Combined management report of the Scout24 Group and Scout24 AG

New reporting structure

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

Acquisition of FINANZCHECK.de

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

New accounting regulations

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

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

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 16 Leases

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

Adjustment of the outlook for the full year 2018

Adjustment of the outlook as of 8 May 2018

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

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

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

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

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

Adjustment of the outlook as of 14 August 2018

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

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

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

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

Fundamentals of the Group

Business model and operating segments

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

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

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

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

ImmobilienScout24

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

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

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

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

AutoScout24

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

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

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

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

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

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

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

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

Scout24 Consumer Services

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

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

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

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

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

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

Organisation and corporate structure

Management and control

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

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

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

Management Board of Scout24 AG in the financial year 2018

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

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

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

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

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

Group structure

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

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

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

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

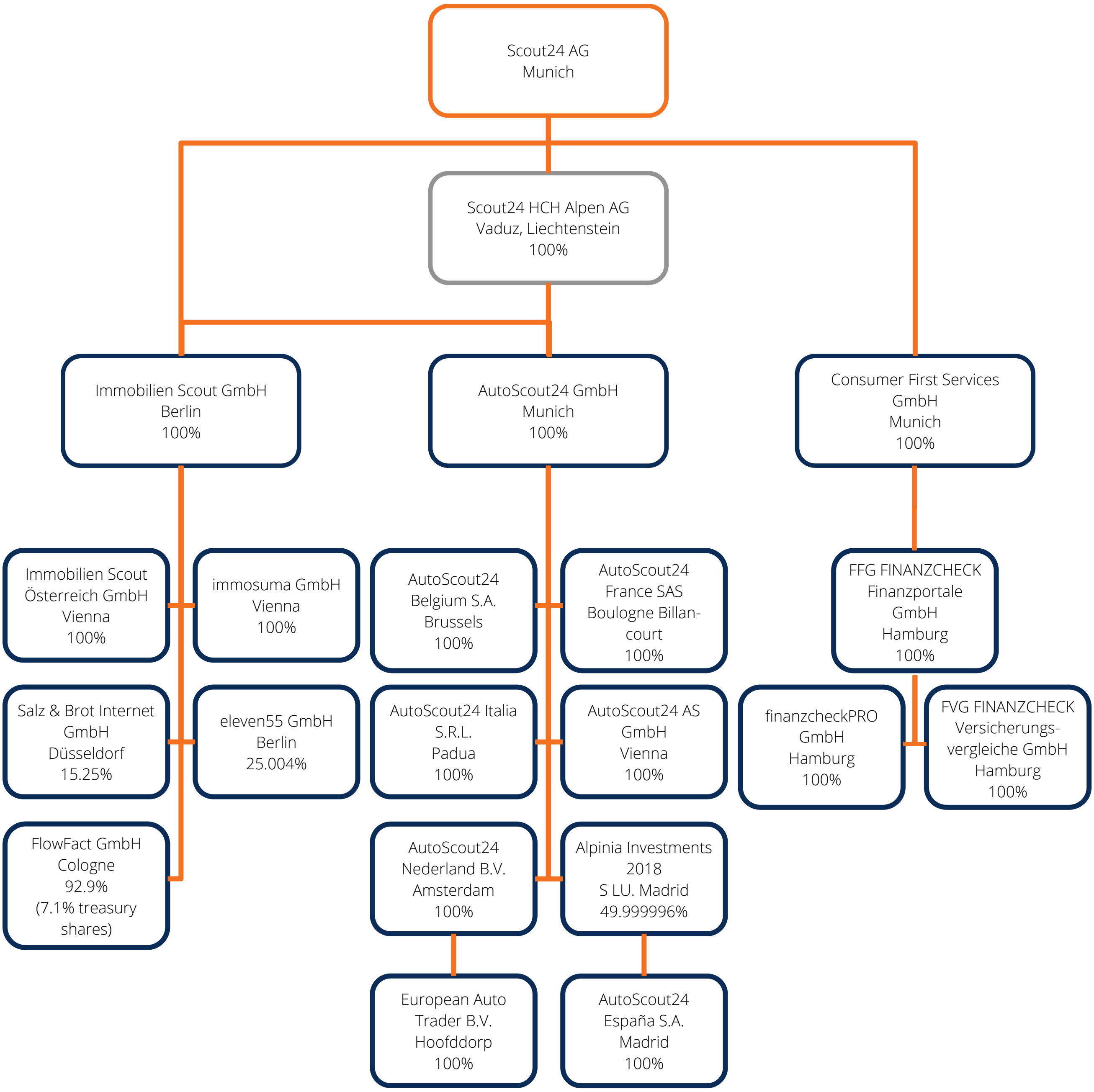
In December 2018, Immobilien Scout GmbH, Berlin, sold its 100% interest in classmarkets GmbH, Berlin ("classmarkets"). The sale was executed by transferring all of the shares previously held by the Company to the buyer.

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

Transferring entity	Acquiring entity
Scout24 Services GmbH, Munich	Scout24 Holding GmbH, Munich
Scout24 Holding GmbH, Munich	Scout24 AG, Munich

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

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



Strategy

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

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

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

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

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

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

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

Management system

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

Performance indicators

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

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

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

ImmobilienScout24

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

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

[10] Data source: Management estimates

[11] Data source: comScore

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

AutoScout24

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

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

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

Scout24 Consumer Services

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

Research and development

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate social responsibility[15]

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

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

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

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

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

We are committed to our customers and users

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

We treat data absolutely confidentially and communicate professionally

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

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

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

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

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

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

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

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

Employees

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

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

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

Macroeconomic and sector-specific environment

Economic conditions

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

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

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

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

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

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

German residential property market trends

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

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

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

Development of the European automotive market

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

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

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

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

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

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

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

[27] DAT report 2018

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

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

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

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

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

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

Business performance of the Group

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

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

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

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

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

[38] AGOF Daily Digital Facts, December 2018

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

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

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

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

Segment trends

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

ImmobilienScout24

Key performance indicators

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

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

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

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

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

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

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

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

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

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

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

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

AutoScout24

Key performance indicators

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

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

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

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

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

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

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

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

[51] Management estimate, December 2018

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

Scout24Consumer Services (CS)

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

* The earnings of FINANZCHECK.de are included in the financial figures of Scout24 AG as of 1 September. The contribution to revenue as of the end of the 2018 financial year amounts to EUR 12.3 million, while the contribution to ordinary operating EBITDA is a negative EUR 2.0 million.
** The following change was made compared with the figures reported for 2017: IFRS 15 was applied as of 1 January 2018 and the figures for 2017 were adjusted retrospectively.

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

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

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

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

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

Result of operations

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

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

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

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

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

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

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

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

A reconciliation to ordinary operating EBITDA is presented below:

Reconciliation of ordinary operating EBITDA

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

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

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

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

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

Financial position

Principles and objectives of financial management

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

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

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

Capital resources and financing structure

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

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

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

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

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

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

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

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

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

Liquidity and investment analysis

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

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

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

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

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

Net assets

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

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

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

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

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

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

Overall assessment

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

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

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

Risks and opportunities

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

Management's overall statement on the risk position

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

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

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

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

Risk management system, compliance management system and internal control system

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

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

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

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

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

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

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

Principles of risk and opportunity management of the Scout24 Group

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

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

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

Organisational implementation of risk and opportunity management

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

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

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

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

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

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

Risk prevention and ensuring compliance

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

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

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

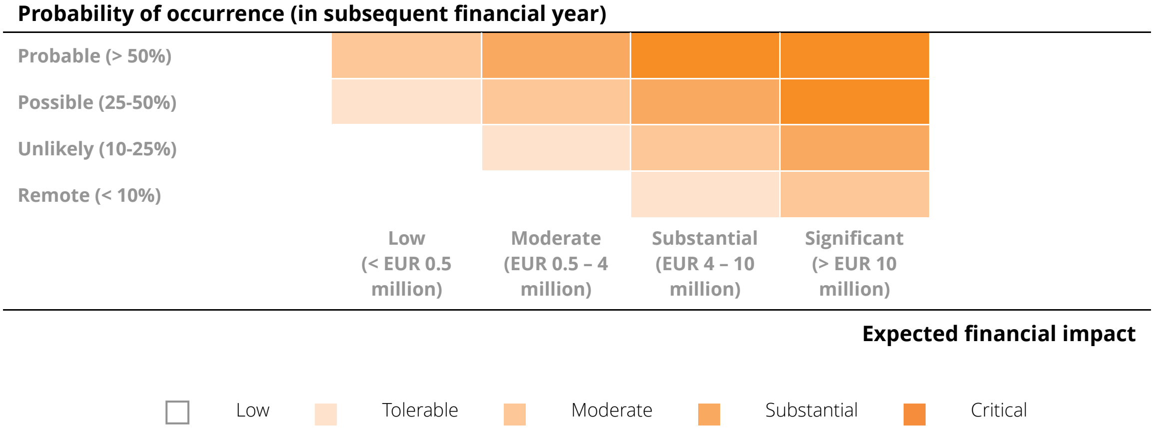
Development of the risk assessment

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

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

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

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



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

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

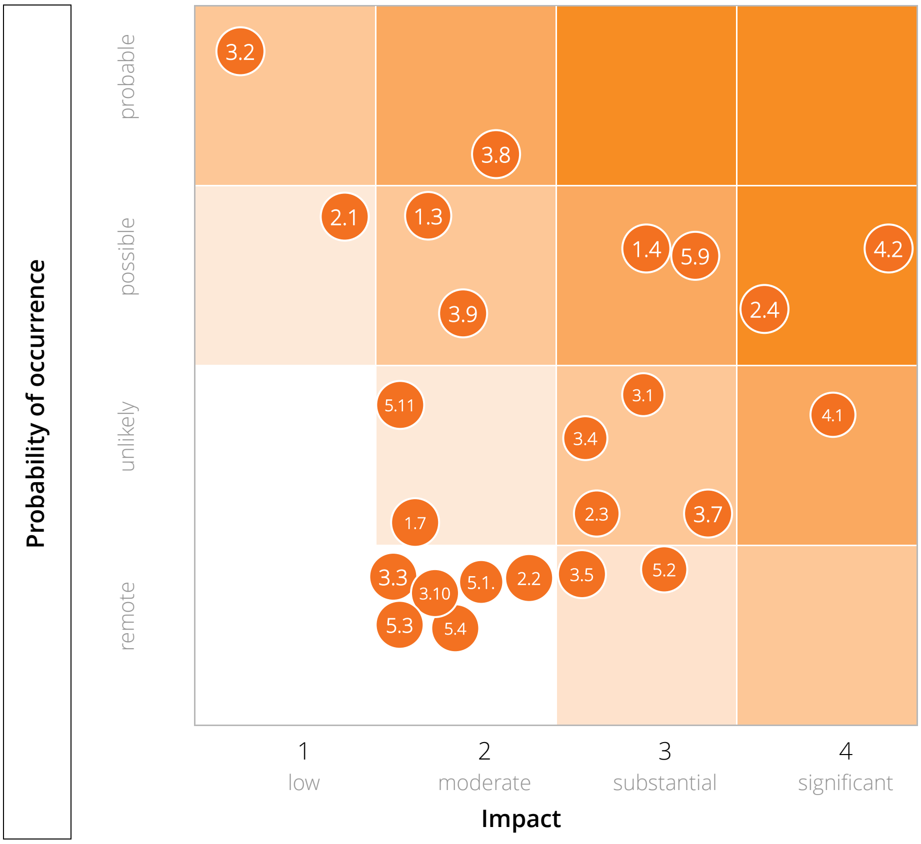
Local risk managers in the various business units are responsible for recording and reporting risks. The managers categorise the risks according to a standard catalogue applicable in the Group and document their results on a quarterly basis – or on an ad hoc basis – in a database.

Overall risk situation, risk clusters and risk areas

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

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

↓	Decrease	↑	Increase
=	Unchanged	↙↗	Immaterial change



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

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

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

External risks

1.3 Legal environment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.4 Competition & market

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

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

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

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

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

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

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

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

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

Financial risks

2.4 Financial reporting

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

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

Operational risks

3.7. IT risks

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

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

3.8 Project management

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

Strategic risks

4.1. Strategic orientation

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

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

4.2. Sales, marketing & brand

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

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

[55] Explanation of term: ethical computer hackers

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

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

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

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

Compliance risks

5.9. Know-how drain

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

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

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

Opportunities

Management's overall statement on opportunities

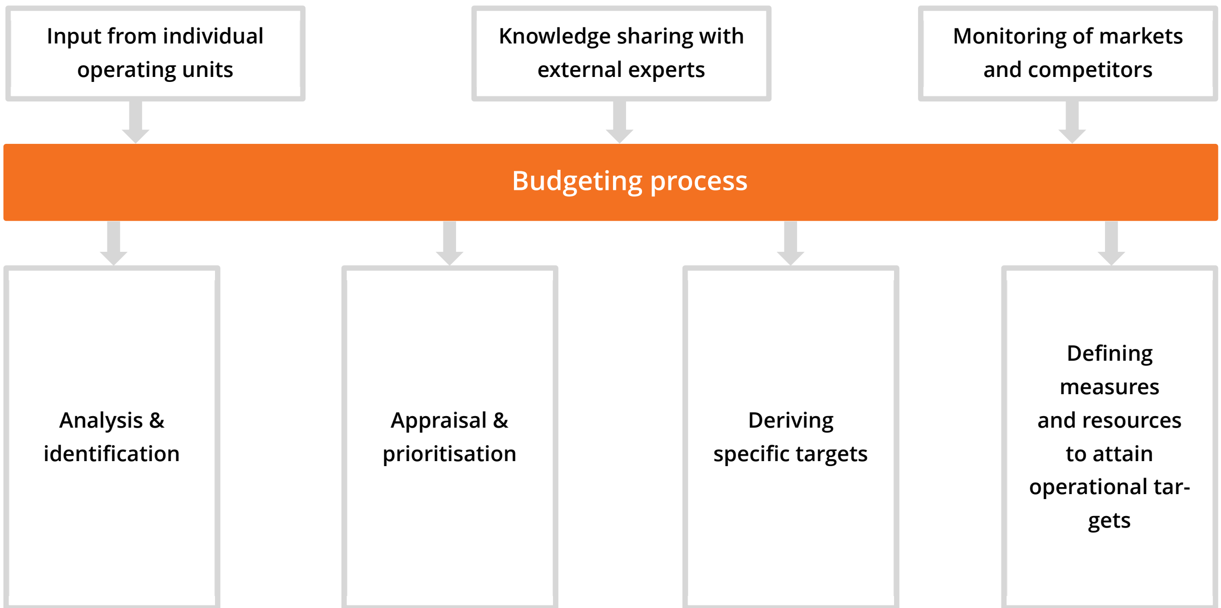
The Internet business continues on a growth track in Germany, the rest of Europe and globally. In the listings business in particular, business models are shifting from offline offerings (such as print media) to online offerings. Expenditure on online advertising accounted for a 35.92% share of total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

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

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

Opportunity management

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

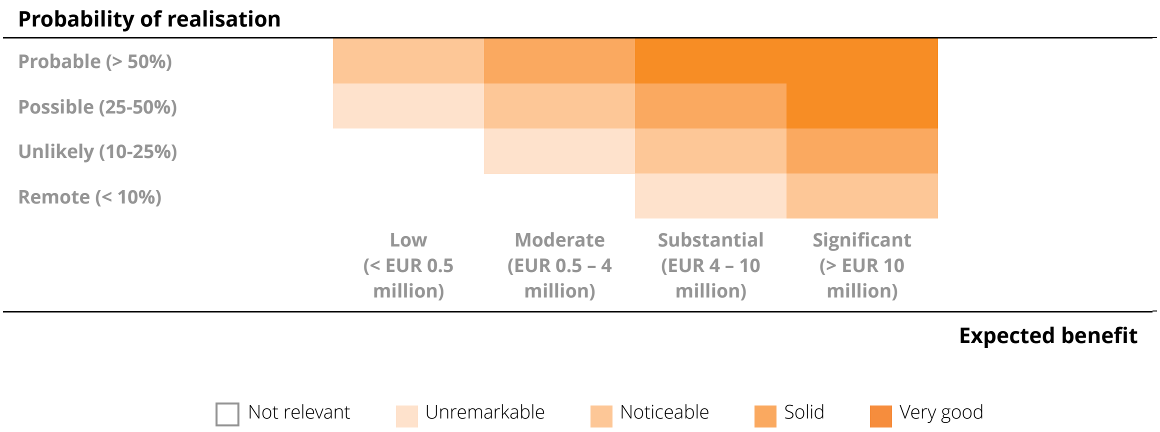


[57] ZenithOptimedia, Advertising Expenditure Forecasts, December 2017

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

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

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



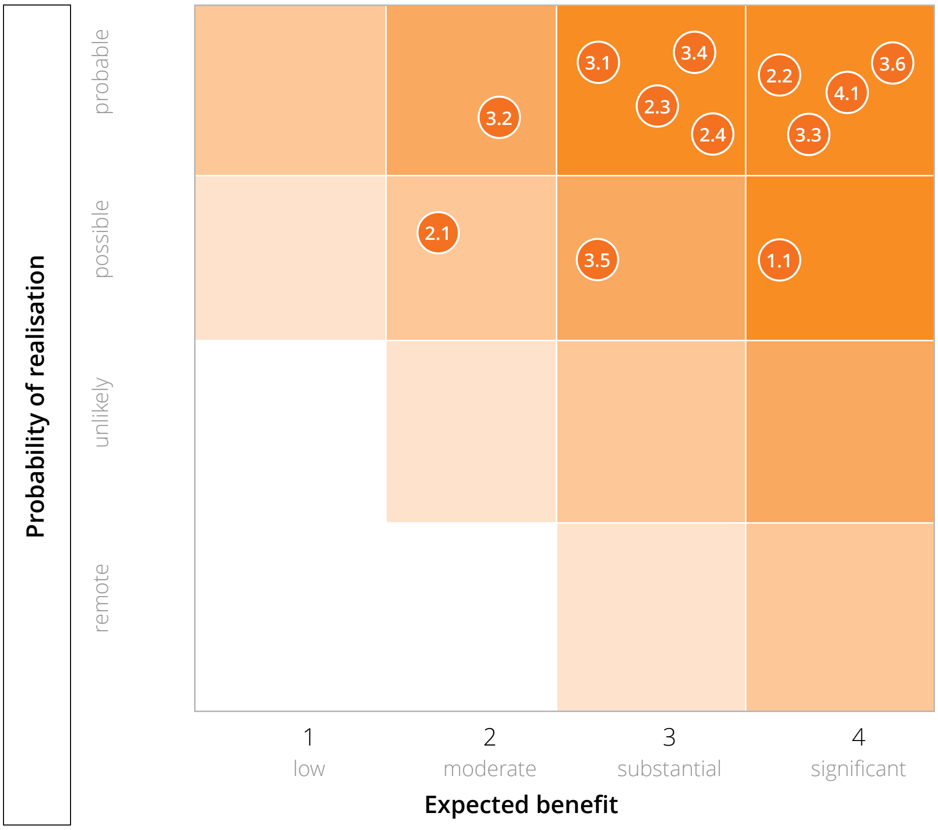
Opportunities are not measured according to the inherent/residual method used in risk management. Measures to support the realisation of opportunities are not inventoried or reported upon separately.

Overall opportunity situation, opportunity clusters and opportunity areas

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

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

* Compared with 2017



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

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

Opportunities from changes in overall conditions

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

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

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

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

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

Corporate strategy opportunities

2.2 Value added from successful M&A transactions

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

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

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

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

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

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[61] AGOF digital facts 2018-12

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

[63] Management estimate

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

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

Business performance opportunities

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

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

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

3.2 Value added from performance improvement

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

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

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

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[64] Management estimate; based on own study in the context of re-alignment of the strategy and streamlining the portfolio in February 2014

[65] AGOF digital facts 2018-12

[66] Taking acquisitions into account

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

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

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

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

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

3.5 Exceeding post-merger integration targets

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

We assess this opportunity as solid.

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

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

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

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

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

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

Other opportunities

4.1 Further ARPU growth

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

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

Outlook

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

Market and sector expectations

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

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

Company expectations

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

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

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

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

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

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

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

Segment expectations

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

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

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

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

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

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

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

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

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

Other disclosures

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

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

Composition of subscribed share capital

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

Direct or indirect equity investments exceeding 10% of voting rights

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

Shares endowed with special rights

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

Control of voting rights for equity investments of employees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No such agreements exist.

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

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

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

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

Additional disclosures relating to the separate financial statements of Scout24 AG

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

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

Business activity of Scout24 AG

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

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

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

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

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

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

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

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

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

Result of operations

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

Income statement (condensed)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial position and net assets

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

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

Balance sheet (condensed)

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

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

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

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

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

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

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

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

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

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

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

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

Risks and opportunities of Scout24 AG

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

Munich, 11 March 2019
Scout24 AG

The Management Board

Tobias Hartmann

Christian Gisy

Dr Thomas Schroeter

Ralf Weitz