9] Data source: comScore

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, 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 with 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.
- 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 project- and/or package-based 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.

AutoScout24 (AS24)

- 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.[10]
- UMV (unique monthly visitors) refers to the monthly unique visitors visiting the website via desktop PC or via 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. The UMV for Benelux/Italy represent the aggregate of the UMVs for Belgium, the Netherlands, Luxembourg and Italy.[11]
- 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 our platform 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.

[10] Data source: autobiz
[11] Data source: comScore

Research and development

Innovations are an integral part of our strategy of sustainable and profitable revenue growth. We strive to continuously optimise our products for our customers and users and drive the digitisation of consumer experience along the value chain of real estate and automotive through the development of new products.

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 to 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.

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 launched in the 2015 financial year to technically align the two IS24 and AS24 platforms as part of migrating to a Cloud-based data system was advanced further in the 2017 financial year.

Having grown large as a classic desktop Internet company, nowadays already 71 % of the total IS24 and AS24 traffic in Germany is generated by mobile channels as a result of a stringent mobile-first strategy.[12] 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.

Our goal is to continuously 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.

With our platforms, we strive to enable real estate seekers and listers to get in touch and offer a space for simple and direct communication. We do this at IS24 by offering an integrated message-inbox, the so-called “Contact-Manager”. During the past year, we have improved usability of the Contact-Manager, allowing the categorising and prioritising of messages with the help of tagging and filtering functions and added the possibility to send out collective messages. The “Contact-Manager 2.0” helps real-estate owners to deal with a great deal of inquiry in an efficient and stress-free way. For real-estate seekers, we have improved the search experience on mobile devices. Users can now fine-tune the search-radius with the help of an integrated map. At the same time, they can see listings fitting to their search directly in the map. The mobile landing page was also enhanced with recommendations of real estate objects, which do not fit the search criteria in every aspect but are still relevant for the user.

At AS24, we have added the technical feature, similar to the one at IS24, that allows the integration of 360°-images in the car listing. With the help of a mobile application, our dealers can easily produce high-resolution, zoomable 360°-images of a car – as well of the interior as of the exterior. This not only offers dealers a better possibility of presenting the car but also increases transparency for car seekers: users can convince themselves about the condition of the car directly online. In Germany, AutoScout24 has a two-year exclusivity for this tech-

[12] 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 2017

nique. Another feature on AutoScout24, that drives transparency, is the in the year 2017 introduced price comparison “Price Authority”. The price evaluation provides information about the price-performance ratio of an offer compared to similar vehicle models. The self-learning AutoScout24 algorithm calculates the market price for each vehicle. Thereafter, the market price is compared with the offer price of the seller. The difference leads to the awarding of various price stickers from "Top Offer" to "Fair Offer" to "Expensive".

The developed products 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 amounted to EUR 34,4 million in 2017 (2016: EUR 28.7 million), of which a total of EUR 19,4 million or 56,2 % (2016: EUR 16.0 million or 55.7 %) was capitalised on the basis of existing IFRS accounting regulations. Next to our own personnel costs, total expenditure for product development also comprises cost for external service providers, who support the development processes as an extended workbench. In 2017, cost for external service providers amounted to EUR 11,0 Million (2016: EUR 10,4 million).

The change in total expenditure for development derives mainly from taking the product function at AS24 into account of development activity as well as building up personnel, in order to facilitate the faster roll-out of product optimisation measures and new product developments for the platforms IS24 and AS24. The increase in capitalisation of development cost results mainly from a higher underlying internal hourly work rates and the capitalisation of working hours due to increased development activity.

Research cost exists only to an immaterial extent and are reported in the income statement.

Corporate social responsibility[13]

Social responsibility at Scout24 is a corporate culture that is lived and practised. We published our first publication on corporate social responsibility during the first half of 2017. In our Scout24 CSR Report, we 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. The next publication is scheduled for the first half of 2018 and will include the non-financial report according to article 315 (b) ff of the German Commercial Code.

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

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

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

[13] This part of the report is not part of the audit by the auditors

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 working environment and comply with local applicable laws and regulations regarding workplace health and safety as well as all laws regarding equal opportunities and equal professional development for all employees. We do not tolerate any form of discrimination, harassment, 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.

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 – Group business progress and 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, and consequently within the Eurozone. Germany remains the main market of Scout24, accounting for 82 % of its total revenue in the 2017 financial year. The economic situation in Germany in 2017 was marked by strong economic growth, registering 2.2 % year-on-year GDP expansion.[14] Strong growth of 2.6 % is expected for 2018.[15] A strong growth trend is also expected in the Eurozone, according to the "Eurozone Economic Outlook" published by an association of three leading European economic research institutes, where growth in the first quarter of 2018 will be somewhat more dynamic than in the second quarter of 2018. [16]

Given a stable economic trend, our business model is nevertheless supported mainly 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 2017 (2016: 87 %). A total of 81 % of the users went online via mobiles, an increase of 8 percentage points year-on-year (2016: 73 %). A total of 90 % used the Internet in searching for information on goods and services (2016: 89 %).[17] 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.[18] In Europe, 87 % of private households had Internet access in 2017, an increase of 2 percentage points compared to the previous year.[19]

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 36.6 % in 2007 to 22.7 % in 2017 and is expected to reduce further to 19.0 % in 2020. By contrast, the share of online has increased from 11.1 % of total advertising expenditures in 2007 to 34.0 % in 2017. In 2017, online advertising expenditure was already 50.8 % higher than TV marketing budgets. Online advertising expenditure is expected to continue to increase its share and reach 39.8 % in 2020.[20]

[14] German Federal Statistical Office, initial annual results of 11 January 2018
[15] Deutsche Bundesbank, Outlook for the German economy, December 2017
[16] Eurozone economic outlook of 10 January 2018
[17] Federal Statistical Office, Private households in the information society – Use of Information and communication technology, survey 2016 and 2017
[18] puls market research, December 2016
[19] Eurostat, Internet penetration – households, retrieval on 16 January 2018
[20] ZenithOptimedia, Advertising Expenditure Forecasts, December 2017

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[21], 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.[22]

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 608,000 sale transactions were realised in the residential property market in 2016 (excluding residential building land). Despite a slight drop in transaction figures to 604,000, the latest forecast from 12 October 2017 expects a 5 % increase in transaction turnover to EUR 153.7 billion in 2017 (2016: EUR 146.0 billion).[23] Reasons for the revenue increase cited by GEWOS include further price increases, especially in residential property, driven by high demand in connection with low construction activity. GEWOS also forecasts further sales increases in the German market for 2018. Residential real estate is expected to grow by by a further 2%. Price dynamics should also be decisive for the market development this year and next year, residential real estate transactions are likely to decline by 1 % according to the GEWOS forecast.[24]

Germany's real estate brokerage structure is highly fragmented. According to estimates by Scout24, market consolidation took place in 2016 in particular. In line with this consolidation and in spite of higher transaction volumes, the number of active agents in the market remained largely stable also in 2017. This stable development after a period of high fluctuation in the previous years 2015 and 2016 is partly due to the trend towards increasing professionalisation of the sector in reference to already more developed property markets.

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 primarily in the area of used car transactions.

Germany is the largest automotive market in Europe with a total number of 45.8 million registered passenger cars in 2016[25] and total sales of around EUR 184 billion from new and used cars transactions.[26] Approximately 7.3 million used cars changed owners in 2017, which is approximately 1 % less than in 2016, according to the German Federal Office for Motor Transport (KBA). A total of approximately 3.4 million new cars have been registered in 2017, an increase of 2.7 % compared to 2016.[27] For 2018, the German Federation for Motor Trades and Repairs (ZDK) expects a level of 3.4 to 3.5 million new car registrations thus a year-on-year growth, in line with the positive macroeconomic forecast. As far as the used car market is concerned, the ZDK has issued a lacklustre forecast due to recent events in the diesel vehicles area, predicting a similar or slightly reduced level, as in the previous year, anticipating 7.2 to 7.4 million ownership changes for 2018.[28]

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[21] 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)

[22] Based on the number of cars listed by dealer (Autobiz, December 2017)

[23] Excluding residential building land

[24] GEWOS 2017

[25] German Federal Office for Motor Transport (KBA)

[26] DAT, DAT Report 2017

[27] German Federal Office for Motor Transport (KBA), vehicle registrations in December 2016, January 2017

[28] German Federation for Motor Trades and Repairs (ZDK), November 2017

Italy is another big automotive market in Europe, with around 37.9 million registered cars.[29] The number of cars sold in Italy fell in the period after the economic crisis. For 2017, Italy's transport ministry reports 8 % year-on-year growth to almost 2 million vehicle registrations. The Italian automotive market continues to languish around 20 % below its pre-crisis level (2007: 2.5 million vehicle registrations), but is showing signs of recovery. For 2018, the Italian research institute for the automotive market, Centro Studi Promotor, expects the threshold of 2 million vehicle registrations to be exceeded. This growth is set to continue in 2019, with approximately 2.2 million registrations. [30]

The automotive markets in the Benelux region, by contrast to Italy, have proved relatively consistent in volume over the past ten years. Belgium reported 1.3 % year-on-year growth with 546,558 new registrations (2016: 539,519).[31] The Netherlands reported 414,538 new registrations in the year 2017, up 8.4 % compared with the previous year. The used car market grew by 0.1 % in the year 2017 compared with 2016, with around 1.8 million vehicles changing owners in 2017.[32]

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 significant growth in external revenues of 8.5 % to EUR 479.8 million in the 2017 financial year. This growth is primarily attributable to better monetisation of the existing dealer base as well as the further advancing penetration of visibility products at AS24, better addressing of target groups (programmatic advertising) with our advertising offerings and the improved and expanded offering of services for consumers and related monetisation along the entire real estate purchasing and rental process.

The monetisation Initiatives in the area of services across the entire real estate selling and rental process, driven by Scout24 Consumer Services, was further improved and expanded. In the advertising sales area, Scout24 managed to increase its reach as a digital marketer.[33] Overall, on the back of its broad offering, tailored to users' needs, Scout24 managed to cement its position as a market network around real estate and automotive 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 2017 was up by 12.6 % to EUR 252.8 million, representing a 52.7 % margin compared with 50.8 % in the full 2016 year.

Capital expenditure amounted to EUR 22.8 million in 2017, above the previous year's level (2016: EUR 19.5 million). Year-on-year and compared to the outlook given in 2016, the increase in investments reflects a higher level of capitalisation of internally generated assets in combination with more capitalised working hours due to higher underlying internal hourly work rates driven by increased product development for the IS24 and AS24 platforms. As a percentage of revenues, the investment ratio remained largely stable at 4.8 % compared to 4.4 % in the previous year.

[29] Automobile Club d'Italia, figure for 2016, 2016 statistical annual
[30] Automoto.it, December 2017
[31] FEBIAC, Immatriculations de véhicules neufs décembre 2017, January 2018
[32] VWE Automotive, January 2018
[33] AGOF Digital Facts, 03-2017

The cash contribution, defined as ordinary operating EBITDA less capital expenditure, rose by EUR 25.0 million year-on-year to reach EUR 230.0 million in the 2017 financial year (2016: EUR 205.0 million). The cash conversion rate[34], based on ordinary operating EBITDA, was 91.0 % compared to 91.3 % in the previous year's period.

› Cash and cash equivalents amounted to EUR 56.7 million as of 31 December 2017 (31 December 2016: EUR 43.4 million). Net financial debt[35] stood at EUR 560.9 million, compared with EUR 633.9 million as of 31 December 2016. This is mainly due to the repayment during the 2017 financial year of a total of EUR 60.0 million of financial liabilities on the existing syndicated loan.

The figures that have been presented lie fully within the range of the forecast published in the 2016 annual report. Revenue growth of 8.5 % was in line with expectations (growth in the high single-digit percentage range) and the ordinary operating EBITDA margin of 52.7 % in 2017 was ahead of expectations (increase of one percentage point compared with 50.8 % in 2016). Non-operating costs totalled EUR 20.0 million, and are above the targeted level (approximately EUR 14.5 million). This is mainly attributable to non-plannable costs relating to M&A activities as well as higher reorganisation costs. The investments totalling EUR 22.8 million were above the level forecast in the 2016 annual report, which assumed investments would be at approximately the same level as in the 2016 financial year (EUR 19.5 million).

Segment trends

To evaluate operating performance, the Scout24 management focuses on core operations, comprising IS24, AS24 and Corporate, and in so doing uses revenues, the ordinary operating EBITDA margin as well as other key performance indicators to measure corporate performance, 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.

[34] The cash conversion rate is defined as ordinary operating EBITDA less capital expenditure in relation to ordinary operating EBITDA.
[35] Net financial debt is defined as the sum of current and non-current financial liabilities less cash and cash equivalents.

ImmobilienScout24 (IS24)

Key performance indicators

(EUR million)	Q4 2017*	Q4 2016*	+/-	FY 2017	FY 2016	+/-
Revenues from core agents (Germany)	41.0	39.7	3.3 %	159.8	156.9	1.8 %
Revenues from other agents	9.0	9.1	(1.1) %	36.0	35.4	1.7 %
Other revenues	26.6	24.3	9.5 %	103.0	92.4	11.5 %
Total external revenues	**76.7**	**73.1**	**4.9 %**	**298.8**	**284.6**	**5.0 %**
Ordinary operating EBITDA	**46.9**	**45.7**	**2.6 %**	**185.7**	**179.2**	**3.6 %**
Ordinary operating EBITDA – margin %	**61.2 %**	**62.5 %**	**(1.3)pp**	**62.2 %**	**63.0 %**	**(0.8)pp**
EBITDA	**43.5**	**42.3**	**2.8 %**	**172.3**	**162.6**	**6.0 %**
Capital expenditure	**4.3**	**3.4**	**26.5 %**	**14.2**	**11.1**	**27.9 %**
Core agents (number at end of period)	**17,507**	**17,411**	**0.6 %**	**17,507**	**17,411**	**0.6 %**
Core agents (average number during period)	**17,369**	**17,390**	**(0.1) %**	**17,459**	**18,383**	**(5.0) %**
Core agent ARPU (EUR/month)	**787**	**762**	**3.3 %**	**763**	**711**	**7.3 %**
Unique monthly visitors (UMV)[36] (desktop only, in millions)	**5.8**	**5.1**	**14 %**	**5.9**	**6.4**	**(8) %**
Unique monthly visitors (UMV)[37] (Multiplatform, in millions)	**12.5**	**10.3**	**21 %**	**12.7**	**11.9**	**7 %**

* unaudited

External revenues in the IS24 segment grew by 5.0 % to EUR 298.8 million in the reporting period compared with EUR 284.6 million in 2016. Revenue growth was thereby in the range of expectations communicated in the 2016 annual report (growth in the mid single-digit percentage range). As in the previous year, the largest revenue share is attributable to revenue from core agents, which was up by 1.8 % to EUR 159.8 million (2016: EUR 156.9 million). In Q4 2017, revenues with core agents continued to report sequential growth, compared with both the previous quarter (2.2 %) and the previous year's equivalent period (3.3 %). This revenue growth was driven by a 7.3 % increase in ARPU[38] to EUR 763 for the full 2017 year (2016: EUR 711) After a reduction in the first quarter of 2017 to 17,041 core agents from 17,411 core agents at the end of 2016, the number of core agents stabilised during 2017. A slight year-on-year increase to 17,507 was registered as of the end of 2017. The growth in core agent numbers, also taking agents leaving the market into consideration, lies slightly above expectations (largely stable trend), reflecting lower churn rates, as well as high customer regain and new acquisition rates. A better monetisation of our customer base could only partly offset the counter-effect on ARPU growth, deriving from comparably high customer regain and new customer acquisition of core agents with a comparatively lower ARPU. Accordingly, this effect slowed the dynamic of year-on-year ARPU growth, which thereby came

[36] ComScore 2017, average for the respective period
[37] ComScore 2017, average for the respective period and for 2016 respectively. Average for the period from January to May 2016 and October to December 2016. 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.
[38] ARPU: Average revenue per user per month, calculated by the revenues generated with core dealers in the respective period 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

in only at the lower end of expectations (growth in the high single-digit to low double-digit percentage range). The migration of our customers to the membership model concluded in December 2017 due to the expiry of older contractual models at the end of 2017.

Revenues from other agents grew 1.7 % year-on-year to EUR 36.0 million (2016: EUR 35.4 million). Growth lies within the forecast communicated in the 2016 annual report (growth in the low single-digit percentage range).

The monetisation of initiatives in the services for users along the entire real estate selling and rental process, driven by Scout24 Consumer Services, contributed primarily to the 11.5 % growth in other revenues to EUR 103.0 million in 2017 (2016: EUR 92.4 million). Growth in other revenues consequently fully corresponds to expectations of growth in the low teens percentage range.

IS24 further expanded its market position during the financial year elapsed. 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 2017 (around 445 thousand listings as of December 2017 compared with approximately 466 thousand listings in December 2016), although market share was expanded.[39] The number of listings compared with the next competitor was raised from 1.6 times in 2016 to 1.8 times in 2017.[40]

Based on extensive content offering, IS24 was able to maintain its leading position in terms of consumer traffic and engagement with an average of 530 million minutes' monthly time spent in 2017 (desktop and mobile, 2.6 times compared to its closest competitor).[41] The average number of sessions per month on the website amounted to 81 million[42] in 2017 (2016: 72 million) and grew respectively by 13% whereas – driven by our "mobile-first" approach – the average number of sessions via mobile devices was up by 20%. The average number of visits via mobile devices meanwhile account for 74 % of total sessions (69 % in 2016).

Based on the positive revenue development ordinary operating EBITDA increased by 3.6 % to EUR 185.7 million in the 2017 financial year compared to the previous year (2016: EUR 179.2 million). The cost base increased at a slightly faster rate than the sales revenue growth rate in 2017 due to initiatives in the product development and product marketing. The ordinary operating EBITDA margin of 62.2 % is consequently slightly below the previous year's level (2016: 63.0 %). It is nevertheless slightly above the expectations communicated in the annual report 2016 as well as then specified in the2017 half-year report (ordinary operating EBITDA margin slightly lower or at a comparable level to the previous year, but at least 61.5 %).

Capital expenditure stood at EUR 14.2 million in the reporting period compared with EUR 11.1 million in the equivalent period of 2016. The main reason for the increase was a higher level of capitalisation of internally generated assets deriving from a combination of the higher underlying hourly work rates and more capitalised working hours as well as higher capitalised hours of external service providers.

[39] Management estimates
[40] Management estimates
[41] ComScore 2017, average for the relevant period and for 2016 respectively. Average for the period from January to June 2016 and November to December 2016. 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.
[42] Management estimates, based on sessions on the IS24 platform via mobile devices, mobile optimised websites and IS24 apps in relation to total visitors monitored by the company's own Traffic Monitor (Google Analytics).

AutoScout24 (AS24)

Key performance indicators

(EUR million)	Q4 2017*	Q4 2016*	+/-	FY 2017	FY 2016	+/-
Revenues from core dealers (Germany)	17.4	15.2	14.5 %	66.1	55.8	18.5 %
Revenues from core dealers (Benelux/Italy)	15.2	12.7	19.7 %	58.0	48.9	18.6 %
Revenues from other dealers	4.5	3.5	28.6 %	15.0	13.6	10.3 %
Other revenues	11.1	10.1	9.9 %	36.0	33.6	7.1 %
Total external revenues	**48.2**	**41.5**	**16.1 %**	**175.1**	**152.0**	**15.2 %**
Ordinary operating EBITDA	**23.9**	**16.7**	**43.1 %**	**85.9**	**64.2**	**33.8 %**
Ordinary operating EBITDA – margin %	**49.5 %**	**40.2 %**	**9.3pp**	**49.1%**	**42.2 %**	**6.9pp**
EBITDA	**20.6**	**14.1**	**46.1 %**	**76.1**	**55.9**	**36.1 %**
Capital expenditure	**2.2**	**1.7**	**29.4 %**	**7.5**	**7.3**	**2.7 %**
Germany						
Core dealers (number at end of period)	**26,209**	**24,421**	**7.3 %**	**26,209**	**24,421**	**7.3 %**
Core dealers (average number during period)	**26,183**	**24,351**	**7.5 %**	**25,315**	**23,360**	**8.4 %**
Core dealer ARPU (EUR/month)	**221**	**208**	**6.3 %**	**217**	**199**	**9.0 %**
Unique monthly visitors (UMV)[43] (desktop only, in millions)	**3.0**	**3.0**	**0.0 %**	**3.1**	**3.7**	**(16.2) %**
Unique monthly visitors (UMV)[44] (Multiplatform, in millions)	**6.3**	**5.3**	**18.9 %**	**6.4**	**6.1**	**4.9 %**
Benelux/Italy						
Core dealers (number at end of period)	**18,892**	**18,747**	**0.8 %**	**18,892**	**18,747**	**0.8 %**
Core dealers (average number during period)	**18,859**	**18,623**	**1.3 %**	**18,820**	**18,097**	**4.0 %**
Core dealer ARPU (EUR/month)	**268**	**228**	**17.5 %**	**257**	**225**	**14.2 %**
Unique monthly visitors (UMV)[45] (desktop only, in millions)	**2.5**	**2.5**	**0.0 %**	**2.5**	**2.8**	**(10.7) %**

* unaudited

[43] ComScore 2017, average for the respective period
[44] ComScore 2017, average for the respective period
[45] ComScore 2017, average for the respective period, Management estimates for region Luxembourg based on ComScore Data.

External revenues in the AS24 segment report a strong growth track with a 15.2 % increase to EUR 175.1 million in the 2017 financial year, compared with EUR 152.0 million in the 2016 financial year. This growth lies fully within the forecast formulated in the 2016 annual report, which assumed growth in the mid-teens percentage range. The dynamic development primarily reflects a strong increase in sales revenues of core dealers in Germany, which were up by 18.5 % to EUR 66.1 million (expected: mid-teens percentage range), and in Benelux/Italy, which grew by 18.6 % to EUR 58.0 million (expected: mid-teens percentage range). Better monetisation of the existing dealer base and related strong ARPU growth (average revenue per core dealer per month) comprised the main driver of this growth. This uplift in ARPU is attributable to price increases that have been implemented for basic contracts as well as rising penetration of visibility products. In the core dealers Germany area, ARPU increased by 9.0 % to EUR 217 in comparison with the full 2016 year (EUR 199). The number of core dealers in Germany also rose considerably during the course of the year, despite high market penetration and contrary to expectations, increasing by 7.3 % to 26,209 as of 31 December 2017 (31 December 2016: 24,421). ARPU in the area of core dealers in Benelux/Italy grew faster than in Germany at 14.2 %, with ARPU for the full 2017 year amounting to EUR 257, compared with EUR 225 in the full 2016 year. The number of core dealers in Benelux/Italy rose by 0.8 % to 18,892 as of 31 December 2017.

Revenues from other dealers (EUR 15.0 million compared with EUR 13.6 million in 2016), reporting 10.3 % growth, lay at the lower end of the forecast issued in the 2016 annual report (growth in the low teens percentage range). Gebrauchtwagen.at, which was acquired in August 2017, contributed EUR 1.0 million to revenues at AS24, attributable to revenues from other dealers. Adjusted for the consolidation effect, revenues from other dealers were up by 3.0%, with external revenue growing 14.5 % year-on-year. Other revenues of EUR 36.0 million (2016: EUR 33.6 million) performed less dynamically over the course of the year with 7.1 % growth, mainly reflecting trends in the display advertising area. This is chiefly due to the generally lower ordering volume by media agencies for OEM display advertising following the emissions scandal. As a consequence, the trend in other revenues in 2017 was below the expectations published in the 2016 annual report, which assumed growth in the low teens percentage range.

In 2017, AS24 recorded in Germany its listing inventory at a constantly high level of more than one million listings per month, with 1,180 thousand listings on average (compared with 1,243 thousand listings in the January to December 2016 period). The position as the number two in the market was thus successfully maintained. Moreover, AS24 successfully defended its market leadership based on numbers of listings in Belgium (including Luxembourg), the Netherlands and Italy, and significantly expanded its market position in Austria.[46] Driven by mobile functionality enhancements, mobile sessions in Germany increased to 65% of total sessions up on a year-average basis in 2017. In 2016, sessions via mobile devices averaged 63% 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 63 % to 70 % over the same period.[47]

The positive revenue trend and a disproportionately lower growth in costs compared with revenue growth is reflected in the ordinary operating EBITDA, which was up 33.8 % to EUR 85.9 million. The ordinary operating EBITDA margin rose by 6.9 percentage points to 49.1 %. The forecast from the 2016 annual report was also thereby exceeded (increase of at least five percentage points in the ordinary operating EBITDA margin).

[46] Autobiz, December 2017

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

Capital expenditure amounted to EUR 7.5 million in the 2017 financial year, compared with EUR 7.3 million in the equivalent period. The main reason for the increase was a higher level of capitalisation of internally generated assets by EUR 0.4 million deriving from a combination of the higher underlying hourly work rates and more capitalised working hours as well as higher capitalised hours of external service providers.

Corporate

As expected, external revenues continued to decrease in the 2017 financial year (EUR 0.6 million compared with EUR 1.3 million in 2016). Ordinary operating EBITDA adjusted for the management fee was a negative EUR 19.5 million in the 2017 financial year, compared to EUR negative18.7 million in the full 2016 year. The expected cost increase is due to the continuation of the "OneScout24" approach and related greater bundling of Group-wide functions in the Corporate segment.

Group financial position and performance

Modification of the reporting structure

The following change has been implemented compared with the 2016 annual report: to enhance transparency, a reclassification from other operating expenses to IT expenses was realised as of 1 January 2017. Reclassifications between individual items of other operating expenses were also implemented. The aforementioned reclassifications comprise 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 2017 financial year, reporting revenues up EUR 37.6 million, or 8.5 %, to EUR 479.8 million compared with the 2016 financial year (EUR 442.1 million), driven mainly by the strong performance of AutoScout24 (AS24) and initiatives around monetisation of service offerings for consumers under the Scout24 Consumer Services umbrella. The new acquisition of Gebrauchtwagen.at contributed EUR 1.0 million to revenue in the 2017 financial year. Adjusted for acquisitions, revenues in the 2017 financial year were up 8.3 % compared to the full 2016 year.

Capitalised development costs increased by EUR 3.4 million to EUR 15.1 million in the 2017 financial year on the back of a combination of the higher underlying hourly work rates and driven by increased product development activity.

Other operating income of EUR 1.1 million in the 2017 financial year was below the previous year's level (EUR 2.6 million). This is mainly attributable to income derived from passing costs on to third parties.

Personnel expenses (including EUR 14.0 million of non-operating effects) increased by EUR 4.9 million, or 4.4 %, to EUR 116.9 million (2016: EUR 112.0 million including EUR 15.3 million of non-operating effects), thereby exceeding the growth rate of average number of employees (3.0 % growth); this chiefly reflects standard market adjustments to salaries.

Thanks to the operating leverage, advertising expenses, which reported a 6.9 % increase to EUR 54.1 million in 2017, and IT expenses, which registered a 5.0 % rise (EUR 17.0 million), increased at a slower rate than the rate of revenue growth (2016: EUR 50.6 million and EUR 16.2 million respectively).[48]

[48] The following change has been implemented compared with the 2016 annual report: to enhance transparency, a reclassification from other operating expenses

Other operating expenses rose by EUR 4.3 million compared with the 2016 financial year, or by 6.1 %, to EUR 75.1 million (2016: EUR 70.8 million). This is chiefly attributable to expenses for third-party service providers for product development area as well as other areas and other personnel-related costs.[49]

As a result of the aforementioned developments, operating earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 12.6 % to EUR 232.8 million in the reporting period (2016: EUR 206.8 million).

EBITDA includes EUR 20.0 million of non-operating costs (previous year: EUR 17.8 million). These are mainly attributable to non-plannable costs in the context of M&A activities as well as higher expenses for the implemented reorganisation measures. Personnel expenses comprise chiefly EUR 7.6 million of expenses in connection with reorganisation measures as well as EUR 3.2 million from › share-based compensation deriving from the management equity programs (2014 and 2015 programs, previous year: EUR 4.1 million) and EUR 3.0 million of performance-based remuneration from share purchase agreements (previous year: EUR 2.8 million). Ordinary operating EBITDA grew accordingly by 12.6 % to EUR 252.8 million in the reporting period, compared with EUR 224.5 million in 2016.

The reconciliation to operating EBITDA is as follows:

Reconciliation account for ordinary operating EBITDA

Group (EUR million)	FY 2017	FY 2016
Ordinary operating EBITDA	**252.8**	**224.5**
Non-operating costs	-20.0	-17.8
of which personnel expenses	-14.0	-15.3
of which attributable to M&A transactions	-4.2	-3.3
of which other non-operating costs	-1.8	0.8
EBITDA	**232.8**	**206.8**

to IT expenses was realised as of 1 January 2017. Reclassifica-tions between individual items of other operating expenses were also implemented. The aforementioned reclas-sifications comprise 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.

[49] See footnote (15)

IS24 (EUR million)	FY 2017	FY 2016
Ordinary operating EBITDA	**185.7**	**179.2**
Non-operating costs	-13.4	-16.6
of which personnel expenses	-4.7	-9.6
of which attributable to M&A transactions	0.0	-0.1
of which other non-operating costs	-2.0	0.7
of which management fee[50]	-6.7	-7.5
EBITDA	**172.3**	**162.6**

AS24 (EUR million)	FY 2017	FY 2016
Ordinary operating EBITDA	**85.9**	**64.2**
Non-operating costs	-9.8	-8.3
of which personnel expenses	-2.0	-1.5
of which attributable to M&A transactions	-2.4	-2.4
of which other non-operating costs	-1.5	-0.3
of which management fee[51]	-3.8	-4.1
EBITDA	**76.1**	**55.9**

Depreciation, amortisation and impairment losses amounted to EUR 56.8 million, of which EUR 38.2 million was attributable to intangible assets arising from purchase price allocations (2016: EUR 65.5 million and EUR 49.6 million respectively).

The net financial expense amounted to EUR 10.4 million in the 2017 financial year, compared with EUR 42.8 million in the 2016 financial year. This is mainly attributable to the low interest rates due to the refinancing in December 2016 and the advancing deleveraging and related reduction in financial expense (2017: EUR 14.2 million, 2016: EUR 45.9 million). The net interest expense that is included in the financial expense amounted to EUR 11.8 million in the 2017 financial year (2016: EUR 45.8 million), representing a significant year-on-year reduction. The net interest expense includes EUR 1.9 million of expenses arising from a discount for the new facility agreement, as well as EUR 1.9 million of income of reimbursed default interest payments on a tax liability. In 2016, the financial expense was burdened by the amortisation of transaction costs in an amount of EUR 17.0 million.

Income tax expenses totalled EUR 54.6 million in the 2017 financial year, equivalent to a 33.0 % effective tax rate, compared with EUR 31.6 million of tax expenses in the 2016 financial year. Income tax expenses included offsetting effects from deferred tax income amounting to EUR 7.1 million, largely attributable to the amortisation

[50,51] The Corporate segment invoices IS24 and AS24 for a management fee to cover certain management services. This forms part of the ordinary operating profit in the Corporate segment, but not in the IS24 and AS24 segments, where it is shown as a non-operating effect and is consequently not included in ordinary operating EBITDA.

of assets deriving from purchase price allocations. Deferred tax income totalled EUR 11.2 million in the 2016 financial year.

In consequence, Scout24 reported EUR 110.9 million of consolidated earnings after tax, which is attributable to the shareholders, for the 2017 financial year. This generates EUR 1.03 of earnings per share (2016: 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 monthly rolling liquidity planning, the Group's financial flexibility and solvency is ensured at all times. The cash pooling procedure is additionally used for all relevant Group companies.

For the first time after the IPO, in 2017 Scout24 AG distributed to its shareholders a dividend of EUR 0.30 per ordinary share for the 2016 financial year. Its current dividend policy envisages shareholders continuing to participate in the Group's financial success and performance. For 2017, the Management Board proposes to the Supervisory Board to pay out a dividend of EUR 0.56 per dividend-entitled share. This corresponds to a total distribution of EUR 60.3 million. Based on the share price as of 29 December 2017, this corresponds to a dividend yield of 1.6 %.

Capital resources and financing structure

Scout24 AG refinanced itself as of the end of the 2016 financial year. In consequence, as part of a new syndicated lending agreement (facility agreement, hereinafter abbreviated as the "FA"), Scout24 AG had access to a lending facility totalling EUR 800.0 million at the start of 2017, consisting of a EUR 600.0 million term loan and a revolving credit facility of EUR 200.0 million. After making a mandatory repayment of EUR 30.0 million, the remaining liability on the term loan amounts to EUR 570.0 million as of 31 December 2017. An amount of EUR 50.0 million had been drawn from the revolving credit facility as of 31 December 2017, following a EUR 30.0 million repayment at the year-end. A minimum of EUR 30.0 million of the term loan is to be paid down every year until the loan matures on 29 December 2021, with the remaining amount being due at maturity. The revolving credit facility is due at maturity, the disclosure of the revolving credit line drawn being either in the current or non-current liabilities based on an assessment of the repayment date.

The interest rate for the facilities drawn under the syndicated loan is based on EURIBOR plus an interest margin tied to gearing. The new FA enabled interest margins to be reduced significantly, with the highest interest margin now standing at 2.0 % (before the refinancing: 4.25 %). EURIBOR is limited to 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. As of 31 December 2017 the covenant was complied with in the reporting period, with an achieved leverage ratio of 2.22:1 resulting in an EBITDA headroom amounting to 40.9 % at 31 December 2017.

Failure to comply with the covenant will result in breach of contract and will result in the immediate expiration of the outstanding credit amount. However, failure to comply with the approved capital of up to 10% of the share capital in the calculation of the covenant or an actual capital increase and the corresponding use of the proceeds of the repayment until the compliance with the covenant is guaranteed can be remedied. This procedure is applicable up to twice during the repayment term.

Debt was reduced further over the course of 2017 on account of the good cash conversion rate[52]. In total, an amount of EUR 60.0 million was repaid on the overall lending facility, comprising an early redemption payment of EUR 30.0 million in August on the term loan and a further voluntary redemption payment of EUR 30.0 million on the revolving credit facility in December 2017.

The Scout24 Management Board plans to further reduce the leverage ratio over the course of time, aiming for a target range for the leverage ratio (ratio of net debt to ordinary operating EBITDA for the past 12 months) of 1.5:1 to 1.0:1.

Along with the liquid assets position of EUR 56.7 million (31 December 2016: EUR 43.4 million), the Group also has liquidity from the aforementioned revolving credit facility of EUR 150 million, which was not drawn as of 31 December 2017. For guarantee facilities, besides the FA a further lending agreement of EUR 0.4 million exists.

To the end of optimising the financing structure and taking advantage of favourable conditions on the financial markets, Scout24 plans to refinance a part of the FA through a Schuldschein. For further details go to the › subsequent events section (Notes, section 5.10).

As of the balance sheet date, › off-balance sheet liabilities totalled EUR 48.4 million, including EUR 15.2 million with a term of one year, EUR 21.0 million with a term between one and five years, and EUR 12.2 million with a term of more than five years. As of 31 December 2016, off-balance sheet liabilities amounted to EUR 30.2 million. The increase arises mainly from the utilisation of new guarantee lines by Scout24 AG to secure a new rental contract.

Liquidity and investment analysis

Scout24 generated EUR 164.2 million of cash flow from operating activities in the 2017 financial year, an increase of 6.0 % compared with EUR 154.9 million in the 2016 financial year. This mainly reflects EBITDA growth. Offsetting effects included cash outflows for income tax payments of EUR 66.1 million relating to the 2017 financial year as well as the previous year.

The negative cash flow from investing activities of EUR -43.5 million derives predominantly from EUR 22.8 million of investments in assets as well as the EUR 22.5 million acquisition of the company Gebrauchtwagen.at. Capital expenditure comprises EUR 20.0 million of investments in intangible assets and EUR 2.8 million of investments in property, plant and equipment. The investments in intangible assets include mainly the capitalisation of own and third-party development work, whereby a significant proportion is attributable to investments in internally generated assets arising from product development for the IS24 and AS24 platforms.

Cash flow from financing activities amounted to EUR -107.5 million in the reporting period. This includes repayments on the existing syndicated lending agreement totalling EUR 60.0 million, the payout of the first dividend to the shareholders after the IPO in a total amount of EUR 32.3 million for the 2016 financial year, and EUR 13.7 million of interest payments.

In total, cash and cash equivalents available in the 2017 financial year increased by EUR 13.2 million to EUR 56.7 million as of 31 December 2017, from EUR 43.4 million on 31 December 2016.

During the course of financial year 2017, Scout24 had enough liquid assets at its disposal to meet all due financial liabilities.

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

Net assets

The Group's consolidated total assets as of 31 December 2017 of EUR 2,140.5 million were almost unchanged compared to the previous financial year-end (31 December 2016: EUR 2,130.9 million).

Non-current assets reduced by EUR 9.5 million EUR 2,025.2 million (31 December 2016: EUR 2,034.7 million). This chiefly reflects a reduction in other intangible assets of 13.2 %, or EUR 28.7 million, to EUR 188.9 million through amortisation from purchase price allocations. This was offset by a EUR 20.4 million rise in goodwill, solely reflecting the acquisition of the company Gebrauchtwagen.at.

Current assets increased from EUR 96.2 million to EUR 115.3 million, chiefly due to the higher cash position of EUR 56.7 million on 31 December 2017 compared with EUR 43.4 million on 31 December 2016.

Current liabilities rose by EUR 46.9 million to EUR 159.2 million in the reporting period, compared with EUR 112.3 million in the previous year, primarily reflecting the reclassification to current liabilities of EUR 50.0 million drawn down from the revolving credit line.

Non-current liabilities reduced by EUR 112.0 million to EUR 915.8 million as of 31 December 2017 (31 December 2016: EUR 1,027.8 million). This is predominantly attributable to the repayment of EUR 30,0 million on the existing credit facility, the disclosure of the mandatory repayment for 2018 of EUR 30,0 million in the current liabilities as well as the disclosure of the amount drawn on the revolving credit line (EUR 50.0 million) in the current liabilities due to a re-assessment of the time of repayment compared to the previous year as well as a repayment towards the drawn revolving credit facility in 2017. 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 990.8 million to EUR 1,065.5 million. Correspondingly, the equity ratio now stands at 49.8 % as of 31 December 2017 compared with 46.5 % as of 31 December 2016.

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 managing social diversity among all its employees, is of great importance to Scout24. Scout24 stands for a respectful corporate culture where open and unprejudiced interaction forms a central aspect. Individuals with highly differing beliefs, cultural and career backgrounds, skills and views work for Scout24. 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 2017, Scout24 employed 1,244 full-time equivalent employees ("FTEs"), compared to 1,135 FTE as of 31 December 2016, excluding trainees, apprentices, short-term employees, interns, temporary agency employees and freelancers.

The following tables show the number of FTEs – including members of the Management Board and the management – as of 31 December 2017, as well as of 31 December 2016, presented by segment and region:

FTEs (end of period)	31/12/2017	31/12/2016
Group	1,244	1,135
IS24	656	653
AS24	367	378
Corporate	222	95
Other	0	9

FTEs (end of period)	31/12/2017	31/12/2016
Group	1,244	1,135
Germany	1,086	994
Abroad	158	141

Overall statement on financial position and performance

With overall very positive business development and growth during the reporting period, the Scout24 Group has 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 2017 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[53], 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.

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

Risks and opportunities

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

Management's overall statement on the risk position

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

The Internet business in Germany, Europe and worldwide remains on a growth track. Especially in the 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 on these trading platforms. We are positioned well, both operationally 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, and overall risk is manageable. Compared to the reporting period as of 31 December 2016, no (fundamental) change has occurred to overall risk. No identifiable risks currently exist that either individually or together would lead to a significant or 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 reflects 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 to the internal control system ("ICS"), which is also based on the COSO framework. This integrated approach helps the Company to direct management and monitoring activities towards the corporate objectives and their inherent risks.

The internal control system 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, according to quantitative parameters, likelihood of occurrence and the potential financial impact, to the extent possible.

Our opportunity management is primarily oriented to identifying relevant market trends with value creation potential along our offering of products and services for our users and customers. Opportunities are measured based on their probability of being realised and their potential positive effect according to qualitative parameters.

The objective of the risk and opportunity management function 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 regard are the requirements for the risk management and compliance management systems for capital market-oriented companies.

Principles of risk and opportunity management of 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 Company value.

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

Scout24 evaluates 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, such that the opportunities and risks for the Scout24 Group are assessed on a quarterly basis.

Above and beyond this, current risks and opportunities as well as their 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:

- Processes 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 regard to accounting-related IT systems, dual control system, and segregation of duties).
- Standardised and documented financial bookkeeping processes.
- Group-wide accounting requirements in the form of accounting guidelines and reporting processes. Regular information to all consolidated 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 and compliance in this context. These standards are set out in the Scout24 Group Governance, Risk & Compliance Handbook (GRC Handbook) and are put into effect by the Management Board. The here defined core GRC process– 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 additionally 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 concept newly introduced in the previous 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 arwarded in the category "Outstanding Initiative for Security Training" by the "Outstanding Security Performance Awards" (OSPAs). The Scout24 Group thereby operates a system of rules, processes including preventative trainings, and internal controls, with whose help potential deficits within the Company are identified at an early stage, allowing them to be minimised through corresponding measures.

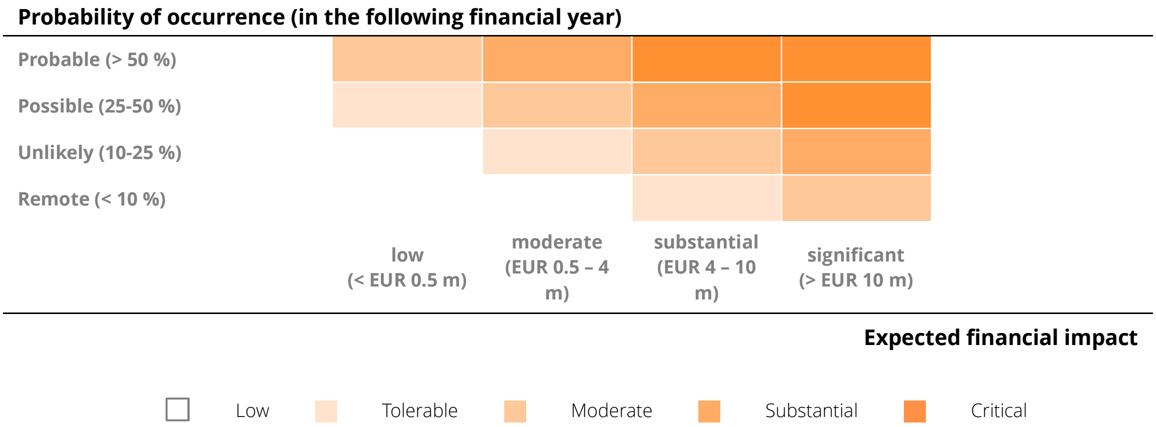
Development of the risk assessment

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 through the Vice President Risk Management. Interim reporting is oriented towards specific characteristics, and is based on presented risk assessments and respective regular updates by the departments. Quarterly changes to the risk inventory are utilised as early warning indicators. 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 2018 financial year.

The risk assessment is performed taking into consideration the anticipated effects on the results of operations, financial position and net assets of the Group, as well as estimated probabilities of occurrence as "unlikely", "tolerable", "moderate", "substantial" or "critical". The 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 stress 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 one 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. Conversely, the net appraisal takes into account risk management measures that have been put in place. 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 weighted likelihood of occurrence 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 is also a part of the risk evaluation. Opportunities are not included in the measurement, but are covered as part of the planning account.

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

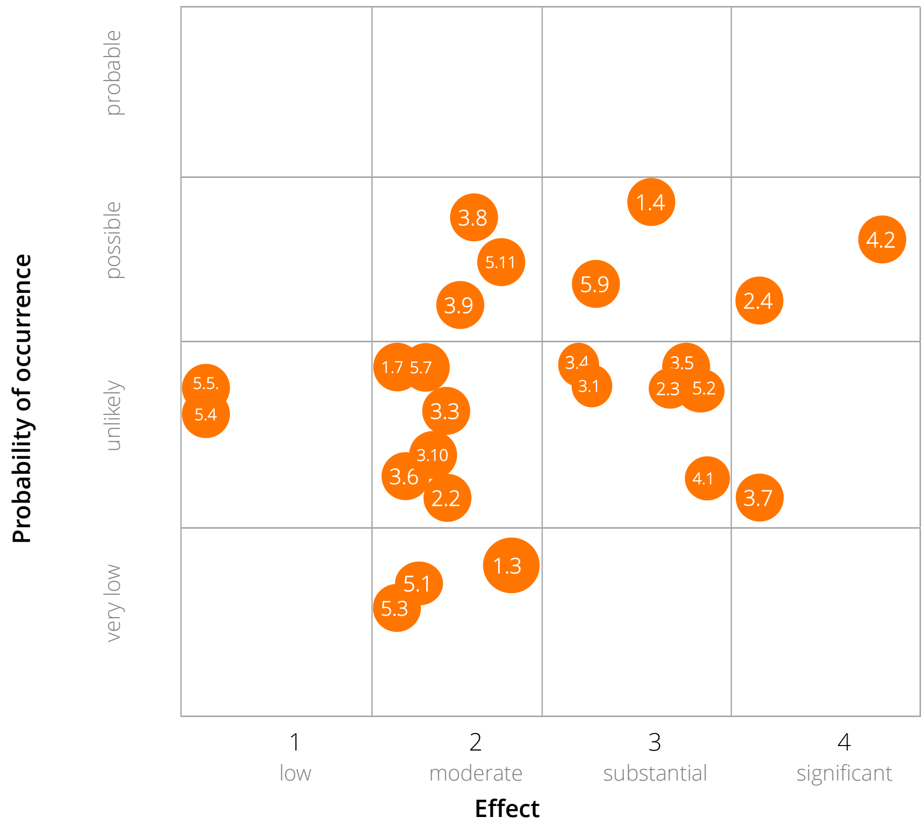
Decentralised risk managers in the various corporate units are responsible for risk recording and reporting. The managers categorise the risks according to a company-wide valid catalogue and document their results on a quarterly basis – or on an ad hoc basis – in a database.

Overall risk situation, risk clusters and risk fields

The overall risk situation (net) is determined by assessing the risk fields 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	very low	↓	moderate	↑	↓
1.4	Competition & market	possible	↓	substantial	↙↗	↓
1.5	Suppliers	very low	=	low	↙↗	=
1.6	Labour market	very low	=	low	=	=
1.7	General public	unlikely	↑	moderate	↑	↑
2	**Financial risks**					
2.1	Organisation & quality, financial accounting	very low	↑	low	↑	↑
2.2	Financial management	unlikely	↙↗	moderate	↙↗	=
2.3	Financial figures	unlikely	↓	substantial	↑	↙↗
2.4	Financial accounting	possible	=	significant	↙↗	=
3	**Operational risks**					
3.1	Human resources	unlikely	↙↗	substantial	↙↗	=
3.2	Advertising and brand	Very low	↓	low	↓	↓
3.3	Service providers, other business partners	unlikely	↙↗	moderate	↙↗	=
3.4	Customers	unlikely	↙↗	substantial	↙↗	=
3.5	Management & administration	unlikely	↑	substantial	↙↗	=
3.6	Purchasing	unlikely	↑	moderate	↑	↑
3.7	IT risks	unlikely	↓	significant	↑	↙↗
3.8	Project management	possible	↑	moderate	↑	↑
3.9	Product management & processes	possible	↙↗	moderate	↙↗	↑
3.10	Communication	unlikely	↙↗	moderate	↙↗	=
4	**Strategic risks**					
4.1	Strategic orientation	unlikely	↑	substantial	↓	↙↗
4.2	Sales, marketing & brand	possible	↑	significant	↙↗	=
5	**Compliance Risks**					
5.1	Code of Conduct	very low	↙↗	moderate	↑	↙↗
5.2	Data protection & data security	unlikely	↓	substantial	↓	↓
5.3	Corruption & fraud	very low	↙↗	moderate	↙↗	=
5.4	Law relating to resource offences	unlikely	↑	low	↓	↓
5.5	Competition law	unlikely	↑	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	↙↗	moderate	↓	↓

↓ Decrease ↑ Increase
= Unchanged ↙↗ Immaterial change



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

Risk clusters that from today's perspective could significantly affect the Scout24 Group's results of operation, financial position and net assets are presented below. In this context, all the risks that are included in the "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.

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

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

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

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

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

On 1 June 2015, a new statutory regulation came into force in Germany that now requires property owners, 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 not being discussed anymore at the moment, but whether it can 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 bill on 31 August 2016 that should tighten the professional requirements for real estate agents and property managers, to ensure a common quality standard. The first draft of the bill foresaw a certification regime that agents and property managers would have to fulfil certain professional minimum requirements in form of a certificate of competency to be allowed to act in this area. In addition, professional liability insurance should be introduced for property managers. The Federal Government's bill was approved on 22 June 2017 in a version that was amended as recommended by the Economic Committee of the Federal Assembly. In doing so, the Bundestag extended the permission requirement for homeowners to the administrators of residential real estate (rental managers). However, the originally provided proof of qualification as a permit requirement for real estate agents and property managers was not included in the legislative procedure. Instead of the expert case law, the law now provides for a requirement of the traders to regular training measures. Residential property managers must also take out professional indemnity insurance. Whether this requirement subsequently affects the customer base and the number of advertisements of these customers at IS24 is still uncertain. In the unlikely event, this could have a negative impact on the sales of commercial customers, with which IS24 generates a large proportion of revenues.

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

Similarly, the Energy Consumption Labelling Ordinance ("Energieverbrauchskennzeichnungsverordnung") requires sellers of goods that consume energy resources and produce carbon dioxide emissions, such as cars, to provide certain information regarding emissions and 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 marketplaces 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.

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.

Compared with 2016, we have improved overall within this environment, according to our risk assessment. Despite new competitors entering the German market, we were able to hold and expand our market position thanks to our own successful product developments. In the real estate and automotive sector, examples include the launch of the Facebook classifieds platform "Marketplaces" and in the German online used car market also the start of the US-based platform CarGurus.de. CarGurus are already successfully established in the USA thanks to integrated vehicle evaluation, which we have set up as a first-mover in the German market on our AutoScout24 platform.

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

Technological changes could disrupt our business and the markets in which we operate and result in higher 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 significant risk component for us, which is also reflected in the importance of the controls and measures deployed for this purpose. When observing such risks at individual risk level, however, we 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 2.0 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 unscheduled 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 continue to 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. In order to ensure the security and stability of our systems, we pursue the strategy of utilising highly available cloud service providers and running backups of all critical data and systems. 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, ensure protection against unauthorised access and external attacks. Our measures in the cyber security area are also supplemented by ongoing, intensive penetration tests conducted by IT security experts. Furthermore, in the financial year under review we launched a so-called "Bug Bounty"[54] program to award prizes to registered "White Hat" hackers[55] for the identification and notification of potential attack vectors. From this, we consistently derive new, risk-reducing measures to secure against unauthorised access both our platform as well as internal and external access to our business data.

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 awareness. 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 thanks to our intensive market research and detailed analysis.

[54] Explanation of term: compensation paid for the detection of program bugs
[55] Explanation of term: ethical computer hackers

Compliance Risks

5.9. Know-how drain

For the successful maintenance of our operating infrastructure we will continue to require qualified technical and managerial personnel. Our future success depends on the extent to which we are successful in training, hiring, integrating and sustainably 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 substantial.

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 expenditure accounted for a 31.6 % share in 2016, for example, and are expected to reach 39.8 % by 2020.[56] It is precisely this change that generates a significant growth potential for the Scout24 business models.

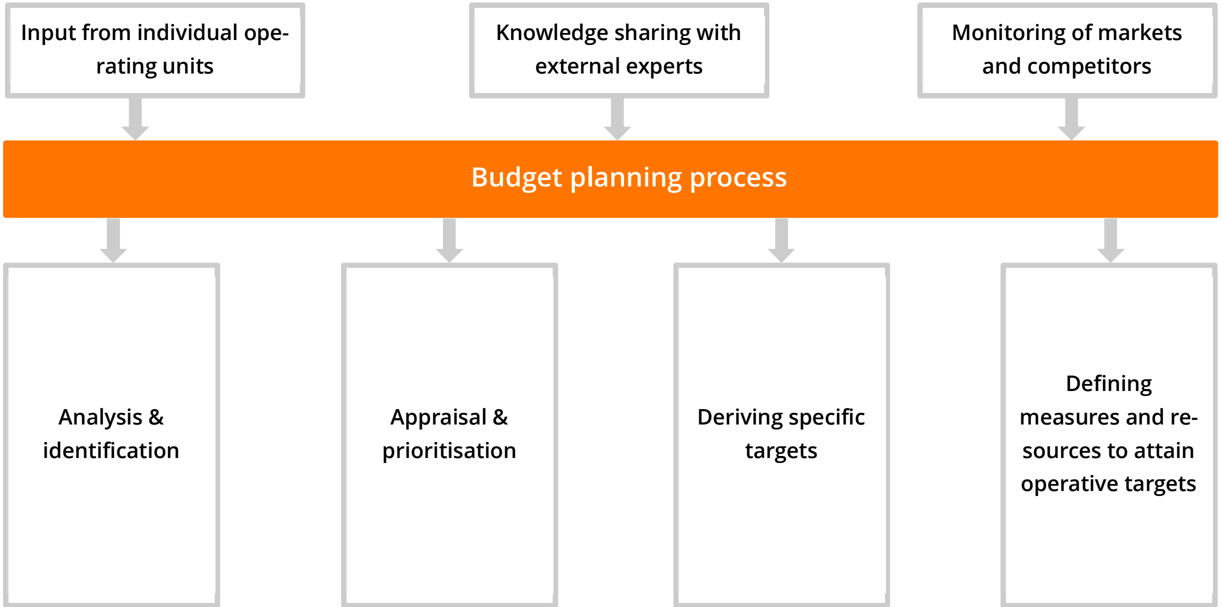
Through its high brand recognition and large number of users, the Scout24 Group has continued to achieve an excellent positioning in all significant business segments. For this reason, we see all Scout24 companies operating in the market continuing on a growth path overall.

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

Opportunities management

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

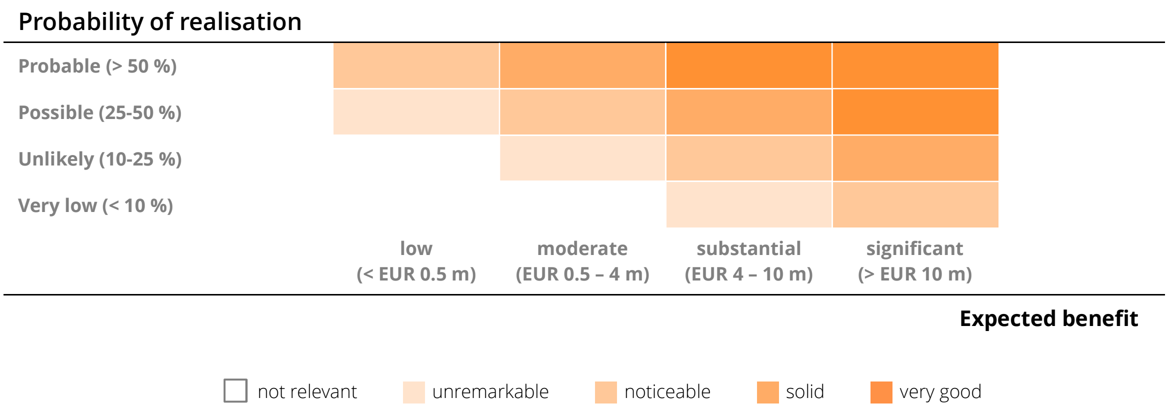
[56] ZenithOptimedia, Advertising Expenditure Forecasts, December 2017



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

Analogously to the risk management, the identification of opportunities forms the starting point for the opportunities management process. So called opportunity assessments are utilised for this purpose, which the Business Development & Strategy department updates and reports upon quarterly. Opportunities are assessed taking into consideration the expected benefit as well as an estimated probability of realisation. The time horizon for the assessment of opportunities amounts to approximately 2-3 years. The related quantification of opportunities primarily highlights the relevance of opportunities and occurs through a bandwidth assessment. By contrast with risk assessment, opportunities are evaluated based on qualitative characteristics. The following bandwidths have been determined for this purpose:

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



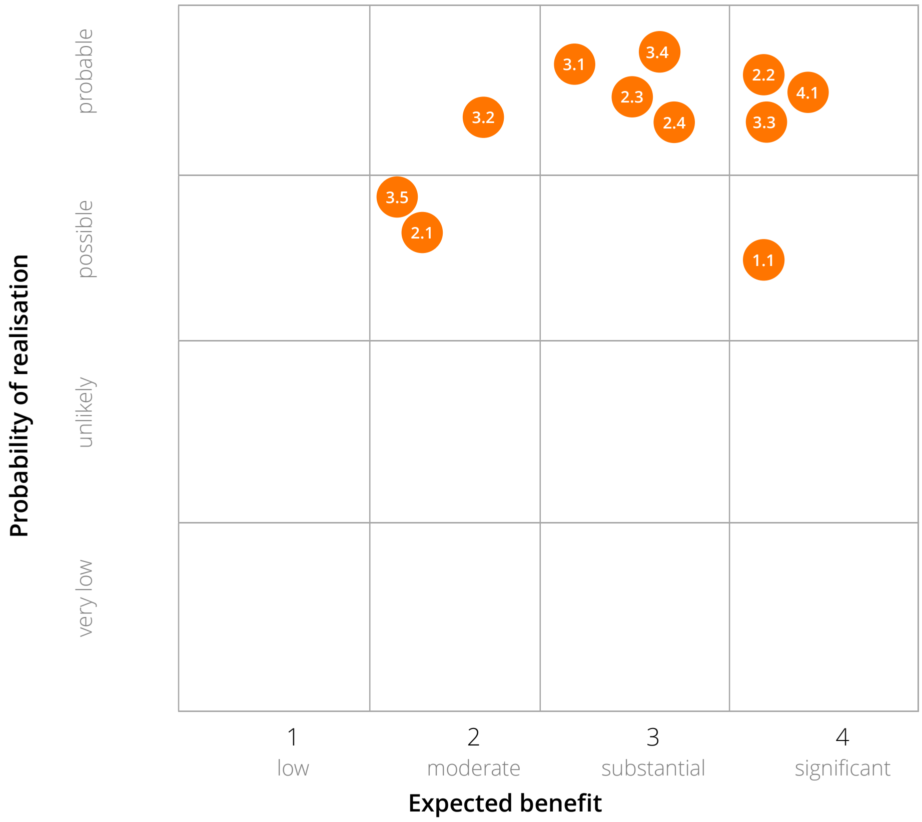
Opportunities are not measured according to the gross-net method, as with risk management. Measures to support or realise opportunities are not inventoried or reported upon separately.

Overall opportunity situation, opportunity clusters and opportunity areas

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

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

* compared to 2016



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

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

Opportunities from changes in overall conditions

1.1 Higher share of wallet[57] from ongoing shift from offline- to online marketing

IS24 is the leading digital real estate classifieds platform in Germany in terms of number of real estate listings and customers[58] as well as consumer traffic and engagement.[59] AS24 is one of the leading digital marketplace for automotive in Europe (Management Estimate, based on the number of listings and the monthly individual visits). The expansion of the Internet in Germany and Europe significantly increased in the last ten years. The simultaneous development of several digital media and e-commerce websites as well as mobile apps, solidly an-

[57] Note: share of sales, share of our customers' advertising spend
[58] Management estimates
[59] Based on visitor numbers (Unique Monthly Visitors, "UMV") and user activity, comScore December 2017 (desktop PC for visitor numbers, desktop PC and mobile devices regarding user activity)

chored the use of the Internet in the consumers daily life. The platforms of Scout24 reach approximately 17 million visitors per month[60] and even today, almost 71 % of customers already use our services via mobile devices, as the services can be utilised across all devices.[61] Our own apps have already been downloaded more than 4.3 million times, which underscores the attractiveness of our platforms.[62]

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

Corporate strategy opportunities

2.2 Value enhancement from successful M&A transactions

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

In relevant transactions, significant added value for the core business of Scout24 lies in strengthening the key operating performance figures for the business area (listings and traffic, as well as revenue and ordinary operating EBITDA-margin contribution). Through targeted transactions, such as the acquisition of the portals AutoTrader.nl in the Netherlands or Gebrauchtwagen.at in Austria, we can create an improved and greater offering for our users and also offer our customers more reach.

In the activities of the Scout24 Consumer Services area, which bundles the competencies around services along the value chains of real estate and automotive, substantial opportunities can also arise from the possibility to offer additional products and solutions to our portals' users, which can exert a positive effect on various key operative performance indicators (such as the number of Unique Monthly Visitors, or, in the case of fee-based offers, also in the form of revenue contribution).

We appraise this opportunity as very good.

2.3 Advantages for AS24 – foreign platforms from participating in innovation within the “OneScout24” approach

The similarities in the sales processes and listing placements for cars and real estate allow us to use our expertise and our tried and tested practices for both areas, to optimise the processes and to exploit operational synergies. For example, especially with respect to our new developments for mobile devices, we can speed up mobile access to our mobile offering and improve user friendliness for our customers and users in our AS24 segment, particularly for our foreign platforms. 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 competitors. The consequent implementation of this strategy could lead to an increase in the ordinary operating EBITDA margin of our AS24 segment in the medium term. We appraise this opportunity as very good.

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[60] AGOF digital facts 2017-03

[61] Management estimate, based on the sum of visits to the IS24 and the AS24 platforms (non-deduplicated) via mobile devices, mobile optimised websites and apps relative to the whole sum of visits, measured with the own traffic monitor (Google Analytics), December 2017

[62] Management estimates

2.4 Growing the revenues of Scout24 marketplaces through overlapping of user interests

The Management Board estimates that approximately 30 % of AS24 users in Germany are also interested in real estate and approximately 43 % of IS24 users in Germany are also interested in cars[63].. This significant user base overlap allows Scout24 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 17 million monthly individual users.[64] We appraise this opportunity as very good.

Business performance opportunities

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

From 2014 to 2017, our external revenues have grown at a compound annual growth rate of 12 %, and reached a total of EUR 479.8 million in the reporting period. Our revenues are not directly dependent on the market prices of real estate and cars or the number of real estate transaction or automobile sales, but instead on the number and display duration of the classifieds placed by our customers. Through our recently introduced more individual pricing arrangement, especially through the implementation of individually bookable visibility products we are detaching our pricing structure from the specific advertising quotas of our customers.

Through our marketplace model and our leading market position we benefit from a significant operational leverage and therefore from disproportionately lower growth of costs compared to our revenue. In the reporting period, our Group generated ordinary operating EBITDA of EUR 252.8 million, and consequently an ordinary operating EBITDA margin of 52.7 %. 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 significant cash flow generation. We appraise this opportunity as very good.

3.2 Value enhancement through performance-improvement

A substantial component of our operational business management is the improvement of our performance profile through measurable performance indicators such as our listings base and user reach or traffic. The objective of our internal management is the improvement of performance of the specific operational entities. Managing our revenues by main customer groups as well as the direct revenue drivers underlines this approach and enables an individual steering of specific influencing factors of segment results. The change in our disclosure starting 2018 going forward will enhance steering possibility and transparency within the segments and will add to our focus on sustainable and profitable revenue growth. We appraise this opportunity as solid.

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

The leading position of the IS24-portal in Germany, measured by access numbers[65] and user activity, and of the AS24-portal on a European level provides us a strong and extensive access to ready-to-buy-customers and will enable us to achieve additional revenues for example by adding further fee-based service offerings along our value chain. We have already successfully implemented additional value-adding service offerings that shall serve as a support for our customers and users within the whole real estate- and automotive purchasing- and selling process as well as the real estate renting process. In 2015, Scout24 Consumer Services, previously known as “Scout24 Media”, was entrenched as a unit that should drive the generation of leads, the development of new service offerings and the advertising business. This contributes to the positioning of Scout24 as a leading digital marketer and as a market network around real estate and automotive in Germany and Europe. Assuming an intensive use of our markets and the significant synergies between IS24 and AS24, the Management Board is confident that Scout24 is well positioned to offer value-adding products and service offerings that exceed the pure

[63] Management estimate; based on own study in the context of re-alignment of the strategy and streamlining the portfolio in February 2014
[64] AGOF digital facts 2017-3
[65] Based on visitor numbers (Unique Monthly Visitors, "UMVs") and user activity, comScore December 2017 (desktop PC for visitor numbers, desktop PC and mobile devices regarding user activity)

selling of classified. We appraise the opportunity as very good. This opportunity and thus the increasing importance of Scout24 Consumer Services will be reflected in our disclosure starting 2018, in which we will disclose this as a stand-alone operational segment.

3.4 Improving the EBITDA margin at AutoScout24 through centralising crucial business processes

AS24 benefits from its Europe-wide presence through fixed-cost degression effects. The Europe-wide presence of the Scout24 Group allows it to allocate costs for parts of the business, especially the fixed costs for the development and the operation of the platforms and the mobile apps to the markets. Furthermore, the pan-European reach enables us to provide regional car dealer customers with access to demand from the European market, thereby expanding their target group of potential car buyers. With a view to the cross-border sales of automobiles in Europe, this offers substantial added value. We appraise this opportunity as very good.

Other opportunities

4.1 Further ARPU growth

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

We believe that the added value from the presence on our platforms increases steadily for our customers and that the market constantly shifts from offline-products (e.g. print media) to online-products. We therefore see potential that our ARPU can be increased further through price adjustments and the sale of visibility products. Based on our significant operating leverage, we constitute that this development can affect further increases of our EBITDA-margin from ordinary business activities. We appraise this opportunity as very good.

Outlook

The following chapter provides an overview of the expectations for the financial year 2018. The new IFRS 9, 15 and 16 standards, which will be applied starting 2018, are not being taken into account in the following chapter regarding the Company's expectations for the financial year 2018. Further information on the new IFRS standards can be found in the chapter > New accounting standards as part of the Notes to the Consolidated Financial Statements (Section 1.3). There is no detailed planning for non-financial performance indicators, these are not reported upon separately in the outlook section.

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 2017 with 8.5 % revenue growth and an ordinary operating EBITDA margin of 52.7 %, 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 custom-ers 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 benefit-ing from the shift of marketing budgets from traditional marketing channels to online. Scout24 Consumer Services takes this trend and the increasing expectations of the partners and users of Scout24 regarding digitisation along the whole process of buying or selling real estate and cars into account. Due to the intensive usage of the marketplaces IS24 and AS24 and also on the back of the synergies between IS24 and AS24, Scout24 is well positioned to further exploit the potential in this area as well and to position Scout24 as a market network around real estate and automotive in Germany and in Europe. Our profitable growth is especially driven by revenues from our agent and dealer partners and as well by revenues from increasing consumer monetisation along the value chain of real estate or automotive.

We are confident that this momentum will continue in 2018, and expect group revenue to record a growth rate between 9 % and 11 %. Reflecting the scalable nature of our business model, our total cost base should grow at a disproportionally lower rate than revenues and we therefore expect the ordinary operating EBITDA margin to yield between 54.0 % and 55.5 %.

For 2018, we currently expect total non-operating costs to amount to between EUR 8.0 million to EUR 11.0 million. This will include approximately EUR 1.0 million related to our office relocation in Munich. We expect non-recurring cost, mainly in the context of post-merger integration, of around EUR 3.5 million. In addition, we expect around EUR 3.0 million for share-based compensation for the programs launched in 2014, 2015 and 2016. Non-recurring charges related to reorganisations shall not exceed EUR 3.0 million.

Finally, we expect capital expenditure to sum up to around EUR 34.0 million. This includes a non-recurring investment into our new office space in Munich of around EUR 8.0 million. The expected increase in other investments compared to 2017 is mainly driven by increased investment into product development fostering future growth.

Segment expectations

Based on the increasing importance of our Scout24 Consumer Services unit, the management board of Scout24, as the main decision maker, has decided to change the internal management and the reporting structure and system of the Group starting 2018. Thus, starting with January 2018 the operating segments according to IFRS 8 consist of "ImmobilienScout24", "AutoScout24" and "Scout24 Consumer Services". The Scout24 Consumer Services segment will subsume all activities relating to services provided along the value chain of the real estate or automotive market and to non-real estate and non-automotive third-party display advertising, primarily reported in the ImmobilienScout24, AutoScout24 and Other segments.

The key indicators applied by the management to assess the performance of the segments are external Revenues and ordinary operating EBITDA margin. If the new reporting structure had already been applied in 2017, the key indicators by segment would have been as follows:

(in EUR million)	**External Revenues**	**Ordinary operating EBITDA**	**Ordinary operating EBITDA margin**
ImmobilienScout24	236.0	157.5	66.7%
AutoScout24	162.6	76.6	47.1%
Scout24 Consumer Services	80.6	28.4	35.2%
Total, reportable segments	479.2	262.5	54.8%
Reconciling items	0.6	(9.7)	n/a
Total, consolidated (unchanged)	479.8	252.8	52.7%

For 2018, we expect IS24 to achieve a revenue growth rate between 4% and 6%. Revenue growth will be mainly driven by an ARPU growth of our agent customers in residential real estate as well as commercial real estate on the basis of continued low churn and stable customer regain and new acquisition rates. The ordinary operating EBITDA is expected to grow at a slightly higher rate than revenues driven by disproportional lower cost growth. Ordinary operating EBITDA margin is therefore expected to come in at least at 67.0%.

For AS24 we are targeting to record revenues of at least EUR 185.0 million in 2018. Main growth drivers of revenue growth for AS24 is also ARPU growth of our dealer customers, especially in Germany, Belgium, Netherlands, Italy and Austria. Driven by operating leverage the ordinary operating EBITDA is expected to grow at a higher rate and ordinary operating EBITDA margin shall at least come in at 50.0%.

Scout24 Consumer Services revenue is expected to come in at around EUR 90.0 million in 2018. Revenue growth will mainly be driven by increased usage of our service offerings along the value chain of real-estate and automotive, for example real-estate and car financing lead generation, credit checks, premium membership, and the sale of advertising. We expect as well for Scout24 Consumer Services to increase profitability and therefore ordinary operating EBITDA margin to increase by at least one percentage point.

Other disclosures

Dependent company report

Closing statement of the Management Board report concerning relations to associated companies pursuant to Section 312 of the German Stock Corporation Act (AktG)

During the period 01. January 2017 to 21. June 2017, Scout24 AG was a company dependent on Willis Lux Holdings 2 S.à r.l. i.L., Luxembourg, which is being managed by H&F Corporate Investors VII. Ltd. as the highest company in the chain of control. 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 obligated 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 period of dependency.

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

"According to circumstances known to us at the time, our company received appropriate compensation for the legal transactions mentioned in this report on the relationships to affiliated companies at the time when these legal transactions were executed. Other measures at the instigation or in the interests of the affiliated companies were not taken in the period 01 January to 22. June 2017."

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

The following presents information according to Sections 289s (1) and 315a (1) of the German Commercial Code (HGB) as of 31 December 2017.

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.

Direct or indirect equity investments exceeding 10 % of voting rights

As of 31 December 2017, the company is aware of the following equity investments representing more than 10 % of voting rights: Morgan Stanley, Wilmington, Delaware, United States of America, 10.03 %.

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 Scout24 AG, the members of the Management Board 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 authorized to amend the wording of the articles of association 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 the instance 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 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 the instance 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;
- to issue shares to employees of the company and employees and board members of subordinated affiliated companies, and, in addition, with regard to employees in accordance with the requirements of 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 in an amount of EUR 7.6 million.

By resolution of the AGM of Scout24 AG on 8 June 2017, 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 107,600,000. This authorisation can be exercised in full, or in part, once, or on several occasions and is valid until 7 June 2022. The Company can purchase its own shares (1) through the stock market or (2) by means of a public purchase offer or by means of a public invitation to submit such an offer or (3) through the deployment of derivatives (put or call options or combination of both).

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. A chance of control occurs when a shareholder acquires 30% of the stakes in the company. In the case of a change of control and under additional preconditions, the Facility Agreement 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 pursuant Sections 289f, 315d 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.

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

The non-financial statement is part of the CSR-Reporting, which will be permanently available on our › website under Investor-Relations/Corporate-Governance with the publication of the CSR-Report, according to article article315 Sec. 3 No. 2 (b) of the German Commercial Code.

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) as adopted by the European Union. 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 Consumer Services business. Scout24 Consumer Services, 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 Consumer Services, 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.

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 Consumer Services is managed 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 as well as expanding the support services in the Scout24 Consumer Services business 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 2017	FY 2016	+/-	+/- in %
Revenues	76,310	37,659	38,651	102.6
Other operating income	3,802	3,065	737	24.0
Material costs	(37,192)	(18,664)	(18,528)	99.3
Personnel expenses	(30,583)	(18,371)	(12,212)	66.5
Amortizations and depreciation	(295)	(57)	(239)	420.2
Other operating expenses	(28,336)	(14,068)	(14,268)	101.4
Income from profit transfer agreements	154,869	129,852	25,017	19.3
Income from financial asset lendings	32,508	32,623	(116)	(0.4)
Other interest and similar income	1,200	2,211	(1,010)	(45.7)
Interest and similar expenses	(11,814)	(34,383)	22,568	(65.6)
Taxes on income and on revenue	(50,606)	(35,539)	(15,067)	42.4
Earnings after tax	109,863	84,329	25,534	30.3
Other taxes	(5)	135	(140)	(103.7)
Annual net profit	109,858	84,464	25,393	30.1

Revenues increased year-on-year by EUR 38.7 million, from EUR 37.7 million to EUR 76.3 million. This arises, firstly, from services charged for the first time to third parties for the entire financial year (increase by EUR 11.8 million) that Scout24 AG receives from its subsidiaries as part of the Scout24 Consumer Services business, and, secondly, from an increase in management services charged out to subsidiaries (increase by EUR 26.7 million).

Other operating income increased by 24.0 % compared with the previous year, from EUR 3.1 million to EUR 3.8 million. This is mainly attributable to the reversal of provisions amounting to EUR 3.4 million (increase of EUR 2.6 million).

The material costs were up from EUR 18.7 million in 2016 to EUR 37.2 million in the financial year under review. The reason for this increase is the expansion of services in the Scout24 Consumer Services business.

Personnel expenses rose from EUR 18.4 million in 2016 to EUR 30.6 million in 2017 in line with the higher number of employees as well as the employee structure. This was also driven by the creation of provisions for severance payments and share-based payments. Scout24 AG employed an annual average of 228 employees in the financial year 2017 (previous year: 93) excluding the members of the Management Board.

Other operating expenses increased by 101.4 % to EUR 28.3 million compared with the previous year (EUR 14.1 million). This is mainly due to an increase in other personnel-related costs of EUR 4.5 million (previous year: EUR 1.0 million), legal and consulting costs of EUR 5.4 million (previous year: EUR 3.8 million) and IT services of EUR 4.5 million (previous year: EUR 0.6 million). The increase is based on the implementation of new strategic alignments within the Group.

Income from profit transfer agreements amounted to EUR 154.9 million in the financial year under review (previous year: EUR 129.9 million), representing 19.3 % growth. The income arises from the profit transfer agreement with Scout24 Holding GmbH, Munich (hereinafter also referred to as "Scout24 Holding").

Interest and similar expenses fell by 65.6 % compared with the previous year (EUR 34.4 million) to EUR 11.8 million. The decline is mainly due to a lower interest rate level due to the refinancing carried out in December 2016 as well as the progressive reduction of debt and the associated reduction in financial expenses.

Due to the improved earnings situation of the subsidiaries and Scout24 AG, taxes on income and revenue amounted to EUR 50.6 million in the 2017 financial year (previous year: EUR 35.5 million), representing an increase of EUR 15.1 million (42.4 %). The disproportionately high increase in taxes compared to the increase in earnings arises from other internal effects such as a lower possibility of tax and the carry forward of losses from mergers in 2016.

Earnings after tax rose by 30.3 % from EUR 84.3 million to EUR 109.9 million.

As a consequence, the net profit for the year grew by a total of 30.1 % to EUR 109.9 million, compared with EUR 84.5 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 yearly financial planning and monthly rolling liquidity planning for the Group.

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

Balance sheet (condensed)

(EUR thousands)	31/12/2017	31/12/2016	+/-	+/- in %
Intangible assets	1,122	865	258	29.8
Property, plant and equipment	800	283	517	182.7
Financial assets	1,561,929	1,561,929	-	-
Fixed assets	**1,563,852**	**1,563,077**	**774**	**0.0**
Trade receivables	7,428	5,022	2,406	47.9
Receivables from affiliated companies	195,164	188,997	6,167	3.3
Other assets	152	263	-111	-42.2
Cash holdings and bank credit balances	10,447	143	10,304	7.204.5
Current assets	**213,191**	**194,425**	**18,766**	**9.7**
Deferred expense	5,690	2,953	2,737	92.7
Total assets	**1,782,733**	**1,760,456**	**22,278**	**1.3**
Subscribed share capital	107,600	107,600	-	-
Nominal value of treasury shares	-	-13	13	100.0
Capital reserve	422,956	423,170	-214	-0.0
Reserves for treasury shares	-	13	-13	-100.0
Retained earnings	53,800	53,800	-	-
Balance sheet profit	532,186	454,609	77,578	17.1
Equity	**1,116,542**	**1,039,178**	**77,364**	**7.4**
Provisions	**32,785**	**33,512**	**-727**	**-2.2**
Liabilities	**632,161**	**686,383**	**-54,222**	**-7.9**
Deferred income	1,245	1,383	-137	-9.9
Total liabilities and equity	**1,782,733**	**1,760,456**	**22,278**	**1.3**

As in the previous year, financial assets consist primarily of the investment in Scout24 Holding GmbH.

Trade receivables rose by EUR 2.4 million year-on-year to EUR 7.4 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 increase in receivables in 2017 from EUR 189.0 million to EUR 195.2 million results primarily from the increase in receivables from profit and loss transfers.

Equity changed by EUR 77.4 million, from EUR 1,039.2 million in the previous year to EUR 1,116.5 million. This effect is mainly attributable to the net profit.

The capital reserve also reduced by EUR 0.2 million. In connection with the acquisition of treasury shares and the subsequent issue of shares to executives under the stock option program, EUR 1.2 million (previous year: EUR 1.6 million) was withdrawn from the capital reserve. In addition, EUR 3.8 million were recorded in the previous year to create a provision for shares still to be acquired back. Personnel expenses of EUR 0.9 million (previous year: EUR 4.7 million) in connection with the › share-based payments were also recorded in the capital reserve.

The equity ratio improved by 3.6 percentage points to 62.6 % (previous year: 59.0 %).

Provisions decreased by EUR 0.7 million from EUR 33.5 million to EUR 32.8 million, mainly due to tax provisions being down from EUR 13.2 million to EUR 10.6 million as result of higher tax prepayments in 2017. On the contrary, other provisions increased from EUR 20.3 million to EUR 22.2 million, which is attributable to an increase in personnel-related provisions with a decrease in provisions for outstanding invoices.

Liabilities are characterised by EUR 620.0 million of bank borrowings (previous year: EUR 680.0 million). The reduction of EUR 60.0 million in bank borrowings arises chiefly from the partial repayment of a Term Loan in the amount of EUR 30.0 million as well as an extraordinary repayment on the revolving credit line also in the amount of EUR 30.0 million. Liabilities to affiliated companies, which increased by EUR 3.2 million from EUR 0.2 million in the previous year to EUR 3.4 million, mainly relate to trade accounts payable. This increase is mainly due to the fact that in 2017 Scout24 Consumer Services revenues were charged for the whole year for the first time.

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.

Munich, den 15 March 2018
Scout24 AG

The Management Board

Gregory Ellis

Christian Gisy