HolidayCheck
GROUP

COME ALONG!

**ANNUAL REPORT 2018
OF THE HOLIDAYCHECK GROUP AG**

HolidayCheck GROUP

One of Europe's leading digital companies for holidaymakers

MUNICH, GERMANY

HolidayCheck

Largest hotel rating community in the German-speaking countries

BOTTIGHOFEN, SWITZERLAND; POZNAN & WARSAW, POLAND

HolidayCheck SOLUTIONS

Development of software solutions and technologies for hotel rating and booking platforms

MUNICH, GERMANY

HC TOURISTIK GMBH

Tour operator

MUNICH, GERMANY

driveboo

Rental car comparison portals

BOTTIGHOFEN, SWITZERLAND

zoover

Largest hotel rating community in the Benelux region

AMSTERDAM, THE NETHERLANDS

Weeronline

International weather portals

AMSTERDAM, THE NETHERLANDS

Amsterdam

Poznan

Warsaw

Munich

Bottighofen

Come along!

Dear shareholders,
Dear Urlaubers*,

as you know, our vision is to become the most Urlauber*-friendly company in the world. There is still a long way to go, but with commitment and determination we're making very good progress. We'd very much like to inspire you, our valued shareholders and Urlaubers*, to join us on our journey to becoming the most Urlauber*-friendly company in the world. In pursuing this goal and under the maxim ‚Come along!', in this annual report we review various projects, initiatives and innovations undertaken in 2018 which bring us closer to our vision.

WE HOPE YOU ENJOY READING THE REPORT!

*Urlauber [uːɐlaʊbɐ] is the German term for holidaymaker, vacationer.

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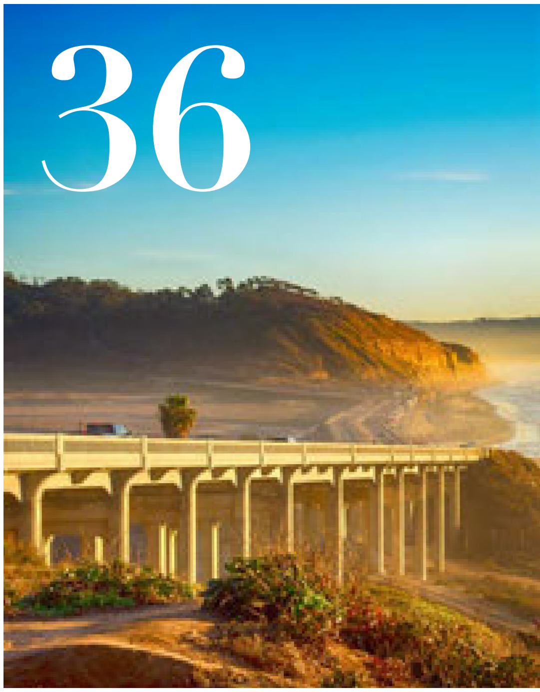

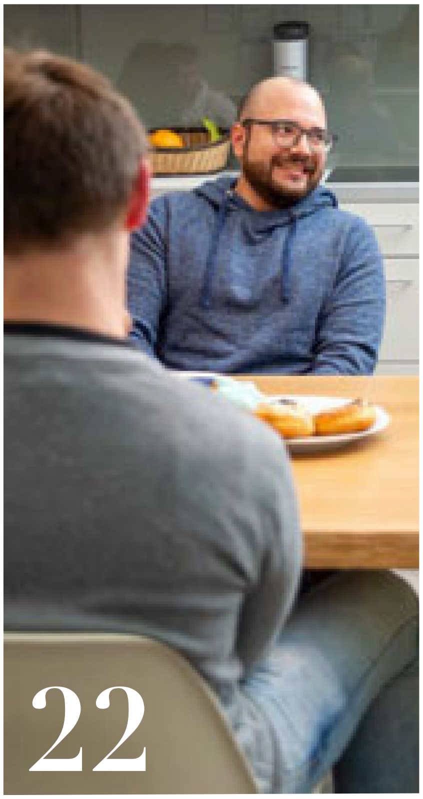

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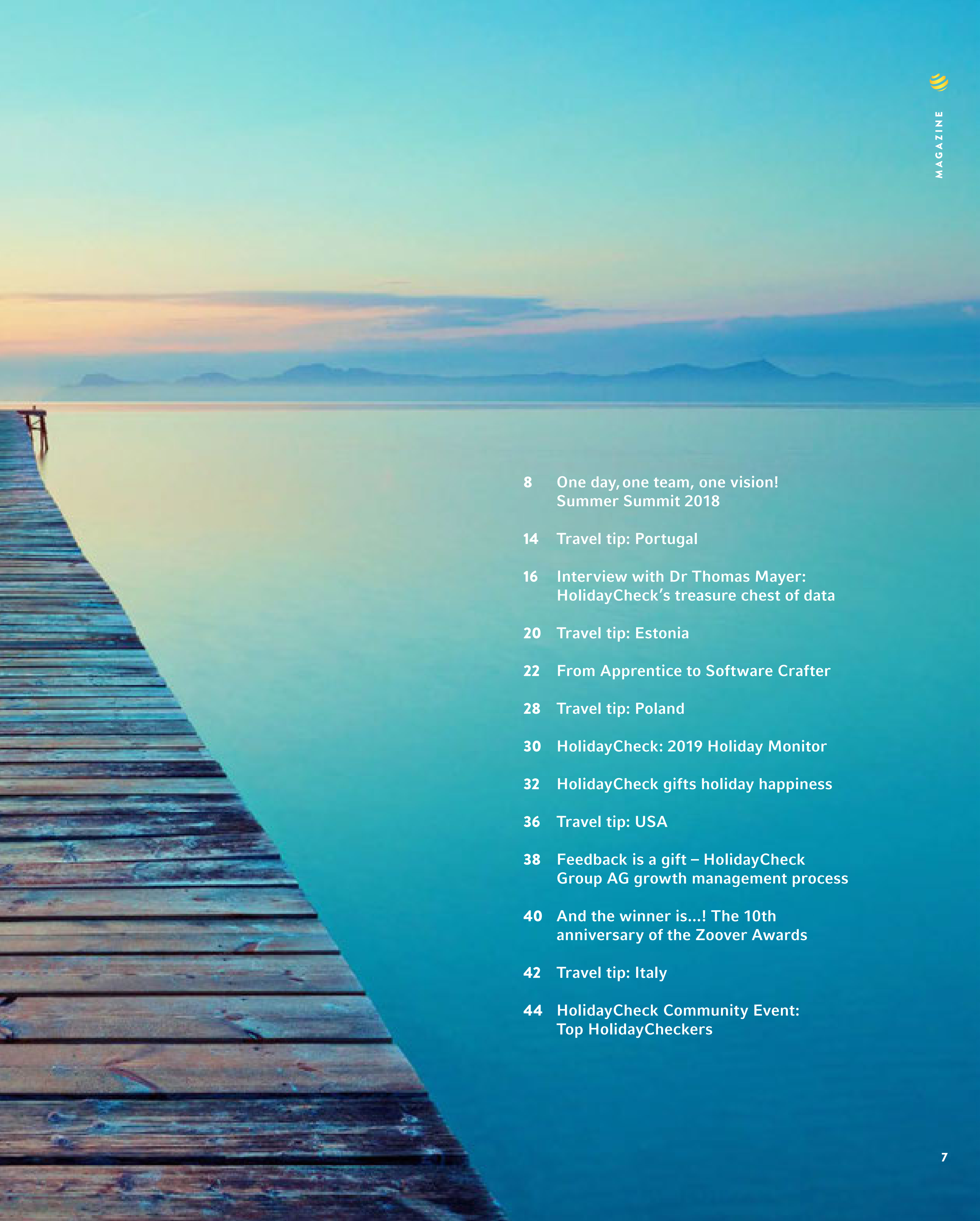


Once a year employees of the HolidayCheck Group from Switzerland, Munich and Poland meet up at the so-called Summer Summit to exchange ideas, work together and celebrate.

Following the development and definition of the corporate values at the 2016 Summer Summit, 2018 was an opportunity to further ponder, readdress and fine tune, while constantly keeping a firm eye on the vision. After all the HolidayCheck Group has big plans: to become the most Urlauber*-friendly company in the world. The event took place in a location intended to stimulate and inspire HolidayCheck Group employees to 'think big' – namely Lake Forggensee in the Bavarian Allgäu region, situated at the foot of Neuschwanstein castle, the famous fairy-tale palace of King Ludwig II and one of the major visionaries of his time.

DEDICATED TO OUR URLAUBERS*

The objective of the 2018 Summer Summit was for each individual employee to develop their own personal undertaking – the so-called 'Urluaber* commitment'. The aim and purpose of the commitment is for each employee to map out and set down on paper their individual contribution to achieving the corporate vision. "For employees who are not in direct contact with our Urlaubers* on a daily basis - such as administrative personnel for example - it is often difficult to define what they can do better for Urlaubers*. Developing a personal commitment sharpens the focus in this respect and demonstrates how one's own work impacts on the corporate vision," explained Oliver Brunzel, Transformation Manager at the HolidayCheck Group.

*Urlauber [uːɐlaʊbɐ] is the German term for holidaymaker, vacationer

> WHAT'S GREAT ABOUT THE COMMITMENTS IS THE DIVERSITY AND INDIVIDUALITY. EACH EMPLOYEE CONTRIBUTES THROUGH THEIR OWN EXPERTISE AND IN THEIR OWN WAY TO THE ACHIEVEMENT OF OUR VISION.

GEORG HESSE
Chief Executive Officer (CEO)
HolidayCheck Group AG

NATE GLISSMEYER
CPO/CTO
HolidayCheck Group AG

FORMULATING A PROMISE

Employees drafted their commitments in teams, which were put together regardless of any given individual's location or position within the company. The first task was for each employee to get to know and understand the area of responsibility of the other team members. For at the end of the day only those having a grasp of the requirements and role of their counterparts could ultimately judge whether the established commitment was valid and sufficiently ambitious. Team members not only provided support in terms of developing the commitment, they also had to give the end result the final stamp of approval. At the end of the highly productive summit day, each employee had their individual promise to the Urlaubers* in their hand.

DIVERSITY AND INDIVIDUALITY

"What's great about the commitments is the diversity and individuality. Each employee contributes through their own expertise and in their own way to the

> Our vision is to become the most Urlauber*-friendly company in the world.

achievement of our vision. The more multifaceted the input and diverse the thought process and method of approach, then the greater the innovation ultimately created for the benefit of our Urlaubers*," declared Georg Hesse, CEO of HolidayCheck Group AG.

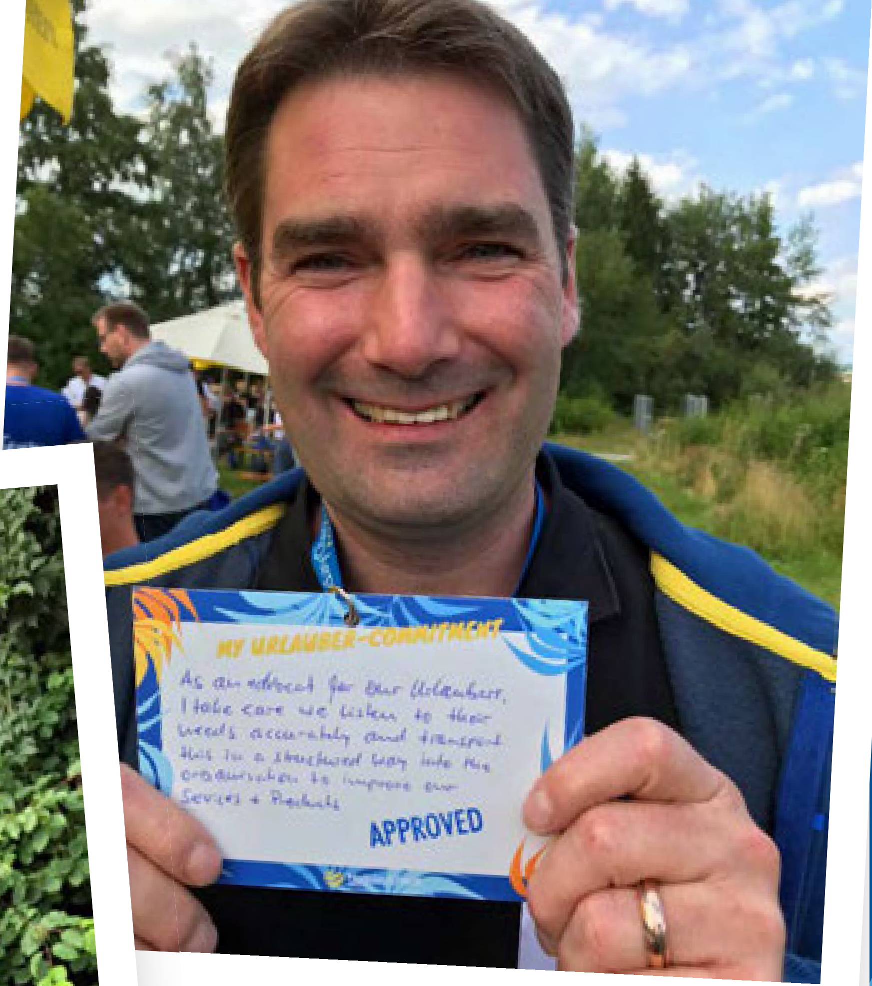
The established commitments are used, for example, on email signatures, business cards and other documents. Employees also use their commitments to introduce themselves to each other or in discussions with customers or business partners. The definition and development of a commitment has also been incorporated into the induction process for all new employees, meaning that it has now become a fixed component of the company culture.

*Urlauber [uːɐlaʊbɐ] is the German term for holidaymaker, vacationer

MAGDALENA DUMMEL
Apprentice Travel Agent
HolidayCheck AG

PERIKLIS TSIRAKIDIS
Senior Software Engineer
HolidayCheck Solutions GmbH

DANIEL WIMMER
Project Manager
Business
Developement
HolidayCheck
Group AG



PASCAL DUÉ
Director Customer Service
HolidayCheck AG

SOPHIA MAISENHÄLDER
Product Manager Digital Communications
HolidayCheck Solutions GmbH

SANDRA MINDE
UX/UI Manager
Driveboo AG

LISBON

OUR TRAVEL TIP

ANDREIA FERREIRA DA SILVA

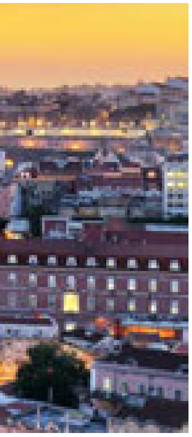
Junior Visual Designer,
HolidayCheck Solutions GmbH

My home country

PORTUGAL

Portugal is known first and foremost for its beautiful beaches. Which is why anyone planning a city break in **Lisbon** should certainly take a look at the nearby **Praia do Guincho**. On a train journey from **Cais de Sodré** to **Cascais**, the starting point for the beach, you can gaze across the dreamlike coastline of Lisbon. Mind you, there is also plenty to be amazed at in the centre, one example being **Miradouro de Santa Luzia**. In the afternoon, a free-of-charge visit to the former industry complex, **LX Factory** in **Âlcantara**, is well worth a visit. Nestled in a charming rustic setting, you can browse small shops for distinctive souvenirs, visit exhibitions or enjoy the cafés in the surrounding area. For a more traditional impression, however, you need to visit districts such as **Príncipe Real, Graça** or the **Bairro Alto**. From a culinary point of view, you should not leave without sampling the various Portuguese ‘Pestiscos’, similar to Spanish tapas. **Fábrica da Nata** is where you will find the best ‘Pastel de Nata’, traditional vanilla tarts directly from the oven.

MY INSIDER TIP: a great time for this city break is in June. This is when the **festivities for Saint Anthony** take place, Lisbon’s patron saint. Whole areas of the city are decorated in an elaborate way, parades are held, meals are served on the streets and people dance to local music.



TREASURE CHEST OF DATA

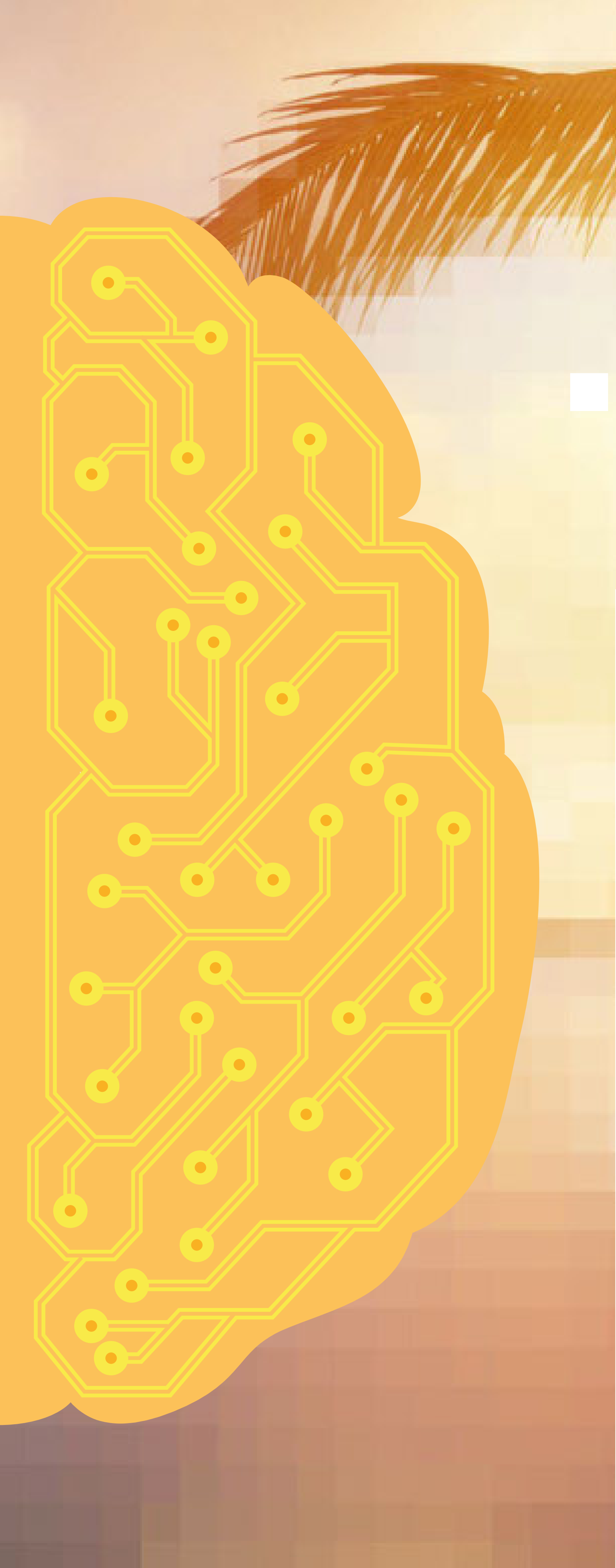
HolidayCheck

HOW ARTIFICIAL INTELLIGENCE IS APPLYING THE KNOWLEDGE OF MILLIONS OF HOLIDAYMAKERS

Looking for and finding the perfect holiday is a science in itself. Which is the right holiday destination? Which is the best hotel? Is it a good price? Getting reliable answers to these questions takes time and strains the nerves. We spoke to Dr. Thomas Mayer, NLP data scientist at HolidayCheck, and asked how artificial intelligence can be used to resolve this problem and get straightforward answers to the most pressing holiday questions.

Thomas, you are an NLP data scientist at HolidayCheck. What exactly is NLP and what does an NLP data scientist do?

THOMAS: NLP stands for Natural Language Processing. This involves the processing and understanding of language by machines with the aid of technology. My primary task at HolidayCheck is to transform unstructured data, such as hotel reviews, into a structured format with the aid of technology, so that the data can be stored in a database. From these hotel reviews, we can then establish how frequently a certain subject is discussed and how big the proportion of positive comments is compared to the negative ones. This allows us to display hotels to the holidaymaker in accordance with their preferences.

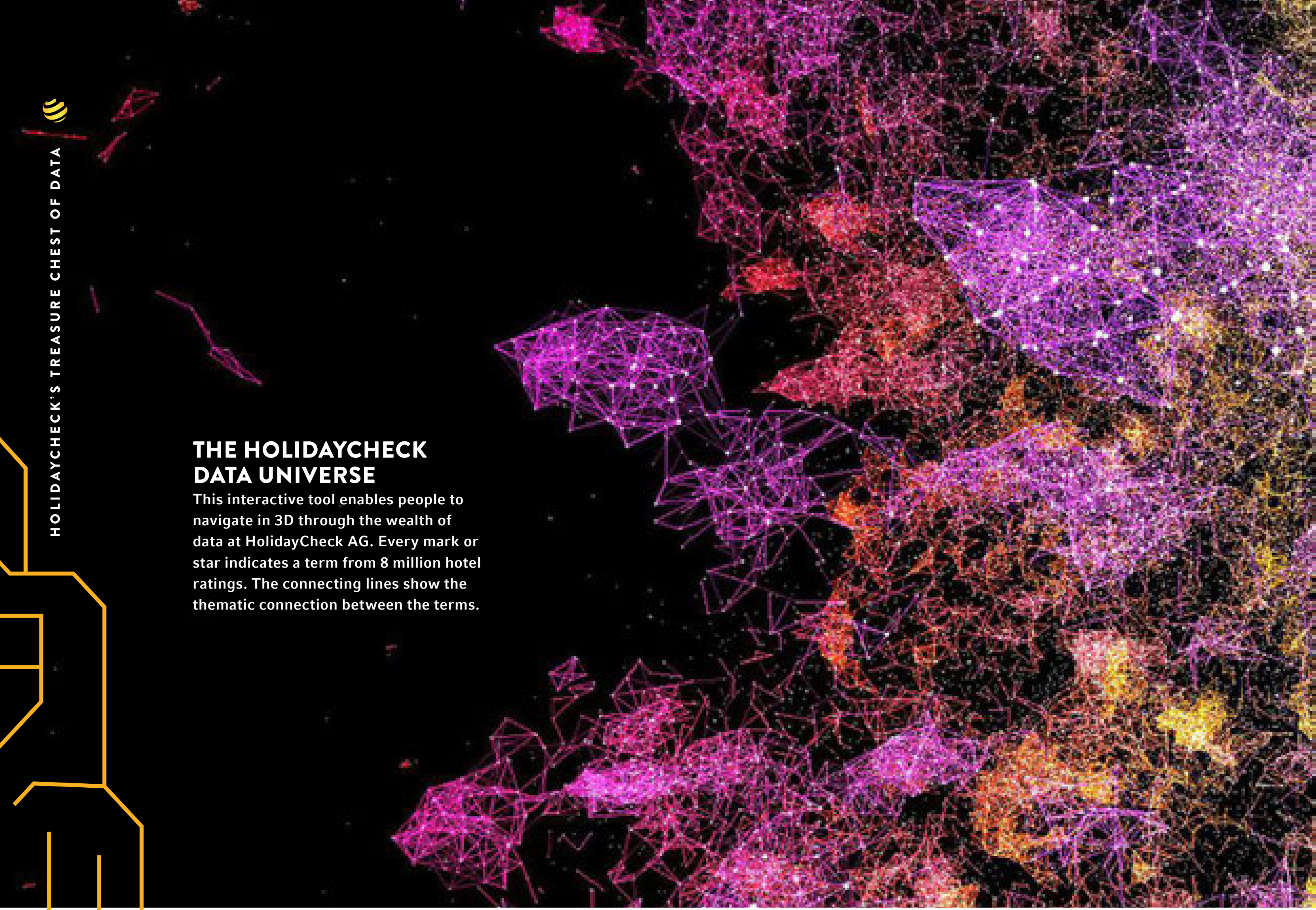


What kind of data does HolidayCheck hold and what is the challenge in terms of analysing this?

THOMAS: HolidayCheck has a great deal of valuable data. One example, of course, is that we have over 8 million German-language hotel reviews for typical package holiday destinations. These reviews hold an enormous treasure trove of information that we are still far from having fully extracted. Added to this are forum contributions, catalogue texts, direct customer feedback as well as a huge number of hotel images from which we can also glean useful information for our holidaymakers. The challenge in terms of analysing this data lies in the fact that in the case of hotel reviews we are dealing with user generated content. Of particular importance for our work is the recognition of user opinions on a given subject. The challenge with this, for example, is being able to recognise sarcastic statements. Sarcasm is sometimes difficult even for humans to perceive, and it's no different for machines.

What exactly is artificial intelligence and how is it applied at HolidayCheck?

THOMAS: The term artificial intelligence is frequently shrouded in mystery to some extent. It is often used by those wishing to impress (laughter). Essentially, it is an interdisciplinary field of research that combines various findings from the areas of information technology, psychology, neurology, mathematics, reasoning, philosophy and linguistics. At HolidayCheck, for example, we use artificial intelligence to recognise spurious reviews. An algorithm draws the attention of



THE HOLIDAYCHECK DATA UNIVERSE
This interactive tool enables people to navigate in 3D through the wealth of data at HolidayCheck AG. Every mark or star indicates a term from 8 million hotel ratings. The connecting lines show the thematic connection between the terms.

our colleagues in quality management to the possibility that something in a review is not quite right. Our colleagues will then take a closer look at the review and if necessary contact the author. We also use artificial intelligence for image and text recognition, in order to ascertain semantic similarities or opinion polarities, answer questions or evaluate the aesthetics of images and assess objects they contain. In addition, artificial intelligence is used in areas such as price and vacancy projections.

How does artificial intelligence or an algorithm understand text or know what is shown in an image? How does that work exactly?

THOMAS: It's all based on so-called neuronal networks. A neuronal network is made up of individual information processing units, neurons, which are arranged in a network architecture in a similar way to the human nervous system. With the aid of software we can simulate these human neuronal networks and emulate their characteristics. In the case of texts, the artificial neuronal network is trained to predict words. For example, the neuronal network analyses reviews in which certain words have been removed and is tasked with ascertaining the missing word within the context. The more the network trains, the more accurately it is able to predict words. However, of much greater importance is the generation of an internal representation of the words during the training process. So, for example: What type of word class are we dealing with? What is the meaning of the word? Is the connotation positive or negative? These so-called vectors can then be used to perform calculations on words and extend the overall process to sentences or larger units of text. It's a similar case with images. Training data is entered into a multi-layer neuronal network in the form of images with commensurate information about what object is displayed on the image. The neuronal network analyses the image on various levels, recognising edges and simple patterns until it reaches the stage on higher levels of being able to identify specific objects.

FUTURE ARTIFICIAL INTELLIGENCE WILL CONSIDERABLY IMPROVE THE QUALITY OF HOLIDAY ADVICE AND MAKE THE PROCESS OF SEARCHING FOR THE PERFECT HOLIDAY SIGNIFICANTLY EASIER.

DR THOMAS MAYER
NLP Data Scientist
HolidayCheck Solutions GmbH

So what are the benefits of using artificial intelligence for HolidayCheck holidaymakers?

THOMAS: Holidaymakers want to receive sound recommendations and find the right holiday for them. To do this, they research and read reviews. But just how many reviews can you read? And can holidaymakers be sure of finding the information that is of importance for them personally? During a consultation with a travel agent, the big question is whether the travel consultant has visited enough hotels to actually be able to give a valid recommendation. This is where artificial intelligence can help; because it is able to extract and co-ordinate information that precisely meets the holidaymaker's needs from a large number of reviews based on the knowledge of many other holidaymakers as well as from additional data sources. Naturally, we are only just starting out, but future artificial intelligence will considerably improve the quality of holiday advice and make the process of searching for the perfect holiday significantly easier.

OUR TRAVEL TIP

TATIANA PYLKINA
Product Owner, Zoover

My home country
ESTONIA

Estonia, the small country on the border of Scandinavia, has a wealth of things to offer its visitors, including breathtaking natural vistas and medieval charm. The spirit of the Middle Ages is particularly alive and well in the capital city of **Tallinn**. By way of example, there is no electric lighting in the **'Olde Hansa'** restaurant. Instead, guests here are only served medieval fare. Generally speaking, most restaurants in Estonia are open from early to late, enabling you to get a meal whenever the mood takes you. However, **Tallinn** has more to offer than its culinary delights. Sight-seeing in the Old Town is also strongly recommended. From the open terrace at the **Radisson Blue Sky Hotel**, you can have the panorama almost to yourself while enjoying one of the many cocktails served at the bar. Outside Tallinn, I recommend a visit to the **Viinistu Museum of Art**. Located on the coast, this museum is home to a vast range of works by classical period artists from Estonia and Germany, through to modern art. The owner Jaan Manitski is not just the former Foreign Minister of Estonia. At the same time, he was also the manager of ABBA.

MY INSIDER TIP: A visit to the **marsh**. This may sound a little unusual but many **national parks** are characterised by moorland, affording a few hiking routes on wooden walkways from which you can marvel at this unique landscape.

TALLINN

FROM APPRENTICE TO SOFTWARE CRAFTER

In 2018, the engineering department of HolidayCheck took a new approach to find talented and engaged engineers. Instead of screening the market for potential employees with significant work experience, they decided to approach people with less professional experience but lots of potential and talent by starting the HolidayCheck apprenticeship program.

The apprenticeship program at HolidayCheck takes place for 6 months during which the apprentices team up with experienced software engineers who act as their mentors. The program includes self-study and improvements, joining up with different product teams and learning about the HolidayCheck product and infrastructure. It ends with the so-called "masterpiece", a project that involves everything learned so far. After a successful graduation, the apprentices will be offered a full-time job in one of HolidayCheck's product teams.

We talked with HolidayCheck apprentices Anastasia, Masha and Lewis and also with apprenticeship graduate Daniel about the program and their experiences so far.

What did you do before you came to HolidayCheck and why did you apply for the program?

DANIEL: I was already working for a software consultancy here in Munich. Before that I lived in Colombia, where I'm originally from. I studied Marketing and Design. So, you might wonder how I got into writing code. While I was studying, I looked for an internship abroad and a company in Germany hired me and the job included writing code in the programming language PHP. When I returned to Colombia I just continued with coding. I applied at HolidayCheck without knowing about the apprenticeship program. I was attracted to the company because it stands for the idea of professional growth. When HolidayCheck asked me to join the apprentice program I was immediately excited because I have always felt that I wasn't learning fast enough, and the program gives the opportunity to learn while you are working. I graduated from the program in July 2018 and I now work as a full-time software engineer at HolidayCheck.

LEWIS: My story is similar. I didn't come from a coding background either. I studied Chemical Engineering in England. That's also where I'm from. My first exposure to coding was through Matlab modules at the university. Matlab is a software for solving mathematical problems. If you ask any person in

my team here at HolidayCheck if Matlab is a programming language they would say: No! (laughs). I then started to teach myself in the programming language Python. The reason why I like science- and math-oriented disciplines is the love of problem solving. Coding is exactly that - you write code to solve issues and you come up with scenarios until you find the optimal solution. That is where I get satisfaction from. So, I was looking on LinkedIn for jobs in that field and I stumbled across the advertisement of the HolidayCheck apprentice program. The advertisement stood out to me because of the way the program was structured. It doesn't matter what university degree you have, it doesn't matter what level of experience you have. They were looking for your drive and passion for engineering. So, I applied, and I got it.

ANASTASIA: I always knew I wanted to be a software engineer. I studied Informatics and Engineering in Greece. That is where I'm from. At first my family was not very happy about it but when they saw that I was successful in my studies and I was already getting job offers they accepted it. I'm now in Munich and have been here for one and a half years. I like it very much here. I love the Bavarian "Gemütlichkeit". When I saw the apprenticeship ad of HolidayCheck I was really surprised because I had never come across a company that was willing to invest in me at such an early stage in my career. It told me a lot about the mentality of HolidayCheck and I was attracted from the very beginning.

MASHA: It's the same with me. For me there was never any doubt about what to study. I love technology, computers and mathematics and that's why I chose that for my education and for my career. My family was also very supportive. I have now been in Germany for one and a half years and have lived in Munich since October 2018. I like Munich very much. It reminds me a lot of my home city which is Belgrade in Serbia. I will definitely stay here for a while.

> WE BELIEVE EXPERIENCED ENGINEERS BEING MENTORS FOR APPRENTICES WILL NURTURE THE FUTURE GENERATIONS OF ENGINEERS. THROUGH OUR APPLICATION PROCESS WE SELECT PEOPLE WITH POTENTIAL, PASSION AND WILLINGNESS TO LEARN BECAUSE WE ARE CONVINCED THAT THEIR MINDSET OF PERSONAL AND PROFESSIONAL GROWTH WILL LEAD TO GROWTH WITHIN THE WHOLE ORGANIZATION.

WOLFRAM KRIESING
Senior Principal Engineer at HolidayCheck
and founder of the
HolidayCheck apprenticeship program

Can you tell us what you are working on as an apprentice and what you are learning?

MASHA: The program has 6 categories that all apprentices are working in and gaining knowledge. These are Testing, Software Design, Communication, Agile Methods, Tools and Learning. I spent most of the time of my first two months learning a new programming language, which is Scala. It was my first encounter with functional programming which was completely new for me. It was fun and frustrating at times. Yet the most important thing I have learned so far is how to realistically asses myself and my knowledge. I sometimes think that I don't know something, but then I discover that I actually know more than I think I do. From time to time I also realize that I am overly confident. I got much better in self-assessment during the program.

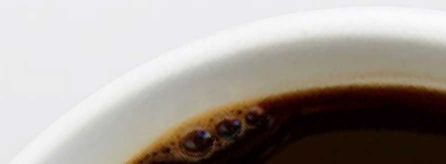
ANASTASIA: I'm in the same phase as Masha; I'm learning Scala. I was familiar with the syntax before, but I had no idea about functional programming. As HolidayCheck is a product-oriented company I'm especially interested in the agile methods, which are methods of collaboration within software development teams. Yet the newest thing for me is blogging. During the apprenticeship program it is recommended to write a daily blog because it is a great way to structure the things you learned.

LEWIS: I totally agree. Blogging is something that I would never have picked up on my own. I always used to consider blogging as something that only boring people do. Writing about their sophisticated lives, doing basic stuff like getting coffee with their friends (laughs). Yet it has now become a tool for reflecting on my day and my learnings. If you write something down, you externalize it, which can help you retain that information more easily. Sometimes while blogging about a topic you realize that you didn't fully understand it when you cannot write about it. When this happens, you can go back and fill that knowledge gap.

DANIEL: The key knowledge I picked up during the program was that no matter how good your skills are, communication ends up being very important. When you work in a team and in a company, your colleagues need to understand you to support you. Then everything becomes more than the sum of its parts. To create synergies, communication is even more important than technicalities or technical skills that you can acquire.

What do you like most about the apprenticeship program and about working at HolidayCheck?

LEWIS: The apprentice program creates a framework in which you are given the scope to create what you want to create and to learn what you want to learn. For me, this is such an overwhelming opportunity. Things that are normally decided for you, but you can decide yourself and you must give yourself reason why you are doing something. That's much more challenging than just doing things because you have to. The general theme of the apprenticeship program is also to open up about your weaknesses. Naturally many people are defensive about that; you don't want others to know that you have a lack of knowledge in certain areas. The more you reveal your weaknesses, the more other people can come and help you



improve. Self-reflection is a very important part of the program, and within HolidayCheck as a whole.

DANIEL: I agree. The program provides the opportunity to become the best version of yourself professionally and personally and that is also reflected in the company values of HolidayCheck.

ANASTASIA: Yes, the values are very important at HolidayCheck. I saw the values before I knew what the company was doing. Personal development, supporting each other, taking initiatives - people are really doing and living it. I have also experienced a couple of other German companies and I can see the difference here because people are committed to their values and their vision to become the most holidaymaker-friendly company in the world.

READ THE BLOGS OF:

ANASTASIA: https://ciatastrophe.netlify.com/

LEWIS: https://lewis-coleman-blog.netlify.com/

MASHA: https://mashareko.tk/

DANIEL: https://www.dabolivar.com/

More information about the HolidayCheck apprenticeship program:
https://apprenticeship.holidaycheck.com/

My home country
POLAND

The **Carpathian mountain chain** in the South of Poland is a genuine Mecca for skiers and hikers. The region of **Beskids**, located at the intersection of three countries - Poland, the Czech Republic and Slovakia - is one that nature lovers and adventure seekers really should visit. In the heart of impressive mountain country, you can recuperate from everyday life in its small valleys and villages while at the same time enjoying delicious traditional food. In particular, I recommend the tiny hamlet of **Cieszyn/Těšín**, situated on the Polish-Czech border. Here you can really sense the influence of the Habsburg monarchy, reflected in

OUR TRAVEL TIP

MARTA KOSSOWSKA
Product Owner,
HolidayCheck Poland

particular in the architecture. For example, the Romanesque church of **St. Nicolay** dates from the seventh century. Anyone preferring somewhere more tranquil can recharge their batteries in the traditional village of **Lanckorona**, filled with timber houses and small cafés. The Beskids region is renowned for its great gastronomy. Poleśniki, a kind of potato pancake with various fillings, or fresh trout grilled on an open fire can be found here on all the menus. As a digestive brandy I recommend Miodonka – a regional liqueur made from honey. Another highlight is Culture Week in the Beskids region, held every year at some point in July or August. In places like **Wisła** or **Szczyrk**, customs from around the world are celebrated.

MY INSIDER TIP: A visit in autumn is especially rewarding. The temperatures are pleasant and sunlight bathes the mountains and autumn leaves in soft golden and reddish hues. A truly wonderful sight to behold.

BESKIDS

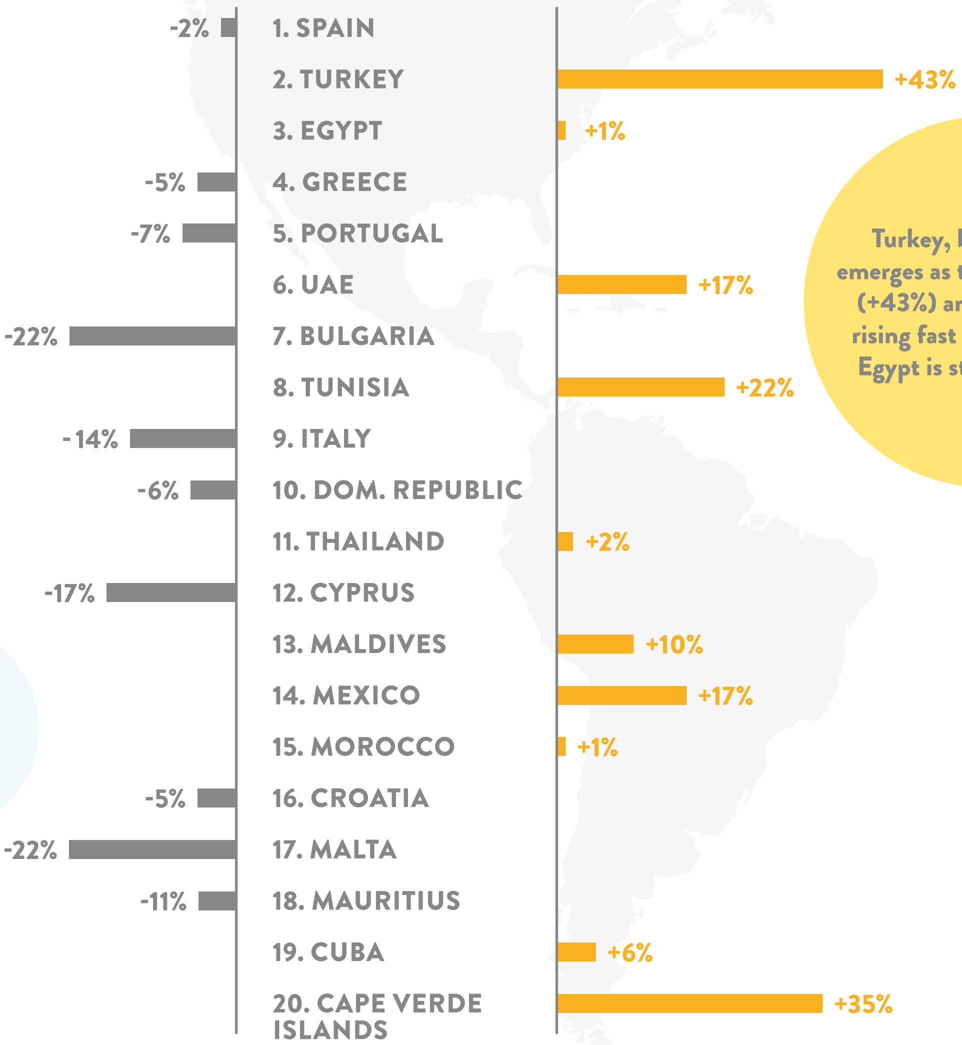
HolidayCheck

2019 Holiday Monitor

This annual study, conducted by HolidayCheck, examines the booking behaviour of German package holidaymakers. The holiday monitor is based on early booking numbers from the months of November 2018 to January 2019. This informational graphic shows where German holidaymakers like to go, and what it costs them to do so.

WINNERS AND LOSERS: PACKAGE HOLIDAY DESTINATIONS*

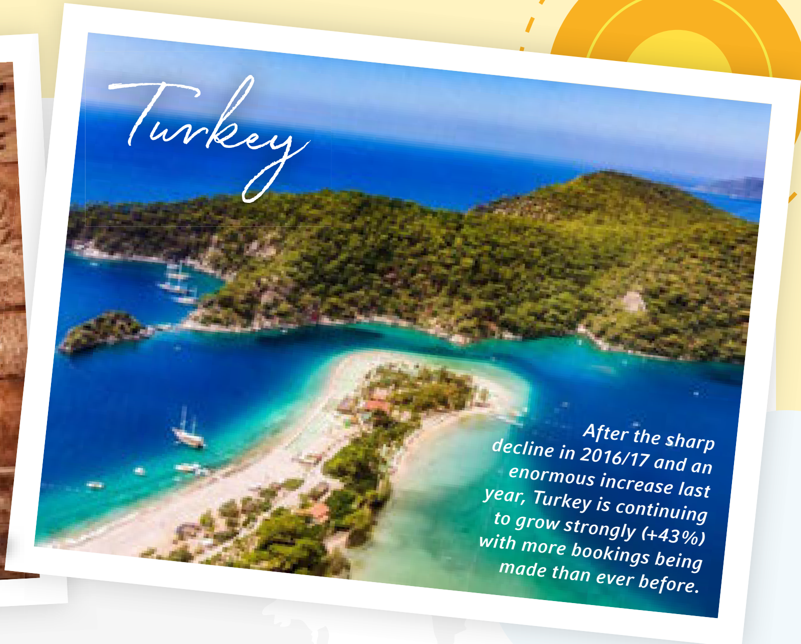
In contrast, the high-volume European classic travel destinations Spain (-2%), Greece (-5%) and Portugal (-7%) are declining slightly.



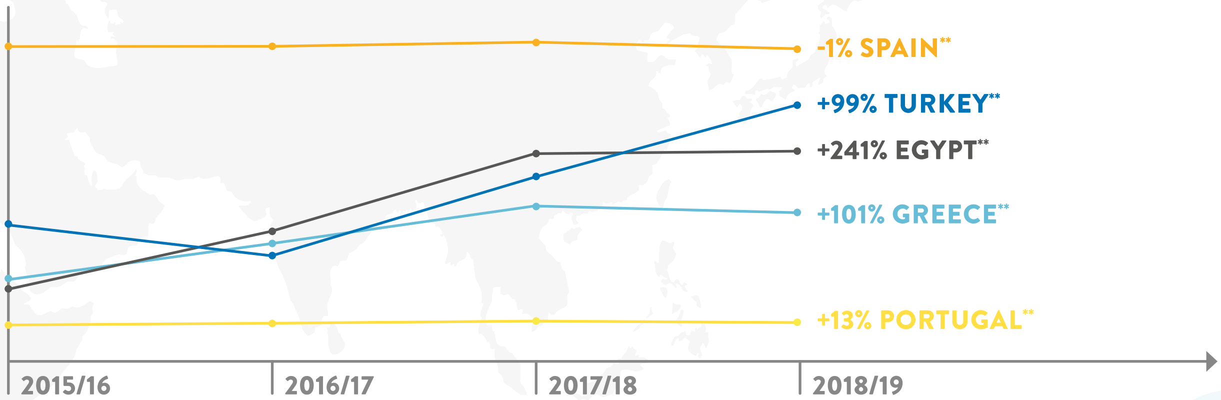
Turkey, beset by crises, emerges as the biggest winner (+43%) and Tunisia is also rising fast (+22%), whereas Egypt is stagnating (+1%).

The countries that profited most from the crisis in Turkey, Bulgaria (-22%) and Croatia (-5%) have not managed to maintain the high levels achieved in the previous year.

*Booking period 01/11/2018 – 31/01/2019 compared to 01/11/2017 – 31/01/2018; Package holiday bookings of German holidaymakers.



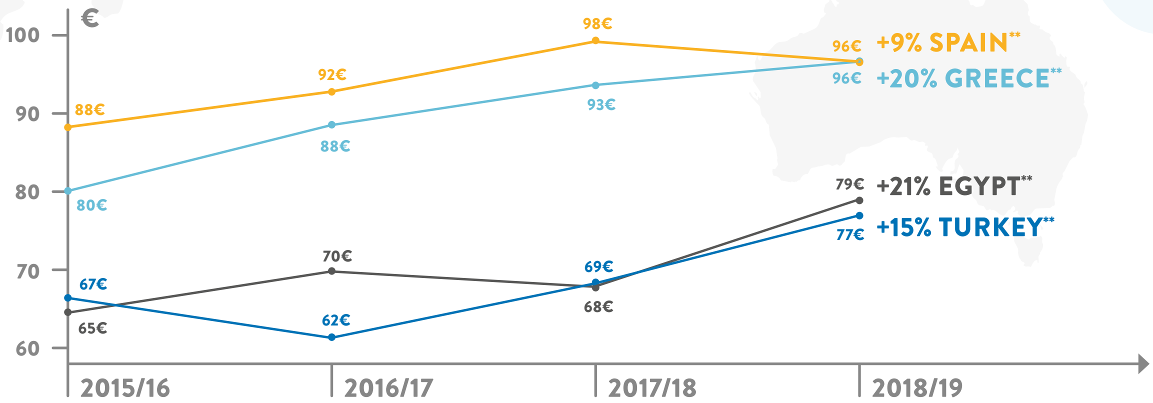
DEVELOPMENT OF EARLY BOOKING FIGURES COMPARED TO THE PREVIOUS YEAR*



*Booking period 01/11/2015 – 31/01/2016; 2017 – 2019 seasons, same dates; **Change from 2015/16 to 2018/19.

In almost all heavily booked package holiday destinations, prices are rising. Among the Top 4, only Spain costs less than it did in 2017/18 (-2%).

AVERAGE EXPENDITURE OF HOLIDAYCHECK HOLIDAYMAKERS PER PERSON AND DAY***



**Change from 2015/16 to 2018/19.

***Assessment of bookings by German holidaymakers in the period 01/11/2015 – 31/01/2016; 2017 – 2019 seasons, same dates; As a minimum, a package holiday includes transport and accommodation; in Spain and Greece, most package holiday deals include half-board while in Turkey and Egypt, almost all deals are all-inclusive.

HOLIDAYCHECK GIFTS

HOLIDAY HAPPINESS

The Pestalozzi children Max and Ameen on holiday in the Montafon region of Austria.

The Pestalozzi Children's Village is a place for children and young people from deprived backgrounds. HolidayCheck has been supporting the village since 2016 as part of the campaign "Gift Holiday Happiness" and it helps on a regular basis with Corporate Volunteering schemes and charitable donation campaigns.

INTO THE FUTURE SUSTAINABLY AND HOLISTICALLY

Back in 1947, the Pestalozzi Children's Village was founded in Wahlwies, in Germany, close to the Lake of Constanze, by two courageous people, the Swiss musicologist Dr. Erich Fischer and Dr. Adalbert Graf von Keyserlingk, a medical practitioner and farmer. Originally intended to be a safe location for orphans and refugee children in post-war Germany, the core concept has always remained the same. Nonetheless, a great deal has happened over the last seventy years. The Childern's Village now offers a wide range of products at the weekly markets in the Lake Constance region, all produced in its Demeter-certified training establishments.

Donation hand-over at the children's village with Pestalozzi CEO Bernd Löhle (2nd from left), HolidayCheck CEO Christoph Ludmann (3rd from left) and Georg Ziegler (2nd from right), Director Brand, Content & Community at HolidayCheck.

Holiday leisure time for some of Pestalozzi's young people in the Dordogne in France.

Christian Richter, master gardener with the village's children, harvesting carrots.

The Pestalozzi Children's Village is founded primarily on a holistic concept that not only provides its children and young people with support but also with immensely important help that gets them started in life. In its nine training establishments, young people can acquire the vocational skills of the craftsman and the farmer, empowering them to participate individually in life and society.

GIFTING A HOLIDAY AS A MATTER OF THE HEART

Something that most of these 120 children and young people have never experienced with their birth families is a holiday. In cases where their own parents cannot provide sufficiently for their children, and where they lack the real necessities, a holiday is simply not a realistic proposition.

It is clear why HolidayCheck, the hotel review and booking portal, should take it to heart to support the 'Gift Holiday Happiness' campaign in a significant way, providing many of these children with their first ever holiday experience. During a prize draw at the Employee Summit in 2018, the employees of HolidayCheck Group put together about €2300, enabling the company by July 2018 to present a cheque to the total value of €20 000 to Pestalozzi Children's Village for the second year in succession.

> WITH US, MANY OF THESE CHILDREN GAIN THEIR FIRST EVER EXPERIENCE OF PROTECTIVE CARE AND GUIDANCE. THIS NEWLY FOUND SECURITY CAN THEN BE EXPLORED TO OPTIMUM EFFECT ON HOLIDAYS.
>
> **BERND LÖHLE**
> CEO Pestalozzi Children's Village

The cultivated areas of the Pestalozzi garden facilities are located right beside the residential homes.

HolidayCheck employees involved in corporate volunteering in the village.

"Holiday leisure time is an important component of our pedagogical concept. With us, many of these children gain their first ever experience of protective care and guidance. This newly found security can then be explored to optimum effect on holidays outside the Children's Village facility" states Bernd Löhle, CEO of the Pestalozzi Kinder- und Jugenddorf.

However, HolidayCheck puts its heart into more than the 'Gift Holiday Happiness' campaign. The friendship with Pestalozzi Children's Village has been in place since 2016. As well as fund-raising campaigns, Corporate Volunteering Days are arranged at regular intervals. During these, the employees of HolidayCheck get to know the Pestalozzi Children's Village up close and personal and spend time doing voluntary work there. By way of example, in early 2017 HolidayCheck employees got involved in housekeeping and landscape gardening, helping on the 'Wahlwies Green Belt' project, one committed to maintaining regional bio-diversity. Later that same year, there was another opportunity for them to get their sleeves rolled up. Together with young people from the holiday village's 'Preparatory Vocational Training Measure', a 115-metre length of cable tunnel for new lanterns was excavated. The leisure camp, 20 years old, was brought right up to date in an exercise that everyone involved found to be a lot of fun. In early 2019, everything points to further teamwork in a project to build and install feeding poles for birds of prey.

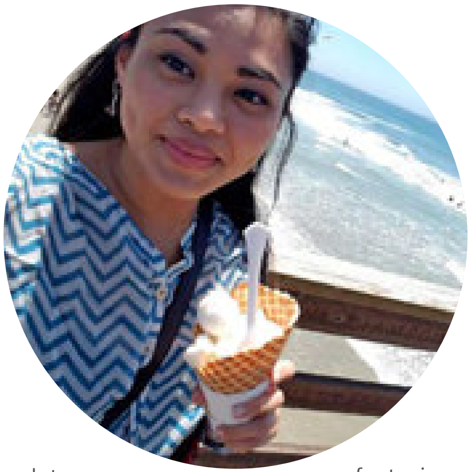
Anyone who would like to support the Pestalozzi Children's Village, will find all the information they need at
WWW.PESTALOZZI.CH/EN

My home country

USA

At age eight, I moved with the family from the Philippines to **San Diego**. This southern Californian city near the Mexican border offers its visitors a wide range of leisure facilities and should feature in any trip to the West coast. The beaches in the local area invite you to sunbathe to your heart's content. I particularly recommend the **Coronado beach**, opposite San Diego Bay. From the bridge, you have a wonderful view of the city. During the evening, the locals make camp fires and roast traditional

SAN DIEGO



DEIRDRE BRINGAS
Junior Software Engineer,
HolidayCheck Solutions GmbH

'S´mores' - a marshmallow and chocolate sandwich. You can enjoy perfect sunsets to the north of the city on the clifftop above the **'La Jolla' bay**. Another highlight is **Balboa Park** which belongs to the **Ruben H. Fleet Science Center museum of art**. The botanic garden incorporated there can be visited for a small fee and it provides a beautiful backdrop for photos. Also, every Friday, various food trucks stop here, giving you an opportunity to sample local specialities, featuring authentic Mexican cuisine. Anyone who prefers testing the local cuisine in a restaurant can enjoy the best tacos in town at the 'Tacos del Gordo'.

MY INSIDER TIP: Since the public transport network is not extensive, it is advisable to book a rental car in advance. This makes it a lot easier to visit national parks such as the famous **'Joshua Tree National Park'**.

OUR TRAVEL TIP

FEEDBACK IS A GIFT

HOLIDAYCHECK GROUP AG GROWTH MANAGEMENT PROCESS

The HolidayCheck Group has an ambitious vision – to become the most Urlauber*-friendly company in the world. Bringing this vision to fruition requires talented employees who are not simply good at what they do, but who are also passionately committed to the objectives and values of the company. To this end, 2016 saw the launch of the Talent-2020 initiative with the aim of creating the best team in the travel industry. An initial step within the scope of the initiative was to establish a new, more selective recruiting process. As such, 2018 focused wholeheartedly on a policy of growth and development of the new growth management process for employees.

IN THE SHAPE OF OUR GROWTH MANAGEMENT PROCESS WE HAVE DEVELOPED AND ESTABLISHED A SUSTAINABLE AND COMPREHENSIVE FEEDBACK PROCESS.

SARAH FISCHER
Head of HR Management
HolidayCheck Group AG

A CULTURE OF GROWTH AND INNOVATION

‚To attract top talent to our company who will constantly give their best for holidaymakers, you need a corporate culture of growth and innovation', explained Sarah Fischer, Head of HR Management at HolidayCheck Group AG. ‚Through the introduction of our new growth management process we are developing a culture that assesses the potential, input and behaviour of every employee on a regular basis. As a result, our staff acquire valuable feedback on their performance and are presented with an opportunity for continual further development'.

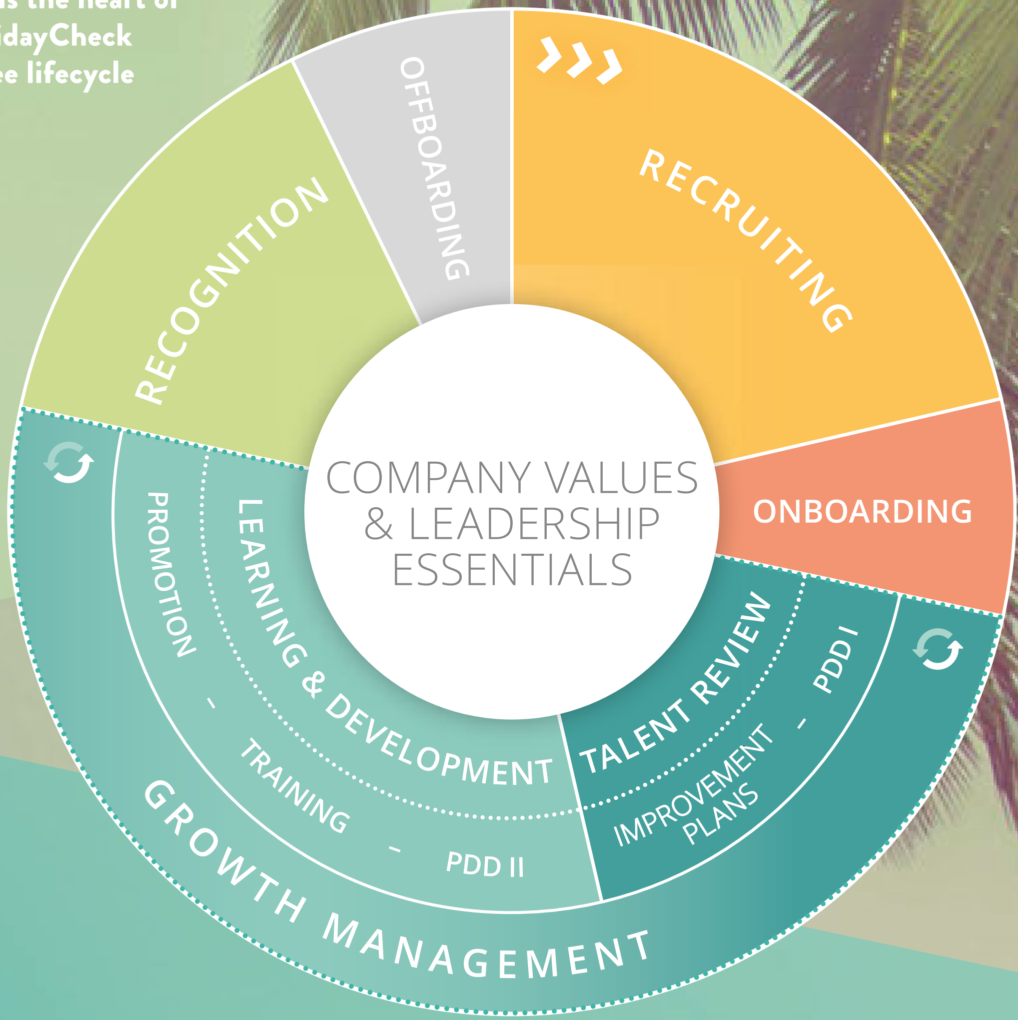
LIVING, GIVING AND ACCEPTING FEEDBACK

The growth management process incorporates 360-degree feedback, feedback analysis within the talent review and performance grading within the subsequent talent board conference. The process concludes with the Personal Development Dialogue (PDD) comprising two separate discussion sessions addressing the personal ongoing development of the employee in question.

360-degree feedback is comprised of three components: a self-assessment by the employee, an assessment of the employee by colleagues and an employee assessment of their superior. The respective analysis draws on the corporate values and Leadership Essentials, the management guiding principles developed and introduced in 2017. The 360-degree feedback uses specific examples to provide the employee with feedback on their strengths and development potential along with valuable tips and suggestions for improvement. ‚The personal feedback of my colleagues and staff is extremely valuable for me. It helps me to better assess my performance and conduct. If you want to improve on a daily basis you also need to be able to address your own weaknesses and feedback is a good internal driver in that respect', explained Marina Ackermann, Tourism team leader at HolidayCheck.

To ensure that feedback is useful for colleagues and correctly and respectfully understood by the

The growth management process is the heart of the HolidayCheck employee lifecycle



recipient, employees use the so-called SBI method. SBI stands for situation, behaviour, impact . The feedback provider ties their statements in with a certain situation, describes the specific behaviour and explains the impact this had from their perspective. ‚It's not always easy to give feedback properly. It's important that the information is not taken personally or misunderstood. The SBI method is extremely helpful because it teaches you how to formulate statements constructively so that they provide worthwhile information rather than coming across as an attack', added Marina Ackermann.

IDENTIFYING STRENGTHS AND DEVELOPMENT AREAS

In the next stage, the talent review, the collected feedback is analysed. This assessment determines how well the employee embraces the corporate values and contributes to the achievement of company goals. At the subsequent talent board conference, attended by the Management Board and management staff, the results are discussed and the commensurate development measures reviewed. In the following two PDD discussions – the Personal Development Dialogue – the employee discusses their results with their superior and establishes a specific plan of action for their further development.

‚In the shape of our growth management process we have developed and established a sustainable and comprehensive feedback process. This forms the linchpin of our so-called employee life cycle, namely the cycle an employee pursues from the point of joining to departing from the company. We are convinced that constructive feedback is a gift. It provides the basis for growth and the establishment of a high performance culture within the company', stated Sarah Fischer.

* Urlauber [uːɐlaʊbɐ] is the German term for holidaymaker, vacationer

THE 10TH ANNIVERSARY OF THE ZOOVER AWARDS

And the winner is...!

zoover is the most acknowledged brand for holidaymakers in the Netherlands. The review portal provides 3.5 million reviews and inspiring editorial content to help holidaymakers find the perfect holiday. Since 2009 Zoover is rewarding once a year the best accommodations and the best holiday providers in the Netherlands with the very sought-after Zoover Awards.

BEST PLACES TO STAY

The Zoover Award ceremony for accommodations took place in January 2019 in the convention center Jaarbeurs in Utrecht. 25,000 accommodation holders competed in eight different categories like hotel, hostel, vacation home or camping site for the coveted price. The winners are identified by their overall score determined by their reviews collected in 2018. Accommodations with an average score of 9 or higher receive a golden Zoover Award while accommodations with a score between 8 and 9 receive a silver Zoover Award. To ensure a fair competition, categories are further separated into small, medium and large size accommodations and a minimum number of reviews is required to be qualified to win an award.

> **WITH THE ZOOVER AWARDS WE WANT TO HONOR ACCOMMODATIONS AND ORGANIZATIONS WHICH PUT THE CUSTOMER FIRST AND PROVIDE EXCELLENT SERVICE TO THEM.**
>
> **PHILIPP GOOS**
> CEO Zoover

Above: The Villa Conmigo at the Costa del Sol in Spain won a Gold Award in the category Bed & Breakfast.
Below: The Hotel Van der Valk Kontiki Beach Resort on the Caribbean Island Curaçao was rewarded with a silver award by the Zoover users.

"With the Zoover Awards we want to honor accommodations and organizations which put the customer first and provide excellent service to them. Further we want to help our users to find the perfect holiday and give orientation in the very complex process of finding the right offer," says Philipp Goos, CEO of Zoover.

THE BEST TO TRAVEL WITH

Next to the accommodation awards Zoover also runs an award program for holiday providers and travel organizations. Award categories are among others cruise providers, travel agents or hotel chains. The winners are determined by a public voting on their price/quality ratio, customer friendliness and their recommendation score.

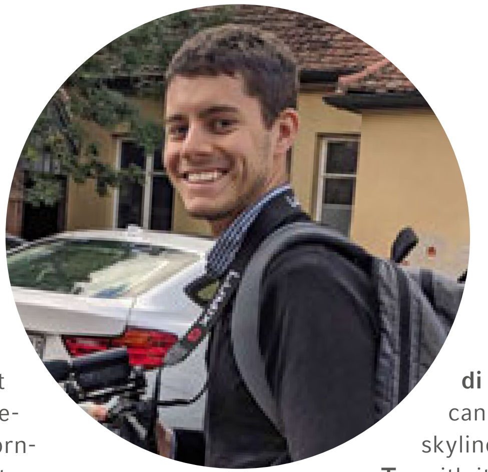
Here are the winners of the 2018 awards:
https://www.zoover.nl/blog/zoover-awards/dit-zijn-de-winnaars-van-de-zoover-awards-voor-accommodaties-2018/

My home country

ITALY

I come from **Mantua** (or Mantova in Italian) in the northern Italian province of Lombardy - a town that is not only listed by UNESCO as a World Heritage Site but that is also the place to which Romeo was banished in the play by William Shakespeare. While Mantua is famous, it is not an established tourist destination. And a visit to it can be linked in a fabulous way to a

OUR TRAVEL TIP

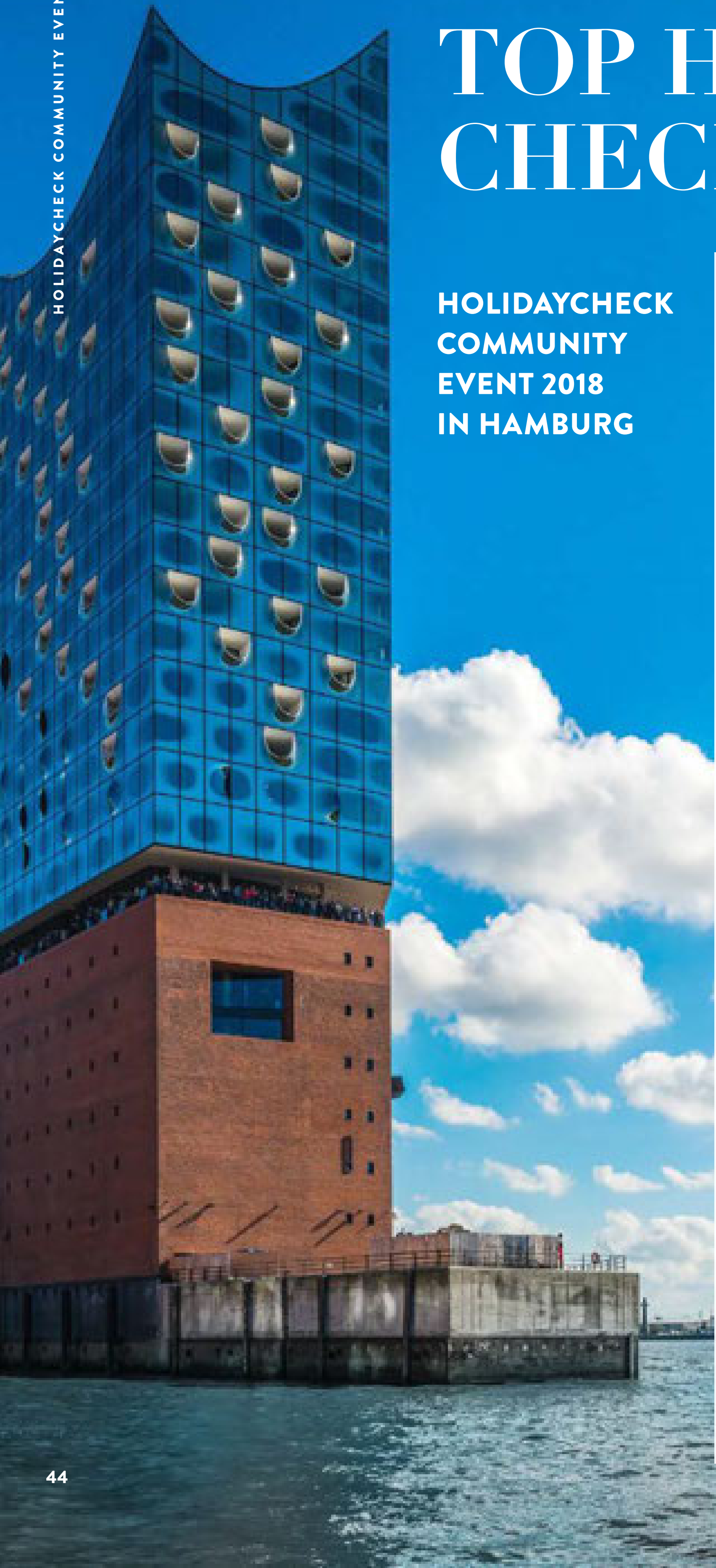


FRANCESCO ZANINI

Software Engineer,
HolidayCheck Solutions GmbH

trip to **Lake Garda**, not far away at all. The best time to visit the medieval town centre is on Thursday morning, which is market day. This invites you to sample the copious local products and is also a perfect starting point for a boat trip on the lakes that surround the town. Since Mantua used to be surrounded completely by water, you can see everywhere you look how this influenced the buildings over the course of time. There is a small park behind the **Ponte di San-Giorgio bridge** from which you can enjoy a splendid view of the town skyline. Another highlight is the **Palazzo Te**, with its elaborate and eye-catching external facade, and often a venue for interesting exhibitions.

MY CULINARY INSIDER TIP: Visit **Ristorante Due Cavallini** which serves up the best local dishes in town!



TOP HOLIDAY-CHECKERS

HOLIDAYCHECK COMMUNITY EVENT 2018 IN HAMBURG

Ship ahoy! was the call in summer 2018 at the HolidayCheck Community Event in Hamburg. Each year the review and booking portal invites the most dedicated HolidayCheck users from Germany, Austria and Switzerland to say thank you for the approximately 1.2 million new holiday reviews posted each year.

TOP HOLIDAYCHECKERS

At HolidayCheck not only do the best hotels receive an accolade, but also the most dedicated holidaymakers whose reviews, contributions to forums and pictures enable other holidaymakers to make the perfect holiday decision. The most active HolidayCheck community members are selected as Top HolidayCheckers. Without their dedication HolidayCheck would not be what it is.

The Top HolidayCheckers at the big harbour tour in Hamburg.

AND THE WINNER IS …

The ‚Top HolidayChecker' award is presented in various categories based on the dedication of holidaymakers in the past year. The ‚Reviewer' category is awarded for the most hotel reviews written in total, the ‚Globetrotter' for compiling the most reviews in different countries and the ‚Photographer' for sharing a large number of photos with other users. Most of the initial hotel reviews were compiled by ‚Pioneers', while

Georg Ziegler, Director Brand, Content & Community at HolidayCheck AG, chairs the awards presentation.

The Top HolidayCheckers of 2018.

the ‚Experts' really know their way around certain destinations and are dedicated forum users. Other categories include the ‚All Stars', who have played a special role with regard to improvement of the Holiday-Check website, and the ‚Bookers', who made the most bookings via HolidayCheck.

ONE MORE DAY

Each year the community event supporting programme is geared to the city in which the event is held. For example, at the community event in Hamburg a boat trip around the port was organised, which in line with the new HolidayCheck cruise platform, presented the perfect opportunity to marvel at the AIDAperla. Consequently, this year also saw an award for the ‚Cruisers' - the holidaymakers who have submitted the most cruise trip reviews.

‚For us, the community event is a fantastic opportunity to interact with our most active holidaymakers. It's our chance to personally recognise their dedication, from which countless holidaymakers benefit each and every day on HolidayCheck. It also gives us an opportunity to discuss current developments on our portal and acquire direct feedback. That is incredibly important for us on our path to being the most holidaymaker-friendly company in the world', explained Georg Ziegler, Director Brand, Content & Community at HolidayCheck AG.

> **FOR US, THE COMMUNITY EVENT IS A FANTASTIC OPPORTUNITY TO INTERACT WITH OUR MOST ACTIVE HOLIDAYMAKERS.**
>
> **GEORG ZIEGLER**
> Director Brand, Content & Community
> HolidayCheck AG


FINANCIALS

MARKUS SCHEUERMANN
Chief Financial Officer (CFO)

GEORG HESSE
Chief Executive Officer
(CEO)

LETTER TO SHAREHOLDERS

NATE GLISSMEYER
Chief Product Officer (CPO)

DEAR SHAREHOLDERS AND URLAUBERS*,

As you know, our vision is to become the most Urlauber*-friendly company in the world. We are aware that we have some way to go on that journey. Nevertheless, we are proud of all the achievements in 2018 that have brought us a good deal closer to our destination. Harnessing the latest technologies such as artificial intelligence and the knowledge and expertise of our trained holiday specialists, we are helping our customers to make even better holiday decisions. We introduced further significant improvements to our booking platform to make it even more user-friendly, expanded our customised travel advice service, added a new cruise holiday platform to complement our portfolio and made preparations for the launch of our own tour operator business. And thanks to a series of efficient advertising measures, we gave a further boost to recognition of our HolidayCheck brand.

REVENUE AND EARNINGS GROWTH

Overall, we can look back on an exceptionally successful financial year in 2018. Despite the hot summer in Germany, annual revenue rose by over 14 percent. There were equally strong improvements in our operating results. We are particularly delighted by the free cash flow figure in excess of EUR 7 million.

BUOYANT TRAVEL INDUSTRY PROVIDES ADDITIONAL MOMENTUM

One of the main drivers of growth across the Group in 2018 was the buoyant state of the wider travel industry. Based on our own assessment, percentage growth in the Central European package holiday sector during the year under review was in the low-to-mid single digit percentages – partly thanks to greater geopolitical stability at popular holiday destinations. Happily for us, online travel agencies probably grew at an even faster rate. This reflects the continued trend towards online booking of package holidays. Nevertheless, based on our own estimates, around two thirds of all package holidays are still booked through high-street travel agencies. Thanks to our consistent focus on meeting the needs of holidaymakers, we believe this offers HolidayCheck enormous potential for continued growth over the coming years.

PACKAGE HOLIDAY DIRECTIVE AND GENERAL DATA PROTECTION REGULATION

Although holidaymakers do not always see the impact of new laws and regulations immediately, it is absolutely crucial that we comply fully with all such rules despite the considerable organisational effort involved in some cases. In common with other travel industry players, we spent much of the first half of 2018 preparing the company for the new General Data Protection Regulation and Package Holiday Directive. Driven by our vision of becoming the most Urlauber*-friendly company in the world, we worked very hard to combine maximum transparency with user-friendly functions and are proud of the results.

NEW RATINGS RECORD REFLECTS VIBRANT COMMUNITY OF HOLIDAYMAKERS

Our holidaymaker community remains crucial to our success. In 2018, despite losing our partner Top Bonus/Air Berlin due to bankruptcy, we set a new record of around 1.2 million ratings. That corresponds to over 3,000 ratings a day! We would like to thank all those who submitted ratings and in doing so helped others to make the right choice. We are particularly proud of the fact so many of our holidaymakers clearly put a great deal of thought into their ratings. We think that makes our community special. Together with our investment in artificial intelligence systems, the sheer amount of detail provided by these ratings allows us make unique holiday recommendations that really benefit our customers.

Last year we launched a new feature that gives holidaymakers the option to put a specific personal question about a hotel to the community. Since then, tens of thousands of questions have been answered, mostly within just a few hours.

NEW CRUISE PLATFORM SETS SAIL

Our new cruise booking portal went live in January 2018. At present, most cruises are still booked through high-street travel agencies, partly because of the greater need for advice due to the sheer variety of options available. Nevertheless, the internet is establishing itself as a fast-growing sales channel thanks to advances in technology. We have always endeavoured to put people in contact with each other so that they can find their perfect holiday. As such, the decision to

*Urlauber [uːɐlaʊbɐ] is the German term for holidaymaker, vacationer.

expand our existing portfolio of services to incorporate a dedicated cruise booking portal was a logical step.

During the first year of operation, the focus was on expanding our content and directly integrating AIDA Cruises, Germany's leading cruise operator, into the platform. Apart from that, it was a question of learning, learning and even more learning so that we could keep on making the platform more user-friendly and increasing acceptance levels among users. Those efforts have already brought success in terms of growth in the portal's reach figures. With a view to offering all our services in-house, we are in the process of setting up a dedicated support team whose role will be to provide thorough and professional advice on cruise bookings.

HOLIDAYCHECK GOES TRAVELLING

By setting up our own in-house tour operator platform, we can offer our customers attractive and exclusive deals in term of price and services. The move will also give us more control over the package holiday value chain and make it easier for us to deliver quality improvements. It fits in perfectly with our vision and over the next few years will evolve to complement the range of package holidays offered by our partners. After successfully launching our hotel booking service in 2018, this year, as the next step in our journey, we are keen to expand into package holidays as a tour operator.

OUR INTEGRATED APPROACH TO THE EMPLOYEE LIFE-CYCLE

We want to be the best team in the travel industry, and to this end we are gradually optimising every single aspect of the employee life-cycle. That includes the whole process, from recruitment and continuous professional development through to possible promotion. Over the last three years we have made tremendous efforts to attract the most talented people. As well as setting up a comprehensive and stringent recruitment programme, for example, we have introduced a new stock option plan. In 2018, around 220,000 shares were issued to Group employees.

Our main focus during the year under review was on 'growth management', which involves employee feedback and development, for example, with a particular emphasis on identifying and promoting in-house talent.

MANAGEMENT BOARD CONTRACTS EXTENDED FOR GEORG HESSE AND NATE GLISSMEYER

The Supervisory Board has decided to reappoint us – Georg Hesse and Nate Glissmeyer – and to extend our Management Board contracts up to the middle of 2023 and the end of 2022 respectively. We are delighted that we will be able to continue working together as an established team so that step by step we can transform our stated vision into a reality.

DIVIDEND PROPOSAL

As we mentioned above, 2018 brought a substantial improvement in our earnings, and we were able to generate a positive free cash flow. The Management Board and Supervisory Board are keen to reward shareholders accordingly. We therefore intend to propose a dividend of EUR 0.04 per share at the annual general meeting on 4 June.

OUTLOOK

Looking ahead at 2019, we will again be working hard to build the most Urlauber*-friendly company in the world. With this goal in mind, we intend to make substantial investments in the further development of our existing products and services, especially our package holiday and cruise platforms. There are also plans to invest in the development of new products and services in related areas, primarily with a view to establishing our own tour operator business.

Other measures include targeted marketing in the form of direct sales promotions and campaigns to further boost recognition of our various brands.

While these investments have the potential to drive earnings growth across the HolidayCheck Group, we may not see the full benefits in the current financial year. Nevertheless, we firmly believe that they will improve the experience of our holidaymakers and therefore deliver sustained revenue and earnings growth in the medium term.

Whatever your holiday plans – skiing or simply relaxing on the beach – we would like to take this opportunity to wish you all the best for the year ahead and, of course, a fantastic holiday!

The Management Board

INVESTOR RELATIONS REPORT FOR THE FINANCIAL YEAR 2018

Dear Shareholders

As part of our investor relations work in the previous year, we attended a total of eight investor conferences and presented the HolidayCheck Group to institutional investors at our several road shows.

In our communications with investors, analysts and journalists we focused on explaining the potential long-term benefits of the investments we made in financial 2018 in our core package holiday operations and adjoining segments such as the cruise business.

The stock option plan we introduced in 2017 is turning more and more of our employees into shareholders. In 2018, 285,527 HolidayCheck Group shares were issued to employees and members of the Management Board as one of the components of their overall remuneration package.

At *www.holidaycheckgroup.com* you will find a wealth of information about the company. For example, our website contains current company reports and presentations covering important investor events and roadshows.

If you want to keep up to date with all the interesting news from the HolidayCheck Group, you might like to visit our social media pages. Follow us on Facebook, Twitter and Xing. We would be happy to meet you there.

Yours sincerely

Armin Blohmann

Annual General Meeting 2018

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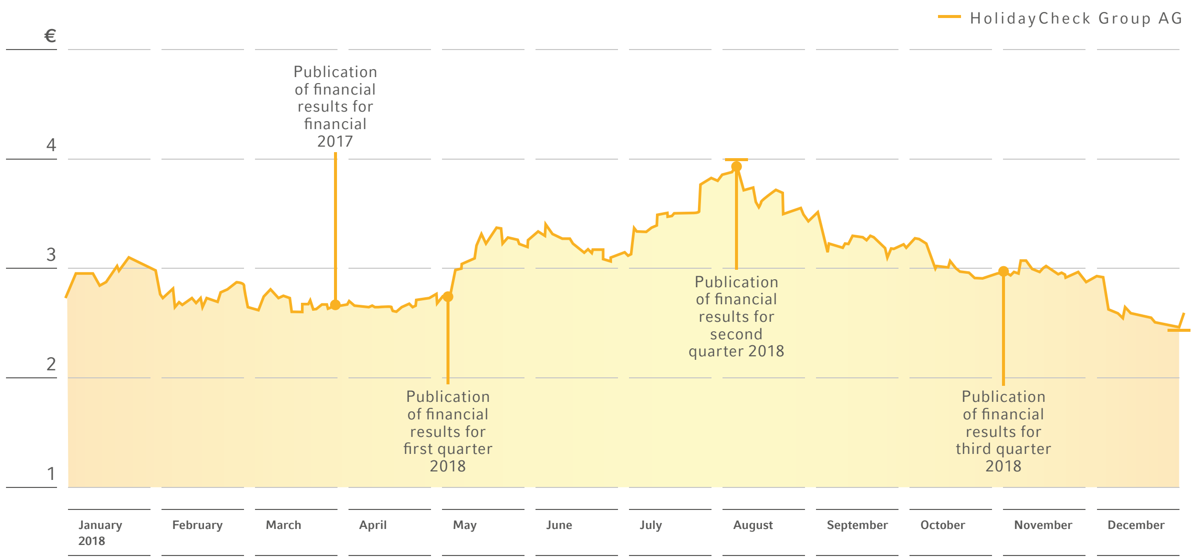
Financial 2018: HolidayCheck Group share price performance



Key HolidayCheck Group share data

KEY HOLIDAYCHECK GROUP SHARE DATA	
German securities code (WKN)	549532
ISIN	DE0005495329
Stock exchange symbol	HOC
Stock exchange segment	Prime Standard
Indices	CDAX, Technology All Share, Prime All Share
Designated Sponsor	Oddo Seydler Bank AG
Number of shares at 31 December 2018	58,313,628 no-par value bearer shares
Number of treasury shares at 31 December 2018	1,083,783
Market capitalisation at 31 December 2018	EUR 154.5 million

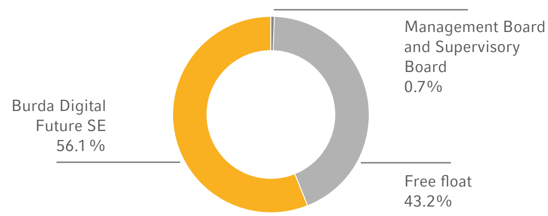
HOLIDAYCHECK GROUP SHARE PRICE PERFORMANCE ON XETRA	
Closing price 2017	EUR 2.79
2018 low	EUR 2.51
2018 high	EUR 3.97
Closing price 2018	EUR 2.65
Share price performance 2018	-5.0%

Recent HolidayCheck Group share price ratings by analysts*

	RECOMMEN-DATION	PRICE TARGET
Bankhaus Lampe	buy	EUR 4.00
HSBC Global Research	hold	EUR 3.30
Warburg Research	buy	EUR 4.40
Berenberg	buy	EUR 4.60

* As at 31 January 2019; no guarantee is assumed for completeness of the information provided.

Shareholder structure (rounded figures)*



* As at 31 January 2019; no guarantee is assumed for completeness of the information provided.

REPORT OF THE SUPERVISORY BOARD FOR THE FINANCIAL YEAR 2018

DEAR SHAREHOLDERS

2018 was a highly successful year for HolidayCheck Group AG, one in which the company began to see the benefits – most obviously in the form of its excellent results – of a series of measures initiated from 2016 onwards. As in the previous years, several new projects were launched and implemented during the financial year to help the Group meet its long-term objectives, including that of establishing itself as the most holidaymaker-friendly company in the world.

Substantial amounts were invested across the Group to accelerate the development of existing products and services and expand both the cruise holiday platform set up in early 2018 and the customised travel advice service. In autumn, the first steps were taken towards establishing the company's own tour operator business.

As part of its Talent 2020 Initiative, the HolidayCheck Group attracted a large number of highly qualified employees, including numerous IT developers.

From an industry-wide perspective, 2018 was again marked by intense competition. Nevertheless, with the German appetite for travel as strong as ever and the increasing popularity of online booking, the HolidayCheck Group can report a very pleasing set of operating results.

Overall, despite the significant investments referred to above, the HolidayCheck Group clearly exceeded its initial 2018 forecast for both revenue and operating earnings before interest, taxes, depreciation and amortisation (EBITDA) by substantial margins.

MAIN ISSUES DISCUSSED BY THE SUPERVISORY BOARD

The Supervisory Board of HolidayCheck Group AG performed the activities incumbent upon it under German law and the company's articles of association during the financial year 2017. It regularly conferred with the Management Board and diligently supervised its activities.

The Management Board regularly provided the Supervisory Board with written reports and verbal accounts containing information on the business plan, the course of business operations, future strategic development, risk management and all of the company's major business transactions. The Supervisory Board was directly involved in all decisions of fundamental importance to the company.

The Chairperson of the Supervisory Board maintained close contact with the Management Board outside the regular Supervisory Board meetings. These face-to-face and telephone meetings were held several times a month and allowed the Chairperson to remain up to date with the business situation and significant business transactions. The Chairperson of the Audit Committee also held regularly face-to-face and telephone meetings with the Management Board.

The Supervisory Board held a total of five regular meetings that were attended by the members in person on 20 March 2018, 20 May 2018, 26 July 2018, 26/27 September and on 29 November 2018. The Supervisory Board also passed a resolution by way of written circulation during the course of the reporting year.

The main issues discussed during the regular Supervisory Board meetings were revenue, earnings and employment levels, as well as the financial position and liquidity of HolidayCheck Group AG and the Group.

The Supervisory Board meeting on 20 March 2018 focused on the Audit Committee report, which included a detailed review of the audit of the consolidated financial statements for 2017.

At this meeting, the Supervisory Board also discussed the business performance in the financial year 2017 and the financial statements and management reports both of the company and the Group as at 31 December 2017.

Other topics covered at this Supervisory Board meeting included the reports drawn up by the Management Board on the current market situation, the Group's business performance and the Group's liquidity and financing situation.

Furthermore, the Supervisory Board discussed and approved of the agenda for the 2018 annual general meeting.

At its meeting directly after the annual general meeting on 20 June 2018, the Supervisory Board, inter alia, discussed the latest reports by the Audit Committee and the Technology Committee. The Management Board reported to the Supervisory Board on the current market situation, the Group's business performance and 'Forecast I' for the Group.

At the strategy meeting of the Supervisory Board held on 26 July 2018, the Management Board began with a detailed review of the progress made towards implementing the measures discussed at the strategy meeting in 2017. Among other issues, the Management Board and Supervisory Board then discussed in depth the current industry environment and the resulting strategic opportunities for the HolidayCheck Group.

At its meeting on 26 and 27 September 2018, the Supervisory Board examined the reports of the Audit and Technology Committees, the Management Board's report on current market and business developments and 'Forecast II' for the HolidayCheck Group. The Management Board reported on current product and IT developments. Next, the Supervisory Board approved a proposal to form a tour operator under the name HC Touristik GmbH.

Thereafter, Dr Philipp Goos, CEO of WebAssets B.V., gave a detailed report on the current business performance and future business strategy of WebAssets B.V. He participated as a guest.

The Supervisory Board meeting held on 29 November 2018 dealt with the latest reports of the Audit Committee and the Technology Committee. The Management Board reported on the current market situation and the business performance of the HolidayCheck Group and presented details to the Supervisory Board of its business plan for HolidayCheck Group AG for the year 2019, including the projected liquidity situation. The Supervisory Board approved of the business plan after detailed discussion.

The Supervisory Board also approved a proposal to purchase the content data of BeachInspector GmbH under the terms of an asset deal. This purchase is contingent on a positive outcome from the ongoing due diligence process.

Furthermore, the Members of the Supervisory Board gave their approval to a resolution to increase the capital of Driveboo AG by CHF 2.5 million through a payment into the capital reserve.

A proposal to conclude a cash pooling agreement between HolidayCheck Group AG and HC Touristik GmbH for up to EUR 1.0 million was also approved.

STEFAN WINNERS
Chairperson of the Supervisory Board of the HolidayCheck Group AG

COMPOSITION OF THE MANAGEMENT BOARD

There were no changes in the composition of the Management Board in the year under review. On 9 July 2018, by means of written circulation, the Supervisory Board approved a resolution to extend the service contract of Georg Hesse as the company's Chief Executive Officer (CEO) from 30 June 2019 to 30 June 2023.

COMMITTEES

An Audit Committee was formed once again in the financial year 2018. Its members were Dr Dirk Altenbeck (Chairperson of the Audit Committee), Dr Thomas Döring and Holger Eckstein.

The company also established a Technology Committee in 2018. The members of this Committee are Alexander Fröstl (Chairperson of the Technology Committee), Aliz Tepfenhart and Stefan Winners.

No other committees were formed in the financial year 2018.

CORPORATE GOVERNANCE

All meetings of the Supervisory Board and its Committees were fully attended.

No conflicts of interest arose in 2018 on the part of Supervisory Board members in connection with their membership of the Supervisory Board of HolidayCheck Group AG.

The Supervisory Board reviewed the efficiency of its activities in accordance with the German Corporate Governance Code during its meeting on 29 November 2018.

The Management Board and Supervisory Board issued a joint declaration of conformity with the Corporate Governance Code on 29 November 2018 pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG). The declaration has been made permanently available to the public on the company's website. Reference is also made to the corporate governance report on the company's website.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

HolidayCheck Group AG prepared its annual financial statements and management report in accordance with the statutory requirements of the German Commercial Code (Handelsgesetzbuch, HGB).

The consolidated financial statements and the Group management report were prepared in accordance with the International Financial Reporting Standards (IFRSs).

The Munich-based branch office of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, Germany, audited HolidayCheck Group AG's single-entity financial statements and management report for the financial year from 1 January to 31 December 2018 and the consolidated financial statements and Group management report for the same financial year.

Pursuant to section 317 paragraph 4 of the German Commercial Code, the auditor carried out a review and found that the Management Board has put in place a monitoring system, that the company fulfils the statutory requirements for the early detection of risks that might jeopardise the existence of the company and that the Management Board has taken appropriate steps to identify developments and counteract risks at an early stage.

The auditor submitted the declaration of independence required under the German Corporate Governance Code to the Supervisory Board, and disclosed the audit and consultancy fees for the corresponding financial year.

The auditor detailed the auditing principles in the audit report. It concluded that HolidayCheck Group AG complied with the statutory requirements of the German Commercial Code and the International Financial Reporting Standards. The auditor did not raise any objections in connection with the audit.

The single-entity financial statements and the consolidated financial statements received the auditor's unqualified approval. The single-entity financial statements, consolidated financial statements, single-entity management report, Group management report and auditor's report were made available to all members of the Supervisory Board. The financial statements were discussed in detail at the Supervisory Board's balance sheet meeting on 26 March 2019 in the presence of the auditor, who also provided a report.

At this meeting, the discussions centred on the main audit findings, especially the audit focus points specified in agreement with the Audit Committee and the Supervisory Board and the main audit findings.

The financial statements and management reports for both the single entity and the Group were examined in detail by the Supervisory Board.

No objections were raised upon conclusion of this examination. The Supervisory Board therefore approved the result of the examination during its meeting on 26 March 2019. The single-entity financial statements and consolidated financial statements prepared by the Management Board were endorsed and adopted by the Supervisory Board. The Supervisory Board approved the single-entity management report and the Group management report and agreed with the assessment of the company's future development. The Supervisory Board agreed with the proposal of the Management Board for the appropriation of the net retained profit.

AUDIT OF THE DEPENDENCY REPORT PURSUANT TO SECTION 314 PARAGRAPHS 2 AND 3 OF THE GERMAN STOCK CORPORATION ACT

At its meeting on 26 March 2019, the Supervisory Board also examined the management report of HolidayCheck Group AG on the disclosure of related-party transactions in the financial year 2018 (dependency report) pursuant to section 312 of the German Stock Corporation Act.

The Supervisory Board examined this report and no objections were raised. The Management Board explained the advantages and possible risks associated with the transactions specified in the dependency report to the Supervisory Board, which then examined them and weighed them up. The Supervisory Board also requested an explanation of the principles accord-

THE SUPERVISORY BOARD OF THE HOLIDAYCHECK GROUP AG

From left to right: Dr Thomas Döring, Holger Eckstein, Aliz Tepfenhart, Stefan Winners, Alexander Fröstl, Dr Dirk Altenbeck

ing to which the services provided by the company and the consideration received are determined.

Furthermore, the auditor examined the dependency report and issued the following opinion:

'Following our statutory audit, it is our considered judgement that:
1. the factual information contained in the report is accurate; and
2. in terms of the legal transactions shown in the report that were conducted under the circumstances known at the time, the consideration paid by the company was not inappropriately high.'

The auditor submitted the audit report to the Supervisory Board. The dependency report and audit report were made available to the Supervisory Board in good time. The auditor attended the meeting of the Supervisory Board on 26 March 2019 and outlined the main findings of its audit of the dependency report.

The Supervisory Board, for its part, examined the Management Board's dependency report and the audit report produced by the auditor.

The Supervisory Board agreed with the audit findings and approved the report based on the concluding results of its own examination. Following the concluding result of the audit, there are no objections from the Supervisory Board to the declaration of the Management Board at the end of the dependency report.

THANKS

The Supervisory Board would like to thank the Management Board and all employees of the HolidayCheck Group for their hard work in the reporting year 2018 and wish them every success in the financial year 2019.

Munich, Germany, March 2019

On behalf of the Supervisory Board

Stefan Winners
Chairperson

GROUP MANAGEMENT REPORT OF HOLIDAYCHECK GROUP AG, MUNICH, GERMANY, FOR THE FINANCIAL YEAR 2018

1. GROUP STRUCTURE AND BUSINESS MODEL

1.1 Organisational structure

HolidayCheck Group AG, a joint-stock company under German law (Aktiengesellschaft), is the parent company of the HolidayCheck Group, a digital group for holidaymakers with operations in Central Europe.

In financial 2018 the Group's average total workforce was 471 full-time equivalents (without Management Board members) based at five locations in Germany, the Netherlands, Poland and Switzerland.

The registered office of the company is in Germany, and the headquarters of the Group are located in Munich. The HolidayCheck Group is led by a Management Board comprising the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Product Officer (CPO) with responsibility for product development and IT.

The Management Board of HolidayCheck Group AG manages the company's business in accordance with the law, the articles of association and its own rules of procedure. The latter includes a schedule of responsibilities, in which individual business divisions are allocated to members of the Management Board.

1.2 Segments

Since the beginning of financial 2016, the Management Board has steered the Group on the basis of key indicators (Group revenue, Group operating EBITDA) for the entire business rather than on a segment basis. As such, the business is no longer divided into segments.

1.3 Description of business operations

The HolidayCheck Group encompasses various operating companies that mainly generate revenue from transaction-based online business models in the fields of travel and weather.

HolidayCheck AG (based in Bottighofen, Switzerland) and WebAssets B.V. (based in Amsterdam, Netherlands) operate a range of hotel rating and holiday booking portals that generate revenue in the form of commission from the brokerage of package tour, hotel and rental car bookings and from website links that take visitors to other booking portals.

The core sales markets for these web portals are Austria, Belgium, Germany, the Netherlands and Switzerland.

Driveboo AG (based in Bottighofen, Switzerland) was spun off from HolidayCheck AG with retrospective effect from 1 January 2017. The company now operates the rental car comparison portal MietwagenCheck. It generates revenue in the form of commission for car hire bookings.

Driveboo AG's core sales markets are Austria, Germany and Switzerland.

WebAssets B.V. also operates advertising-based weather portals, e.g. WeerOnline.nl. Its main source of revenue is online advertising, and its core sales markets are Belgium, Germany and the Netherlands.

The other main components of the HolidayCheck Group are the non-operating company HolidayCheck Group AG (based in Munich, Germany) and the internal service providers HolidayCheck Polska Sp. zo. o. and HolidayCheck Solutions GmbH, which generate no significant amounts of external revenue.

1.4 Financial control system with financial and non-financial indicators

HolidayCheck Group AG has developed a financial control system to control and develop each of its subsidiaries. The aim is for those companies to grow faster than the market average. The financial control system defines a series of indicators for growth in sales revenue and profitability.

Up to and including financial 2018, we used the equity ratio as a measure of capital efficiency and to optimise our capital structure. Given that we have maintained a consistently high equity ratio for years, we have decided, starting in 2019 and until further notice, that we will no longer use the equity ratio as an indicator or as a management tool. A number of key financial indicators are analysed every month, as in the case of consolidated revenue and Group operating earnings before interest, tax, depreciation and amortisation (EBITDA). These indicators are then compared with the Group's annual forecast figures and the twice-yearly extrapolation forecast.

In addition, further non-financial key performance indicators (in particular customer and employee satisfaction) are calculated each month and used for control purposes within the operating companies of the HolidayCheck Group (HolidayCheck AG and the WebAssets Group). External indicators such as inflation rates, interest rates, general economic trends and sales market-specific business developments are also regularly analysed for company management purposes.

1.4.1 Growth and revenue

For the HolidayCheck Group, consistent revenue growth is an important contributor to long-term growth in enterprise value.

Growth in sales revenue*

Growth in sales revenue – FY 2018	14.2%
Growth in sales revenue – FY 2017	13.3%

*Sales revenue for the reporting period / Sales revenue for the same period in the previous year) x 100 percent

1.4.2 Group operating EBITDA

HolidayCheck Group AG endeavours to maintain or improve the profitability of its business. At Group level, the indicator used to measure and control profitability is the change in Group operating EBITDA*. This indicator provides the best reference when making comparisons and has the biggest impact on capital market communications.

Group operating EBITDA*

	FY 2018 (EUR million)	FY 2017 (EUR million)
Group operating EBITDA*	10.7	1.6

*Further information on Group operating EBITDA can be found in section 2.2.2.1.3 of this report under the heading 'Calculation of operating EBITDA from EBITDA'.

1.4.3 Equity ratio

Up to the financial year 2018, the indicator we used to manage our capital structure was the equity ratio (equity / total capital x 100 percent). Given that we have maintained a consistently high equity ratio for years, we have decided, until further notice, that we will no longer use the equity ratio as an indicator or as a management tool.

Information on how the equity ratio is calculated can be found in section 2.2.2.2.1 of this Group management report under the heading 'Capital structure'.

Equity ratio

(See table below)

Equity ratio

Equity ratio – financial year 2018	82.8%
Equity ratio – financial year 2017	86.1%

(equity / total capital) x 100 percent

1.4.4 Non-financial performance indicators

In the view of the Management Board, the following non-financial performance indicators make an important contribution to the long-term success of the HolidayCheck Group.

Employee satisfaction

One of the decisive factors contributing to the sustainable development of the HolidayCheck Group has been its extensive knowledge of the markets that are relevant to the company, and this will come to be even more important in the future. Consequently, the HolidayCheck Group strives to recruit people with a good level of technical and industry knowledge for positions within the Group and to provide regular opportunities for professional development. We have established specific training regimes to help our people develop new personal and professional skills.

To this end, a wide range of training seminars is offered for employees and managerial staff to support their professional development and strengthen their commitment to the company.

In addition, employees and their line managers meet every year for appraisal and development interviews.

Employee satisfaction is measured on a weekly basis using an online tool. Based on average measurements for the year as a whole, this feedback system produced a 'stable' assessment compared with the previous year. As such, our forecast of a 'positive' assessment was not achieved.

Product and service quality and customer satisfaction

Taking customer needs into account is an elementary aspect of the HolidayCheck Group's business philosophy. This is reflected, for example, in the company's stated vision of becoming the most holiday-maker friendly company in the world.

The HolidayCheck Group is committed to delivering products and services marked by excellent quality and total customer orientation. To this end, regular training is provided to the employees of the Group. In addition, outside inspectors regularly carry out checks in relation to the quality of services rendered by individual companies and brands of the HolidayCheck Group. By way of example, the website www.holidaycheck.de was awarded the s@afer shopping certificate by the German technical control board (TÜV Süd) in recognition of its quality, security and transparency. Its latest certificate is dated August 2017. It has also come out top in many website comparisons, for example in December 2016 when it gained the accolade of best holiday brokerage portal in a review conducted by the German consumer organisation Stiftung Warentest.

Ongoing innovation, which allows us to keep improving our products and services, is vital to our long-term success. We use a direct year-on-year measure (December 2017 compared with December 2018) of customer satisfaction among users of HolidayCheck (by far the biggest and most important platform operated by the HolidayCheck Group) as our main indicator. Users are asked how satisfied they are with the various areas of the HolidayCheck website.

The body of data generated in the form of the resulting aggregate value and ongoing compilations of user comments will allow us to make continuous improvements in terms of user experience.

This feedback system produced a 'positive' assessment compared with the previous year. The 'positive' forecast for 2018 was therefore achieved.

1.5 Research and development activities

Some Group companies (Driveboo, HolidayCheck, HolidayCheck Polska, HolidayCheck Solutions and WebAssets) conduct their own decentralised development activities. If the development costs attributable to these employees can be capitalised, they are shown in the balance sheet as software developed in-house. The employees' remaining work is recognised as personnel expenses. Whenever subsidiaries make use of externally supplied development services, that work is also capitalised (again where permitted under accounting rules), while the remaining development costs are recognised under other expenses. As at 31 December 2018, around 165 HolidayCheck Group employees were assigned to development roles (31 December 2017: 154).

In financial 2018, the Group incurred one-time research expenses totalling EUR 0.6 million for an evaluation of proposals to set up an in-house tour operator business as a strategic addition to its portfolio. Apart from this item, research expenses do not generally arise as each development project is linked to the goal of introducing specific functionality.

Capitalised development costs for 2017 and 2018 are shown in the table below.

Capitalised development costs

Own work capitalised – FY 2018	EUR 3,580 thousand
Own work capitalised – FY 2017	EUR 3,188 thousand

In financial 2018, amortisation charges for internally generated intangible assets were EUR 4.8 million (2017: EUR 3.3 million).

2. ECONOMIC REPORT

2.1 Macro-economic and industry situation

2.1.1 Macro-economic situation

According to a report by Deutsche Bank's Global Market Research unit issued on 4 November 2018, the overall picture of economic activity in the HolidayCheck Group's core sales markets in 2018 was as follows.

Inflation-adjusted gross domestic product (GDP) in the Netherlands rose by 2.7 percent (GDP 2017: 2.9 percent). The analysts put inflation-adjusted growth in Belgian GDP at 1.6 percent (GDP 2017: 1.7 percent). Inflation-adjusted gross domestic product (GDP) in Germany went up by 1.6 percent (GDP 2017: 2.2 percent). The corresponding figure for Austria and Switzerland was 3.0 percent (Austrian GDP 2017: 3.1 percent; Swiss GDP 2017: 1.7 percent).

2.1.2 Industry situation

According to an assessment by the Management Board, the revenue generated from package holidays in financial 2018 in the core markets targeted by the Group's transaction-based travel portals showed growth in a low to medium single-digit percentage range compared with the previous year, partly due to a stable geopolitical situation in popular holiday destinations. Based on the 2018 travel agency report on current market trends (Reisebürospiegel) published by ta.ts, the total industry revenue, including package holidays, cruises, flights, etc., generated by high street travel agencies grew by 2.5 percent over the year. In the view of the Management Board, growth among online travel agencies is likely to have been above this figure. In the previous year, we forecast moderate low single-digit percentage revenue growth for financial 2018.

As forecast in 2017, the Group's core sales markets were marked by strong competitive pressures.

These assessments are based on the company's own estimates.

2.2 Business development and performance

The results achieved by the HolidayCheck Group in financial 2018 were very gratifying. Both our revenue and operating result exceeded the Management Board's expectations. Consolidated revenue ended the year 14.2 percent higher at EUR 138.9 million compared with EUR 121.6 million in 2017, primarily as a result of positive industry-wide developments (see section 2.1.2). Operating EBITDA was EUR 10.7 million in financial 2018 compared to EUR 1.6 million in the previous year. Accordingly, the Group's results for 2018 exceeded its forecasts for a year-on-year increase of between 8.0 and 13.0 percent in revenue and operating EBITDA between EUR 2.5 million and EUR 6.5 million.

The equity ratio as at 31 December 2018 was reduced year on year to 82.2 percent. As such, the minimum equity ratio of 70.0 percent forecast by the Management Board for 2018 was reached.

2.2.1 Business development

In financial 2018, with a view to steadily expanding its portfolio, the Group invested consistently in the further development of its existing products and services, especially in the core package holiday, 'hotel only' and cruise segments, in the development of new products and services in related areas such as the establishment of an in-house tour operator business, in the ongoing expansion of its data intelligence systems and in its customised travel advice service.

Our subsidiaries also completed further investments in marketing in the form of direct sales promotions and other measures designed to give a sustained boost to the profile of our various brands.

2.2.2 Performance

2.2.2.1 Income

2.2.2.1.1 Total operating income

At EUR 143.5 million, HolidayCheck Group's total operating income in financial 2018 was 13.6 percent higher compared with the figure of EUR 126.3 million in the previous year.

Revenue showed a year-on-year increase of 14.2 percent from EUR 121.6 million in 2017 to EUR 138.9 million in 2017, largely as a result of higher travel bookings in line with positive industry-wide developments. This figure exceeded the forecast, issued in the 2017 Group management report, of an increase of between 8.0 and 13.0 percent in revenue.

At EUR 1.0 million, **other income** was down on the figure of EUR 1.6 million for 2017. This was mainly due to a lower government subsidy in the Netherlands and various non-recurring items in the previous year.

The figure for **other own work capitalised** rose by 12.5 percent from EUR 3.2 million in 2017 to EUR 3.6 million in 2018. This was mainly due to the increased use of in-house staff compared with the previous year.

2.2.2.1.2 EBITDA

Marketing expenses ended the year 10.4 percent higher at EUR 67.0 million compared with the 2017 figure of EUR 60.7 million. This was mainly due to a rise in voucher costs, reflecting business growth at HolidayCheck AG.

Personnel expenses in 2018 rose slightly by 2.9 percent to EUR 39.1 million compared with EUR 38.0 million in 2017, chiefly due to in increase in workforce.

At EUR 27.4 million, **other expenses** remained at previous year's level in financial 2018. This was mainly due to a shift over the year from lower fees for freelance workers towards higher distribution expenses (service centre costs).

EBITDA (earnings before interest, taxes, depreciation and amortisation) rose by from EUR 0.2 million in 2017 to EUR 10.0 million in 2018.

2.2.2.1.3 Calculation of operating EBITDA from EBITDA

The table shown below provides additional information on exceptional items that have an impact on EBITDA and therefore on consolidated net profit/(loss), in each case before discontinued operations. It shows the method of calculating operating EBITDA, which we use as a key performance indicator.

Operating EBITDA (operating earnings before interest, tax, depreciation and amortisation) grew from EUR 1.6 million to EUR 10.7 million (up by EUR 9.1 million) year on year. This result was comfortably over the Group operating EBITDA target for 2018, set in the previous year, of between EUR 2.5 million and EUR 6.5 million.

2.2.2.1.4 Other items in the consolidated statement of income

At EUR 7.0 million, **depreciation, amortisation and impairment** charges for 2018 were 18.6 percent higher year on year (2017: EUR 5.9 million). This was primarily due to the high level of investment over recent years.

EBIT (earnings before interest and tax) stood at EUR 3.0 million in financial 2018 compared with minus EUR 5.7 million in the previous year.

At minus EUR 0.2 million, the HolidayCheck Group's **financial result** for 2018 was unchanged in comparison to the previous year.

EBT (earnings before taxes) totalled EUR 2.8 million at the end of the financial year 2018 and minus EUR 5.9 million in the prior year.

The **tax result** for financial 2018 stood at minus EUR 0.9 million compared with minus EUR 0.4 million in 2017. This decline was mainly due to improved earnings in 2018 and offsetting income from the correction of deferred tax liabilities for capitalised assets developed in-house.

Consolidated net profit/(loss) from continuing operations was EUR 1.9 million in 2018 (2017: minus EUR 6.3 million).

Consolidated net profit/(loss) from discontinued operations was EUR 0.0 million in 2018 compared with EUR 0.3 million in 2017. The figure for financial 2017 includes income from the reversal of provisions in respect of a former business unit.

Calculation of operating EBITDA from EBITDA

	1 JAN TO 31 DEC 2018 (EUR million)	1 JAN TO 31 DEC 2017 (EUR million)
EBITDA	**+10.0**	**+0.2**
Minus: other income Plus: other expenses from revaluation of earn-out or put/call obligations	+0.1	+0.1
Plus: other expenses from personnel obligations linked to share-based payment plans and pension provisions	+0.6	+0.5
Group operating EBITDA	**+10.7**	**+1.6**

Consolidated net profit/(loss) was EUR 1.9 million in 2018 and minus EUR 5.9 million in 2017.

Consolidated comprehensive income for 2018 was EUR 1.9 million compared with minus EUR 5.9 million in 2017.

Basic and diluted earnings per share from continuing operations increased from minus EUR 0.11 in the previous year to EUR 0.03 in 2018.

Basic and diluted earnings per share from discontinued operations were EUR 0.00 in 2018 compared with EUR 0.01 in 2017.

Basic and diluted earnings per share were EUR 0.03 in financial year 2018 and minus EUR 0.10 in the prior-year period.

2.2.2.2 Asset and financial position

Financial management objectives

The main financial management objective of the HolidayCheck Group is to safeguard liquidity at all times in order to ensure that the Group is able to perform its day-to-day business operations. Another objective is the optimisation of profitability to attain the maximum possible credit rating with a view to obtaining favourable refinancing terms.

2.2.2.2.1 Capital structure

In order to maintain a healthy capital structure, the company established a target of keeping its equity ratio (equity / total capital x 100 percent) to at least 70.0 percent.

Capital structure

	31 DEC 2018 (EUR million)	31 DEC 2017 (EUR million)	CHANGE in %
Total equity	159.9	157.0	+1.9%
Total capital	193.2	182.3	+6.0%
Equity ratio	82.8	86.1	-3.8%

More information on changes in equity and financial liabilities can be found in section 2.2.2.2.4 of this Group management report.

In June 2014, as part of a wider plan to restructure the way HolidayCheck Group AG finances its activities, the company entered into a syndicated loan agreement. Under the terms of this agreement, it can borrow up to EUR 49.0 million on a flexible basis with repayment by 2019. This agreement was renegotiated in May 2015 to take account of the Group's new structure and the fact that guarantors for the loan were no longer part of the Group. The term of the loan was extended to 2020. As at the end of the year, HolidayCheck Group AG had not drawn down any of the funds available under this loan agreement.

The interest payable on the syndicated loan is stipulated for each interest period. The latest figure was 0.9 percent. The variable rate is therefore unchanged from the previous year's figure.

2.2.2.2.2 Investment

The increase in additions to intangible assets acquired for valuable consideration from EUR 1.0 million in 2017 to EUR 2.5 million in financial 2018 is primarily attributable to the purchase of the main assets of beach-inspector.com.

Additions to internally generated intangible assets (software) mainly concern HolidayCheck AG. This figure was reduced from EUR 5.3 million in financial 2017 to EUR 4.2 million in the year under review.

2.2.2.2.3 Liquidity

Cash flows

The following section contains an analysis of cash flows from operating, investing and financing activities in the financial years 2018 and 2017.

Net cash used in operating activities stood at EUR 14.7 million in 2018 after minus EUR 2.1 million in 2017. This was mainly due to the higher figure for EBITDA and the increase in trade payables.

Net cash used in investing activities was made up of net cash outflows totalling minus EUR 7.0 million in 2018 compared with net cash outflows of minus EUR 7.6 million in 2017.

In addition to the factors mentioned above under 2.2.2.2.2, the level of investment in property, plant and equipment in 2018 was down on the previous year.

Net cash used in financing activities stood at EUR 0 in 2018 compared with minus EUR 3.9 million in 2017.

The figure for 2017 includes share buy-back payments of EUR 3.8 million and a payment of EUR 0.1 million to settle the company's earn-out liabilities following its purchase of the remaining shares in WebAssets B.V.

As a result, cash and cash equivalents at the end of 2018 increased to EUR 33.8 million after EUR 26.2 million at the end of 2017.

Financial resources

Our financial resources include bank loans, cash and cash equivalents, financial assets available for sale and cash flows from operating activities.

We need capital to fund regular investment, to cover ongoing capital requirements linked to our operating activities, to arrange financing and to fund cash outflows related to portfolio activities.

The main components of our total liabilities are trade payables, personnel liabilities and deferred tax liabilities.

The figure for total liquidity relates to the liquid assets that were available to us on a given balance sheet date to finance our operating activities and to pay current liabilities. These are made up of cash and cash equivalents and financial assets available for sale, as shown in the consolidated balance sheet.

Contractual liabilities

With regard to HolidayCheck Group's ordinary business activities, the main contractual liabilities affecting cash flow are its obligations to pay salaries and rents.

Liabilities to banks

As in the prior year, in financial 2018, HolidayCheck Group AG had no liabilities to banks with the exception of the arrangement fee for the syndicated loan.

2.2.2.2.4 Asset position

On the assets side of the consolidated balance sheet, **non-current assets** were down by 0.1 percent from EUR 134.5 million in 2017 to EUR 134.4 million as at 31 December 2018.

At EUR 58.7 million, **current assets** as at 31 December 2018 were 22.8 percent higher compared with the figure of EUR 47.8 million as at 31 December 2017.

This was mainly due to a rise of EUR 7.6 million in cash and cash equivalents to EUR 33.8 million as a result of cash inflows (see section 2.2.2.2.3 of this Group management report).

At the same time, trade receivables rose by EUR 2.5 million to EUR 22.0 million due to an increase in business activity. For the first time, the balance sheet also shows contract assets of EUR 1.1 million. These arose due to a change in the contractual terms and settlement methods agreed with some of our media customers.

On the liabilities side of the consolidated balance sheet, **equity** as at 31 December 2018 increased by 1.9 percent to EUR 159.9 million from the 2017 year-end figure of EUR 157.0 million. This was due to the positive figure of EUR 1.9 million for consolidated comprehensive income and the effects of the share-based payment plans which amounted to EUR 0.8 million.

As at 31 December 2018, the equity ratio was 82.8 percent. It was below the equity ratio of 86.1 percent reported at the end of 2017 but above the forecast minimum target of 70.0 percent.

At EUR 7.6 million, **non-current liabilities** were 12.6 percent lower as at 31 December 2018 compared with the year-end figure of EUR 8.7 million for 2017. This was mainly due to the reclassification of liabilities (previously shown under the balance sheet item 'non-current other miscellaneous liabilities') for the 2015 tranche of the long-term incentive plan (LTIP) 2011-2016. As these amounts are due for payment in financial 2019, they are now shown as current liabilities.

As at 31 December 2018, **current liabilities** amounted to EUR 25.6 million, an increase of 53.3 percent compared with the 2017 year-end total of EUR 16.7 million. The main factor here was an increase in trade payables from EUR 11.7 million to EUR 16.1 million as a result of business activity. For the first time, the balance sheet also shows contract liabilities of EUR 2.6 million. These arose due to a change in the contractual terms and settlement methods agreed with some of our media customers.

In addition, 'other financial liabilities' rose due to the reclassification of the 2015 tranche of the LTIP 2011-2016 as current liabilities (see above).

The figure for **total liabilities** ended the financial year 2018 31.1 percent higher at EUR 33.3 million compared with the 2017 year-end figure of EUR 25.4 million.

Total assets rose by 6.0 percent from EUR 182.3 million at the end of 2017 to EUR 193.2 million as at 31 December 2018.

As regards the relationship between items in the balance sheet, capital ratios in total remained unchanged. Current liabilities are covered entirely by current assets, while non-current assets are covered entirely by equity.

3. EVENTS AFTER THE BALANCE SHEET DATE

The Supervisory Board of HCG approved the release of these consolidated financial statements on 26 March 2019. At that point, with the following exceptions, no significant events had occurred after the balance sheet date.

On 5 February 2019 the airline Germania filed for bankruptcy. Although we have no direct contractual relationship with Germania, this has a negative impact on our revenue due to increased cancellations of package holidays booked through our website. Under bankruptcy rules, holidaymakers are entitled to cancel their booking if the tour operator is unable to offer alternative comparable transport (e.g. another airport). For us, this means a loss of commission revenue. The write-downs included in our financial statements for 2018 cover the risk to our expected revenue from cancellations.

On 7 March 2019 Sternzeit Media GmbH, which managed our B2B marketing activities up to financial 2018, also filed for bankruptcy. Our contract with Sternzeit Media GmbH was cancelled, and the two companies' mutual entitlements were largely offset against each other. Any outstanding year-end receivables are therefore of subordinate importance and are fully covered by valuation adjustments to trade receivables.

4. REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

4.1 Report on expected developments

4.1.1 Expected macro-economic developments

Deutsche Bank's Global Market Research unit anticipates the following levels of economic growth in the HolidayCheck Group's core sales markets.

Inflation-adjusted gross domestic product (GDP) in the Netherlands is expected to grow by 2.2 percent and in Belgium by 1.8 percent. Inflation-adjusted gross domestic product (GDP) in Austria is anticipated to increase by 2.2 percent and in Switzerland by 1.7 percent. According to the Deutsche Bank experts, inflation-adjusted GDP in Germany should rise by 1.3 percent. According to the forecast issued by the German Council of Economic Experts on 19 March 2019, however, GDP growth in Germany will be limited to 0.8 percent.

The GDP figures quoted above are based on estimates published by Deutsche Bank AG's Global Market Research unit on 4 November 2018.

4.1.2 Expected industry developments

For the current year, the Management Board of HolidayCheck Group AG anticipates moderate revenue growth, in the low single digits expressed as a percentage, in the core markets served by the Group's holiday portals, especially in the package holiday sector. One important factor here will be the forecast economic developments in the core sales markets served by those holiday portals (see section 4.1.1 of this Group management report) and the corresponding likelihood of a constantly high consumer demand for holidays.

Another important but largely unpredictable factor that could have an impact on developments in the travel industry is any political unrest or terrorist attacks, especially in our key Mediterranean package holiday regions, in the German-speaking area (Germany, Austria and part of Switzerland) and in the Benelux countries (Belgium Netherlands and Luxembourg).

At the same time, the company anticipates strong and sustained competitive pressures, primarily as a result of continued high levels of spending by competitors on marketing and the entry of new competitors into the market. In the medium term, a possible trend towards consolidation could lead to some easing of the competitive situation and to a corresponding reduction in marketing expenditure.

The above assessments of expected industry developments are based on the Group's own estimates.

4.1.3 HolidayCheck Group

Our vision is to become the most holidaymaker-friendly company in the world. Our goal is to constantly expand our portfolio of holiday services. We plan to invest consistently in measures to speed up the further development of our existing products and services (with an emphasis on the core fields of package holidays, 'hotel only' bookings and cruises), the development of new products and services in adjoining areas, the steady expansion of our data intelligence systems and the further expansion of our customised travel advice service. In order to implement these measures, we anticipate an increase in personnel at HolidayCheck Group AG's subsidiaries, mainly in the areas of product and IT development, travel advice and tour operator business. This will entail an increase in personnel costs.

Our subsidiaries also intend to make further investments in marketing in the form of direct sales promotions and other measures designed to give a sustained boost to the profile of our various brands.

HolidayCheck AG is based in Bottighofen in Switzerland but it generates most of its sales revenue in the euro area. Important costs such as salaries and rents are paid in Swiss francs, so any appreciation in the Swiss franc vis-à-vis the euro will have a negative impact on the Group's results. In order to hedge this currency risk, the company either uses currency forwards or, if it makes financial sense to do so, establishes cash holdings in Swiss francs.

The Management Board's forecast for financial 2019 is premised on the scheduled implementation of the above investments in products and marketing. It also assumes a stable economic situation and further intense competition at the same level as in 2018. Finally, the forecast is based on a stable political situation continuing in the countries that represent our most important Mediterranean holiday destinations.

The impact of any legal and regulatory changes is not factored into this forecast.

4.1.3.1 Revenue and operating EBITDA
Based on the above assumptions, the Management Board anticipates a year-on-year increase of between 7.0 and 12.0 percent in the HolidayCheck Group's revenue in 2019, after adjusting for any acquisitions or disposals of long-term equity investments and the establishment of new companies.

In view of its plans to increase investment in personnel and marketing, the Management Board expects operating EBITDA in financial 2019 to lie between EUR 8.5 million and EUR 13.5 million. These figures reflect our assessment that the first-time application of IFRS 16 will increase operating EBITDA by around EUR 2.5 million.

If our expectations and assumptions do not materialise the actual figures for revenue and operating EBITDA could be either higher or lower than forecast.

4.1.3.2 Non-financial performance indicators

Employee satisfaction

Employee satisfaction within the HolidayCheck Group is measured continuously using an online tool. Looking ahead to 31 December 2019, we expect this feedback system to deliver a 'positive' assessment compared with the baseline at the end of 2018.

Product and service quality, and customer satisfaction

To measure the product and service quality as well as the level of customer satisfaction, HolidayCheck users will be asked how satisfied they are with the various services offered by HolidayCheck. An aggregate value will be calculated monthly, and the resulting body of data will help us to make continuous improvements in terms of user experience. We expect this feedback system to deliver a 'positive' assessment in December 2019, when compared with the same month of 2018.

Non-financial performance indicator

Non-financial performance indicator	Forecast for FY 2019
Employee satisfaction	Positive
Product and service quality, and customer satisfaction	Positive

4.1.4 Overall assessment of likely developments
For 2019 as a whole, we expect to implement investments in products and marketing in line with our plans. We also anticipate low economic growth in Germany and continued strong competition at the same level as in the previous year. Finally, our forecast is based on the assumption that, on the whole, the political situation will be stable in the countries that represent our most important Mediterranean holiday destinations.

The potential effects of legal and regulatory issues have not been factored into these forecasts.

In response to the opportunities (see section 4.3 of the Group management report) and risks (section 4.2.2 of this Group management report) outlined below, or if our expectations and assumptions do not materialise, the actual results of the HolidayCheck Group may vary in either direction from these forecasts.

4.2 Risk report
The Group's risk management system covers all those operating companies which have dealings with other companies outside the Group and are therefore exposed to risks, i.e. HolidayCheck AG, Driveboo AG, HolidayCheck Group AG and the sub-group WebAssets. The risk management system identifies the inherent and active risks for each of these Group companies. It also assesses the potential for damage and the probability of those risks occurring. Finally, it combines all the identified risks at Group level.

4.2.1 Risk management system
As the parent company of the HolidayCheck Group, HolidayCheck Group AG is integrated into the Group-wide risk management system. In principle, HolidayCheck Group AG is exposed to the same risks as the individual companies making up the Group. These risks can result in the entire Group being unable to meet financial, operational or strategic business objectives. The HolidayCheck Group therefore has to identify and analyse the risks and implement suitable measures to eliminate or at least mitigate these risks in order to safeguard its long-term business success.

4.2.1.1 Risk policy guidelines
The Management Board has formulated a series of policy guidelines for the risk management system.
- Risks should be managed actively at all levels of the Group and its subsidiaries, i.e. by identifying, monitoring and measuring risks and by initiating and continuously optimising appropriate countermeasures.

- A risk management system should be established in each company to identify risks at an early stage and to assess and control those risks.
- Specific critical risks or those with the potential to jeopardise the existence of the Group must be reported as and when they arise.
- Suitable risk assessment criteria (materiality limits and potential damage) should be defined and regularly updated as part of corporate controlling with regard to the classification of risks as critical or as a threat to the existence of the Group and to facilitate the process of escalation to the next higher level or to the Management Board.
- Where there is suspicion of criminal activity, compliance issues must be reported as soon as they are identified.
- The risk management system should be documented in the form of a risk map.
- The risks to which individual companies are exposed are also documented using the risk-to-chance (R2C) tool. If the companies do not have their own access to this tool, the information is maintained by the Group risk coordinator. Otherwise, responsibility for maintaining and updating the risk data lies with the companies themselves.

4.2.1.2 Risks subject to mandatory disclosure

Risks are identified in relation to individual areas of responsibility or on a more general basis in workshops. Risks are divided into two categories: 'inherent' and 'active' risks.

Risk categories

(See table below)

Risk categories

INHERENT RISKS	ACTIVE RISKS		
STRATEGIC	OPERATIONAL	FINANCIAL	COMPLIANCE

Inherent risks are those which depend on external factors that cannot be influenced by the HolidayCheck Group and/or its individual companies. These include economic risks, for example.

Active risks are those which depend on internal factors that can be influenced by decisions and actions. On the operational side, examples in this category are sales and personnel risks.

Risks are assessed in terms of the probability of their occurrence and their potential to cause damage. The table below shows how risks are classified in terms of the probability of occurrence within a planning horizon of two years, (see table below).

Risk assessment – probability of occurrence

Probability of occurrence within planning horizon (2 years)		
(Almost) certain	4	Probability >= 80 percent of the risk event occurring within the planning horizon
Probable	3	Probability >= 50 percent and < 80 percent of the risk event occurring within the planning horizon
Possible	2	Probability >= 20 percent and < 50 percent of the risk event occurring within the planning horizon
Unlikely	1	Probability < 20 percent of the risk event occurring within the planning horizon

Risk assessment – potential damage

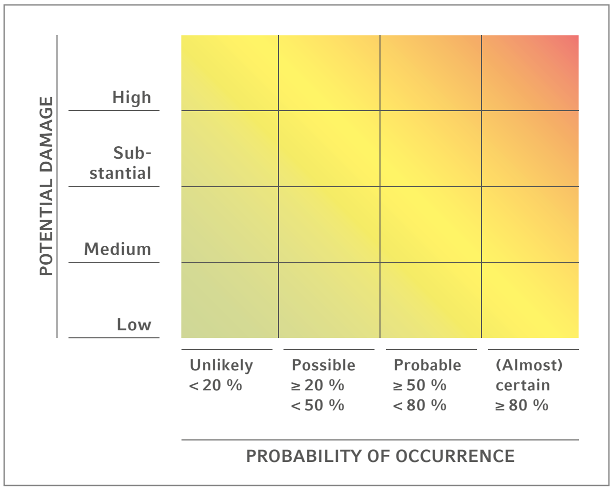
		STRATEGIC	OPERATIONAL	FINANCIAL	COMPLIANCE
High (critical/ threat to existence of Group)	4	Risk that most strategic targets may not be achieved	Disruption to all business activities (complete failure of IT systems, loss of data, fire, terrorist attack)	Threat to existence of the Group (e.g. large-scale systematic manipulation of balance sheet and severe exchange rate fluctuations) Single Group EBITDA risk >= EUR 10 million	Serious violations of the law leading to external investigations and legal proceedings (risk to reputation)
Substantial	3	Risk that one or several strategic targets may not be achieved	Serious disruption to business activity (temporary failure of IT systems, fluctuation of key personnel)	Substantial risks that lead to an annual deficit or a reduction in enterprise value Single Group EBITDA risk >= EUR 6 million	Systematic and ongoing violations of the law with large penalties and/or damage to corporate image
Medium	2	Risk that one strategic target may not be achieved	Significant disruption to or interruption of operating processes	Significant negative impact on annual results and enterprise value, manipulation of valuations Single Group EBITDA risk >= EUR 1 million	Systematic violations of the law with significant penalties
Low	1	Risk has very little potential impact on achievement of targets	Little or no impact on operating processes	No significant impact on annual results or enterprise value (minor reporting violations) Single Group EBITDA risk < EUR 1 million	Less than full compliance with provisions and rules (e.g. minor violations of the expenses code)

Potential to cause damage is defined in terms of the potential impact on Group EBITDA over a two-year period. Risks are allocated to one of four categories depending on the potential scale of the impact (see table above).

Unless provisions or insurance cover have already been established covering the entire potential damage, or unless reduced by insurance policies, all risks must be included if they jeopardise the existence of the Group or exceed the thresholds defined as critical. Details of any existing provisions must be added. In this context, it is important to take not only individual risks but also the potential cumulative impact of several risks into consideration. Risks are classed as a potential threat to the existence of the Group if they could have a substantial impact on its asset, financial and earnings position.

The risk matrix below is based on these classifications.

Risk matrix



4.2.1.3 Risk management structures

The companies making up the Group organise their processes and information flows in such a way that corporate risks can be identified, evaluated and controlled at an early stage. The role of the Group risk coordinator is to monitor and control the risk management process.

All risks and the status of those risks are reported to Group Controlling together with the quarterly financial statements. Risks are updated solely through the Group's own risk management tool. Following consultation, this may be done by the companies themselves or by Group Controlling. In addition, the Group risk coordinator must be advised immediately in writing of any critical risks, risks that jeopardise the existence of the Group or potentially criminal incidents relating to compliance rules. The Group risk coordinator will forward the details to the Management Board. To this end, a new whistleblower procedure was set up during the year under review.

Senior management at the Group's individual companies is responsible for reporting any new risks and/or changes in the status of existing risks at the appropriate meetings (e.g. meetings of the board of directors).

Group Controlling will prepare a report for the Management Board based on the reports received from individual companies and any Group-level risks identified.

Responsibility for updating the risk management system lies with the Group's Management Board, Group Controlling and senior management of the respective subsidiaries.

The subsidiaries of HolidayCheck Group AG have established their own risk management systems on this basis.

Responsibility for updating the risk management systems of subsidiaries lies with their respective senior management. Subsidiaries which are covered by the Group's risk management system due to their risk exposure have designated a risk management officer as the point of contact for Group Controlling.

As evidence of the proper functioning of risk management systems, the corresponding documentation is continuously updated at both Group and subsidiary level.

In order to facilitate a systematic response to the risks identified within the Group and reported to HolidayCheck Group AG, the risk map is updated every quarter and submitted to Group Controlling. Any changes and new risks are highlighted.

In addition to the dedicated risk management system, the following elements also serve to identify risk within the Group:

- operational corporate planning, including updated intra-year forecasts;
- quarterly financial statements;
- liquidity planning;
- monthly reporting by subsidiaries (comparing target and actual results) to the Group.

The HolidayCheck Group has also established compliance regulations and mechanisms. These include a code of conduct and a whistleblower procedure. The aim is to identify potential infringements of these rules and systematically prevent them from occurring. In financial 2018, HolidayCheck Group AG set up a new Compliance Board, whose main duty is to establish an appropriate compliance management system (CMS) for the HolidayCheck Group and to ensure that this system is continuously developed.

The HolidayCheck Group draws on its own internal resources and where necessary calls in external tax advisers to ensure that it complies with tax regulations. We monitor all changes in legislation and regularly evaluate their impact on Group companies.

In 2009, Germany's Accounting Law Modernisation Act (Bilanzrechtsmodernisierungs-gesetz, BilMoG) imposed a duty on Supervisory Boards to assess the effectiveness of corporate risk management. In making its assessment, the Supervisory Board draws on the results of internal audits and information from Group Controlling.

HolidayCheck Group AG is also subject by law to an inspection by the Group's auditor in accordance with section 317, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB). The task of the auditor is to evaluate whether the Management Board has implemented the measures imposed under section 91, paragraph 2 of the German Stock Corporation Act in an appropriate form and whether the corresponding monitoring system is designed in such a way that it can identify developments which jeopardise the continued existence of the company at an early stage.

4.2.2 Risks

For reasons of clarity and ease of presentation, some of the risks in the following summary have been combined.

4.2.2.1 Inherent risks of the HolidayCheck Group

4.2.2.1.1 Strategic risks

4.2.2.1.1.1 Competition-related risks

Market dominance of search engine providers

Many Internet users turn above all to search engines such as that operated by the market leader Google when they are looking for hotels. Search engines are based on complex and confidential algorithms, and they present users with hit lists containing links to relevant third-party websites such as those of HolidayCheck and Zoover. However, they also present their own web services such as Google Hotel Finder.

Search engine providers regularly make wide-ranging changes to their search algorithms. As such, there is always a potential risk that the search engine rankings of websites operated by HolidayCheck Group may fall temporarily or even permanently.

In response, the HolidayCheck Group takes specific measures in order to direct users straight to its own online offers.

Risk classification

Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million). This risk classification is unchanged compared with the previous year.

Existing and new competitors

Increased competition due to existing competitors, the entry of new competitors into the market or the introduction of innovative new technology, can undermine usage and/or the purchase of products or services offered online by the HolidayCheck Group.

Of particular concern in this context is Google, which increasingly directs users towards its own services such as Google Flights and Google Hotel Finder. This creates a potential risk of market consolidation and puts Google in direct competition for traffic with other providers such as the HolidayCheck Group. Any serious reduction in traffic could lead to a significant downturn in revenue and earnings for the HolidayCheck Group.

Risk classification

Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million) – This risk classification is unchanged compared with the previous year.

4.2.2.1.1.2 Other strategic risks

Demand risks

The HolidayCheck Group's travel portals concentrate on business activities in the holiday sector, especially in connection with the brokerage of package holidays and hotels for consumers.

Changes in customer preferences (e.g. with regard to types of holiday or the technology used) and any widespread reduction in demand (e.g. as a result of economic, political, legal or social crises or following terrorist attacks, natural disasters or outbreaks of disease) could have a negative impact on the future revenue and earnings of the HolidayCheck Group and even jeopardise its continued existence.

The HolidayCheck Group adopts various strategies in anticipation of changing customer requirements. These include continuously developing new products and services and regularly updating its existing portfolio.

Risk classification

Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million)

In this report, we have combined a number of risk categories previously shown separately (consumer-related, economic, technology and other strategic risks) under the single heading 'demand risks'. The overall probability of occurrence has been classed as 'possible' and the potential damage as 'high'.

4.2.2.1.1.3 Marketing risks (previously shown as inherent 'sales risks')

Expenditure on marketing activities, especially popular tools such as search engine marketing (SEM), vouchers and TV advertising, currently makes up the HolidayCheck Group's largest single block of costs. Any more intensive marketing activities by our competitors or increased dominance of key marketing and media service providers such as Google could push up advertising and voucher costs, for example, and therefore lead to a substantial increase in the marketing costs of the HolidayCheck Group and its travel portals and impact negatively on the earnings of the entire HolidayCheck Group.

Risk classification
Probability of occurrence: unlikely (< 20 percent); potential damage: substantial (single Group EBITDA risk ≥ EUR 6 million)

Compared with the previous year, the 'potential damage' assessment for this risk has been raised from 'medium' to 'substantial' due to increased business activity.

4.2.2.2 Active risks of the HolidayCheck Group

4.2.2.2.1 Operational risks

4.2.2.2.1.1 Operational sales risks

From a sales perspective, the success of the HolidayCheck Group's travel portals depends crucially on continuous technical development and on their usability across every type of device such as laptop, tablet or smartphone. In particular the increased use of mobile devices presents a specific challenge for web-based service providers. Website visitors are currently less likely to use them to make purchases than from a stationary device such as a laptop. Accordingly, any perception among users that travel portals are either unsatisfactory or difficult to access could undermine the level of customer acceptance of those portals and have a negative impact on revenue and earnings.

This risk also includes technical dependence on service providers, especially Traveltainment and Peakwork as internet booking engines, and on the systems maintained by tour operators.

To limit these risks, we invest consistently in the further development of platforms and systems for all relevant devices. We also continuously measure and evaluate customer satisfaction levels and feed the results into our product development work.

The level of customer acceptance of our HolidayCheck Travel Centre and consequently its success in terms of actual sales depend largely on the expertise of our Travel Centre staff, on the ability of users to contact them by telephone at any time during business hours and on stable access to the booking systems used. If poor advice is given, or if the telephone or booking systems develop temporary or even lasting faults, customer acceptance of the Travel Centre could be seriously undermined. In turn, this could lead to a serious downturn in revenue and earnings.

To limit this risk, we employ well-qualified staff and update their skills regularly through training. In addition, we monitor the operation of our telephone and booking systems continuously so that we can take appropriate and rapid action in the event of any disruption.

Risk classification
Probability of occurrence: possible (≥ 20 - < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million).

In this report, we have combined two risk categories previously shown separately ('general sales risks' and 'sales risk from mobile shift') under the single heading 'operational sales risks'.

4.2.2.2.1.2 Personnel risks

Highly-qualified employees and managers are essential to the long-term success of any business undertaking. The HolidayCheck Group is strongly committed to fostering its employees' long-term loyalty to the company and to recruiting new, highly-qualified staff. Operational business development could be impaired if staff turnover is high and no adequate replacements can be found.

Over the last two years in particular, we have introduced a wide range of training and skills development measures to help position ourselves as an attractive employer and encourage employees to remain with us. As a further incentive we offer various benefits such as an employee stock option plan.

Risk classification
Probability of occurrence: unlikely (< 20 percent); potential damage: medium (single Group EBITDA risk ≥ EUR 1 million).

Compared with the previous year, thanks to the introduction of the above training and incentive measures, the 'potential damage' assessment has been downgraded from 'substantial' to 'medium' and the probability of occurrence from 'possible' to 'unlikely'.

4.2.2.2.1.3 Structural risks

The corporate strategy adopted by the HolidayCheck Group envisages further expansion of its market position in the holiday sector. The target will be achieved by developing successful new products and business models, and implementing other measures to increase market share and generate further corporate growth. However, this also exposes the company to risks which may have a negative impact on its financial position and earnings.

The company is particularly exposed to structural risks in connection with corporate acquisitions, long-term equity investments and the organic expansion of new business models. These harbour intrinsic risks such as the risk of integrating employees, processes, technologies and products. As a result, it is impossible to guarantee that all bought-in or internally developed business models can be successfully integrated and established in the market, or that they will develop as planned. Corporate acquisitions, long-term equity investments and the organic expansion of new business models can also generate substantial acquisition, development, administration and other costs. Portfolio measures may also result in additional financing requirements, which have a negative impact on the financing structure. Acquisitions and long-term equity investments can substantially appreciate the value of non-current assets, including goodwill. Impairment of and subsequent write-downs on these assets due to unforeseen business developments, e.g. a slump in the wider economy, can strongly depress operating earnings.

In order to limit these risks, we continuously monitor and analyse current developments in our markets with regard to both possible strategic long-term equity investments or partnerships and the potential of our existing or new business models. In addition, we evaluate the risks and opportunities of potential long-term equity investments as part of our system of due diligence processes.

Risk classification
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: substantial (single Group EBITDA risk ≥ EUR 6 million). This risk classification is unchanged compared with the previous year.

4.2.2.2.2 Financial risks

4.2.2.2.2.1 Foreign currency risks
HolidayCheck AG (based in Switzerland) uses the euro as its functional currency, charged in euros. The income generated by HolidayCheck AG is also calculated in euros. This has reduced the currency risk. Certain risks remain, however, particularly in relation to personnel costs, since any appreciation in the Swiss franc against the euro would have a negative impact on the Group's earnings. In 2018, with this in mind, the Group employed hedging transactions to reduce its exposure to foreign currency risk. If it makes financial sense to do so, it also establishes cash holdings in Swiss francs.

Risk classification
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: medium (single Group EBITDA risk ≥ EUR 1 million. This risk classification is unchanged compared with the previous year.

In light of the Group's positive liquidity situation in financial 2018, liquidity has not been included as a relevant financial risk in this year's management report.

4.2.2.2.2.2 Other financial risks

Impairment
HolidayCheck Group AG performs annual impairment tests to assess whether there has been any impairment in the valuations of long-term equity investments, receivables of all kinds, self-generated intangible assets or brand names in its single-entity financial statements or of goodwill within the Group.

This could result in major write-downs which would not lead to payouts but could considerably depress the results of the entire HolidayCheck Group.

The HolidayCheck Group counteracts this as well as possible by drawing up monthly consolidated financial statements. In addition, all long-term equity investments submit monthly deviation analyses to Group Controlling. Any deviations from targets are reported to the Management Board promptly so that suitable countermeasures can be initiated.

Moreover, trade receivables are checked monthly for potential impairment. Valuation adjustments are made to address any default risks. Where possible and financially viable, insurance is obtained to protect receivables against default risks.

Risk classification
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: high (single Group EBIT risk ≥ EUR 10 million). This risk classification is unchanged compared with the previous year.

4.2.2.2.3 Compliance risks

4.2.2.2.3.1 Data protection risks
The websites operated by the HolidayCheck Group store and process personal user data, some of which may be highly sensitive. There is a risk that this data may be targeted and stolen, e.g. by hackers or Group employees or as a result of human error. The data may then end up in the public domain and in the worst scenario may be misused for criminal purposes. The resulting damage to our image could lead to a serious

decline in revenue and earnings for individual portals and in the worst-case scenario for the entire Group of companies.

In order to reduce this risk, the HolidayCheck Group works with an external data protection specialist whose role includes checking compliance with data protection laws. In addition, the Group has implemented numerous security measures of a technical nature, e.g. state-of-the-art firewall and antivirus technologies. HolidayCheck and other portals are regularly certified by the German technical control board (TÜV).

Risk classification
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: substantial (single Group EBITDA risk ≥ EUR 6 million).

The potential damage level has been reduced from 'high' in the previous year's report to 'substantial'. The decision to rate the damage level as 'high' in the 2017 report reflected the impending entry into force of the General Data Protection Regulation (GDPR) and the associated legal uncertainties. As the Group subsequently implemented all the legal requirements for the processing of personal data by the stipulated deadlines, the potential damage rating has now been scaled down. At the same time, however, the probability of occurrence has been increased from 'unlikely' to 'possible' because some of the processes involved are manual and therefore subject to error.

For more information about compliance issues, see 4.2.1.3 'Risk management structures'.

4.2.2.2.3.2 Legal risks
HolidayCheck Group AG and its subsidiaries are obliged to comply with a range of rules, laws and directives. We monitor the regulatory situation regularly and where required adapt our business activities to any changes in the law.

Even so, it is not possible to entirely rule out breaches of current rules, laws and directives and potential sanctions, fines and compensation orders under criminal or civil law. In addition, any such breaches could damage our reputation and lead to a significant loss of revenue and earnings.

Adapting our business activities to changes in the law can increase our operating costs or even place severe restrictions on our business operations.

Risk classification
Probability of occurrence: unlikely (< 20 percent); potential damage: medium (single Group EBITDA risk ≥ EUR 1 million). This risk classification is unchanged compared with the previous year.

4.2.2.3 Overall assessment of risks
The risks described in the above risk report could potentially have a substantial impact on the earnings, asset and financial position of the HolidayCheck Group. The overall risk level of the HolidayCheck Group is almost unchanged compared with the preceding year.

When all known facts and circumstances are taken into consideration, no risks currently exist, whether individually or in combination, that could jeopardise the company's continued existence in the foreseeable future.

4.3 Opportunities report
With regard to its business activities, HolidayCheck Group AG is largely faced with the same opportunities as the HolidayCheck Group. In general, the opportunities available to HolidayCheck Group AG reflect the size of its holding in subsidiaries and long-term equity investments. For this reason, potential opportunities are also expressed in relation to Group EBITDA.

Business opportunities are not reported as part of the risk management system. They are identified in the Group's annual operational planning and followed up during the year in its periodic consolidated reporting. Direct responsibility for the early identification and exploitation of opportunities lies with the senior management of the subsidiaries. The strategy process involves identifying opportunities for further profitable growth in the long term. These are then considered as part of the decision-making processes.

4.3.1 Inherent opportunities of the HolidayCheck Group

4.3.1.1 Strategic opportunities

4.3.1.1.1 Competition-related opportunities
An easing of the competitive pressures, e.g. through a reduction in the marketing activities of our competitors or through a degree of market consolidation and the consequent departure of individual competitors, could lead to an increase in our market share, lower advertising costs and an improvement in our revenue and earnings.

Probability of occurrence: possible (≥ 20 – < 50 percent); Group EBITDA potential: medium (≥ EUR1 million).

4.3.1.1.2 Demand-related opportunities

The HolidayCheck Group's travel portals concentrate on business operations in the holiday sector, especially the brokerage of package holiday and hotel bookings by end users. Increased demand for travel products in general, e.g. as a result of a strong economic upswing or a growing preference for package holidays, could in turn push up demand for the products and services offered by the HolidayCheck Group's travel portals.

The distribution of market share in the package holiday segment also creates opportunities for the Group. In Germany, based on the company's own estimates, two thirds of all package holidays are currently booked through high-street travel agencies and just one third online. In other European countries such as the UK, the Netherlands and Sweden, online travel agencies already account for between roughly 60 and 90 percent of the total. Any significant decline in the number of high-street travel agencies (e.g. for reasons of profitability) and a resulting shift in market share towards online providers would above all have a positive impact on the revenue and earnings of online travel agencies such as HolidayCheck that focus on providing advice for holidaymakers.

The markets in which the HolidayCheck Group operates are subject to rapid and large-scale transformations that can produce fundamental changes in consumer behaviour. If we can play an active role in driving forward technological changes through our products and services, it is likely that our customers will find them more attractive.

The absence of relevant negative events such as natural disasters, epidemics and especially major terrorist attacks in key holiday areas could encourage more potential customers to make holiday bookings.

Probability of occurrence: possible (≥ 20 – < 50 percent); Group EBITDA potential: high (≥ EUR 10 million).

In this report, we have combined a number of opportunities previously shown separately (consumer-related, economic, technology and other strategic opportunities) under the single heading 'demand-related opportunities'. The overall probability of occurrence has been classed as 'possible' and the Group EBITDA potential as 'high'.

4.3.1.1.3 Marketing opportunities (previously classed separately as inherent 'general sales opportunities' and 'opportunities created by mobile shift')

Expenditure on marketing activities, especially popular marketing tools such as search engine marketing (SEM), vouchers and TV advertising, currently makes up the HolidayCheck Group's largest single block of costs. Any reduction in the marketing activities of our competitors or greater competition among key marketing and media service providers could lead to a reduction in the marketing costs of the HolidayCheck Group and its travel portals and impact positively on the earnings of the entire HolidayCheck Group. At the same time, the Group's revenue and earnings situation could also benefit if its advertising measures prove to be even more effective than anticipated.

Furthermore, the trend towards greater mobile connectivity to the internet (mobile shift), the resulting increase in internet traffic and the emergence of completely new ways of using the internet present established online service providers such as the HolidayCheck Group with additional business opportunities.

Probability of occurrence: improbable (< 20 percent); Group EBITDA potential: substantial (≥ EUR 6 million).

4.3.2 Active opportunities

4.3.2.1 Operational opportunities

4.3.2.1.1 Sales opportunities

From a sales perspective, the success of the HolidayCheck Group's travel portals depends crucially on their usability across every type of device and on fast and unrestricted access. If they are perceived by customers to be particularly reliable, clear, trustworthy and technically sophisticated, customer acceptance of the travel portals may show a sustained increase. In turn, this could boost the revenue and earnings of the HolidayCheck Group.

The level of customer acceptance of our HolidayCheck travel centre and consequently its success in terms of actual sales depend largely on the expertise of our travel centre staff, on the ability of users to contact them by telephone at any time during business hours and on stable access to the booking systems used. If the quality of the advice is good, if the travel centre can be contacted quickly and reliably by telephone, and if there is unimpaired access to all the booking systems, customer acceptance of the travel centre may show a sustained increase. This could lead to growth in revenue and earnings of the HolidayCheck Group.

Probability of occurrence: probable (≥ 50 – < 80 percent); Group EBITDA potential: substantial (≥ EUR 6 million).

4.3.2.1.2 Personnel opportunities

Highly-qualified employees and managers are essential to the long-term success of any business undertaking. Over the past two years in particular, we have introduced a wide range of training and skills development measures to help position ourselves as an attractive employer and encourage staff to remain with us. As a further incentive we offer various benefits such as an employee stock option plan.

Probability of occurrence: possible (≥ 20 – < 50 percent); Group EBITDA potential: medium (≥ EUR 1 million).

4.3.2.1.3 Structural opportunities

The corporate strategy adopted by the HolidayCheck Group envisages further expansion of its market position in the holiday sector. The target will be achieved by developing successful new products and business models, and implementing other measures to increase market share and generate further corporate growth which could boost revenue and earnings.

Our main structural opportunities lie in making successful corporate acquisitions and long-term equity investments, in the organic expansion of new business models and in the further development of existing products and services. If we can integrate the companies we acquire along with their employees, products, technologies and processes smoothly and rapidly, and successfully establish new or upgraded products and business models on the market, the resulting potential for additional revenue and synergies could increase earnings.

Probability of occurrence: possible (≥ 20 – < 50 percent); Group EBITDA potential: medium (≥ EUR 1 million).

4.3.2.1.4 Marketing opportunities

From a sales perspective, the success of the HolidayCheck Group's travel portals depends to a large extent on our ability to appeal to precise target groups by making efficient use of the right marketing tools and channels. Expenditure on marketing activities, especially search engine marketing (SEM), vouchers and TV advertising, currently makes up the HolidayCheck Group's largest single block of costs. The effective allocation of marketing tools and channels and precise targeting of customer groups can make a substantial contribution to our wider efforts to exceed planned sales results and therefore enhance revenue and earnings.

Probability of occurrence: possible (≥ 20 – < 50 percent); Group EBITDA potential: medium (≥ EUR 1 million).

4.3.2.2 Financial opportunities

4.3.2.2.1 Foreign currency opportunities

HolidayCheck AG (based in Switzerland) uses the euro as its functional currency, and the Group's liabilities towards it are therefore charged in euros. The income generated by HolidayCheck AG is also calculated in euros. There is a chance of currency translation gains if the euro appreciates against the Swiss franc. This would positively influence the earnings of HolidayCheck AG.

Probability of occurrence: possible (≥ 20 – < 50); Group EBITDA potential: medium (≥ EUR 1 million)

4.3.3 Overall assessment of opportunities

On the whole, there was no significant change in the overall opportunities situation year on year.

The company takes the view that, in terms of opportunities, the situation of the HolidayCheck Group in 2019 is mainly unchanged.

There is a distinct possibility that some of our key indicators will exceed the levels anticipated in the company's forward planning and have a positive impact on the earnings, asset and financial position of the HolidayCheck Group.

5. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM AS PART OF THE GROUP ACCOUNTING PROCESS

The objective of the internal control system (ICS) for the accounting process is to ensure that the financial statements are drawn up in compliance with regulations. In the internal control and risk management system adopted by the HolidayCheck Group AG, the structures and processes related to accounting policies are defined and implemented within the organisation. This ensures that accounting procedures are reliable and performed correctly, that business transactions are fully and promptly reported as prescribed by law and in the articles of association, and that legal standards and internal accounting guidelines are observed. Amendments to legislation and accounting standards are continuously analysed in order to determine whether they are relevant to the consolidated financial statements and/or the single-entity financial statements, and any resultant changes are incorporated in the Group's internal processes and systems.

Across the company, planning, reporting, controlling and early warning systems and processes have been established that allow it to comprehensively analyse and manage income-related risk factors and going-concern threats. Functional responsibilities are clearly defined for all (Group) accounting processes (e.g. accounting system, financial accounting and controlling).

Wherever accounting processes are outsourced to service providers, their control and risk management systems are adapted to the particular requirements of our company and monitored by us on an ongoing basis.

As it is relatively small and not particularly complex, the HolidayCheck Group AG has so far decided not to set up its own separate audit department. Any internal audit work that may be required is carried out by external service providers.

Basic principles of accounting-based internal control system

As the parent company, HolidayCheck Group AG produces the consolidated financial statements of the HolidayCheck Group. This process is based on the financial reports of the Group companies included in the consolidated financial statements, all of which prepare their individual financial statements locally. Using a defined Group-wide consolidation and reporting system, they are then sent to Group Accounting in Munich, Germany. Since January 2017, the consolidated financial statements of the Group have been drawn up entirely by HolidayCheck Group AG as the parent company. All the processes previously carried out at the external Shared Service Centre in Offenburg, Germany, will be performed internally. Newly introduced validation processes, as well as plausibility and sanity checks, will continue to ensure that the annual financial statements of HolidayCheck Group AG and its subsidiaries are correct and complete.

The internal control and risk management system for the accounting process ensures that business data have been correctly entered, processed, evaluated an recognised before they are included in external financial accounting.

Responsibility for compliance with Group-wide guidelines and procedures and for the correct and prompt implementation of accounting processes and systems lies with the individual Group companies.

Basic elements of the internal control system

- Automatic systems-based controls are in place to ensure that accounting practice complies with legislation and accounting standards when the consolidated and single-entity financial statements of HolidayCheck Group AG are prepared. These controls are supplemented by manual checks on the accounts and other approval and validation procedures (separation of functions, rules and restrictions on access, cross-checking principle and rules on payments and transfers).
- The Finance and Controlling departments carry out regular completeness checks and analyse any discrepancies from the specified business plan. They submit their results in a standardised monthly report to the Management Board. The Finance and Controlling departments also produce a standardised monthly report for the Management Board examining any deviation from the business plan with regard to forecast income and expenditure.
- Uniform accounting rules, operational procedures and work instructions are in place across the Group to ensure that accounts are based on uniform standards. This is also achieved by means of centralised checks on reporting packages, analyses of any deviation from set budgets and reports on the results of monthly and quarterly reconciliation work.
- The IT-based accounting systems used are protected against unauthorised access. A uniform consolidation and reporting system is in place for all external accounting and internal reports produced by Group companies.

- The Group's financial statements are consolidated internally. Group Accounting carries out the necessary consolidation and reconciliation measures and monitors compliance with the prescribed schedules and processes.
- Accounting support is available the local companies from key contacts at Group Accounting in Munich.
- Any particularly technical or complex matters are clarified on a case-by-case basis with the help of external experts and/or consultants.
- The Finance and Controlling departments ensure that all transactions are recognised promptly and in due time so that the financial statements can be drawn up by the scheduled date.
- The Finance and Controlling departments make sure that all intra-group transactions are fully recognised, reconciled and eliminated.
- The Finance and Controlling departments monitor that matters of accounting significance or those subject to disclosure requirements in relation to contractual agreements are identified and correctly shown in the financial statements.

In evaluating the internal control system, processes at the level of the single legal entities were included where they were deemed to be of significance for Group reporting purposes. The control targets were checked against the implemented controls and evaluated. The effectiveness of these systems is continuously reviewed, further developed and improved. Systematic checks are performed to monitor compliance with the internal control system and to ensure that it remains up to date. The results of all accounting-related internal controls are summarised in a report which is made directly available to the Management Board and Supervisory Board.

With regard to the accounting process, it should be noted that the internal control and risk management system can only offer a relative degree of assurance. Regardless of the care taken in designing the system, it does not provide an absolute safeguard that financial reporting objectives will be met or that significant accounting inaccuracies will be detected or avoided.

6. RISK REPORTING WITH REGARD TO THE USE OF FINANCIAL INSTRUMENTS

The company's main financial liabilities are trade payables and other miscellaneous liabilities. These are primarily required as a source of financing for the company's business operations. The company's trade receivables, other miscellaneous assets, cash and cash equivalents, and short-term deposits are directly generated as a result of its business operations.

Changes in exchange rates can have a negative impact on the earnings, asset and financial position. Accordingly, in order to minimise the risks associated with changes in exchange rates, the Group makes use of derivative financial instruments as required. These are solely intended to function as a hedge for the Group's own requirements.

The principle goal of currency hedging is to hedge payment flows against exchange rate fluctuations. To this end, based on the Group's corporate planning, payment flows in currencies other than the functional currency are identified with a view to hedging them through the use of currency hedging instruments or to maintaining the required foreign currency holdings. This mainly affects the ongoing expenditure of HolidayCheck AG in Swiss francs. HolidayCheck AG used currency forwards to hedge its future cash flows in the financial year 2018 (see section 4.2.2.2.2.1 of this Group management report).

The aim of interest rate hedging is to reduce interest costs. There are currently no interest rate hedges in place as the Group has no outstanding borrowings.

In the risk management system, the Finance department ensures that no credit limits are exceeded and that reminders are sent out at fortnightly intervals. The maximum extent of the potential bad debts to which the Group is exposed corresponds to the reported aggregate amount of trade receivables and other miscellaneous financial instruments.

The credit quality of financial assets that are neither overdue nor impaired is determined by reference to external credit ratings (where available) in combination with past experience of the default ratios of the business partners concerned. The creditworthiness of financial assets that are neither overdue nor impaired is assumed. HolidayCheck AG insures some of its receivables against default. There are no other securities or other credit improvement measures in place that would reduce the risk of default from financial assets.

Responsibility for managing these risks lies with the company's management, which ensures that all activities of the HolidayCheck Group that are exposed to financial risks (see also section 4.2.2.2.2 of this Group management report under the heading 'Financial risks of the HolidayCheck Group') are conducted in line with the corresponding internal directives and that financial risks are identified, measured and managed in accordance with these directives and with due regard for the Group's risk profile. The risk management system also takes account of any risk concentration affecting individual transactions or Group companies.

7. TAKEOVER-RELATED DISCLOSURES AND NOTES PURSUANT TO SECTION 289A, PARAGRAPH 1 AND SECTION 315A, PARAGRAPH 1 GERMAN COMMERCIAL CODE

Share capital structure

As at 31 December 2018, the company's subscribed share capital amounted to EUR 58,313,628. The share capital is divided into 58,313,628 no-par value bearer shares, each with an accounting value of EUR 1. The share capital is paid up in full. The shareholders have no entitlement to the issue of physical individual shares in accordance with article 4, paragraph 3 of the articles of association, except when the issue of physical individual shares is required under the rules and regulations of the stock exchange where the shares are listed. The shares are wholly evidenced by global certificates. All shares carry the same rights and obligations. Each share entitles the holder to one vote at the shareholders' meeting and evidences the right to a portion of the company's distributable profit.

This does not apply to treasury shares held by the company, in respect of which the company does not have any rights. As at 31 December 2018, the company held a total of 1,083,783 treasury shares purchased at a weighted average price of EUR 2.65.

The shareholders' rights and obligations are specified in particular in sections 12, 53a et seq, 118 et seq and 186 of the German Stock Corporation Act.

Transfer and voting rights restrictions

The company is not currently aware of any transfer or voting rights restrictions.

Disclosures relating to direct and indirect shareholdings

According to the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), any investor whose share of voting capital reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise must notify the company in question and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) of this fact.

In the financial year 2018, the company received the following notifications in respect of voting rights:

On 20 December 2018, Professor Dr Hubert Burda notified us that Burda Digital GmbH, a wholly-owned subsidiary of Burda Gesellschaft mit beschränkter Haftung, had sold its 32,689,771 shares in HolidayCheck Group AG to Burda Digital Future SE on 19 December 2018 as part of an internal Group restructuring process. As a result of this transaction, Burda Digital Future SE held 32,689,771 shares (56.06 percent of voting rights) and therefore exceeded the 3 percent, 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent and 50 percent notification thresholds on 19 December 2018.

Special rights

Shares vested with special rights, such as controlling powers or delegation rights, do not exist.

Voting right controls relating to shares held by employees

The Management Board is not aware of any voting right controls relating to shares held by employees of HolidayCheck Group AG.

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

The appointment and dismissal of Management Board members is governed by sections 84 and 85 of the German Stock Corporation Act. Management Board members are appointed by the Supervisory Board for a maximum term of 5 years. They may be re-appointed or have their term extended for one or more terms of up to a maximum of five years each.

Pursuant to article 5, paragraph 1 of the articles of association, the Management Board is made up of one or more persons. The Supervisory Board appoints the members of the Management Board and specifies their number. It can also appoint deputy Management Board members. The Supervisory Board may appoint a Chairperson of the Management Board.

Pursuant to article 5, paragraph 2 of the articles of association, the company is represented by two members of the Management Board or by one member of the Management Board in conjunction with another employee holding general commercial power of attorney (Prokurist under German law). In this respect, deputy Management Board members have the same status as ordinary Management Board members. If only one member of the Management Board is appointed, he or she represents the company alone. The Supervisory Board may grant one or all members of the Management Board the authority to represent the company alone and/or exempt them from the ban on multiple representation under section 181 of the German Civil Code (Bürgerliches Gesetzbuch, BGB) in so far as this is permissible pursuant to section 112 of the German Stock Corporation Act. The authority of sole representation and/or exemption from the ban on multiple representation under section 181 of the German Civil Code may be revoked at any time.

Pursuant to section 84, paragraph 3 of the German Stock Corporation Act the appointment of Management Board members and the appointment of the Chairperson of the Management Board may be revoked if there is good cause to do so.

Amendments to the articles of association are subject to a resolution of the general meeting of shareholders pursuant to section 179 of the German Stock Corporation Act. The authority to make amendments to the wording only is accorded to the Supervisory Board in article 8, paragraph 5 of the articles of association. The Supervisory Board is also authorised by resolution of the shareholders' meeting to amend article 4 of the articles of association in accordance with the use of contingent capital.

Resolutions by the general meeting of shareholders are taken by simple majority pursuant to article 18 of the articles of association unless a larger majority is mandatory by law. Resolutions on amendments to the articles of association require at least a three-quarter majority of share capital represented according to section 179, paragraph 2 of the German Stock Corporation Act, unless otherwise stipulated in the company's articles of association.

Authority of the Management Board to buy back the company's own shares and/or to issue new shares

1. The Management Board is authorised, subject to Supervisory Board approval, to undertake one or more increases in the company's share capital until 19 June 2023 up to a maximum of EUR 29,156,814 by issuing 29,156,814 new no-par value shares in exchange for cash or non-cash contributions (authorised capital 2018). As a general rule, shareholders must be granted subscription rights. The new shares may also be issued to one or several banks, subject to the obligation to offer them to shareholders. However, the Management Board is authorised, subject to Supervisory Board approval, to exclude shareholders' statutory subscription rights in the following circumstances:

- where required, to settle fractional amounts;
- where a capital increase in exchange for cash contributions does not exceed 10.0 percent of the share capital, and the issue price for the new shares is not significantly lower than the stock market price (section 186, paragraph 3, sentence 4 of the German Stock Corporation Act); if this authority to exclude subscription rights under section 186, paragraph 3, sentence 4 of the German Stock Corporation Act is exercised, due regard should be given to other authorities to exclude subscription rights granted by section 186, paragraph 3, sentence 4 of the German Stock Corporation Act;
- where a capital increase in exchange for non-cash contributions is carried out for the purpose of acquiring another company, a long-term equity investment in another company or parts of another company or in order to purchase claims against the company.

Subject to the approval of the Supervisory Board, the Management Board is authorised to specify the remaining details pertaining to the capital increase and its implementation. The Supervisory Board is authorised to amend the wording of the articles of association in line with the use made of authorised capital.

2. A conditional increase in share capital up to EUR 11,600,000 by way of issuing up to 11,600,000 no-par value bearer shares has been carried out (conditional capital 2015). This conditional capital increase is only implemented to the extent that the holders of the convertible bonds and/or bonds with warrants issued by the company up to 15 June 2020, on the basis of the authorisation of the general meeting of shareholders of 16 June 2015, actually exercise their conversion or option rights or where the conversion obligations linked to such bonds are met and to the extent that no other methods of servicing such commitments are used. The new shares carry dividend rights from the beginning of the financial year in which they are created by the exercise of conversion or option rights or through the fulfilment of conversion obligations. Subject to the approval of the Supervisory Board, the Management Board is authorised to establish the further details pertaining to the execution of the conditional capital increase. The

Supervisory Board is authorised to amend the wording of the articles of association in line with the use made of conditional capital. The same conditions apply if the authority to issue convertible bonds and/or bonds with warrants is not used before the end of the designated period, or if conditional capital 2015 has not been used on expiry of the deadlines for the exercise of conversion and/or option rights or for the fulfilment of conversion and/or option obligations.

3. By resolution of the ordinary general meeting of shareholders of 16 June 2015, the Management Board is authorised to purchase the company's own shares subject to the following conditions. This authorisation is limited to the purchase of the company's own shares worth up to 10 percent of its share capital, based on the accounting par value. It may be exercised in full or in partial amounts, on one or more occasions, by the company or by third parties acting on its behalf. The authorisation expires on 15 June 2020.

The purchase should be concluded on the stock exchange or by means of a public offering directed at all the company's shareholders.

aa) If the shares are purchased on the stock exchange, the consideration per share paid by the company (excluding ancillary purchase costs) may not be more than 10 percent higher or 10 percent lower than the average closing price over the ten trading days on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse, FWB) preceding the purchase of the shares (on the electronic trading platform XETRA or a comparable successor trading system) for shares with the same features.

bb) If the shares are acquired by means of a public offering to all the company's shareholders, the price per share offered (excluding ancillary purchase costs) may not be more than 10 percent higher or 10 percent lower than the average closing price (on the electronic trading platform XETRA or a comparable successor trading system) over the last three trading days on the Frankfurt Stock Exchange preceding the publication of the offer for shares with the same properties. The purchase offer may stipulate further conditions. The volume for the offer may be limited. If the total number of shares offered for sale by shareholders exceeds this volume, the shares will be accepted in the ratio of the shares offered. The public offering may stipulate that priority will be given to smaller bundles of up to 50 shares per shareholder offered for sale and may also allow for commercial rounding to avoid creating factions of shares. Beyond this, shareholders are not entitled to require the company to purchase their shares.

With respect to shares in the company that are acquired on the basis of this authorisation or that have been acquired on the basis of previous authorisations, the Management Board has been authorised, with the approval of the Supervisory Board, to dispose of the shares by means of an offering to all shareholders or selling on the stock exchange, or in addition:

a) to offer them as consideration to third parties under a business combination agreement, for the acquisition of another company or of a long-term equity investment in another company or parts of another company or for the purchase of claims against the company;
b) to dispose of them to third parties; the price at which the shares are sold to third parties may not be significantly lower than the stock exchange price at the time of their disposal; if the company decides to make use of this authorisation, the exclusion of subscription rights on account of other authorisations pursuant to section 186, paragraph 3, sentence 4 of the German Stock Corporation Act should be observed;
c) to use them to fulfil option and/or conversion rights or obligations in respect of bonds with warrants and/or convertible bonds issued by the company or its Group companies;
d) to offer them for sale to employees of the company and its affiliated entities and senior managers or to transfer the acquired shares to them and/or use them to fulfil commitments or obligations to purchase company shares that have been or may in future be granted to employees of the company and its affiliated entities and senior managers; in particular they may also be used to service purchase obligations or rights in respect of company shares that have been agreed with employees or senior managers under the terms of employee stock option plans. If members of the company's Management Board qualify, the Supervisory Board is responsible for selecting those who qualify and determining the number of shares to be granted in each case;
e) to withdraw the shares without a requirement for the withdrawal or its execution to be approved by means of a further resolution by the shareholders' meeting; any such withdrawal would lead to a capital reduction; the shares may also be withdrawn by means of a simplified procedure without a capital reduction by adjusting the proportional accounting value of the remaining no-par value shares to the company's share capital; withdrawal may be limited to the part of the shares acquired by this means.

The above authorisations concerning the use of treasury shares acquired by the company may be exercised on one or more occasions, wholly or partially and singly or together. Shareholders' subscription rights to treasury shares acquired by the company are excluded provided that the shares in question are used under the authorisations detailed above in a), b), c) and d). In addition, the Management Board is entitled, subject to approval by the Supervisory Board, to exclude the subscription rights of shareholders in respect of fractional amounts in cases where shares are sold in the form of an offer for sale. The Management Board will in each case report to the shareholders' meeting on the reasons for and the purpose of the acquisition of treasury shares, the number of shares purchased, the amount of share capital they represent and the consideration paid for the shares.

The Supervisory Board is authorised to amend the wording of the articles of association depending on the use made in individual cases of the authorisation to call in shares.

As at 31 December 2018, the company held a total of 1,083,783 treasury shares purchased at a weighted average price of EUR 2.65.

Significant agreements to which the company is party that take effect upon a change of control following a takeover bid

HolidayCheck Group AG is not aware of any significant agreements which take effect upon a change of control following a takeover bid.

Compensation agreements between the company and members of the Management Board or employees providing for the event that a takeover bid takes place

There are no compensation agreements between the company and current members of the Management Board or employees in the event of a takeover bid.

8. DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

The actions taken by the management and controlling bodies of HolidayCheck Group AG are determined by the principles of responsible and proper corporate governance. For further details, please see the declaration on corporate governance (required under section 3.10 of the German Corporate Governance Code and section 289f, paragraph 1 of the German Commercial Code) and the declaration of conformity with the German Corporate Governance Code as required by section 161 of the German Stock Corporation Act. Both declarations have been released by the Management Board, also on behalf of the Supervisory Board, and can be found on the website of HolidayCheck Group AG at *https://www.holidaycheckgroup.com/investor-relations/corporate-governance/?lang=en*.

9. REMUNERATION REPORT

Remuneration report for the Management Board

The overall structure of the remuneration system for the Management Board is determined by the entire Supervisory Board. There is therefore no committee within the Supervisory Board that deals specifically with the issue of remuneration for members of the Management Board. The remuneration paid to the members of the Management Board depends on the company's size and orientation, as well as its economic and financial position. It is also fixed at a competitive rate as an incentive for committed and effective work in a dynamic environment. The remuneration paid to members of the Management Board is also calibrated in line with the salary structure for the Group as a whole.

The short-term remuneration of Management Board members includes a fixed element, which is not based on performance, and a variable, single-year, performance-related element of between 48.0 percent and 56.0 percent based on the non-performance-related fixed element. The non-performance-related fixed element contains the basic gross salary of the members of the Management Board. The ancillary benefits include the use of a company car (or a cash payment in lieu of a company car), an allowance for health, long-term care and retirement insurance, and time-limited rent allowances in 2017.

In 2018, the short-term performance-related element of Management Board remuneration was made up of a variable component based on profit targets (50 percent) and a component based on revenue targets (50 percent). In addition, the Supervisory Board may award a separate short-term payment of up to EUR 100 thousand for exceptional individual performance. These variable components are specified by the Supervisory Board for each new financial year.

In the years from 2011 to 2016, phantom shares were issued to members of the Management Board and other employees of HolidayCheck Group AG (formerly Tomorrow Focus AG) and its subsidiaries under a long-term incentive plan (LTIP). The phantom shares entitle the holder to a cash payment based on the average share price over the last one hundred stock exchange trading days up to the payment date. There is generally no automatic entitlement to shares in HolidayCheck Group AG. Under the terms of the LTIP, phantom shares were granted in annual tranches. There is no link between these tranches. The last tranche was granted in financial 2016.

Vesting of the phantom shares granted under the LTIP is subject to individually negotiated EBTA targets or corridors for each financial year. Depending on the extent to which targets are met in the financial year in which the tranche was granted, the original number of phantom shares is increased or reduced. If a specified minimum target is not achieved, or if the company's liabilities exceed a certain threshold, entitlement to the granted phantom shares may be forfeited completely. After this point, the vested phantom shares must be held for a further three years. The holding period for the last tranche granted in financial 2016 ends in June 2020.

On expiry of the holding period, the beneficiaries are entitled to a cash payment (plus accumulated dividends) based on their vested phantom shares. The total payment may not exceed three times the grant value of that tranche of phantom shares. The grant value, assuming complete attainment of the target, is an individual gross amount converted into phantom shares on the basis of the average share price (initial reference price) over the last one hundred stock exchange trading days up to the annual general meeting at which the consolidated financial statements approved by the Supervisory Board for the financial year in question are presented to shareholders.

The LTIP 2017-2020 replaced the LTIP 2011-2016 in financial 2017. This new share-based payment plan will generally be settled in the form of equity instruments.

Under the terms of the LTIP 2017-2020, the members of the Management Board of HolidayCheck Group AG will each be granted a number of company shares ('restricted stocks') in annual tranches between the years 2017 and 2020. Each tranche will be granted independently of the others. The number of shares granted is based on the contractually agreed monetary target (baseline figure) for the long-term remuneration of the member of the Management Board in question. This baseline figure depends on the degree to which the member of the Management Board meets two performance indicators covering EBT (50 percent) and revenue (50 percent) with reference to the definitive figures shown in the consolidated financial statements drawn up by the HolidayCheck Group AG under IAS/IFRS rules for that financial year.

The Supervisory Board of HolidayCheck Group AG defines a target corridor for both constituent performance indicators for each tranche and therefore each financial year. A threshold, target and ceiling are specified for each corridor. If the result is below the threshold, the performance score is set at 0 percent. Above the threshold, it is set at 80 percent. If the result is on target, the performance score is 100 percent, while a 120 percent performance score is awarded for reaching the ceiling. For EBT/revenue results between the threshold and the target or between the target and the ceiling, the precise performance score is calculated on a linear basis. The overall performance score is taken as the arithmetical average of the scores for the two constituent indicators. This average score is then multiplied by the baseline figure for the member of the Management Board in question. Using this method, the Supervisory Board can weigh the results by a factor of between 80 and 120 percent in recognition of the overall performance of each member of the Management Board in the financial year.

After deducting all the corresponding taxes and contributions retained by the company, the resulting figure (in EUR) is divided by the reference amount for HolidayCheck Group AG shares in order to calculate the number of shares to be awarded for that tranche. The reference amount is defined as the average closing price of HolidayCheck Group AG shares on the XETRA trading system over the last one hundred stock exchange trading days up to the ordinary general meeting of shareholders at which the consolidated financial statements for the qualifying financial year are presented to shareholders.

These performance targets were set for the tranches 2017-2020 when the LTIP 2017-2020 was introduced in financial 2017. For this reason, all the tranches from 2017 to 2020 are treated as having been granted in financial 2017. The baseline figures for the 2019 and 2020 tranches have been adjusted due to the extension of Georg Hesse's Management Board contract in 2018. However, the number of shares awarded for each tranche can lapse without entitlement or can be calculated on a pro rata basis if a member of the Management Board leaves the HolidayCheck Group AG during the financial year for which performance is being measured.

Once they have been granted, the shares are transferred to a securities account designated by the member of the Management Board. They cannot be sold during the three-year holding period. After this period, the holder is free to choose when to sell them, i.e. there are no further restrictions on shares granted under the LTIP 2017-2020.

The total remuneration of the members of the Management Board in the financial year 2018 was EUR 1,590,085 and EUR 3,572 thousand in 2017.

In accordance with the recommendations of the German Corporate Governance Code and the requirements of the German Commercial Code, the following information is provided in respect of the remuneration of individual members of the Management Board who were in office in financial 2018, (see table below).

Total remuneration of members of the Management Board in office during the financial year 2018

TOTAL REMUNERATION	Georg Hesse		Nathan Glissmeyer		Markus Scheuermann		Dr Dirk Schmelzer		Timo Salzsieder	
FUNCTION	Chief Executive Officer (CEO) since 1 January 2016		Chief Product Officer (CPO) since 1 January 2017		Chief Financial Officer (CFO) since 29 May 2017		Chief Financial Officer (CFO) left the company on 31 March 2017		Chief Product & IT Officer (COO) left the company on 28 February 2017	
in EUR `000	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Non-performance-related remuneration	366	367	397	345	161	271	97	0	57	0
Performance-related remuneration [1]	160	176	130	143	60	210	73	0	50	0
Remuneration based on long-term incentives [2]	800	78	790	0	431	0	0	0	0	0
Total remuneration	**1,326**	**621**	**1,317**	**488**	**652**	**481**	**170**	**0**	**107**	**0**

1) Performance-related remuneration for 110 percent target achievement (100 percent in 2017). The performance-related remuneration of those members of the Management Board who left the company in 2017 contains a pro rata lump-sum settlement in lieu of inclusion in the LTIP tranche 2017 in addition to a pro rata share of their short-term variable remuneration for 2017.

2) For 2018, the figure for remuneration based on long-term incentives contains two LTIP tranches under the LTIP (2017-2020). These are shown at their fair value on the grant date in accordance with IFRS 2 and on the basis of an expected average target achievment of 102 percent. For 2017, the figure for remuneration based on long-term incentives contains four LTIP tranches under the LTIP (2017-2020). These are shown at their fair value on the grant date in accordance with IFRS 2 and on the basis of 100 percent achievement.

Benefits granted to members of the Management Board in office during the financial year 2018

MANAGEMENT BOARD REMUNERATION	Georg Hesse				Nathan Glissmeyer				Markus Scheuermann			
FUNCTION	Chief Executive Officer (CEO) since 1 January 2016				Chief Product Officer Officer (CPO) since 1 January 2017				Chief Financial Officer (CFO) since 29 May 2017			
(EUR `000)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed remuneration	340	340	340	340	320	320	320	320	149	250	250	250
Ancillary benefits [4]	26	27	27	27	77	25	25	25	12	21	21	21
	366	**367**	**367**	**367**	**397**	**345**	**345**	**345**	**161**	**271**	**271**	**271**
Single-year variable remuneration [1]	160	176	0	192	130	143	0	156	60	110	0	120
Special payment	0	0	0	100	0	0	0	100	0	100	0	100
Settlement for LTIP tranche 2017 [2]	0	0	0	0	0	0	0	0	0	0	0	0
Multi-year variable remuneration [3]	**200**	**200**	**0**	**288**	**175**	**195**	**0**	**281**	**71**	**120**	**0**	**173**
of which: LTIP tranche 2018 [5]	0	200	0	288	0	195	0	281	0	120	0	173
of which: LTIP tranche 2017 [5]	200	0	0	0	175	0	0	0	71	0	0	0
TOTAL												
	726	743	367	947	702	683	345	882	292	601	271	664
Pension-related expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	**726**	**743**	**367**	**947**	**702**	**683**	**345**	**882**	**292**	**601**	**271**	**664**

MANAGEMENT BOARD REMUNERATION	Dr Dirk Schmelzer				Timo Salzsieder			
FUNCTION	Chief Financial Officer (CFO) left the company on 31 March 2017				Chief Product & IT Officer (COO) left the company on 28 February 2017			
(EUR `000)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed remuneration	90	0	0	0	53	0	0	0
Ancillary benefits [4]	7	0	0	0	4	0	0	0
	97	**0**	**0**	**0**	**57**	**0**	**0**	**0**
Single-year variable remuneration [1]	35	0	0	0	25	0	0	0
Special payment	0	0	0	0	0	0	0	0
Settlement for LTIP tranche 2017 [2]	38	0	0	0	25	0	0	0
Multi-year variable remuneration [3]	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
of which: LTIP tranche 2018 [5]	0	0	0	0	0	0	0	0
of which: LTIP tranche 2017 [5]	0	0	0	0	0	0	0	0
TOTAL								
	170	0	0	0	107	0	0	0
Pension-related expenses	0	0	0	0	0	0	0	0
Total remuneration	**170**	**0**	**0**	**0**	**107**	**0**	**0**	**0**

1) The single-year variable remuneration is shown in the case of 110 percent achievement (2017: 100 percent). Pro rata figures are shown for those members of the Management Board who left the company in 2017.
2) Those members of the Management Board who left the company in 2017 also received a pro rata lump-sum settlement in lieu of inclusion in the LTIP tranche 2017.
3) The 2018 figures for multi-year variable remuneration contain three LTIP tranches under the LTIP (2017-2020). These are shown at their fair value on the grant date in accordance with IFRS 2 and on the basis of 100 percent achievement. The 2017 figure contains the 2017 tranche of the LTIP (2017-2020).
4) The additional benefits for Nathan Glissmeyer in 2017 include non-recurring amounts in respect of rent allowances and relocation expenses.
5) Term of 4 years

In addition, the total remuneration of members of the Management Board in respect of financial 2018 as shown above is capped as follows. If the ceiling for a given financial year is exceeded, the LTIP baseline figure for that financial year is reduced accordingly:

- the overall remuneration payable to Georg Hesse, including the fixed element, ancillary benefits, the single-year variable element, special payments and multi-year variable components is capped at EUR 920 thousand;
- the overall remuneration payable to Nathan Glissmeyer, including the fixed element, ancillary benefits, the single-year variable element, special payments and multi-year variable components is capped at EUR 857 thousand;
- the overall remuneration payable to Markus Scheuermann, including the fixed element, ancillary benefits, the single-year variable element, special payments and multi-year variable components is capped at EUR 643 thousand.

In financial 2017, the total remuneration of members of the Management Board was capped as follows:

- the overall remuneration payable to Georg Hesse, including the fixed element, ancillary benefits, the single-year variable element, special payments and multi-year variable components is capped at EUR 920 thousand;
- the overall remuneration payable to Nathan Glissmeyer, including the fixed element, ancillary benefits, the single-year variable element, special payments and multi-year variable components is capped at EUR 828 thousand;
- the overall remuneration payable to Markus Scheuermann, including the fixed element, ancillary benefits, the single-year variable element, special payments and multi-year variable components is capped at EUR 643 thousand;
- the overall remuneration payable to Dr Dirk Schmelzer, including the fixed element, ancillary benefits, the single-year variable element, special payments and multi-year variable components is capped at EUR 1,154 thousand;
- the overall remuneration payable to Timo Salzsieder, including the fixed element, the single-year variable element, special payments and multi-year variable components is capped at EUR 860 thousand.

The revaluation of the LTIP 2011-2016 for the tranches 2015 and 2016 generated income of EUR 44 thousand in financial 2018. This figure includes EUR 11 thousand for Georg Hesse. It also includes EUR 33 thousand in respect of members of the Management Board who left the company before 2018 (EUR 17 thousand for Dr Dirk Schmelzer, EUR 9 thousand for Christoph Schuh and EUR 7 thousand for Timo Salzsieder, (see table above).

Benefits received by members of the Management Board in office during financial 2018

TOTAL REMUNERATION	Georg Hesse		Nathan Glissmeyer		Markus Scheuermann		Dr Dirk Schmelzer		Timo Salzsieder	
FUNCTION	Chief Executive Officer (CEO) since 1 January 2016		Chief Product Officer (CPO) since 1 January 2017		Chief Financial Officer (CFO) since 29 May 2017		Chief Financial Officer (CFO) left the company on 31 March 2017		Chief Product & IT Officer (COO) left the company on 28 February 2017	
in EUR `000	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Fixed remuneration	340	340	320	320	149	250	90	0	53	0
Ancillary benefits	26	27	77	25	12	21	7	0	4	0
	366	**367**	**397**	**345**	**161**	**271**	**97**	**0**	**57**	**0**
Single-year variable remuneration for 2017	0	180	0	146	0	67	35	0	25	0
Single-year variable remuneration for 2016	160	0	0	0	0	0	140	0	100	0
Special payment	14	0	0	0	0	0	20	0	25	0
Settlement for LTIP tranche 2017	0	0	0	0	0	0	38	0	25	0
Multi-year variable remuneration	**0**	**225**	**0**	**197**	**0**	**80**	**89**	**0**	**0**	**0**
of which: LTIP tranche 2017 [1)2)]	0	225	0	197	0	80	0	0	0	0
of which: LTIP tranche 2014 [1)]	0	0	0	0	0	0	0	0	0	0
of which: LTIP tranche 2013 [1)]	0	0	0	0	0	0	89	0	0	0
	540	771	397	688	161	418	419	0	232	0
Pension-related expenses	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total remuneration	**540**	**771**	**397**	**688**	**161**	**418**	**419**	**0**	**232**	**0**

1) term of 4 years
2) in the case of target achievement of 112.5 percent

The following inflows were paid to members of the Management Board who left the company before financial 2017 (Antonius Bouten and Christoph Schuh):

- LTIP payments 2011-2016: EUR 0 thousand (2017: EUR 244 thousand, of which EUR 89 thousand for Christoph Schuh and EUR 155 thousand for Antonius Bouten).

Liabilities to members of the Management Board total EUR 2,551,016.11 (2017: EUR 2,424 thousand). This figure includes liabilities from share-based payment transactions with cash settlement (LTIP 2011-2016), liabilities under share-based payment agreements with settlement generally in the form of equity instruments (LTIP 2017-2020) and liabilities in respect of bonuses. The figure for liabilities from share-based payment transactions (LTIP 2011-2016) includes liabilities of EUR 638,574.07 thousand (2017: EUR 179 thousand) to members of the Management Board who left the company before financial 2018. There were no amounts receivable from members of the Management Board.

Shareholdings of Management Board members
Georg Hesse (CEO) held a total of 185,348 HolidayCheck Group AG shares as at 31 December 2018. This corresponds to approximately 0.32 percent of the company's shares.

Nathan Glissmeyer (CPO) held a total of 65,745 HolidayCheck Group AG shares as at 31 December 2018. This corresponds to approximately 0.11 percent of the company's shares.

Markus Scheuermann (CFO) held a total of 81,910 HolidayCheck Group AG shares as at 31 December 2018. This corresponds to approximately 0.14 percent of the company's shares.

In financial 2018, HolidayCheck Group AG received the following disclosures of securities transactions involving members of the Management Board pursuant to section 15a of the German Securities Trading Act, (see table below).

Transactions of Management Board members in HolidayCheck Group AG shares in the financial year 2018

PERSON/ENTITY SUBJECT TO DISCLOSURE REQUIREMENTS	TRANSACTION DATE	TRANSACTION	STOCK MARKET	QUANTITY	SHARE PRICE PER UNIT
Georg Hesse	8 May 2018	Purchase	XFRA	10,000	EUR 3.0833
Georg Hesse	21 August 2018	Purchase under LTIP	–	40,348	EUR 3.1
Nathan Glissmeyer	21 August 2018	Purchase under LTIP	–	35,745	EUR 3.1
Nathan Glissmeyer	27 December 2018	Purchase	–	30,000	EUR 2.6112
Markus Scheuermann	8 May 2018	Purchase	Xetra	17,500	EUR 3.0149
Markus Scheuermann	21 August 2018	Purchase	–	14,410	EUR 3.1

Share-based remuneration granted in the financial year of 2018 (real shares)

		Total
LTIP Tranche 2019	Fair value on grant date (in EUR '000)	25
	Notional number of shares	3,905
	Personnel expenses (in EUR '000)	12
LTIP Tranche 2020	Fair value on grant date (in EUR '000)	53
	Notional number of shares	8,211
	Personnel expenses (in EUR '000)	17

The number of shares is based on the XETRA closing price of EUR 3.36 for HolidayCheck Group AG shares on 10 July 2018. In addition, the total for each tranche from 2019 to 2020 depends on the anticipated level of performance in relation to the specified EBT and revenue targets for the shares granted in financial 2018. As well as the direct expense for the shares, the figure for personnel expenses includes the corresponding income tax at 47.48 percent.

Remuneration report for the Supervisory Board
The remuneration of the HolidayCheck Group AG Supervisory Board is regulated in article 11 of HolidayCheck Group AG's articles of association, which stipulates a fixed amount of EUR 30 thousand for every member of the Supervisory Board for each complete financial year. The Chairperson receives EUR 70 thousand and the Deputy Chairperson EUR 35 thousand. An additional sum of EUR 15 thousand is paid to the Chairperson of the Audit Committee and EUR 5 thousand to every other member of the Audit Committee for each full year of membership. From financial 2018 onwards, an additional sum of EUR 10 thousand is paid to the Chairperson of the Technology Committee and EUR 5 thousand to every other member for each full year of membership.

A pro rata sum is paid to members of the Supervisory Board who do not serve for a full financial year.

The emoluments paid to the members of the Supervisory Board in the reporting period amounted to EUR 275,369.62 (2017: EUR 270 thousand). Liabilities towards members of the Supervisory Board totalled EUR 323,728.14 (2017: EUR 296 thousand). There were no amounts receivable from members of the Supervisory Board.

The members of the Supervisory Board received the following remuneration (including reimbursement of expenses) in the financial year 2018, (see first table below).

The members of the Supervisory Board received the following remuneration in the financial year 2018

NAME	FUNCTION	REMUNERATION EUR '000
Stefan Winners	Chairperson of the Supervisory Board; Member of the Technology Committee	75
Dr Dirk Altenbeck	Deputy Chairperson of the Supervisory Board; Chairperson of the Audit Committee	54
Aliz Tepfenhart	Member of the Supervisory Board; Member of the Technology Committee	35
Holger Eckstein	Member of the Supervisory Board; Member of the Audit Committee	35
Dr Thomas Döring	Member of the Supervisory Board; Member of the Audit Committee	38
Alexander Fröstl	Member of the Supervisory Board; Chairperson of the Technology Committee	40

Shareholdings of Supervisory Board members

At the end of the financial year 2018, the total number of shares in HolidayCheck Group AG held directly or indirectly by all members of the Supervisory Board stood at 96,817 shares.

Transactions of Supervisory Board members in HolidayCheck Group AG shares in the financial year 2018, (see table below).

Transactions of Supervisory Board members in HolidayCheck Group AG shares in the financial year 2018

PERSON/ENTITY SUBJECT TO DISCLOSURE REQUIREMENTS	TRANSACTION DATE	TRANSACTION	STOCK MARKET	QUANTITY	SHARE PRICE PER UNIT
Two Wins GmbH*	1 February 2018	Purchase	TGAT	4,559	EUR 2.87
Two Wins GmbH*	2 February 2018	Purchase	TGAT	1,587	EUR 2.865

* The HolidayCheck Group AG shares held by Two Wins GmbH are attributed to Stefan Winners, Chairperson of the Supervisory Board. Accordingly, all securities transactions involving these shares by Two Wins GmbH are subject to disclosure rules in accordance with Regulation (EU) No. 596/2014 of the European Parliament and the Council of the European Union.

10. EMPLOYEES

The average headcount of the HolidayCheck Group in 2018 was 471 full-time equivalents (without Management Board members). The corresponding figure for the Group in 2017 was 439 full-time equivalents without Management Board members.

11. NOTES AND FORWARD-LOOKING STATEMENTS

Definitions

All mentions of 'the HolidayCheck Group' in this management report relate to the group of companies of which HolidayCheck Group AG is the parent.

Forward-looking statements

This Group management report contains statements relating to future business and financial performance and future events or developments concerning the HolidayCheck Group that may constitute forward-looking statements. These statements may be identified by words such as 'expects', 'looks forward to', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'will', 'project' or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in media releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on current expectations and certain assumptions of the HolidayCheck Group management team, and are, therefore, subject to various risks and uncertainties.

Numerous factors, many of which are beyond the control of the HolidayCheck Group, nevertheless affect its operations, performance, business strategy and results and could cause the Group's actual results, performance or achievements to be materially different from those expressed or implied in such forward-looking statements or anticipated on the basis of historical trends. These factors include in particular, but are not limited to, the matters described in section 4.2.2 of this annual report under the heading Risks.

Further information about risks and uncertainties affecting the HolidayCheck Group can be found in this annual report and in our most recent earnings release, both of which are available on our website at *www.holidaycheckgroup.com*. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, the actual results, performance or achievements of the HolidayCheck Group may vary materially from those described in the corresponding forward-looking statements as being expected, anticipated, intended, planned, believed, sought, estimated or projected. The HolidayCheck Group neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals shown, and percentages may not precisely reflect the absolute figures.

12. RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES IN ACCORDANCE WITH SECTION 37Y, NUMBER 1 OF THE GERMAN SECURITIES TRADING ACT IN CONJUNCTION WITH SECTION 297, PARAGRAPH 2, SENTENCE 4 AND SECTION 315, PARAGRAPH 1, SENTENCE 6 OF THE GERMAN COMMERCIAL CODE

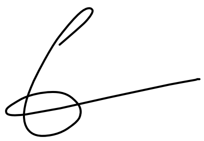
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements as at 31 December 2018 give a true and fair view of the assets and liabilities, financial position and earnings position of the HolidayCheck Group and the Group management report includes a fair review of the development and performance of the business and the position of the HolidayCheck Group, together with a description of the principal opportunities and risks associated with the expected development of the HolidayCheck Group.

13. FINAL COMBINED DECLARATION

Based on the circumstances of which our company was aware at the time of the transactions listed in the disclosure on related parties, we received appropriate consideration for each transaction.

No transactions with third parties or measures were concluded, taken or deliberately not concluded or taken at the instigation or in the interest of controlling entities or of another entity related to them.

Munich, Germany, 26 March 2019



Georg Hesse
Chairperson of the Management Board
(CEO)

Nathan Brent Glissmeyer
Member of the Management Board
(CPO)

Markus Scheuermann
Member of the Management Board
(CFO)

This is a translation of HolidayCheck Group management report. Only the German version of the report is legally binding. Every effort was made to ensure the accuracy of the translation, however, no warranty is made as to the accuracy of the translation and the company assumes no liability with respect thereto. The company cannot be held responsible for any misunderstandings or misinterpretation arising from this translation.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

ASSETS	NOTES	31 DEC. 2018 € '000	31 DEC. 2017[1] € '000
NON-CURRENT ASSETS			
Intangible assets	**10.1.**		
Intangible assets acquired for valuable consideration		18,611	17,403
Internally generated intangible assets		11,886	12,517
Goodwill		100,182	100,182
		130,679	**130,102**
Property, plant and equipment (tangible assets)	**10.2.**		
Land, land rights and buildings		18	25
Other equipment, operating and office equipment		2,363	2,934
		2,381	**2,959**
Receivables and other assets			
Other financial assets	10.6.	653	634
Other non-financial assets	10.6.	150	235
		803	**869**
Deferred taxes	**10.14.**	**548**	**585**
TOTAL non-current assets		**134,411**	**134,515**
CURRENT ASSETS			
Receivables and other assets			
Trade receivables	10.3.	22,004	19,464
Receivables from affiliated entities	10.4.	1,060	0
Contract assets	10.5.	184	174
Income tax receivables		13	150
Other financial assets	10.6.	39	24
Other non-financial assets	10.6.	1,686	1,866
		24,986	**21,678**
Cash and cash equivalents	**10.7.**	**33,759**	**26,155**
TOTAL current assets		**58,745**	**47,833**
TOTAL ASSETS		**193,156**	**182,348**

Footnote

1) Adjustment to IAS 8 (See information in section 2.3. of the notes to the consolidated financial statements)

EQUITY AND LIABILITIES	NOTES	31 DEC. 2018 € '000	31 DEC. 2017[1] € '000
EQUITY			
Shares issued	10.8./10.9.	57,230	56,945
Capital reserves	10.8.	85,048	84,899
Revenue reserves	10.8.	1,755	1,373
Other reserves	10.11.	-1,819	-1,808
Consolidated retained earnings		17,677	15,575
TOTAL equity		**159,891**	**156,984**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions for pensions	10.12.	1,375	1,298
Contract liabilities	10.15.	401	0
Other financial liabilities	10.19.	1,186	1,910
Deferred taxes	10.14.	4,686	5,458
TOTAL non-current liabilities		**7,648**	**8,666**
CURRENT LIABILITIES			
Other provisions	10.16.	235	154
Liabilities to banks	10.17.	40	40
Trade payables	10.18.	16,120	11,682
Contract liabilities	10.15.	2,575	0
Liabilities to affiliated entities	10.5.	35	44
Income tax liabilities		1,525	45
Other financial liabilities	10.19.	2,554	1,942
Other non-financial liabilities	10.19.	2,533	2,791
TOTAL current liabilities		**25,617**	**16,698**
TOTAL liabilities		**33,265**	**25,364**
TOTAL EQUITY AND LIABILITIES		**193,156**	**182,348**

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2018

	NOTES	1 JAN. - 31 DEC. 2018 € ´000	1 JAN. - 31 DEC. 2017 € ´000
Revenue	11.1.	138,890	121,571
Other income	11.2.	1,033	1,572
Other own work capitalised	11.3.	3,580	3,188
Total operating income		**143,503**	**126,331**
Marketing expenses	11.4.	-67,043	-60,744
Personnel expenses	11.6.	-39,084	-38,024
thereof current benefits		-38,418	-36,651
thereof long-term incentive plans and pensions	10.11./10.12./10.13.	-666	*-1,373*
Other expenses	11.7.	-27,386	-27,366
EBITDA		**9,990**	**197**
Depreciation, amortisation and write-downs	10.1./10.2.	-7,022	-5,945
EBIT		**2,968**	**-5,748**
Financial income	11.8.	2	4
Financial expenses	11.9.	-179	-183
Financial result		**-177**	**-179**
EBT		**2,791**	**-5,927**
Actual taxes	10.14.	-1,603	-25
Deferred taxes	10.14.	738	-331
Tax result		**-865**	**-356**
Consolidated net profit/(loss) from continuing operations		**1,926**	**-6,283**
Consolidated net profit/(loss) from discontinued operations	**9.3.**	**0**	**343**
Consolidated net profit/(loss)		**1,926**	**-5,940**
Consolidated net profit/(loss) attributable to			
equity holders of the parent		1,926	-5,940
		1,926	**-5,940**
		€	€
Basic and diluted earnings per share from continuing operations		**0.03**	**-0.11**
Basic and diluted earnings per share from discontinued operations		**0.00**	**0.01**
Basic and diluted earnings per share	**10.10.**	**0.03**	**-0.10**
Average number of shares outstanding		57,075,802	57,239,925

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2018

	NOTES	1 JAN. - 31 DEC. 2018 € ´000	1 JAN. - 31 DEC. 2017 € ´000
Consolidated net profit/(loss)		**1,926**	**-5,940**
Items not subject to reclassification into the statement of income		**7**	**-16**
Revaluation of defined-benefit plans	10.11.	7	-16
Change due to revaluation		*9*	*-20*
Deferred tax effect		*-2*	*4*
Items subject to possible reclassification into the statement of income in the future		**-18**	**30**
Currency translation differences	10.11.	-18	30
Other comprehensive income		**-11**	**14**
Consolidated comprehensive income		**1,915**	**-5,926**
Consolidated comprehensive income attributable to			
equity holders of the parent		1,915	-5,926
		1,915	**-5,926**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2018

	Equity attributable to equity holders of the parent company			
	Issued shares			Capital reserves
	Subscribed capital € ´000	Treasury shares € ´000	TOTAL € ´000	€ ´000
NOTES	10.8.	10.8./10.9.		10.8.
1 JANUARY 2017	**58,314**	**-67**	**58,247**	**84,720**
Acquisition of own shares	0	-1,433	-1,433	-15
Addition to revenue reserves	0	0	0	0
Reclassification of purchase of own shares to revenue reserves	0	0	0	0
Effects of share-base payment plans	0	131	131	194
Consolidated comprehensive income	0	0	0	0
Net profit/(loss) after taxes according to consolidated statement of income	*0*	*0*	*0*	*0*
Other comprehensive income according to consolidated statement of comprehensive income	*0*	*0*	*0*	*0*
31 December 2017	**58,314**	**-1,369**	**56,945**	**84,899**
Adjustment due to first-time application of IFRS 9	0	0	0	0
Adjustment due to first-time application of IFRS 15	0	0	0	0
1 JANUARY 2018	**58,314**	**-1,369**	**56,945**	**84,899**
Effects of share-base payment plans	0	285	285	149
Consolidated comprehensive income	0	0	0	0
Net profit/(loss) after taxes according to consolidated statement of income	*0*	*0*	*0*	*0*
Other comprehensive income according to consolidated statement of comprehensive income	*0*	*0*	*0*	*0*
31 December 2018	**58,314**	**-1,084**	**57,230**	**85,048**

Equity attributable to equity holders of the parent company					
Revenue reserves	Other reserves				
€ ´000	for the revaluation of defined-benefit pension plans € ´000	for currency translation differences € ´000	TOTAL € ´000	Consolidated retained earnings € ´000	TOTAL EQUITY € ´000
10.8.	10.11.	10.11.			
0	**298**	**-2,120**	**-1,822**	**24,515**	**165,660**
0	0	0	0	-2,367	-3,815
3,000	0	0	0	-3,000	0
-2,367	0	0	0	2,367	0
740	0	0	0	0	1,065
0	-16	30	14	-5,940	-5,926
0	*0*	*0*	*0*	*-5,940*	*-5,940*
0	*-16*	*30*	*14*	*0*	*14*
1,373	**282**	**-2,090**	**-1,808**	**15,575**	**156,984**
0	0	0	0	330	330
0	0	0	0	-154	-154
1,373	**282**	**-2,090**	**-1,808**	**15,751**	**157,160**
382	0	0	0	0	816
0	7	-18	-11	1,926	1,915
0	*0*	*0*	*0*	*1,926*	*1,926*
0	*7*	*-18*	*-11*	*0*	*-11*
1,755	**289**	**-2,108**	**-1,819**	**17,677**	**159,891**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2018

	NOTES	1 JAN. - 31 DEC. 2018 € ´000	1 JAN. - 31 DEC. 2017 € ´000
CASH FLOW FROM OPERATING ACTIVITIES			
Consolidated net profit/(loss)		1,926	-5,940
Amortisation, depreciation and write-downs		7,022	5,945
Financial result	11.8./11.9.	177	179
Taxes	10.14.	865	356
Consolidated net profit/(loss) from discontinued operations	9.3.	0	-343
EBITDA		**9,990**	**197**
Other non-cash expenses/income [1]		651	923
Increase/decrease in assets not attributable to investing or financing activities		-3,031	-3,400
Increase/decrease in liabilities not attributable to investing or financing activities		7,187	-26
Interest expenses		-160	-164
Income tax payments/refunds [2]		14	400
Net cash used in operating activities		**14,651**	**-2,070**
CASH FLOW FROM INVESTING ACTIVITIES			
Cash outflow for internally generated intangible assets		-4,174	-5,292
Cash outflow for investment in tangible and intangible assets		-2,881	-2,277
Cash inflow from disposal of tangible and intangible assets		7	2
Cash inflow from interest		2	2
Net cash used in investing activities		**-7,046**	**-7,565**
CASH FLOW FROM FINANCING ACTIVITIES			
Cash outflow for acquisition of own shares	10.9.	0	-3,815
Cash outflows for out-of-period purchase price payments relating to the aquisition of already consolidated entities [3]	10.23.	0	-100
Net cash used in financing activities		**0**	**-3,915**
Net increase/decrease in cash		**7,605**	**-13,550**
Cash and cash equivalents at the beginning of the financial year		**26,155**	**40,085**
Valuation-related changes in cash		-1	-380
Cash at the end of period		**33,759**	**26,155**

Footnotes

1) The figure mainly comprises unrealised stock exchange price gains, exchange rate-related write-downs of currency holdings and losses from the disposal of assets, as well as an increase of provisions for the issue of own shares in connection with employee stock option plans.

2) There were outflows of EUR 149 thousand (2017: EUR 131 thousand) and inflows of EUR 163 thousand (2017: EUR 531 thousand) for income taxes in the financial year.

3) Earn-out obligations towards the pre-takeover shareholders of WebAssets B.V. were paid out in 2017.

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2018 I PART OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	NET CARRYING AMOUNTS	
	31 DECEMBER 2018 € ´000	31 DECEMBER 2017 € ´000
INTANGIBLE ASSETS		
Intangible assets acquired for valuable consideration	18,611	17,403
Internally generated intangible assets	11,886	12,517
Goodwill	100,182	100,182
	130,679	**130,102**
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS)		
Land, land rights and buildings	18	25
Other equipment, operating and office equipment	2,363	2,934
	2,381	**2,959**

INTANGIBLE ASSETS
Intangible assets acquired for valuable consideration
Internally generated intangible assets
Goodwill
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS)
Land, land rights and buildings
Other equipment, operating and office equipment

ACQUISITION AND PRODUCTION COSTS					
1 JANUARY 2018 € ´000	ADDITIONS € ´000	DISPOSALS € ´000	TRANSFER € ´000	CURRENCY RESERVES € ´000	31 DECEMBER 2018 € ´000
34,100	2,465	-13	-3	0	36,549
25,525	4,174	-228	0	0	29,471
105,261	0	0	0	0	105,261
164,886	**6,639**	**-241**	**-3**	**0**	**171,281**
31	11	-21	0	-1	20
7,954	405	-136	3	-4	8,222
7,985	**416**	**-157**	**3**	**-5**	**8,242**

AMORTISATION, DEPRECIATION AND WRITE-DOWNS				
1 JANUARY 2018 € ´000	ADDITIONS AMORTISATION, DEPRECIATION € ´000	DISPOSALS AMORTISATION, DEPRECIATION € ´000	CURRENCY RESERVES € ´000	31 DECEMBER 2018 € ´000
16,697	1,254	-13	0	17,938
13,008	4,804	-227	0	17,585
5,079	0	0	0	5,079
34,784	**6,058**	**-240**	**0**	**40,602**
6	2	-6	0	2
5,020	962	-121	-2	5,859
5,026	**964**	**-127**	**-2**	**5,861**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017 I PART OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	NET CARRYING AMOUNTS	
	31 DECEMBER 2017 € ,000	31 DECEMBER 2016 € ,000
INTANGIBLE ASSETS		
Intangible assets acquired for valuable consideration	17,403	18,136
Internally generated intangible assets	12,517	10,831
Goodwill	100,182	100,182
	130,102	**129,149**
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS)		
Land, land rights and buildings	25	18
Other equipment, operating and office equipment	2,934	2,746
	2,959	**2,764**
FINANCIAL ASSETS		
Loans	0	0
	0	**0**

INTANGIBLE ASSETS
Intangible assets acquired for valuable consideration
Internally generated intangible assets
Goodwill
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS)
Land, land rights and buildings
Other equipment, operating and office equipment
FINANCIAL ASSETS
Loans

ACQUISITION AND PRODUCTION COSTS					
1 JANUARY 2017 € ,000	ADDITIONS € ,000	DISPOSALS € ,000	TRANSFER € ,000	CURRENCY RESERVES € ,000	31 DECEMBER 2017 € ,000
33,775	999	-678	3	1	34,100
21,250	5,292	-1,017	0	0	25,525
105,261	0	0	0	0	105,261
160,286	**6,291**	**-1,695**	**3**	**1**	**164,886**
21	8	0	0	2	31
7,410	1,270	-730	-3	7	7,954
7,431	**1,278**	**-730**	**-3**	**9**	**7,985**
19	0	-19	0	0	0
19	**0**	**-19**	**0**	**0**	**0**

AMORTISATION, DEPRECIATION AND WRITE-DOWNS				
1 JANUARY 2017 € ,000	ADDITIONS AMORTISATION, DEPRECIATION € ,000	DISPOSALS AMORTISATION, DEPRECIATION € ,000	CURRENCY RESERVES € ,000	31 DECEMBER 2017 € ,000
15,639	1,679	-622	1	16,697
10,419	3,301	-712	0	13,008
5,079	0	0	0	5,079
31,137	**4,980**	**-1,334**	**1**	**34,784**
3	3	0	0	6
4,664	962	-610	4	5,020
4,667	**965**	**-610**	**4**	**5,026**
19	0	-19	0	0
19	**0**	**-19**	**0**	**0**

HOLIDAYCHECK GROUP AG, MUNICH, GERMANY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2018

1. GENERAL DISCLOSURES

HolidayCheck Group AG (HCG) is a joint-stock company under German law (Aktiengesellschaft). Its registered office is in Munich, Germany. HolidayCheck Group AG is the parent company of the HolidayCheck Group, an internet group with operations in Central Europe.

In financial 2018, the Group's average total workforce was 471 full-time equivalents (FTEs) - without Management Board members - based at five locations in Germany, the Netherlands, Poland and Switzerland. The company is listed in the Prime Standard segment of Deutsche Börse AG, and a total of 58,313,628 shares (ISIN: DE0005495329; ticker symbol: HOC) were admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse, FWG) on the reporting date. The shares are no-par value bearer shares, each representing an accounting par value of EUR 1 of the company's share capital.

HCG can be contacted at the following addresses:

Postal address:	**Visitors' address:**
HolidayCheck Group AG	HolidayCheck Group AG
P.O. Box 81 01 64	Neumarkter Strasse 61
81901 München	81673 München
Germany	Germany

The present companies of the HolidayCheck Group AG ('HCG Group') are mentioned in the notes as follows:
- Driveboo AG, Bottighofen, Switzerland ('Driveboo')
- HC Touristik GmbH, Munich, Germany ('HCT')
- HolidayCheck AG, Bottighofen, Switzerland ('HC')
- HolidayCheck Polska sp. z o.o., Warsaw, Poland ('HCPL')
- HolidayCheck Solutions GmbH, Munich, Germany ('HCS')
- MeteoVista B.V., Amsterdam, Netherlands ('MeteoVista')
- Tomorrow Travel B.V., Amsterdam, Netherlands ('Tomorrow Travel' or 'Tjingo')
- WebAssets B.V., Amsterdam, Netherlands ('WebAssets' or 'WA')

2. FINANCIAL STATEMENTS ACCOUNTING BASIS AND STANDARDS

The consolidated financial statements of HCG are prepared in accordance with International Financial Reporting Standards (IFRSs), as applicable in the European Union, and also according to the supplementary rules set out in section 315e paragraph 1 of the German Commercial Code (Handelsgesetzbuch, HGB).

The consolidated financial statements of HCG have been prepared on a going concern basis.

With the exception of certain financial instruments recognised at fair value, the consolidated financial statements have been prepared on the basis of amortised cost.

HolidayCheck Group AG has prepared a statement of income based on the nature of expense method.

The company's reporting currency is the euro. Numerical disclosures are generally made in EUR thousand (or EUR '000).

The consolidated financial statements are prepared on the basis of the single-entity financial statements as at 31 December 2018 of those companies included in the consolidated financial statements.

All International Financial Reporting Standards (IFRSs) that were mandatory and endorsed by the European Union as at 31 December 2018 were applied. This also includes the International Accounting Standards (IASs), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The companies included in the consolidated financial statements all apply the same accounting and valuation policies. With the exception of the following changes due to new or amended standards, there has generally

Standards revised by the International Accounting Standards Board (IASB) in the FY 2018

	Applicable from [1]	Endorsed by EU
IFRS 9 Financial Instruments	1 January 2018	Yes
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Yes
IFRS 15: Clarifications and Amendments to IFRS 15	1 January 2018	Yes
Amendments to IFRS 2: Classification and Measurement of Share-based Payments	1 January 2018	Yes
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	Yes
Amendment to IAS 40: Transfers of Investment Property	1 January 2018	Yes
IFRIC 22: Foreign Currency Transactions and Advance Consideration	1 January 2018	Yes
Annual Improvements to International Reporting Standards (2014-2016 cycle)	1 January 2018	Yes

1) Date first applicable in EU

been no change from the accounting and valuation policies applied in HCG's consolidated financial statements for 2017.

2.1. Impact of new or revised standards

In addition, the standards shown in the table above were revised or newly issued by the International Accounting Standards Board (IASB) and became mandatory for the financial year commencing on 1 January 2018.

In July 2014, the IASB published **IFRS 9 Financial Instruments**, which replaces IAS 39. The new standard was adopted by the European Union in the fourth quarter of 2016. IFRS 9 includes a uniform model for classification and measurement methods (including impairment) for financial instruments. It also includes rules on hedge accounting. IFRS 9 stipulates additional disclosures in the notes as a result of amendments to IFRS 7.

In terms of classification and measurement, the mandatory application of **IFRS 9** from 1 January 2018 has had the below-mentioned impact on the consolidated financial statements.

HCG exercises the option to follow the modified retrospective method, i.e. figures from previous periods are not adjusted.

Classification of the different categories of financial instruments

ASSETS	Measurement category under IAS 39	Measurement category under IFRS 9	According to IAS 39 as at 31 DEC 2017[1] € '000	According to IFRS 9 as at 1 JAN 2018 € '000	Difference amount € '000
Cash and cash equivalents	LaR	AC	26,155	26,155	-
Trade receivables	LaR	AC	19,464	19,794	330
Receivables from affiliated entities	LaR	AC	174	174	-
Other financial assets	LaR	AC	658	658	-
Other non-financial assets	n.a.	n.a.	2,101	2,101	-
LIABILITIES					
Liabilities to banks					
Liabilities to banks	FLAC	FLAC	40	40	-
Trade payables	FLAC	FLAC	11,682	11,682	-
Liabilities to affiliated entities	FLAC	FLAC	44	44	-
Other financial liabilities					
Derivatives without a hedging relationship	FLHfT	FVTPL	117	117	-
Other financial liabilities (IFRS 3 2008)	None	None	0	0	-
Other financial liabilities	FLAC	FLAC	1,850	1,850	-
Other financial liabilities outside the scope of IFRS 7 (IFRS 2)	n.a.	n.a.	1,885	1,885	-
Other non-financial liabilities	n.a.	n.a.	2,791	2,645	-146
of which aggregated by measurement category					
Loans and receivables	LaR	AC	46,451	46,781	330
Financial liabilities measured at amortised cost	FLAC	FLAC	13,616	13,616	-
Financial liabilities held for trading (IAS 39) / Fair value through profit or loss (IFRS 9)	FLHfT	FVTPL	117	117	-
Available for sale (IAS 39) / Fair value through other comprehensive income (IFRS 9)	AfS	FVTOCI	0	0	-

1) Ajustment to IAS 8 (See information in section 2.3. of the notes to the consolidated financial statements)

The classification changes based on IFRS 9 measurement categories and changes in carrying amounts as at 1 January 2018 are shown in the table above.

The table below shows the changes in the carrying amounts of the financial assets in accordance with the measurement categories:

Changes in carrying amounts of financial assets according to measurement categories

	AC (2017: LaR) € '000
Value on 31 December 2017 under IAS 39	**46,451**
Adjustment due to impairment under IFRS 9	330
Value on 1 January 2018 under IFRS 9	**46,781**

Impact of transition from IAS 39 to IFRS 9

	€ '000
Global valuation allowance on trade receivables as at 31 December 2017 - IAS 39 (based on historical values)	952
Adjustment to risk allowance for trade receivables as at 1 January 2018 due to IFRS 9	-330
Expected credit loss on trade receivables as at 1 January 2018 – IFRS 9	622

Impairment on trade receivables from brokerage services and advertising services and on contract assets is measured using the simplified method set out in **IFRS 9**. HCG recognises other financial assets and cash and cash equivalents according to the general model. The credit loss risk of trade receivables from brokerage services is partly insured, and expected losses are mainly determined on the basis of external ratings in conjunction with an internal risk assessment (see section 6).

When IFRS 9 was first applied on 1 January 2018, there was an impairment on trade receivables of EUR 330 thousand, which was recognised under accumulated retained earnings (see table above).

For greater transparency, other miscellaneous assets and other miscellaneous liabilities are presented separately as other financial and other non-financial assets and liabilities in the balance sheet for the first time in 2018. In line with IAS 1 and IAS 8, the figures of the prior year were adjusted accordingly.

In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers**. Further clarifications of the standard were issued in April 2016. This standard and the clarifications were adopted by the European Union in 2016. IFRS 15 replaces existing guidelines (e.g. in IAS 18, IAS 11 and IFRIC 13) on the recognition of revenue. The new standard stipulates a uniform, five-step model for recognising revenue. This model is generally to be applied to all contracts with customers. Income is recognised when (or as soon as) the company transfers control over the goods or services to the customer, either over a period or at a specific time. As a result of IFRS 15, several new items have been added to the balance sheet, e.g. contract assets and contract liabilities. These can arise due to performance surpluses or obligations at contractual level. The disclosure requirements have also been expanded.

HCG exercises the option of applying the modified retrospective method. This means that contracts which were not fulfilled completely as at 1 January 2018 are shown as though they had been recognised from the beginning in accordance with IFRS 15. The cumulative effect of this switch has been recognised as accumulated retained earnings under other comprehensive income. Comparative figures for the same periods in the previous year have not been adjusted. Instead, notes have been added to explain changes in items in the balance sheet and statement of income for the current period that result from the first-time application of IFRS 15.

The potential impacts were examined as part of a Group-wide project to implement the new standard. Due to the transition a figure of EUR 154 thousand has been recognised under accumulated retained earnings. The switch to IFRS 15 had no significant impact on the statement of income for 2018 or the balance sheet items.

The findings of the Group-wide project set up to examine the situation and the potential impacts are set out below.

- There were no contract assets in the previous year. However, following the introduction of IFRS 15, contract assets were recognised for the first time in 2018. Please see the explanatory notes in section 10.4.
- There is no significant impact on the level of revenue. The stipulation concerning the subsequent recognition of revenue in the event that significant rights are granted, e.g. with respect to future discounts, is currently irrelevant to HCG as no such contractual components are in place. On further analyses, we concluded that advertising subsidies granted under brokerage contracts constitute a separate element of the contract. This pushes back the date on which the revenue is recognised because in the past all such revenue was recognised at the point when the brokerage service was performed, whereas now it has to be recognised in relation to the period covered by the advertising measure.

This would have generated EUR 154 thousand less revenue in the previous year and recognition of a contract liability of the same amount. Accumulated retained earnings have been adjusted accordingly.
- In the case of one contractual partner, the assessment of whether HCG products are sold for own account (principal = gross revenue) or for account of a third party (agent = net revenue) led to changes in relation to our existing agreements. This meant that the revenue was recognised net (no impact on revenue reserves). This would have reduced revenue and commission expenses for 2017 by EUR 140 thousand. As this amount is only minor, the figure for the previous year has not been adjusted.
- There are currently no expenses for sales commissions (customer acquisition costs) that would in future need to be capitalised and spread over the estimated customer retention period.
- Contract liabilities (previously shown under liabilities as deferred income) are shown separately for the first time in 2018 (see section 10.15). As a result of the first-time application of IFRS 15, the balance sheet contains contract liabilities for the first time in 2018. If IFRS 15 had been applied in the past, the figure for current contract liabilities as at 31 December 2017 would have been EUR 300 thousand. There were no non-current contract liabilities in 2017.

New business models can entail significant changes in recognition and have a significant impact on earnings.

The other standards and interpretations mentioned above have little or no impact on the asset, financial and earnings situation of the Group.

In December 2016, the IASB published the volume **Annual Improvements to International Reporting Standards (2014-2016 cycle)** as part of its annual improvements project. The amendments concern IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures, although only the amendments to IFRS 12 had to be applied from 1 January 2017. The amendments are mainly intended to clarify the scope of application.

The amendments outlined above had no significant impact on the presentation of the HCG Group's asset, financial and earnings situation.

2.2. New or revised standards and interpretations – not applied

The IASB has adopted the following new or revised standards that are relevant in principle to HCG from our current perspective. However, as these standards are not yet mandatory or have not yet been formally endorsed by the European Union, they have not been applied to the consolidated financial statements as at 31 December 2018. New standards or amendments to existing standards must be applied to financial years that begin on or after the standards take effect. HCG does not generally apply standards before they become mandatory even though certain standards provide for this option (see table on the following page).

In January 2016, the IASB published **IFRS 16 Leases**, replacing IAS 17, IFRIC 4 and other standards and interpretations. Accordingly, the previously required accounting distinction between finance leases and operating leases is no longer applicable for the lessee. Instead, IFRS 16 has introduced a uniform accounting model that requires lessees to recognise assets corresponding to the right of use as well as leasing liabilities in the case of leases with a term of more than twelve months. This means that leases that were previously not recognised in the balance sheet will now have to be shown in a form largely comparable to the current accounting treatment of finance leases. The lease accounting rules for lessors in IAS 17 have been incorporated into IFRS 16 with hardly any changes.

IFRS 16 is to be applied to annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 is already being applied. The HCG Group will apply IFRS 16 for the first time for the financial year beginning on 1 January 2019. HCG exercises the option to follow the modified retrospective method. Any cumulative effect of this switch will be shown in equity with no impact on income. Comparative figures for the same periods in the previous year will not be adjusted. Instead, notes will be added to explain changes in items in the balance sheet and statement of income for the current period that result from the first-time application of IFRS 16. HCG will also apply the following transitional rules:
- we will exercise the option not to perform a revaluation; accordingly, we will apply IFRS 16 only to existing contracts classed as leases under IAS 17 and IFRIC 4;
- leasing liabilities will be recognised at the present value of the outstanding lease payments discounted by the lessee's incremental borrowing rate of interest at the time of first application; the right-of-use (RoU)

Standards revised by the International Accounting Standards Board (IASB) in the FY 2018

	Applicable from [1]	Endorsed by EU
IFRS 16 Leases	1 January 2019	Yes
IFRS 17 Insurance Contracts	1 January 2021	No
Amendments to IFRS 3 Business Combinations: Definition of a Business	1 January 2020	No
Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation	1 January 2019	Yes
Amendments to IAS 1 and IAS 8: Definition of 'Material'	1 January 2020	No
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019	No
Amendments to IAS 28 in relation to Long-term Interests in Associates and Joint Ventures	1 January 2019	No
IFRIC 23: Uncertainty over Income Tax Treatments	1 January 2019	Yes
Annual Improvements to International Reporting Standards (2015-2017 cycle)	1 January 2019	No
Updated references to the Conceptual Framework	1 January 2020	No

1) Date first applicable in EU

asset will be shown as the total of the leasing liabilities after adjusting for previously recognised lease payments.

With regard to the options and exemptions available under IFRS 16, the HCG Group applies the following approach:
- rights of use and leasing liabilities will be shown separately in the balance sheet;
- the recognition, valuation and presentation rules of IFRS 16 will probably not be applied to current leasing relationships and leasing relationships in which the asset in question is of minor value (EUR < 5,000);
- in the case of contracts which contain both leasing and non-leasing components, there will be no separation; each leasing component will be presented with the other associated contractual components as a leasing relationship.

The findings of the Group-wide project set up to examine the situation and the potential impacts are set out below:
- the leasing liabilities arising from first-time application amount to around EUR 11 million;
- the right-of-use (RoU) asset is also recognised at around EUR 11 million, as no previous lease payments have been made; for this reason, the switch has no impact on the consolidated net profit/(loss);
- based on our current lease contracts, there is a shift of around EUR 2.5 million between leasing expenses and depreciation for wear and tear; it is not expected that this will have a material impact on the financial result;
- based on our current lease contracts, there is a shift of around EUR 2.5 million between operating cash flow and financing cash flow.

The **amendments to IFRS 3** are intended to resolve problems that can arise when determining whether an entity acquires a business or a group of assets. The amendments are applicable to business combinations for which the acquisition date lies on or after the start of the first annual reporting period on or after 1 January 2020.

Following a **change to IFRS 9**, it is possible under certain circumstances to produce a valuation at amortised cost or at fair value with no impact on the statement of income (FVOCI) in the case of financial assets in respect of which – following premature cancellation – compensation may be payable to the cancelling party.

The **amendments to IAS 1 and IAS 8** are intended to clarify the definition of 'material' and to harmonise the various definitions in the Conceptual Framework and the standards.

In connection with the **changes to IAS 19**, if a defined benefit plan is amended, curtailed or settled, it is now mandatory to recalculate the current service cost and the net interest for the rest of the financial year on the basis of the current actuarial assumptions used for the mandatory revaluation of the net liability (asset). In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The **amendments to IAS 28** are intended to clarify that a company should apply IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in that associate or joint venture but are not recognised using the equity method. The amendments are applicable retrospectively to financial years beginning on or after 1 January 2019.

IFRIC 23 clarifies the rules in IAS 12 Income Taxes on the recognition and valuation of actual income taxes, deferred tax liabilities and deferred tax claims in cases where there is uncertainty regarding their income tax treatment.

We currently take the view that the potential impact of the remaining published standards and interpretations that have not yet been adopted by the EU is of less or no importance to the Group's asset, financial and earnings situation.

2.3. IAS 1/ IAS 8 disclosures

Changes to the structure of the consolidated balance sheet

For greater transparency, other miscellaneous assets and other miscellaneous liabilities have been shown separately in the balance sheet under other financial and other non-financial assets and liabilities.

The previous-year balance-sheet figures for the Group as at 31 December 2017 have been adjusted as follows (condensed form) (see table on the following page).

Adjustment of the consolidated balance sheet 2017 to the new classification

	31 DECEMBER 2017		
ASSETS	PRIOR-YEAR FIGURE € '000	RECLASSI-FICATION € '000	NEW CLASSI-FICATION € '000
NON-CURRENT ASSETS			
Receivables and other assets			
Other miscellaneous assets	869	-869	0
Other financial assets		634 [1)]	634
Other non-financial assets		235 [2)]	235
	869	**0**	**869**
CURRENT ASSETS			
Receivables and other assets			
Other miscellaneous assets	1,890	-1,890	0
Other financial assets		24 [1)]	24
Other non-financial assets		1,866 [3)]	1,866
	1,890	**0**	**1,890**
EQUITY AND LIABILITIES			
NON-CURRENT LIABILITIES			
Other miscellaneous liabilities	1,910	-1,910	0
Other financial liabilities		1,910 [4)]	1,910
Other non-financial liabilities		0	0
	1,910	**0**	**1,910**
CURRENT LIABILITIES			
Other miscellaneous liabilities	4,733	-4,733	0
Other financial liabilities		1,942 [5)]	1,942
Other non-financial liabilities		2,791 [6)]	2,791
	4,733	**0**	**4,733**

Legend:

Statement old structure

BStatement new structure

Footnotes

1) The amount shown in the previous-year column consists of current and non-current rent deposits.
2) The amount shown in the previous-year column mainly consists of non-current prepaid expenses.
3) The amount shown in the previous-year column essentially consists of VAT receivables in Germany and other countries, and current prepaid expenses.
4) The amount shown for other non-current financial liabilities essentially relates to personnel obligations resulting from the LTIP 2011-2016 and the LTIP 2017-2020.
5) The figure for other current financial liabilities chiefly comprises provisions for fees and liabilities to Supervisory Board members.
6) The figure for other current non-financial liabilities mainly consists of VAT liabilities and personnel liabilities, such as provisions for leave not taken, social security liabilities, deferred income and other transit items.

3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the annual accounts of HolidayCheck Group AG and its subsidiaries as at 31 December 2018, which is the balance sheet date for all Group entities. Subsidiaries are companies that are controlled by HolidayCheck Group AG, i.e. if the company is exposed to risk, or has rights to variable returns, from its involvement with the long-term equity investment, and the Group is in a position to use its power over the equity investment to affect the returns of the latter.

HolidayCheck Group AG re-evaluates whether or not it controls a long-term equity investment whenever facts and circumstances indicate that one or more of the above control criteria has changed.

The separate financial statements of the subsidiaries are prepared on the basis of uniform accounting and valuation policies at the same balance sheet date as the parent company.

All intragroup balances, transactions, revenue, expenses, profits and losses from intragroup transactions contained in the carrying amount of assets are eliminated in full.

A list of all the subsidiaries of HolidayCheck Group AG can be found in section 9.1 Composition of the Group.

Business combinations

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the time when the HCG Group gains control. Subsidiaries are no longer included in the consolidated financial statements as soon as the parent company surrenders control.

Newly acquired subsidiaries are recognised using the acquisition method of accounting. This means that the costs of the business combination are distributed over the acquired, identifiable assets and the acquired identifiable liabilities and contingent liabilities according to their fair values on the date of acquisition. Goodwill is created in cases where the costs of the long-term equity investment exceed the Group's share in the calculated equity of the company in question. This goodwill is checked for impairment at regular intervals on the balance sheet date and whenever there are indications that an entity's value may have fallen. Where necessary, the value of goodwill is written down by means of impairment.

If the Group loses control or significant influence over an entity, the remaining interest is remeasured at fair value and the resulting difference recognised as a profit or loss. The fair value is than calculated on first recognition. In addition, all amounts relating to that entity and shown under other comprehensive income are accounted for using the same rules that would apply if the parent company had sold the associated assets and liabilities directly. This means that any profit or loss previously recognised under other comprehensive income is transferred from equity to the statement of income.

A discontinued operation is part of the Group's business which contains operations and cash flows that can be clearly set apart from the rest of the Group, which has been sold or identified for sale, and which:

- constitutes a separate, significant line of business or geographical business area;
- forms part of a single, agreed plan to dispose of a separate, significant line of business or geographical business area; or
- constitutes a subsidiary that was acquired with the sole purpose of selling it on.

Any such business unit is classed as a discontinued operation when it is sold or earlier once it meets the criteria for treatment as 'held for sale'.

Whenever a business unit is classed as a discontinued operation, the statement of comprehensive income for the reference year is adjusted and the results shown as though the business unit had been discontinued at the beginning of that reference year. For details of the procedure for recognising intragroup transactions between continuing and discontinued operations see section 6 Accounting and valuation principles.

4. SEGMENT REPORTING

Business segment reporting is laid out in such a way as to conform to the method of in-house reporting to the principal decision-making body. The latter is responsible for decisions on the allocation of resources to business segments and for the evaluation of their profitability. The Management Board of HCG constitutes the principal decision-making body.

As from financial 2016, the Management Board has therefore managed the Group on the basis of key indicators for the entire business rather than on a segment basis. As such, the business is no longer divided into segments. Accordingly, this annual report does not contain a separate segment report.

5. REPORTING CURRENCY AND CURRENCY TRANSLATION

The consolidated financial statements are prepared in euros (EUR), the Group's functional currency and presentation currency. Each entity within the Group determines its own functional currency. The items included in the financial statements of the entity in question are measured in this functional currency. Transactions in a currency other than the euro are initially translated between the functional currency and the other currency at the spot rate valid on the date of the transaction.

Monetary assets and liabilities in currencies other than the euro are translated into the functional currency on the reporting date. All currency differences are recognised in the statement of income. Non-monetary items that are measured at cost in a currency other than the euro are translated at the rate applicable on the date of the transaction. Other non-monetary items measured at their fair value in a currency other than the euro are translated at the rate applicable at the time that the fair value was calculated.

In the financial year 2018, with the exception of HolidayCheck Polska, whose functional currency is the zloty (PLN), all entities within the Group adopted the euro (EUR) as their functional currency.

The assets and liabilities of all Group entities with a functional currency other than the euro are translated into euros on the balance sheet date for consolidation purposes. Income and expenditure are translated for each statement of income at the average exchange rate. Any other resulting translation differences are recognised as a separate item in equity under other reserves.

Goodwill created through the acquisition of a foreign entity and any adjustments to the fair values of the identifiable assets and liabilities are treated as assets and liabilities of the foreign entity and translated on the balance sheet date. Any resulting translation differences are shown in the foreign currency translation reserve. On disposal of this foreign entity, any corresponding amount in the foreign currency translation reserve is transferred to the statement of income.

6. ACCOUNTING AND VALUATION PRINCIPLES

The companies included in the consolidated financial statements all apply the same accounting and valuation principles.

In financial 2018, the new standards IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments were applied for the first time. Overall, the associated changes in accounting and valuation methods had no material impact.

IFRS 15 and IFRS 9 were applied on this first occasion using the modified retrospective method. Accordingly, the comparative figures for earlier periods have not been adjusted. As such, the comparative figures for financial 2017 do not meet the requirements of IFRS 15 and IFRS 9 but comply instead with IAS 18 [no longer in force] and IAS 39.

Contract liabilities have been recognised for the first time as a result of the first-time application of IFRS 15.

As a result of the first-time application of IFRS 15, we have also recognised a contract asset for the first time due to changes in our contractual terms and settlement methods following the insourcing of some contracts with our media customers (previously through an agency) at the end of the financial year.

The adjustments required due to the first-time application of IFRS 15 and IFRS 9 are outlined in section 2.1.

The following table shows the main accounting and valuation principles applied in the preparation of these consolidated financial statements.

Accounting and valuation principles

BALANCE SHEET ITEMS	VALUATION BASIS
ASSETS	
Intangible assets (excluding goodwill):	
with a finite useful life	Amortised acquisition or production cost
with an indefinite useful life	Acquisition cost/ lower of recoverable amount
Goodwill	Acquisition cost/ lower of recoverable amount
Property, plant and equipment (tangible assets)	Amortised acquisition or production cost
Trade receivables	Fair value/Amortised cost
Contract assets	Fair value/Amortised cost
Other (non-)financial assets (current and non-current)	Fair value/Amortised cost
Cash and cash equivalents	Fair value/Amortised cost
LIABILITIES	
Provisions	Present value of future settlement value
Pensions	Projected unit credit method
Liabilities to banks	Fair value/Amortised cost
Trade payables	Fair value/Amortised cost
Contract liabilities (current and non-current)	Fair value/Amortised cost
Other (non-) financial liabilities (current and non-current)	Fair value/Amortised cost

Intangible assets

The two main items that make up the Group's intangible assets are goodwill and brands from the acquisition of fully consolidated subsidiaries.

Intangible assets acquired from third parties in return for payment are recognised at acquisition cost. Where there is a definite useful life, this figure is reduced by amortisation according to the straight-line method (or the declining balance method in the case of the database acquired from Beach-Inspector.com) over the intangible assets' useful life. They are recognised only if it is sufficiently probable that a future benefit will thus accrue to the enterprise and the acquisition costs of the asset can be reliably determined.

The useful life of an asset is generally estimated taking account of the following criteria:

- anticipated use of the asset by the enterprise;
- typical product life cycle and public information concerning the estimated useful lives of comparable assets;
- technical, technological and other types of obsolescence;
- stability of the sector in which the asset is employed.

Self-generated intangible assets are recognised to the extent of the directly attributable development costs if all the conditions set out in IAS 38.57 have been fulfilled. The capitalisation of the costs ends when the product has been completed and has been generally released.

According to IAS 38.57, the following six requirements need to be met in order for development costs to be capitalised; in the following cases they have been met in full:

1. technical feasibility of the completion of the asset so that it is available for internal use and/or sale;
2. the intention to complete the intangible asset and to either use or sell it;
3. the ability to either use or to sell the intangible asset;
4. evidence of presumable future economic benefits;

5. the availability of adequate technical, financial and other resources to complete the development and the ability to either use or to sell the intangible asset; and
6. the ability to establish a reliable measure of the expenditure attributable to the company during the development of the asset.

In accordance with SIC-32, relaunches were not capitalised on producing the website if these were only updates of a pre-existing website.

Expenses for general development that do not meet the above criteria are recognised immediately as expense in accordance with IAS 38 (see section 11.5 Research and development expenses).

The useful life of the asset also forms the basis for straight-line **amortisation of both purchased and internally generated intangible assets**, starting from the time of purchase or completion and the market readiness of the internally generated intangible assets.

Throughout the Group, the following **useful lives** form the basis of amortisation for material intangible assets. Intangible assets acquired from third parties in return for payment and assets that are internally generated are amortised over the same periods, (see table below).

Amortisation of intangible assets

Goodwill	no amortisation
Trade mark rights/ brand names	5 to 20 years or no amortisation
Software/websites	3 to 15 years
Customer bases	5 or 10 years

Brands acquired as a result of business combinations are not amortised according to a schedule as these are internet brands whose rights are in the full ownership of the company. They are tested for impairment every year. In this context, 'in the full ownership of the company' means that the company can directly influence the brand's development by taking targeted measures. As it is assumed that the internet domains depend on the brand names, there is no regular amortisation in this case either.

Property, plant and equipment (tangible assets)

Property, plant and equipment are recognised at the cost of acquisition less accumulated depreciation. The cost figure includes all costs directly attributable to the purchase together with the cost of borrowed funds (providing the recognition criteria are met).

Throughout the Group, **the depreciation of property, plant and equipment** is based on the following useful lives for material assets:

Depreciation of property, plant and equipment

IT hardware	3 years
Lines, technical installations	8 years
Furnishings	10 years
Technical devices	4 to 5 years

Property, plant and equipment items are written down according to the straight-line method.

The cost of maintenance is treated as expense for the period.

Profits and losses on the disposal of property, plant and equipment are shown in the consolidated statement of income under other income or other expenses.

Impairment of intangible assets and property, plant and equipment (tangible assets)

The amortisation period and the method of amortisation for intangible assets and the depreciation period and the method of depreciation for property, plant and equipment (tangible assets) are reviewed at the end of each financial year. If the expected useful life of an asset significantly deviates from prior estimates, the amortisation or depreciation period is adjusted accordingly. In the case of material changes during the course of amortisation or depreciation, a suitable amortisation or depreciation method is selected.

All intangible assets and all items of property, plant and equipment are tested for impairment at the end of each financial year if the circumstances or changes in the circumstances indicate that the carrying amount of the assets may possibly be irrecoverable. If the recoverable amount of the asset is lower than the carrying amount, the impairment loss is recognised in the statement of income. The recoverable amount is the higher of the net selling price and the value in use of the asset. The net selling price is the recoverable amount from the sale of an asset at fair value less selling costs. The value in use is the present value of the estimated future cash flow to be expected from the continued use of an asset and its disposal at the end of its useful life. The recoverable amount is determined separately for each asset or, if this is not possible, for the cash-generating unit to which the asset belongs.

All goodwill and all intangible assets with an indefinite useful life and intangible assets that are not yet in use are not subject to amortisation. They were tested for impairment on 31 October, or whenever there were particular grounds for doing so, in order to determine whether they had kept their value. Impairment testing was brought forward to 31 October for organisational reasons. The company has brought forward the multi-annual planning process to the third quarter, and the plan is now drawn up directly after the annual strategy meetings.

HCG generally calculates the recoverable amount using valuation methods based on discounted cash flows. These discounted cash flows are based on five-year forecasts, which in turn derive from financial plans approved by the management. The cash flow forecasts take into account past experience and are based on the management's best estimate of future trends and on other externally sourced information. Cash flows beyond the planning period are extrapolated using individual growth rates that do not however exceed inflation forecasts for the business units in question. The most important assumptions on which the value-in-use calculation is based are future cash flows (based on forecast revenue growth and the EBITDA margin), weighted average costs of capital (WACC) and tax rates. These assumptions and the underlying methodology may have a considerable impact on the corresponding valuations.

If necessary, impairment checks are not performed at the level of the individual asset but at the level of the cash-generating unit to which the asset has been allocated.

In such cases, the goodwill acquired following a business combination is allocated to the cash-generating unit or the group of cash-generating units that are regarded as most likely to benefit from synergies created by the business combination.

Financial instruments

For the financial year 2018, the accounting treatment and measurement of financial assets and liabilities (financial instruments) are based on the provisions of IFRS 9 rules. We have not made use of the fair value through profit and loss (FVPL) option. The comparative figures are based on the accounting and measurement rules set out in IAS 39.

Classification and measurement

IFRS 9 specifies three measurement categories for financial assets:
- amortised cost;
- fair value through profit and loss (FVPL);
- fair value through other comprehensive income (FVOCI).

IFRS 9 classification depends on whether the financial assets in question meet the cash flow criterion (do contractual cash flows represent solely payments of principal and interest?) and on the entity's business model (are financial assets managed in order to generate cash flows?).

IFRS 9 replaces the previous classification system based on IAS 39:
- loans granted by the entity and receivables (measured at amortised cost);
- fair value through profit and loss (FVPL);
- financial assets available for sale;
- financial assets held to maturity.

With regard to the accounting treatment and measurement of financial liabilities, the IFRS 9 rules are very similar to those previously applied on the basis of IAS 39. The categories are:
- amortised cost;
- fair value through profit and loss (FVPL).

In accordance with both IFRS 9 and IAS 39, financial instruments are recognised initially (on the fulfilment date) at fair value, which is the same as the cost of the consideration paid. Transaction costs are included provided that the financial instrument is not measured at fair value through profit and loss. On initial recognition, financial instruments are allocated to one of the measurement categories listed above.

The list of **financial assets and liabilities measured at fair value through profit** and loss may include derivatives not held for hedging purposes.

Financial assets and liabilities held for trading purposes are measured at fair value. This mainly includes derivative financial instruments that are not linked to an effective hedging relationship as per IFRS 9 (or IAS 39 in 2017). Any profit or loss from subsequent measurements, including from interest and dividends, is shown through profit or loss.

The HCG Group uses derivative financial instruments solely as a hedge against currency risks linked to its operating activities. It does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments are recognised initially and on subsequent measurements at fair value. This value can be positive or negative. Fair value is taken to be the market price of traded derivative financial instruments, provided that they are observable on the market. If a market value cannot be determined, the fair value must be calculated using recognised actuarial models.
The resulting income or expense is immediately recognised in the statement of income.

Financial instruments measured at amortised cost are non-derivative financial assets and liabilities that meet **both** of the following conditions:
- the financial instrument is held as part of a business model whose objective is to hold that financial instrument in order to generate contractual cash flows;
- the contractual terms lead to cash flows on already fixed dates, consisting solely of payments of interest and principal with respect to the nominal amount.

After initial recognition, financial instruments in the amortised cost category are measured at amortised cost using the effective interest rate method less any impairment. If they are derecognised or written down or their value reduced by amortisation, any profits and losses are recognised through profit or loss in the same period.

Borrowings by the company and financial liabilities are measured on first recognition at fair value and in subsequent years at amortised cost.

Financial liabilities which not classified as items subject to measurement at fair value through profit or loss are recognised at amortised cost.

Financial instruments such as **cash and cash equivalents, receivables and payables** are measured at their nominal value, which based on their maturities corresponds to their fair values.

Debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met and they have not been designated as items subject to measurement at fair value through profit or loss:
- the financial instrument is held as part of a business model whose objective is to generate cash flows from both holding and selling the financial instrument;
- the contractual terms lead to cash flows consisting solely of payments of interest and principal with respect to the nominal amount.

After initial recognition, these are measured at fair value. Interest is measured using the effective interest rate method less any impairment. Other profits and losses are recognised in the statement of other comprehensive income (OCI). If the financial instrument is derecognised, the amounts shown in the statement of other comprehensive income are reposted to the statement of income.

No debt instruments were held or sold in either the previous year or in the year under review.

On initial recognition of an **equity instrument** that is not held for trading purposes, the Group can decide whether to recognise changes in fair value irrevocably in the statement of other comprehensive income. This choice option is available for each individual equity instrument. After initial recognition at fair value, dividends are recognised in profit and loss unless they clearly represent recovery of a part of the cost of the investment. Other profits and losses are recognised in the statement of other comprehensive income. They are not reposted to the statement of income even if the financial instrument is derecognised.

No equity instruments were held or sold in either the previous year or in the year under review.

Following initial recognition, financial instruments are reclassified only if the Group changes its business model in relation to the generation of cash flows from financial assets.

Impairment of financial assets

The 'incurred loss model' previously used by the Group under IAS 39 rules was based on identifiable credit loss risks. This has been replaced by the IFRS 9 'expected credit loss' model, which, as the name suggests, is based on expected losses.

The new impairment model is to be used for financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through the statement of other comprehensive income. In general, the new impairment model leads to earlier recognition of risk prevention mechanisms.

Although cash and cash equivalents are also subject to IFRS 9 impairment rules, the level of impairment was immaterial.

Under IFRS 9, impairment tests are conducted to address all expected credit losses linked to the above-mentioned assets. As a matter of principle, the Group uses the general model (12-month expected credit losses) prescribed by IFRS 9 or the simplified method (full lifetime expected credit losses) (see sections 10.3 and 10.24).

General model

Under the general model the credit risk of financial assets is considered to be low at initial recognition. Loss allowance is based on a 12-month model of expected credit losses. A loss allowance for the expected credit losses over the lifetime of the asset is required if the credit risk of that financial instrument has increased significantly since its initial recognition. Contractual payments that are more than 30 days past due could be an indicator for the fact that credit risk has increased significantly.

HCG recognises expected credit losses on cash and cash equivalents and other financial assets, with the exception of trade receivables, according to the general method.

Simplified model

The simplified model is mandatory for contract assets or trade receivables that do not constitute a financing transaction. A loss allowance for full lifetime expected credit losses must be recognised.

Impairment on contract assets and other financial assets was not significant and thus not recognised.

Impairment charges are recognised in the statement of income under other operating expenses. For materiality reasons, in accordance with IAS 1.29, the Group does not list them separately in the statement of income as per IAS 1.82 (ba).

In the case of brokerage services, the credit loss risks are established by means of external credit ratings and an internal risk premium. On the basis of these assumptions, expected loss rates are calculated separately for each contract partner. Rather than applying a flat rate for all commission revenue, the Group calculates individual loss rates for each tour operator, and these are continuously reviewed to ensure that they remain up to date. In addition, we fully insure all receivables from our main contract partners in respect of holidays brokered by us that are due to take place within the next 270 days. This insurance cover includes a deductible at the usual market level in the event of claims. We do not insure receivables for holidays that we have brokered where there are more than 270 days before the departure date.

In the case of receivables in respect of advertising services, the expected credit loss is calculated using an expected loss rate based on macroeconomic factors. In this context, the Group has identified country-specific risks (based on external ratings) as the most relevant factor. The loss rate applied by the Group was derived from historic cases of credit losses in previous periods.

Other financial assets are reviewed quarterly for any deterioration in credit quality that could lead to their reclassification.

Derecognition of financial assets and liabilities

Financial assets are derecognised if:

- the rights to the cash flows have expired; or
- have been transferred and HCG has transferred all the main opportunities and risks associated with ownership; or
- the main opportunities and risks have essentially neither been transferred nor retained but HCG has transferred control over the assets.

Financial liabilities are derecognised if the underlying obligation has been fulfilled or cancelled or has expired.

Presentation of financial assets and liabilities

As a general rule, financial assets and financial liabilities are not netted in the financial statements. They are only netted if there is at the time a legally enforceable right to offset the amounts in question and the Group intends to arrange for settlement on a net basis. There was no netting of financial assets and financial liabilities in either 2018 or 2017.

Derivative financial instruments

The Group uses derivative financial instruments such as currency forwards as a hedge against currency fluctuation risks. These derivative financial instruments are recognised at fair value when the contract is signed and remeasured at fair value in subsequent periods.

Derivative financial instruments are recognised as financial assets (if the fair value of the derivative is positive) or as liabilities (if the fair value of the derivative is negative).

Profits or losses from changes to the fair value of derivative financial instruments during the financial year that do not meet the criteria for recognition as hedging relationships are immediately recognised through profit or loss together with the ineffective portion of an effective hedging instrument. Derivative financial instruments were not used for hedging purposes in either 2018 or the previous year.

Share-based payments

The Group's share-based payment plans are remuneration schemes with settlement in the form of cash or shares in the company.

In the case of share-based payments with cash settlement, the Group's corresponding liability is recognised as an expense at its fair value when the beneficiary fulfils the relevant conditions. Until the liability is settled, its fair value is remeasured on every balance sheet date and any changes recognised through profit or loss.

Share-based payments with cash settlement form part of a long-term incentive plan (LTIP 2011-2016) for senior staff and members of the Management Board. In accordance with IFRS 2, these payments are recognised as personnel expenses and as a corresponding increase in other financial liabilities. See section 10.13. Employee stock option plans of the company of the company.

The share-based payments with settlement in the form of company shares are granted under a long-term incentive plan (LTIP 2017-2020) for members of the Management Board and a stock option plan (RSP) for employees and senior managers. In accordance with IFRS 2, these payments are recognised as personnel expenses and as a corresponding increase in other financial liabilities or equity. See section 10.13. 'Employee stock option plans of the company'.

If the criteria for exercising an entitlement under the remuneration plan are not met, there is no corresponding expense.

Cash and cash equivalents

Cash and cash equivalents include cash and other short-term, highly liquid financial assets with an original time to maturity of no more than three months. On the balance sheet, current account overdrafts are shown as payables to banks under current financial liabilities.

Equity

Shares issued are recognised in equity at nominal values. Transaction costs for the issue of new shares are deducted from the capital reserves.

Treasury shares

Items shown under **equity** are recognised at their nominal value. The company's **purchases of its own shares (treasury shares)** were offset against the total for shares issued and its free reserves (capital reserve as per section 272 paragraph 2 number 4 of the German Commercial Code and other revenue reserves). In terms of economic ownership, the sale or issue of the company's own shares to its employees constitutes a capital increase. If the income generated by the sale exceeds the nominal value or accounting par value of the shares, the difference – up to the amount offset when the treasury shares were purchased against the company's freely available reserves in accordance with section 272, paragraph 1a, sentence 2 of the German Commercial Code – will be returned to those reserves. If the income from their sale exceeds the original purchase price of the treasury shares, the difference will be placed in the capital reserve in accordance with section 272, paragraph 2, number 1 German Commercial Code.

Provisions

Provisions are recognised at the amount that is necessary according to the best possible estimate in order for the Group to be in a position to meet all current obligations, legal or de facto, at the balance sheet date. Future events that could have an effect on the amount needed to meet an obligation have to be taken into account in forming the provision in as far as they can be predicted with sufficient objective certainty. The amount recognised is that which seems most likely on a careful examination of the circumstances. Provisions are discounted in as far as they are material. In the case of discounting, the passage of time is reflected in the periodic increase in the carrying amount of a provision. This increase is recognised as an interest expense.

The **pension provision** is based on defined-benefit pension plans for the employees of HC and Driveboo. The provisions recognised in the balance sheet for defined-benefit plans correspond to the present value of the defined-benefit obligation (DBO) at the balance sheet date less the fair value of the plan assets. The DBO is calculated annually by an independent actuarial expert using the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income for the period in which they are created. With the exception of interest income and expenses, which are reported under the financial result, pension expenses are recognised as personnel expenses.

Current and deferred income tax

Tax assets and tax liabilities for the current period and former periods are measured at the amount expected to be recovered from or paid to the tax authorities on the basis of the tax rates and tax laws applicable on the balance sheet date. Management regularly checks tax declarations, especially with regard to matters that are open to interpretation, and establishes provisions where necessary on the basis of the amounts that past experience shows might have to be paid to the tax authorities.

Deferred tax assets and liabilities are generally formed for all temporary differences between the amounts recognised for tax purposes and the amounts recognised according to IFRSs approaches. This is done according to the liability method, which reflects the Group's expectations at the balance sheet date.

The deferred tax assets also include unused tax credits resulting from the expected utilisation of existing tax loss carryforwards in subsequent years and whose realisation is sufficiently certain. Deferred taxes are determined on the basis of the tax rates that apply under current tax legislation in the individual countries at the time of realisation or the rates that are expected to apply when a deferred tax asset is realised or a deferred tax liability settled. Deferred taxes based on events that are recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

The carrying amount of the deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available against which at least some of the deferred tax assets can be utilised. Deferred tax assets that are not recognised are reviewed on each balance sheet date and recognised to the extent that it has become likely that future taxable income will allow the deferred tax assets to be utilised.

Deferred tax assets and deferred tax liabilities are offset provided that there is a legal right to the netting of actual tax refund claims against actual tax liabilities and these relate to the income tax of the same taxpayer or taxable object, and are levied by the same tax authority.

Other financial liabilities, other non-financial liabilities and other financial obligations

Other financial liabilities are recognised in the event of a contractual obligation to deliver cash, cash equivalents or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity on potentially disadvantageous terms. Financial liabilities are measured at amortised cost.

Other non-financial liabilities are recognised if it is expected that there will be an outflow of resources that embody an economic benefit in order to settle a liability and this amount can be reliably determined.

Other financial obligations are not recognised as liabilities in the consolidated financial statements until it is probable that they will materialise. They are disclosed in the notes to the consolidated financial statements (see section 15.2.).

Realisation of income and expenses

Revenue is recognised in application of IFRS 15 (2017: IAS 18; see also section 2.1.). Revenue is shown less value-added tax (VAT), income deductions and credits, after the elimination of intragroup sales.

Revenue generated as an online travel agency from the brokerage of package holidays, hotel bookings, insurance policies and car rental bookings is realised once the contractual obligation (brokerage service) to the customer has been fulfilled (see also section 8).

Revenue earned from advertising services is included in profit or loss in the month in which the advertisement is placed.

Revenue for other services is realised when the contractual obligation to the customer has been fulfilled. (This mainly involves maintaining and supplying weather data for a specified period.) Services are also provided within the framework of offsetting transactions. Unless these are of the same type, in which case they have to be eliminated in accordance with SIC-31, services provided are shown gross in revenue and services received in the corresponding expense items.

Interest income is calculated using the effective interest rate method.

Royalties from licences and rental income are allocated on a pro rata basis in accordance with the relevant contractual period.

Leasing payments within the framework of an operating lease are recognised as expense in the statement of income over the period of the lease using the straight-line method, unless a different systematic basis corresponds to the duration of the benefit for the company as lessee. A lease is classified as an operating lease if the leasing agreement, in economic terms, does not essentially transfer all risks, rewards and opportunities associated with ownership to the company.

7. DETERMINING FAIR VALUE

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Fair value is the price that would be paid on the measurement date for the sale of an asset or transfer of a liability in an orderly transaction between market participants regardless of whether the price can be directly observed or has been estimated using a valuation method.

HCG's financial team establishes appropriate valuation methods and input parameters for the measurement of fair value.

Wherever possible, HCG uses observable market data in order to determine the fair value of assets and liabilities. If such level 1 inputs are not available, HCG engages qualified external experts to carry out a valuation. This procedure is generally followed when performing the initial valuation. HCG's finance team works closely with these external experts to establish appropriate valuation procedures and input parameters. Subsequent valuations are performed by HCG's Finance team based on the (lower) recoverable amount method. The Chief Financial Officer notifies the Audit Committee of the results of the work of HCG's Finance team in order to explain the reasons for any fluctuations in the fair value of assets and liabilities.

Details of the valuation methods and inputs used to determine the fair value of various assets and liabilities are provided in the relevant sections of this report.

When determining the fair value of an asset or liability, the Group considers certain characteristics of that asset or liability (e.g. the condition and location of an asset or any restrictions on sale or use) in all cases where market participants would also take them into account on the valuation date when determining a price for the acquisition of an asset or the transfer of a liability. As a general rule, in these consolidated financial statements fair value is calculated on this basis for valuation and/or disclosure purposes. An exception applies to:

- share-based payments subject to IFRS 2 Share-based Payments;
- leases within the scope of IAS 17 Leases;
- valuation benchmarks similar to but not the same as fair value, e.g. net realisable value in IAS 2 Inventories or utility value in IAS 36 Impairment of Assets.

Fair value cannot always be derived from a market price. In many cases, it has to be calculated on the basis of different valuation parameters. Depending on the availability of observable parameters and the importance of those parameters in determining overall fair value, fair value is classified as level 1, 2 or 3 based on the following criteria. See section 10.23. Financial instruments – fair value.

8. ESTIMATES, ASSUMPTIONS AND JUDGMENTS

In order to prepare the consolidated financial statements, the Management Board has to make the best possible estimates and assumptions on the basis of the information currently at its disposal. These may influence the recognised values of assets and liabilities and disclosures concerning contingent assets and liabilities on the balance sheet date, and also the income and expenses recognised for the reporting period. The actual results occurring at a later date may differ from these estimates.

There follows an explanation of the most important assumptions in relation to the future and the main sources of uncertainty at the balance sheet date giving rise to the risk of material adjustments being made to the carrying amounts of the assets and liabilities during the subsequent financial year:

Impairment of goodwill and of intangible assets with indefinite useful lives

HCG makes an impairment test in relation to goodwill at least once a year or whenever there are any indications that such impairment may have taken place. Goodwill impairment tests are conducted at the level of the cash-generating units. This is the lowest level at which goodwill is monitored for internal corporate management purposes. In each case, the cash-generating unit is defined as the corresponding company.

The criteria and underlying methods used when conducting an impairment test can have a significant influence on the resulting values and on the extent of any impairment of intangible assets. Calculations of discounted cash flows are very much subject to planning assumptions that can be sensitive to change and therefore to impairment.

As at 31 December 2018, the carrying amount of goodwill was EUR 100,182 thousandand thus unchanged on the previous year. Details of intangible assets and the assumptions on which impairment tests are based can be found in section 10.1. Intangible assets.

Loss carryforwards

HCG and its subsidiaries recognise deferred tax assets for tax loss carryforwards, in as far as it is sufficiently certain that the loss carryforwards will be utilised in tax planning. For tax planning purposes, HCG and its subsidiaries have to make estimates of the tax results to be achieved in the future. As at 31 December 2018 the deferred tax assets for loss carryforwards amounted to EUR 318 thousand (EUR 323 thousand in 2017) (see also section 10.14 Deferred taxes).

Provisions

HCG recognises provisions at the amount necessary, according to the best possible estimates, to cover all legal or de facto liabilities that the Group has on the balance sheet date. Future events that could affect the amount needed to meet a liability are reflected in the size of the provision, providing they can be predicted with sufficient objective certainty. The amount recognised is that which is most likely on an objective assessment of the facts. In the case of large volumes, calculation is based on the anticipated figure. As at 31 December 2018, other provisions amounted to EUR 235 thousand (EUR 154 thousand in 2017) (see also section 10.16. Other provisions).

Pension provisions are measured by an external expert using the projected unit credit method prescribed for defined-benefit pension plans. This measurement takes account of known pension commitments and vested entitlements on the balance sheet date as well as anticipated increases in salaries and pensions. The interest rate used to calculate the present value of these liabilities is generally based on the yield for senior fixed income corporate bonds denominated in the currency of the relevant currency area.

Share-based payments

Costs that arise from the granting of equity instruments and from share-based payments to staff and members of the Management Board with cash settlement are measured within the Group at the fair value of the equity instruments at the time when they are granted. The most suitable valuation method has to be identified in order to estimate the fair value of share-based payments; the choice of method will depend on the conditions under which the entitlements were granted. When producing this estimate, the Group also has to determine suitable input parameters for the chosen method (in particular the anticipated term of the option, volatility and dividend yield) and make corresponding assumptions. The assumptions and methods applied when estimating the fair value of share-based payments are described in section 10.13. Employee stock option plans of the company.

Revenue

Commission services

With regard to brokerage services, HCG fulfils its contractual obligations on the date on which the holidaymaker books a product offered by our customer. The fulfilment date is taken as the date on which the product is brokered by HCG. The transaction price is determined as follows: holiday price times basic commission rate less a cancellation factor. The cancellation factor is based on the actual 12-month average and is therefore continuously updated. An additional flat-rate deduction for cancellations is applied to revenue for brokerage services (e.g. to cover airline bankruptcies that can push up cancellation rates). This deduction is reviewed annually. In many cases, the basic commission is boosted by sliding-scale commissions based on brokerage revenue. These sliding-scale commissions are projected separately each month and for each contract. As a basis for this, we use our planned figures at the beginning of the year (in most cases the tourism financial year from 1 November to 31 October of the following year) and replace them with actual figures every month. In particular at the beginning of the (tourism) financial year, we reflect the estimating uncertainties associated with plans to achieve our commission revenue-based objectives mainly by factoring in a risk premium based on historical values. This risk premium is reduced as the year progresses in line with the reduction in estimating uncertainty. The resulting overall sliding-scale commission for the (tourism) financial year is then distributed on the basis of booking seasonality.

Advertising services

With regard to advertising services, HCG fulfils its contractual obligations over a specified period based on the criteria set out in the contract. Advertising contracts specify the period, volume and price per advertising period (generally on a weekly basis). Weightings are applied to spread out discounts on the basis of the individual prices of the different components of the services provided by HCG. In the case of advertisements brokered by external agencies, revenue is based on advertising media supplied and invoiced and on the same principles.

Other services

With regard to other services (mainly involving subscription revenue from maintaining and providing weather data), HCG fulfils its contractual obligations over a specified period. The transaction price is based on a (monthly) price (specified in the contract) which is spread over the contractual term (usually 12 months) on a linear basis. No other price components are stipulated.

9. DISCLOSURES RELATING TO SUBSIDIARIES

9.1. Composition of the Group

Apart from the parent company HolidayCheck Group AG, which is based in Munich, Germany, the Group's year-end financial statements include thirteen other fully consolidated companies in respect of which HolidayCheck Group AG directly or indirectly holds a majority of the voting rights and therefore control. As such, these consolidated financial statements include the single-entity financial statements of all the significant subsidiaries over which HolidayCheck Group AG has legal and/or de facto control.

As at 31 December 2018, HCG held shares in the entities shown in the table below.

Reporting entity as at 31 December 2018

COMPANY	PRINCIPAL PLACE OF BUSINESS	Shareholding (percent)	Equity as at 31 Dec. 2018 € '000	Net income/(loss) in 2018 € '000
HolidayCheck Group AG	Munich, Germany	-	-	-
HolidayCheck AG	Bottighofen, Switzerland	100.00	103,739	7,392
HolidayCheck Polska Sp. z o.o. [1]	Warschau, Poland	100.00	665	236
HolidayCheck Solutions GmbH	Munich, Germany	100.00	69	0
HC Touristik GmbH	Munich, Germany	100.00	17	-8
Driveboo AG	Bottighofen, Switzerland	100.00	1,049	-562
Tomorrow Travel B.V.	Amsterdam, Netherlands	100.00	-1,633	-36
WebAssets B.V.	Amsterdam, Netherlands	100.00	31,841	424
Zoover Media B.V. [2]	Amsterdam, Netherlands	100.00	1,068	-2,208
Zoover International B.V. [2]	Amsterdam, Netherlands	100.00	5,270	1,317
Zoover GmbH [2]	Munich, Germany	100.00	-23	93
Meteovista B.V. [2]	Amsterdam, Netherlands	100.00	18,134	1,286
SARL Zoover France [2] [3]	Paris, France	100.00	88	0
Zoover Travel B.V. [2]	Amsterdam, Netherlands	100.00	-171	0

1) Indirect shareholding via HolidayCheck AG
2) Indirect shareholding via WebAssets B.V.
3) Company in liquidation

Cash flow from discontinued operations for the period 1 January to 31 December 2017

	Publishing € '000	Subscription € '000	TOTAL € '000
Net cash flow from operating activities	-4	-35	**-39**
Net cash flow from investing activities	0	0	**0**
Net cash flow from financing activities	0	0	**0**
Net cash flow from discontinued operations	**-4**	**-35**	**-39**

9.2. Changes in the reporting entity

The formation of HC Touristik GmbH was completed on 7 December 2018, when the new Group company was entered in commercial register B of the district court (Amtsgericht) of Munich with the registration number HRB 245261. The company's purpose is to run a tour operator business.

9.3. Discontinued operations

There were no consolidated results from discontinued operations during the year under review.

In financial 2017, a liability of EUR 343 thousand was derecognised in respect of the Publishing division, which was discontinued in 2015.

Impact on the consolidated financial statements

Given its importance to the earnings, asset and financial situation of HolidayCheck Group AG, the business area sold by the Group (see above) constitutes a discontinued operation within the meaning of IFRS 5.

No assets or liabilities were allocated to the discontinued division in the financial year under review or at the end of the previous year.

In financial 2017, the figure for **consolidated profit/(loss) from the discontinued operation** contained income of EUR 343 thousand (EUR 0.01 earnings per share) from the derecognition of liabilities in respect of the former Publishing division. This income is classed as gains/(losses) on disposal of discontinued operations.

Consolidated net profit/(loss) from continuing operations (including other comprehensive income of EUR 14 thousand) totalled minus EUR 6,269 thousand in the financial year 2017. Comprehensive income from discontinued operations amounted to EUR 343 thousand.

There is no change in the presentation of cash flows attributable to the operating, investing or financing activities of discontinued operations for 2018 and the previous year. As required, cash flows from discontinued operations are also presented in detail in the notes to the financial statements.

Cash flow from discontinued operations for the period 1 January to 31 December 2017, (see table above).

9.4. Other changes

HolidayCheck AG acquires internet portal Beach-Inspector.com under asset deal

In financial 2018, HC acquired the principal assets of Beach-Inspector GmbH under the terms of an asset deal for EUR 2,150 thousand in order to offer our holidaymakers even more relevant information to help them search for and find the perfect holiday.

10. NOTES TO THE CONSOLIDATED BALANCE SHEET

10.1. Intangible assets

The **intangible assets acquired from third parties** were mainly acquired as a result of business combinations. They include the brand names and internet domains Zoover (EUR 7,510 thousand), MeteoVista/Weeronline (EUR 1,636 thousand), HolidayCheck (EUR 3,386 thousand) and other internet domains and websites (EUR 509 thousand).

The main component of the other internet domains and websites is the domain hotelcheck.de (EUR 509 thousand).

This item also includes the customer bases acquired as a result of the business combination with WebAssets (EUR 1,225 thousand; 2017: EUR 1,575 thousand) as well as acquired software.

The principal assets of *Beach-Inspector.com* (internet portal, brand, domain and ratings database) were acquired in financial 2018 under the terms of an asset deal. The ratings database will be amortised according to the declining-balance method. However, the internet portal, brand and domain will be amortised on a linear basis over their useful life. The residual carrying value of these assets as at 31 December 2018 was EUR 2,062 thousand.

In most cases, brand names and internet domains acquired as a result of business combinations have no finite useful life, as there is no foreseeable end to their economic use. Brand names are allocated to cash-generating units at the time of acquisition. Goodwill is also allocated to these cash-generating units. If impairment risks are discovered while determining the value in use of goodwill, a write-down is performed in line with IAS 36.

In financial 2018, as in the previous year, there was no need for write-downs due to impairment in respect of brand names and other internet domains with an indefinite useful life.

The **internally generated intangible assets** of EUR 11,886 thousand (EUR 12,517 thousand in 2017) entirely concern software developed in-house, e.g. website programming and mobile applications.

If software that has been developed and produced in-house is complete and ready to use, the capitalised development costs are written down over the useful life of the software. The company has set the useful life of software development costs capitalised within the HCG Group at five years.

With regard to the development of acquisition and production costs and the amortisation of intangible assets, reference is made to the consolidated statement of changes in non-current assets for the financial years 2018 and 2017 (see tables on pages 100 - 103).

The year-end carrying amount of intangible assets under development was EUR 947 thousand (2017: EUR 335 thousand).

The total figure for **goodwill** in 2018 was EUR 100,182 thousand (unchanged on the prior year) and derives from the following acquisitions.

Goodwill from acquisitions

	31. DEC 2018 € '000	31. DEC 2017 € '000
HolidayCheck AG	69,091	69,091
WebAssets B.V.	31,091	31,091
Goodwill	**100,182**	**100,182**

As required by IAS 36, all goodwill is subjected to an annual impairment test based on value in use following the procedure outlined in section 6 Accounting and valuation principles. In each case, the company concerned acts as the cash-generating unit.

The mandatory annual impairment tests confirmed that there had been no impairment of capitalised goodwill.

Goodwill and intangible assets with indefinite useful life at 31 December 2018

	Allocated goodwill and intangible assets with an indefinite useful life		Valuation parameters				
	Goodwill € '000	Brands and internet domains € '000	Average revenue growth	Average EBITDA margin	Growth rate of perpetuity	Discounting rate before tax	Detailed planning period (years)
HolidayCheck AG	69,091	3,895	14.3% (2017: 11.4%)	14.0% (2017: 12.7%)	1.1% (2017: 1.1%)	8.3% (2017: 7.8%)	5 (2017: 5)
WebAssets B.V.	31,091	9,146	18.9% (2017: 11.4%)	19.6% (2017: 20.4%)	1.1% (2017: 1.1%)	8.3% (2017: 7.7%)	5 (2017: 5)

Total gross trade receivables and total net trade receivables

	2018 € '000	2017 € '000
Total gross receivables	24,105	21,825
Valuation allowances	-2,101	-2,361
Total net receivables	22,004	19,464

The mandatory annual impairment tests for goodwill and for intangible assets with an indefinite useful life were based on the assumptions as at 31 October 2018 shown in the table on the previous page.

Goodwill and intangible assets with an indefinite useful life were written down on the basis of impairment testing. With regard to the goodwill for HolidayCheck AG, an 11.0 percent higher weighted average cost of capital (WACC), a 6.0 percent reduction in the average EBITDA margin or a 45.3 percent decrease in revenues would have led to the carrying value falling below its recoverable value. Turning to the goodwill for WebAssets B.V., a 3.0 percent rise in the weighted average costs of capital (WACC), a 6.5 percent lower average EBITDA margin or a 10.8 percent drop in revenues would have led to the carrying value falling below its recoverable value.

When determining the value in use for the cash-generating units, HCG takes the view that changes in the main assumptions classed as 'possible' will not lead to a situation where the carrying amounts of those units exceed their recoverable amounts.

10.2. Property, plant and equipment (tangible assets)

Property, plant and equipment relates primarily to other equipment, operating and office equipment with a value of EUR 2,363 thousand (2017: EUR 2,934 thousand).

With regard to the development of acquisition and production costs and the depreciation and impairment of property, plant and equipment, reference is made to the consolidated statements of changes in non-current assets for financial years 2018 and 2017 (see tables on pages 100 - 103).

10.3. Trade receivables

Further details of the new accounting and valuation methods introduced under IFRS 15 and IFRS 9 and information on the impact of the first-time application of those standards can be found in sections 2.1 and 6.

The company constantly monitors trade receivables. All receivables were subjected to a maturity analysis that is used to help determine whether there has been any decline in credit quality.

Valuation allowances are adjusted accordingly if there are expected credit losses (see also section 6). Total gross trade receivables and total net trade receivables are shown in the table above.

The reclassification of valuation allowances for trade receivables from 1 January 2018 to 31 December 2018 is shown in the table on the following page.

Reclassification of valuation allowances for trade receivables

	SIMPLIFIED MODEL € '000
Impairment at 1 January (according to IAS 39)	2,361
Adjustment of loss allowance for trade receivables of previous year at 1 January 2018 due to change from IAS 39 to IFRS 9	-330
Used	-19
Reversed	-35
Change in impairment of trade receivables due to changed volumes (simplified model)	124
Impairment at 31 December (according to IFRS 9)	2,101

As at 31 December 2017, impairment from specific valuation allowances for expected credit defaults as a result of bankruptcies stood at EUR 1,409 thousand. In 2017, the specific allowances included additions of EUR 464 thousand, allowances used of EUR 148 thousand and no reversals.

As at 31 December 2017, the figure for expected credit losses on trade receivables that were not based on insolvency risks stood at EUR 952 thousand).

The following table shows the due dates of trade receivables financial 2017, (see table below).

In respect of those trade receivables shown in the balance sheet, the Group had an unconditional right to consideration covering the full amount in accordance with IFRS 15.

Trade receivables for financial year 2017

			thereof not impaired or overdue on the reporting date				
TRADE RECEIVABLES € '000	CARRYING AMOUNT	thereof not impaired or overdue on the reporting date	less than 30 days	between 31 and 60 days	between 61 and 120 days	between 121 and 360 days	more than 360 days
as at 31 December 2017	19,464	18,615	487	251	94	17	0

10.4. Contract assets
In 2018, as a result of the first-time application of IFRS 15, we recognised contract assets for the first time due to changes in our contractual terms and settlement methods following the insourcing of some contracts with our media customers (previously through an agency) (see also section 2.1). These contract assets are rights to payment totalling EUR 1,060 thousand under business-to-business (B2B) marketing contracts. The rights in question are not yet based on contractual performance by HCG. The opening and closing balances for these contract assets are shown in section 11.1.

10.5. Receivables from and liabilities to affiliated entities
Receivables and payables in relation to affiliated entities are mainly due to trade relationships. All receivables and payables are measured at fair value. As in the previous year, their value has not been adjusted due to impairment, and they are not past due.

10.6. Other financial and non-financial assets
The other financial assets consist mainly of rent deposit accounts. Other non-financial assets primarily include tax receivables (e.g. future VAT refunds of German VAT paid but deductible in the following month), prepaid expenses and payments of advance consideration.

For greater transparency, other miscellaneous assets are presented separately as other financial and other non-financial assets in the balance sheet for the first time in 2018. In line with IAS 1 and IAS 8, the figures of the prior year were adjusted accordingly.

10.7. Cash and cash equivalents
Cash and cash equivalents are made up of cash on hand amounting to EUR 4 thousand (2017: EUR 4 thousand) and cash at banks of EUR 33,755 thousand (2017: EUR 26,151 thousand). Further details of the changes in the Group's cash position can be found in the consolidated statement of cash flows.

10.8. Equity
As at 31 December 2018, the company's subscribed share capital stood at EUR 58,313,628, divided into 58,313,628 no-par value shares, each with an accounting value of EUR 1. All the company's shares are fully paid up.

Following issues of the company's own shares in 2018 (285,527 no-par value shares with a nominal value of EUR 1.00) under the RSP and LTIP 2017-2020 employee stock option plans, the total figure for treasury shares fell to EUR 1,084 thousand (2017: EUR 1,369 thousand) (see also section 10.9 Treasury shares).

As at 31 December 2018, the company held a total of 1,083,873 treasury shares, equivalent to around 1.9 percent of its share capital.

Capital reserves
As at 31 December 2018, the capital reserves of HCG were EUR 85,048 thousand. This figure rose by EUR 149 thousand because of the issue of no-par value shares under the RSP and LTIP 2017-2020 employee stock option plans.

The capital reserves are made up of payments into the reserve from capital increases. They may only be utilised as provided for by German stock corporation law.

According to section 150 of the German Stock Corporation Act, the statutory reserve and the capital reserves prescribed by section 272, paragraph 2, numbers 1 to 3 of the German Commercial Code must together exceed a tenth of the share capital, so that they can be used to offset losses or for a capital increase out of company funds.

As long as the total of statutory reserve and capital reserve does not exceed a tenth of the share capital, they may only be used to make up for losses in as far as the loss cannot be covered by carrying forward profits or by the net income for the year and cannot be balanced by releasing other revenue reserves.

Revenue reserves
An amount of EUR 382 thousand was recognised as the increase in the revenue reserves in connection with the share-based payment plans. The 2018 year-end total for the HCG Group's revenue reserves was EUR 1,755 thousand.

Authorised capital
At the general meeting of shareholders held on 20 June 2018, it was decided to nullify authorised capital 2013, last valued at EUR 14,578,407 and at the same time to authorise the Management Board, subject to Supervisory Board approval, to undertake one or more increases in the company's share capital until 19 June 2023 of up to EUR 29,156,814 in exchange for cash and/or non-cash contributions (authorised capital 2018). The Management Board is authorised to exclude shareholders' statutory subscription rights.

Buying and selling prices of shares issued

NUMBER OF SHARES	PORTION OF SHARE CAPITAL (€)	PORTION OF SHARE CAPITAL	AVERAGE STOCK EXCHANGE PRICE AT PURCHASE (€)	BUYING PRICE (€)	BUYING PRICE (€)	SELLING PRICE (€)	PURPOSE
200	200,00	0.00%	2.53	506.17	3.07	613.00	Bonus shares
200	200,00	0.00%	2.53	506.17	3.12	624.00	Bonus shares
9,389	9,389.00	0.02%	2.53	23,762.15	3.07	28,777.29	Share match
18,606	18,606.00	0.03%	2.53	47,088.99	3.12	58,050.72	Share match
72,409	72,409.00	0.12%	2.53	183,256.31	3.07	221,933.59	RSP
94,220	94,220.00	0.16%	2.53	238,456.68	3.12	293,966.39	RSP
90,503	90,503.00	0.16%	2.50	226,338.46	2.93	264,879.51	LTIP 2017
285,527	**285,527.00**	**0.49%**		**719,914.93**		**868,844.50**	

Contingent capital
The general meeting of shareholders held on 16 June 2015 adopted a resolution to create new contingent capital of EUR 11,600,000 (contingent capital 2015). This contingent capital is used to grant shares to the holders of convertible bonds and/or bonds with warrants. The authorisation is valid up to 15 June 2020.

Purchases of treasury shares
The general meeting of shareholders on 16 June 2015 authorised the Management Board to purchase own shares equal to a proportion of up to 10 percent of the company's share capital. This authorisation expires on 15 June 2020.

10.9. Treasury shares
In July and August of financial 2018, the company transferred 285,527 no-par value shares, each representing EUR 1 of its total share capital, to employees of the HolidayCheck Group under the restricted stock plan (in the form of bonus shares) and to members of the Management Board under the LTIP 2017-2020 stock option plan (in the form of shares). The buying and selling prices for each tranche of shares are shown in the table above.

Changes in equity are shown in the consolidated schedule of changes in equity.

10.10. Earnings per share
Earnings per share in the reporting period, in relation to the shares issued or assumed as issued were as shown in the table below:

Earnings per share

	UNIT	2018	2017
Consolidated net profit/(loss) accruing to shareholders of HCG	€ '000	1,926	-5,940
of which from continuing operations	€ '000	1,926	-6,283
of which from discontinued operations	€ '000	0	343
Weighted average number of issued shares	(units)	**57,075,802**	**57,239,925**
Earnings per share			
of which from continuing operations	€	0.03	-0.11
of which from discontinued operations	€	0	0.01

10.11. Other reserves

Other reserves are currency reserves for currency differences arising from the translation of the results of companies whose functional currency is not the same as that of the Group. The item also includes a reserve for the revaluation of defined-benefit pension plans as shown in the table below.

Development of other reserves

	Reserves for the revaluation of defined-benefit pension plans € '000	Reserves for currency translation differences € '000	TOTAL € '000
Initial level as at 1 January 2018	**282**	**-2,090**	**-1,808**
Revaluation of defined-benefit pension plans	**7**		**7**
Change due to revaluation	9		9
Deferred tax effect	-2		-2
Currency translation differences		**-18**	**-18**
Final level as at 31 December 2018	**289**	**-2,108**	**-1,819**

10.12. Provisions for pensions

As at 31 December 2018, the provisions for pensions amounted to EUR 1,375 thousand (EUR 1,298 thousand in 2017). This figure relates to the entitlements of HolidayCheck AG and Driveboo AG employees.

In order to deliver its own occupational pension scheme, HolidayCheck AG and Driveboo AG have joined a number of collective foundations. The companies maintain three employee pension schemes that pay out on retirement or invalidity, with benefits for the dependents of deceased employees. As a minimum, the benefits provided under these schemes comply with the statutory requirements as prescribed in the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans - LOB - (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge, BVG). The level of death and invalidity benefit depends on the underlying salary, while the retirement benefit is based on the credits accumulated by employees when they retire. In accordance with IAS 19 (revised), these plans should be classed as defined-benefit plans.

The expense of EUR 541 thousand in the financial year 2018 (EUR 524 thousand in 2017) was recognised in the statement of income.

Development of pension obligations in the financial year

	2018 € '000	2017 € '000
Present value of pension obligations at 1 January	4,995	4,633
Expenses for additional pension entitlements acquired in the financial year	534	540
Employee contributions	511	502
Interest expenses for existing entitlements	36	29
Pensions payments in the financial year	-361	-568
Gains/(losses) resulting from changes in financial assumptions	-165	-36
Gains/(losses) resulting from experience adjustments	146	339
Exchange rate changes in the case of plans in a currency other than the euro	199	-419
Past service costs and settlements	0	-25
Present value of pension obligations at 31 December	**5,895**	**4,995**

Out of these obligations, plan assets are in place covering EUR 5,895 thousand (2017: EUR 4,995 thousand).

Development of plan assets in the financial year

	2018 € '000	2017 € '000
Present value of plan assets at 1 January	-3,698	-3,262
Interest income	-29	-21
Employer contributions	-511	-502
Employee contributions	-511	-502
Pension payments in the financial year	361	568
Return on plan assets excluding amounts recognised as interest income	11	-284
Exchange rate changes in case of plans in a currency other than the euro	-143	305
Present value of plan assets at 31 December	**-4,520**	**-3,698**

The plan assets do not include any financial instruments belonging to the company or property used by the company. The actual income from the plan assets amounts to EUR 18 thousand (2017: EUR 305 thousand).

Breakdown of plan assets

	2018 (percent)	2017 (percent)
Equity instruments	22.3	23.5
quoted	9.8	20.8
not-quoted	12.5	2.7
Debt instruments	24.0	20.6
quoted	18.1	19.7
not-quoted	5.8	0.9
Property	17.1	17.3
quoted	2.2	2.5
not-quoted	14.9	14.8
Cash	3.1	3.8
Assets from insurance policies	0.0	0.0
Other	33.5	34.8
quoted	0.0	0.0
not-quoted	33.5	34.8
Total	**100.0**	**100.0**

Derivation of pension provisions in the year under review

	2018 € '000	2017 € '000
Present value of plan assets at 31 December	-4,521	-3,698
Present value of pension obligations at 31 December	5,896	4,996
Benefit obligations in excess of assets	1,375	1,298
Net defined benefit liability at 31 December	**1,375**	**1,298**

Derivation of pension expenses in the year under review

	2018 € '000	2017 € '000
Expenses for additional pension entitlements acquired in the financial year	-534	-540
Interest expenses for existing entitlements	-36	-29
Interest income	29	21
Past service costs and settlements	0	25
Expense recognised in the statement of income	**-541**	**-524**

Actuarial assumptions

	2018 (percent)	2017 (percent)
Interest rate	0.90	0.70
Rate of salary progression	1.00	1.00
Rate of pension progression	0.00	0.00

The assumptions made with regard to future mortality rates are based on death statistics published in Switzerland (LOB 2015). The length of this pension commitment is based on an assumed period of 15.9 years (2017: 17.5 years) for HolidayCheck AG and a period of 15.6 years (2017: 14.8 years) for Driveboo AG.

In 2019, the company expects to make contributions to the plan of EUR 606 thousand (contributions in 2018: EUR 511 thousand).

There are a number of risks associated with HC's and Driveboo's own pension plans. The collective foundations joined by HolidayCheck AG and Driveboo AG could change their financing systems (contributions and future benefits) at any time. They may cancel agreements provided that they observe the contractual and statutory notice periods. They may also ask the employer and employees to pay higher risk and cost premiums. In the case of ASGA (a Swiss pension fund for small and medium-sized companies) it may even levy remedial contributions from the employer and employees to rectify any lack of cover if other measures fail to do so.

Sensitivity analysis

	Effects on obligations (€ `000)				
		2018		2017	
	Change in the assumption	Change in the assumption	Increase in the assumption	Change in the assumption	Increase in the assumption
Discount rate	0,50%	-432	505	-399	471
Salary progression in the future	0,50%	122	-133	110	-125
Increase in pensions in the future	0,50%	166	-150	181	-160
Life expectancy	1 year	64	-55	70	-61

10.13. Employee stock option plans of the company

HolidayCheck Group AG currently maintains three share-based payment plans: the restricted stock plan (RSP) for employees of HolidayCheck Group AG and its subsidiaries and the long-term incentive plan 2017-2020 (LTIP 2017-2020) for members of the Management Board of HolidayCheck Group AG, which replaced the long-term incentive plan 2011-2016 (LTIP 2011-2016). Under IFRS 2 rules, all the above plans are classed as share-based payment agreements.

Long-term incentive plan (LTIP) 2011-2016

Between 2011 and 2016, phantom shares were issued to members of the Management Board and other staff of HolidayCheck Group AG (or Tomorrow Focus AG) and its subsidiaries under a long-term incentive plan (LTIP 2011-2016). The phantom shares entitle the holder to a cash payment based on the average share price over the last one hundred stock exchange trading days up to the payment date. There is no automatic entitlement to shares in HolidayCheck Group AG. The phantom shares were granted in annual tranches. There is no link between these tranches. The last tranche was granted in financial 2016.

Vesting of the phantom shares conferred under the LTIP is subject to meeting individually negotiated EBTA targets or corridors for each financial year. Depending on the extent to which targets are met in the financial year in which the tranche was granted, the original number of phantom shares is increased or reduced. If a specified minimum target is not achieved or if the company's liabilities exceed a certain threshold, entitlement to the granted phantom shares may be forfeited completely. After this point, the earned phantom shares must be held for a further three years. The holding period for the last tranche granted in financial 2016 ends in June 2020.

On expiry of the minimum holding period, the beneficiaries are entitled to a cash payment (plus accumulated dividends) based on their earned phantom shares. The total payment may not exceed three times the grant value of that tranche of phantom shares. The grant value, assuming complete attainment of the target, is an individual gross amount converted into phantom shares on the basis of the average share price (initial reference price) over the last one hundred stock exchange trading days up to the annual general meeting at which the consolidated financial statements approved by the Supervisory Board for the financial year in question are presented to shareholders.

LTIP 2017-2020

The LTIP 2017-2020 replaced the LTIP 2011-2016 in financial 2017. This new share-based payment plan will generally be settled in the form of equity instruments.

Under the terms of the LTIP 2017-2020, the members of the Management Board of HolidayCheck Group AG will each be granted a number of company shares ('restricted stocks') in annual tranches between the years 2017 and 2020. Each tranche will be granted independently of the others. The number of shares granted is based on the contractually agreed monetary target (baseline figure) for the long-term remuneration of the member of the Management Board in question. This baseline figure depends on the degree to which the member of the Management Board meets two performance indicators covering EBT (50 percent) and revenue (50 percent) with reference to the definitive figures shown in the consolidated financial statements drawn up by the HolidayCheck Group AG under IAS/IFRS rules for that financial year.

The Supervisory Board of HolidayCheck Group AG defines a target corridor for both constituent performance indicators for each tranche and therefore each financial year. A threshold, target and ceiling are specified for each corridor. If the result is below the threshold, the performance score is set at 0 percent. Above the threshold, it is set at 80 percent. If the result is on target, the performance score is 100 percent, while a 120 percent performance score is awarded for reaching the ceiling.

For EBT/revenue results between the threshold and the target or between the target and the ceiling, the precise performance score is calculated on a linear basis. The overall performance score is taken as the arithmetical average of the scores for the two constituent indicators. This average score is then multiplied by the baseline figure for the member of the Management Board in question. Using this method, the Supervisory Board can weigh the results by a factor of between 80 and 120 percent in recognition of the overall performance of each member of the Management Board in the financial year.

After deducting all the corresponding taxes payable, the resulting figure (in EUR) is divided by the 'reference price' for HolidayCheck Group AG shares in order to calculate the number of shares to be awarded for that tranche. The reference price is defined as the average closing price of HolidayCheck Group AG shares on the XETRA trading system over the last one hundred stock exchange trading days up to the ordinary general meeting of shareholders at which the consolidated financial statements for the qualifying financial year are presented to shareholders.

These performance targets were set for the tranches 2017-2020 when the LTIP 2017-2020 was introduced in financial 2017. For this reason, all the tranches from 2017 to 2020 are treated as having been granted in financial 2017. However, the number of shares awarded for each tranche can lapse without entitlement or can be calculated on a pro rata basis if a member of the Management Board leaves the HolidayCheck Group AG during the financial year for which performance is being measured.

Once they have been granted, the shares are transferred to a securities account designated by the member of the Management Board. They cannot be sold during the three-year holding period. After this period, the holder is free to choose when to sell them, i.e. there are no further restrictions on shares granted under the LTIP 2017-2020.

Restricted stock plan (RSP)

The restricted stock plan was introduced in the financial year 2017 as a form of new variable payment to replace the existing variable salary component (bonus). This share-based payment plan will also be settled in the form of equity instruments.

The plan is open to employees of HolidayCheck Group AG and its subsidiaries who were entitled to a variable salary component when the restricted stock plan was introduced and who agreed to their inclusion in the plan or to a corresponding provision in their employment contract. For employees covered by the restricted stock plan, the previous system of variable remuneration lapsed without replacement on 1 January 2017.

Under the restricted stock plan, employees receive shares in HolidayCheck Group AG. The shares are granted in annual tranches with no link between individual tranches. The first tranche under the restricted stock plan was granted in financial 2017. Under the terms of the plan, employees are entitled to a specific, individually agreed target amount in EUR (the 'grant value'). The target amount is generally equal to the employee's previous variable remuneration based on 100 percent target achievement, or it may be specified in the employee's contract.

For each RSP tranche, the individual grant value is converted into shares (restricted stocks) on the basis of the price of HolidayCheck Group AG shares on the grant date. The grant date for the restricted stocks is 1 July of each year. The applicable share price is the price of HolidayCheck Group AG shares at the point when they are taken out of the HolidayCheck Group AG treasury holding. If the total of all the shares granted exceeds the total number of treasury shares held by HolidayCheck Group AG in the grant year, HolidayCheck Group AG is entitled to fulfil the RSP entitlement of employees in cash. At present, HolidayCheck Group AG does not plan to use this option.

Once they have been granted, the shares must generally be held for two years. After this period, the holder is free to choose when to sell them, i.e. there are no further restrictions on shares granted under the RSP.

Transitional rules have been established to cover the introduction of the new variable remuneration system, i.e. for the 2017 tranche of the RSP. Employees whose contracts commenced before 31 December 2017 may –

LTIP 2011-2016

Outstanding phantom shares at 1 January 2018	503,929
Phantom shares granted	0
Phantom shares forfeited	0
Phantom shares paid out	0
Outstanding phantom shares at 31 December 2018	503,929

depending on the level and structure of their 'total target remuneration', i.e. their basic salary and their previous 'target bonus' (previous variable remuneration based on 100 percent achievement of targets) – transfer their target bonus to the RSP in specified proportions of 0, 50, 75 or 100 percent. This option will not be available from financial 2018, when the RSP will be used as the variable remuneration mechanism for all qualifying employees.

There is also a special holding period rule for shares granted in the 2017 tranche. The holding period for half of the shares granted ends after just one year and for the other half after two years. Employees who are granted shares in the 2017 tranche also qualify for a 'share match'. After the shares have been granted and held for one year, employees receive matching shares. The matching ratio is 1:2 or 1:3 depending on the employee's individual total target remuneration, i.e. employees will receive one additional bonus share for every two or three shares in the 2017 RSP tranche held at the end of the one-year holding period.

LTIP 2011-2016

The last tranche of LTIP 2011-2016 shares was granted in financial 2016. No further LTIP 2011-2016 phantom shares were granted in financial 2017 and 2018.

LTIP 2017-2020

The LTIP 2017-2020 was set up in financial 2017, when 408,715 shares were granted. On the grant date, these had a total allocation value of EUR 2,096 thousand.

LTIP 2017-2020

	TRANCHE 2017	TRANCHE 2018	TRANCHE 2019	TRANCHE 2020	TOTAL
Outstanding shares at 1 January 2018	86,756[1)]	100,088[4)]	103,004[4)]	103,004[4)]	392,852
Shares granted	3,747[2)]	0	3,905[3)]	8,211[3)]	15,863
Shares earned	90,503[2)]	0	0	0	90,503
Shares forfeited	0	0	0	0	0
Shares transferred	90,503[2)]	0	0	0	90,503
Outstanding shares at 31 December 2018	0	100,088[4)]	106,909[4)]	111,215[4)]	318,212

1) Based on the XETRA price of EUR 2.83 for HolidayCheck Group AG shares on the grant date (25 October 2017)
2) In addition to 1), in 2018 the Supervisory Board set the actual reference price on transfer for the shares of HolidayCheck Group AG in respect of the 2017 tranche at EUR 2.93 and factored in the degree to which performance targets had been met.
3) Based on the XETRA price of EUR 3.36 for HolidayCheck Group AG shares on the grant date (10 July 2018)
4) In addition to 1) and 3), the total for each tranche from 2018 to 2020 on transfer depends on the level of performance in relation to the specified EBT and revenue targets for the shares granted in financial 2017 and 2018.

Restricted stock plan

	TRANCHE 2017	TRANCHE 2018
Outstanding shares at 1 January 2018	24.401[1)]	0
Shares granted	0	170.623[3)]
Shares earned	0	170.623[3)]
Shares forfeited	0	0
Shares transferred	24.401[2)]	170.623[3)]
Outstanding shares at 31 December 2018	0	0

1) This figure includes 'matching shares'. The underlying average HolidayCheck Group AG share price on the grant date was EUR 3.06.
2) The underlying average HolidayCheck Group AG share price on transfer was EUR 3.09.
3) This includes additional bonus and matching shares. The underlying HolidayCheck Group AG share price on the grant date was EUR 3.07 and EUR 3.12 respectively.

Restricted stock plan

In 2018, the total number of shares granted under the RSP, the bonus share plan and the share matching plan was 170,623 (2017: 126,891). On the grant date, these had a total allocation value of EUR 527 thousand (2017: EUR 388 thousand).

Once the shares earned in a given financial year have been placed in a securities account, they must be held for a specified period (see above for details of the transitional rules).

Valuation parameters: LTIP 2011-2016

The phantom shares granted under the LTIP 2011-2016 are classed and valued as share-based payments with cash settlement. The fair value of the corresponding balance sheet liabilities was calculated using the Black-Scholes formula while taking account of the specific conditions on which the LTIP 2011-2016 is based. The valuation as at 31 December 2018 is based on the following parameters.

The volatility estimate is based on historic volatilities. It is assumed that future trends can be determined on the basis of past volatilities over a similar period to the anticipated term of the phantom shares. Actual volatility may vary from these assumptions.

LTIP 2011-2016

	TRANCHE 2015	TRANCHE 2016
End of holding period	June 2019	June 2020
(Residual) term of phantom shares	150 days	518 days
Share price on valuation date	€ 2.65	€ 2.65
Initial reference price	€ 2.80	€ 2.58
Projected dividend yield	0%	0%
Risk-free interest rate for the (remaining) term	-0.70%	-0.68%
Projected volatility for 100-day average	3.47%	3.65%
Cap	€ 8.41	€ 7.74
Fair value per phantom share	€ 2.65	€ 2.65

LTIP 2017-2020

The shares granted under the LTIP 2017-2020 are classed and valued as share-based payments with equity settlement. The fair value of the equity instruments granted under the plan was estimated from the basic amounts granted to the participants under the LTIP 2017-2020 for each of the tranches from 2017 to 2020 and then adjusted to take account of the expected degree of target fulfilment as at 31 December 2018. The XETRA closing price for HolidayCheck Group AG shares on the grant date was used to calculate the number of shares. The number of shares granted will be adjusted if there is any change in the actual degree of target fulfilment. As at 31 December 2018, the weighted average fair value of the shares granted under the LTIP 2017-2020 was EUR 2.65 per share. This was the HolidayCheck Group AG share price on the XETRA trading platform on the last exchange trading day in the calendar year 2018 (i.e. 28 December 2018).

Restricted stock plan

The shares granted under the restricted stock plan are classed and valued as share-based payments with equity settlement. The fair value of the equity instruments granted under the plan was estimated on the basis of the 2018 year-end HolidayCheck Group AG share price for the shares granted under the RSP. As at 31 December 2018, the weighted average fair value of the shares granted under the RSP was EUR 2.65 per share. This was the HolidayCheck Group AG share price on the XETRA trading platform on the last exchange trading day in the calendar year 2018 (i.e. 28 December 2018).

The table below shows the amounts recognised in the consolidated financial statements for financial 2018 in respect of liabilities from share-based payment transactions.

Other miscellaneous obligations from share-based payments

	2018 € '000	2017 € '000
Plans with cash settlement (LTIP 2011-2016)	1,335	1,404
Plans with cash settlement (LTIP 2017-2020)	1,163	451
Total	**2,498**	**1,855**

The holding period for the phantom shares granted in the 2014 tranche of the LTIP 2011-2016 ended in financial 2018. There was no corresponding payout because the stipulated EBTA targets and corridors were not achieved.

The holding period for shares earned in the 2017 tranche of the LTIP 2017-2020 ended in financial 2018. Based on 90,503 shares, the total payout from this tranche was EUR 265 thousand.

The expenses resulting for the HolidayCheck Group in relation to the two LTIPs and the RSP during the period of review are shown in the table below.

Personnel expenses for share-based payments

	2018 € '000	2017 € '000
Of which from plans with settlement in cash (LTIP 2011-2016)	-69 1)	337
Of which from plans with settlement in equity instruments (LTIP 2017-2020)	596 2)	1,069 3)
Of which from plans with settlement in equity instruments (LTIP 2017-2020)	604 4)	388 4)
Total	**1,131**	**1,794**

1) In financial 2018, the revaluation of LTIP 2011-2016 produced income as a result of share price movements.
2) Including pro rata personnel expenses for the tranches from 2019 to 2020
3) Including pro rata personnel expenses for the tranches from 2018 to 2020
4) Including personnel expenses for the share matching offer of the tranche 2017

10.14. Deferred taxes

Deferred taxes are formed on loss carryforwards and temporary differences between IFRSs and the tax balance sheet. Within the tax group, an average tax rate of 32.98 percent (2017: 32.98 percent) was taken as a basis for calculating the deferred taxes. The tax rate is calculated on the basis of an average trade tax rate of 17.15 percent (2017: 17.15 percent) and a corporation tax rate of 15.00 percent (2017: 15.00 percent) plus the solidarity surcharge of 5.5 percent (2017: 5.5 percent) of the corporation tax.

Individual tax rates have been used to calculate deferred taxes for each German company outside the reporting entity and for all non-German companies in the Group. These tax rates lie between around 15.15 percent for HolidayCheck AG and Driveboo AG, 25.00 percent for WebAssets B.V. and 20.00 percent for Tjingo.

There are trade tax loss carryforwards of EUR 122,163 thousand (EUR 120,387 thousand in 2017), corporation tax loss carryforwards of EUR 129,954 thousand (EUR 125,432 thousand in 2017) and international loss carryforwards of EUR 5,458 thousand (EUR 5,898 thousand in 2017) within the HCG Group.

No deferred tax assets were recognised on trade tax loss carryforwards of EUR 122,163 thousand (EUR 120,387 thousand in 2017), corporation tax loss carryforwards of EUR 129,954 thousand (EUR 125,423 thousand in 2017) and international loss carryforwards of EUR 3,538 thousand (EUR 4,081 thousand in 2017) within the Group, as it is currently thought unlikely that they will be utilised.

At present, losses in the Netherlands must be used within nine years of the date on which they arise and in Switzerland within seven years, whereas losses incurred in Germany can be carried forward indefinitely. However, tax loss carryforwards in and outside Germany and their previous offsetting are subject to final scrutiny by the responsible taxation authorities. Several financial years of HCG have not yet been definitively assessed by the taxation authorities. It is therefore possible that changes will have to be made to the tax loss carryforwards and to the assessed taxes as a result of external fiscal audits.

Deferred taxes of approximately EUR 444 thousand (2017: EUR 301 thousand) in respect of temporary differences in the retained earnings of subsidiaries were not recognised as liabilities, as the Group is in a position to control the time of reversal, and the temporary differences will not reverse in the foreseeable future.

The following tables on the next page show a breakdown of the deferred tax assets and liabilities in the balance sheet and statement of income. The first table is carried forward to deferred tax assets and the second table to deferred tax liabilities in the balance sheet .

Deferred tax assets of EUR 23 thousand (EUR 28 thousand in 2017) and deferred tax liabilities of EUR 679 thousand (EUR 909 thousand in 2017) had less than one year remaining.

Deferred tax assets

	1 JAN 2018 € '000	Recognised in other compre-hensive income € '000	Currency translation effects € '000	Income (+)/ Expenses (-) € '000	31 DEC 2018 € '000
Resulting from temporary differences					
Provisions for pensions	232	-2	0	-23	207
Other balance sheet items	42	0	0	-19	23
	274	**-2**	**0**	**-42**	**230**
Resulting from loss carryforwards	**323**	**0**	**0**	**-5**	**318**
	597	**-2**	**0**	**-47**	**548**
Less deferred tax liabilities resulting from offsetting					
Resulting from temporary differences					
Intangible assets	12	0	0	-12	0
	12	**0**	**0**	**-12**	**0**
Balance of deferred tax assets	**585**	**-2**	**0**	**-35**	**548**

Deferred tax liabilities

	1 JAN 2018 € '000	Recognised in other compre-hensive income € '000	Currency translation effects € '000	Income (+)/ Expenses (-) € '000	31 DEC 2018 € '000
Resulting from temporary differences					
Intangible assets	5,354	0	0	-668	4,686
Other balance sheet items	104	0	0	-104	0
Balance of deferred tax liabilities	**5,458**	**0**	**0**	**-772**	**4,686**
Effects on the statement of income				738	
thereof recognised as deferred tax expenses				*738*	

The revaluation of defined-benefit pension plans (recognised as other comprehensive income) led to a decrease of EUR 2 thousand (2017: increase of EUR 4 thousand) in equity on account of their deferred tax effect.

The table shows the reconciliation of the fictitious tax expense and tax income to the actual tax expense and tax income: (see table below).

Tax reconciliation at HolidayCheck Group

Tax effects	2018 € '000	2017 € '000
Earnings from continuing operations before taxes	**2,791**	**-5,927**
Fictitious tax expense/income (32,98%, 2017: 32,98%)	-920	1,955
Adjustments to fictitious tax expense/income		
Deferred taxes not capitalised on tax losses in reporting year	-1,498	-1,917
Valuation adjustment to deferred taxes capitalised on tax losses in previous years	-91	-312
Use of not capitalised tax loss carryforwards	123	0
Write-down on temporary differences	0	-113
Tax-free income	-3	0
Tax reduction due to different tax rates in countries other than Germany	1,703	154
Non-deductible expenses	-53	-140
Tax effects due to additions and reductions for local taxes	-17	-18
Tax income and expenses of other periods	-10	48
Other differences	-99	-13
Tax expenses/income according to consolidated statement of income	**-865**	**-356**

10.15. Contract liabilities

As described in section 2.1 of this report, the Group recognised contract liabilities in the balance sheet for the first time as a result of the first-time application of IFRS 15. As at 31 December 2018, there were non-current contract liabilities of EUR 401 thousand in respect of the non-current portion of brokerage services prepaid in January 2018 that are to be provided by HCG over the next two years. The current portion of these contract liabilities is shown under current contract liabilities. The balance sheet also shows contract liabilities from the insourcing of B2B marketing in respect of contracts (signed with customers in 2018 to provide media campaign services in 2019) for which either corresponding contract assets had already been recognised on account of rights to payment or advance consideration had already been received. The opening and closing balances for these contract liabilities are shown in section 11.1.

10.16. Other provisions

The table below shows the changes in other provisions during the year under review.

Furthermore, the Group is exposed to legal risks. These can particularly be risks in connection with other legal disputes and tax law disputes.

Other current provisions

	01 JAN 2018 € '000	USED € '000	ADDED € '000	31 DEC 18 € '000
Provisions for anniversary payments	94	-27	24	91
Litigation costs	60	-4	88	144
TOTAL OTHER CURRENT PROVISIONS	**154**	**-31**	**112**	**235**

Liabilities to banks

	31 DECEMBER 2018 € '000		31 DECEMBER 2017 € '000	
	Current	Non-current	Current	Non-current
Other liabilities to banks	40	0	40	0
	40	**0**	**40**	**0**

10.17. Liabilities to banks

Liabilities to banks amount to EUR 40 thousand (EUR 40 thousand in 2017) as shown in the table above.

In June 2014, as part of a wider plan to restructure the way HolidayCheck Group AG finances its activities, the company entered into a syndicated loan agreement. Under the terms of this agreement, it can borrow up to EUR 49.0 million on a flexible basis with repayment by 2019. This agreement was renegotiated in May 2015 to take account of the Group's new structure and the fact that guarantors for the loan were no longer part of the Group. The term of the loan was extended to 2020. As at the end of the year, HolidayCheck Group AG had not drawn down any of the funds available under this loan agreement.

Other liabilities to banks mainly consist of the loan arrangement fee of EUR 40 thousand (2017: EUR 40 thousand) for the above-mentioned syndicated loan. As at 31 December 2018, the Group also had unused credit lines totalling EUR 49,000 thousand (2017: EUR 49,000 thousand).

The interest rate payable on the syndicated loan is set for each interest period. The most recent figure was 0.9 percent.

All loans are unsecured.

10.18. Trade payables

Payment obligations in relation to outstanding invoices amounted to EUR 1,921 thousand (EUR 1,346 thousand in 2017) and are recognised under trade payables.

Trade payables have a remaining term of less than one year.

10.19. Other financial and non-financial liabilities

(See table below)

Other financial and non-financial liabilities

	31 DECEMBER 2018 € '000		31 DECEMBER 2017[1] € '000	
	Current	Non-current	Current	Non-current
Other personnel obligations	2,230	1,126	1,527	1,885
Liabilities to the Supervisory Board	324	0	296	0
Derivative financial instruments	0	0	117	0
Other miscellaneous liabilities	0	60	2	25
TOTAL FINANCIAL LIABILITIES	**2,554**	**1,186**	**1,942**	**1,910**
Obligations for leave not taken	944	0	913	0
Social security liabilities	484	0	538	0
Transit item	457	0	439	0
Wage and church tax liabilities	299	0	248	0
Other miscellaneous liabilities	349	0	653	0
TOTAL NON-FINANCIAL LIABILITIES	**2,533**	**0**	**2,791**	**0**

1) For greater transparency, other miscellaneous liabilities are presented separately as other financial and other non-financial liabilities in the balance sheet for the first time in 2018; the prior-year figures have been adjusted accordingly in line with IAS 1 and IAS 8.

Non-current personnel obligations mainly comprise EUR 1,126 thousand (2017: EUR 1,885 thousand) in respect of the non-current portion of obligations from share-based payment transactions for HCG.

Current personnel obligations primarily consist of EUR 1,469 thousand (2017: EUR 1,527 thousand) in respect of provisions for bonuses and EUR 761 thousand (2017: EUR 0) for personnel obligations under the LTIP 2011-2016.

Other miscellaneous non-financial liabilities chiefly include other tax liabilities.

10.20. Derivative financial instruments

As part of the risk management system, derivative financial instruments may be used to hedge the risks to which the company is exposed. These are primarily a result of exchange rate and interest rate fluctuations. Their use is essentially intended to hedge existing or planned underlying transactions and to reduce foreign currency and interest rate risks. They are not used for trading or speculative purposes.

The Group employs currency forwards to hedge cash flows denominated in Swiss francs (CHF) against possible exchange rate risks. As at 31 December 2018, the currency forward transactions produced a negative fair value of EUR 117 thousand in respect of derivative financial instruments. This figure was shown in the consolidated balance sheet under ‘Other financial liabilities’ and in the consolidated statement of income as currency translation losses under ‘Other expenses’. No transactions were concluded that would meet the conditions for hedge accounting.

10.21. Additional disclosures on financial instruments

The carrying amounts, amounts recognised and fair values by valuation category as at 31 December 2018 and 31 December 2017 are shown in the tables in section 10.22. Financial instruments by category.

Cash and cash equivalents, trade receivables, receivables from affiliated entities and other miscellaneous financial assets mostly have short remaining terms. For this reason, their carrying amounts on the reporting date were approximately the same as their fair values.

In the absence of an exchange or market price, it was not possible to derive a fair value for the corresponding period on the basis of similar transactions. A valuation based on the discounting of anticipated cash flows was not undertaken as the cash flows could not be reliably determined. Recognition was therefore based on amortised cost.

On account of their short terms, the carrying amount and the fair value of liabilities to banks are the same. The only items in this category are loan arrangement fees (see section 10.17. Liabilities to banks).

The majority of trade payables, payables to affiliated entities and other miscellaneous financial liabilities not created by stock option plans have short remaining terms. Their carrying amounts on the reporting date were therefore approximately the same as their fair values.

The fair value of derivative financial instruments is measured by applying appropriate valuation methods. The corresponding assumptions are very largely based on market conditions on the balance sheet date.

10.22. Financial instruments by category

The table below shows the carrying amounts of the Group’s financial assets and liabilities according to their valuation category and asset class based on IFRS 9 as at 31 December 2018 (for 2017 see the breakdown in section 2.1), (see table on the following page).

Classification of the different categories of financial instruments

ASSETS	Measurement category according to IFRS 9	Carrying amounts according to IFRS 9 as at 31 Dec 2018 € '000
Cash and cash equivalents	AC	33,759
Trade receivables	AC	22,004
Receivables from affiliated entities	AC	184
Other financial assets	AC	692
Other non-financial assets	n.a.	1,836

LIABILITIES	Measurement category according to IFRS 9	Carrying amounts according to IFRS 9 as at 31 Dec 2018 € '000
Liabilities to banks		
Liabilities to banks	FLAC	40
Trade payables	FLAC	16,120
Liabilities to affiliated entities	FLAC	35
Other financial liabilities		
Derivatives without a hedging relationship	FVTPL	0
Other financial liabilities (IFRS 3 2008)	none	0
Other financial liabilities	FLAC	1,853
Other financial liabilities outside scope of IFRS 7 (IFRS 2)	n.a.	1,887
Other non-financial liabilities	n.a.	2,533
of which aggregated by measurement category		
of which aggregated by measurement category	AC	56,639
Financial Liabilities Measured at Amortised Cost	FLAC	18,048
Financial Liabilities Held for Trading	FVTPL	0
Available for Sale	FVTOCI	0

10.23. Financial instrument – fair value

As a guide to the reliability of the input factors used when calculating fair values, financial instruments are allocated to one of the three prescribed levels:

- level 1 - In the case of level 1 financial instruments, the fair value is determined using (unadjusted) quoted market prices at the end of the reporting period;
- level 2 - In the case of level 2 financial instruments, the fair value is determined using measurement techniques for which the main input factors are based on observable market data;
- level 3 - In the case of level 3 financial instruments, at least one of the main input factors is not based on observable market data.

Level 2 financial liabilities

	31 DEC 2018 € '000	31 DEC 2017 € '000
Financial liabilities		
Negative fair value from derivative instruments	0	117

Reclassification of fair values of level 3 derivative financial instruments

	2018 € '000	2017 € '000
As at 1 January	0	100
Resulting from payment of earn-out obligations	0	-100
As at 31 December	**0**	**0**

The table above shows the carrying fair values of financial assets and/or financial liabilities. It contains no information on financial assets and/or financial liabilities that were not measured at fair value if the carrying amount constitutes a reasonable approximation of the fair value.

Financial liabilities measured at fair value are allocated to the following level in the fair value hierarchy (see section 7 Determining fair value).

Derivative financial instruments were measured at fair value using recognised actuarial valuation models (market-to-market method).

In accordance with IFRS 13, the fair value from contingent consideration has to be allocated to level 3 and is calculated using suitable measurement techniques in the form of recognised actuarial valuation models (mark-to-market) based on market prices. The valuation factors (e.g. exchange rates) can be observed directly or indirectly on active markets.

Derivative financial instruments were measured at fair value using recognised actuarial valuation models (market-to-market method).

The table above shows the initial and closing figures for fair value measurement in level 3 of the fair value hierarchy.

The change in fair value of the financial liabilities allocated to level 3 results from the settlement of an earn-out obligation towards the pre-takeover shareholders of WebAssets B.V. in 2017.

As the acquired companies were not listed on the stock exchange, price quotations were not available. The fair value calculations were therefore allocated to level 3 of the fair value hierarchy. In the last case shown in the records on 31 December 2016 (earn-out obligation towards the pre-takeover shareholders of WebAssets B.V.) agreement was reached on a contractually fixed payment. It was therefore not necessary to calculate the fair value of the shares using discounted cash payment flows based on a probability-weighted average of the range of possible results.

There were no transfers between levels in either the year under review or the previous year.

Carrying values of trade receivables by rating category at 31 December 2018

	GROSS CARRYING AMOUNT (covered by credit loss insurance) € '000	GROSS CARRYING AMOUNT (not covered by credit loss insurance, risk position) € '000
Trade receivables	**15,074**	**9,031**
Rating category 1	35	468
Rating category 2	3,299	1,090
Rating category 3	1,489	549
Rating category 4	4,377	1,683
Rating category 5	816	359
Rating category 6	4,392	1,487
Rating category 7	666	526
Rating category 8	0	13
Rating category 9	0	1,544
Rating category 10	0	1,312
Contract assets	**0**	**1,060**
Rating category 9	0	1,060
Total	**15,074**	**10,091**

10.24. Financial risk management

A comprehensive risk management system for HCG Group companies has been adopted and implemented by the Management Board. The risk management system and financial risks are discussed in section 4.2 of the Group management report.

The company's strategy can be characterised as risk-averse. The company avoids entering into contracts and business relationships that at the time of signing could identifiably jeopardise its future, pose a threat to its liquidity or hamper its further development.

Credit risk

In the risk management system, the Finance department ensures that no credit limits are exceeded and that reminders are sent out at fortnightly intervals. The maximum extent of the potential bad debts to which the Group is exposed corresponds to the reported aggregate amount of trade receivables and other financial assets.

The credit quality of trade receivables is determined by reference to external credit ratings (where available) and to past experience of the credit loss ratios of the business partners concerned. Creditworthiness is assumed. Further information on credit quality is obtained by analysing overdue receivables. In addition, as noted in section 6 of this report, we insure all receivables from our main contract partners against credit losses in respect of holidays brokered by us that are due to take place within the next 270 days. There are no other securities or other credit improvement measures in place that would reduce the risk of credit losses from financial assets.

Financial assets that have already been impaired at the end of the financial year (level 3) have already been reduced by the insured portion and are therefore completely derecognised.

The reclassification of valuation allowances for trade receivables for the period from 1 January 2018 to 31 December 2018 is presented in section 10.3.

The credit quality of other financial assets, contract assets, and cash and cash equivalents has been analysed. Due to immateriality no risk allowance was recognized as at 31 December 2018.

The table on top of the page shows the total gross carrying amounts of trade receivables classified by rating categories. The risk assessed for trade receivables from brokerage services is based on common credit risk features (external ratings in conjunction with an internal risk assessment; grades 1 (lowest risk) to 8 (highest risk)). Since advertising services and contract assets only refer to advertising services a fixed risk (grade 9) is recognised for these items. In addition, receivables that are more than 90 days overdue or receivables from customers who filed for bankruptcy are classified as rating category 10.

Gross carrying values of other financial assets and cash and cash equivalents by rating category at 31 December 2018

	GROSS CARRYING AMOUNT (risk position) € '000
Other financial assets	**692**
Rating category 1	692
Cash and cash equivalents	**33,759**
Rating category 1	33,759
Total	**34,451**

For the valuation of the creditworthiness of financial institutes current credit quality ratings of external rating agencies are used. Based on capital market ratings, HCG has allotted the entirety of cash and cash equivalents to the risk category shown in the table above. Other financial assets comprise rent deposit accounts.

Investment strategy

If attractive terms are available, cash that is not needed in the short term is partly invested in fixed-term deposits and in cash holdings denominated in Swiss francs.

Currency risk

The currency risks to which the HCG Group is exposed arise from its operating activities. Currency risks are partly hedged in as far as they affect the Group's cash flows. Risks resulting from the translation of assets and liabilities of entities domiciled outside Germany into the Group's presentation currency, on the other hand, are not generally hedged.

The operating activities of the individual companies in the Group are mainly conducted in the functional currency, i.e. the euro. However, some Group companies are exposed to foreign currency risks in relation to planned expenditure outside their functional currency. This primarily concerns the ongoing expenditure of HC in Swiss francs (CHF). HCG Group makes regular use of currency forwards to hedge these payments in advance.

Assuming all other variables remained constant, if there had been a 10 percent change in the EUR/CHF exchange rate as at 31 December 2018, net income/(loss) for the year as a whole would have been EUR 1,058 thousand (2017: EUR 1,185 thousand) higher or EUR 1,293 thousand lower (2017: EUR 1,449 thousand).

Assuming all other variables remained constant, if there had been a 10 percent change in the EUR/PLN exchange rate as at 31 December 2018, net income/(loss) for the year as a whole would have been EUR 21 thousand lower (2017: EUR 21 thousand) or EUR 26 thousand higher (2017: EUR 25 thousand).

Liquidity risk

The aim of HCG's business policy is to continue to achieve a positive cash flow in the future. In order to retain sufficient flexibility, financing instruments are selected that offer the most suitable maturities and corresponding liquidity. The risk of a shortfall in cash is monitored by holding periodic cash planning meetings.

As at 31 December 2018, liabilities to banks amounted to EUR 40 thousand (EUR 40 thousand in 2017).

The table on the following page shows the maturity dates for the Group's liabilities. The figures are based on contractual, undiscounted payments.

In addition to the mandatory disclosures, both tables contain other miscellaneous financial liabilities that fall outside the scope of IFRS 7 (in respect of other miscellaneous financial liabilities from employee stock option plans disclosed under IFRS 2).

Maturity dates of liabilities as at 31 December 2018

	2019 € '000	2020-2022 € '000	from 2023 € '000
Liabilities to banks	40	0	0
Trade payables and liabilities to affiliated entities	16,155	0	0
Other miscellaneous financial liabilities	1,793	60	0
Other miscellaneous financial liabilities outside the scope of IFRS 7	761	1,126	0

Maturity dates of liabilities as at 31 December 2017

	2018 € '000	2019-2021 € '000	from 2022 € '000
Liabilities to banks	40	0	0
Trade payables and liabilities to affiliated entities	11,726	0	0
Other miscellaneous financial liabilities	1,825	25	0
Derivative financial instruments	117	0	0
Other miscellaneous financial liabilities outside the scope of IFRS 7	0	1,885	0

10.25. Additional disclosures on capital management

The capital management policy at HCG is primarily geared towards ensuring that adequate financing is available for the Group's long-term growth.

Reflecting common practice within the industry, the Group monitors its capital on the basis of its debt ratio (the ratio between net debt and total capital). Net debt is made up of total debt (including financial liabilities, trade payables and other miscellaneous liabilities as per the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated by adding the consolidated balance sheet figures for equity and net debt.

Equity rose by 1.85 percent in the financial year 2018, mainly as a result of the positive figure for consolidated net profit/(loss) after taxes (see tables on the next page).

There was a small reduction in the ratio of equity to total capital. This was largely due to an increase in trade payables.

In terms of capital management, the Group's aims are to safeguard the continued existence of the company, and thus continue to generate income for shareholders and provide other stakeholders with the payments to which they are entitled. A further target is to maintain the most efficient capital structure possible in order to reduce capital costs.

The equity ratio helps the Group to monitor its capital, i.e. the equity shown in the consolidated balance sheet.

Performance indicators including discontinued operations

INDICATOR	METHOD OF CALCULATION	31 DEC 2018	31 DEC 2017
Equity ratio	Equity / total capital	82.8%	86.1%
Return on equity	Consolidated net profit/(loss) after taxes / equity	1.2%	-3.8%
Return on assets	Consolidated net profit/(loss) after taxes / total capital	1.0%	-3.3%
Debt ratio	Net debt / equity	20.8%	16.2%

Performance indicators of continuing operations

INDICATOR	METHOD OF CALCULATION	31 DEC 2018	31 DEC 2017
Return on equity	Consolidated net profit/(loss) after taxes / equity	1.2%	-4.0%

11. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

11.1. Revenue

The table below contains information on revenue from contracts with customers that has to be shown separately (as at 31 December 2018 based on IFRS 15 and as at 31 December 2017 based on IAS 18). This revenue is subdivided into the following categories: type of service and timing of recognition. A geographical breakdown of revenue can be found in section 12 IFRS 8 notes.

As explained in section 2.1, the first-time application of IFRS 15 had no material impact on the statement of income for the financial year 2018.

Brokerage services consist of commission revenue for brokering holidays, accommodation, insurance policies and car rentals. The increase in revenue from **brokerage services** is mainly due to a rise in the volume of holidays brokered by HC.

Advertising services comprise revenue from the various forms of advertising carried by our websites.

Revenue from contracts with customers

	2018 € '000	2017 € '000
Type of service		
Commission services	124,549	106,810
Advertising services	13,912	14,227
Other services	429	534
Timing of recognition		
Over time	15,199	15,477
At a point in time	123,691	106,094
TOTAL	**138,890**	**121,571**

Contract assets and contractual liabilities from contracts with customers

	31 DEC 2018 € '000	1 JAN 2018 € '000
Trade receivables	22,004	19,794
Contract assets	1,060	0
Contract liabilities	2,976	300*

*This item has not been reclassified in the balance sheet for 2017 for reasons of immateriality.

Other services consist mainly of subscription revenue from the display of weather information.

The table above contains information about the Group's contract assets and contract liabilities from contracts with customers. As explained in section 2.1, the first-time application of IFRS 15 had no material impact on the balance sheet. For this reason, there are no adjustments or reclassifications.

The main factor leading to changes in the balances for contract assets and contract liabilities was the insourcing of B2B marketing contracts that were previously managed through an agency (see sections 10.4 and 10.15).

In financial 2018, the Group recorded revenue of EUR 300 thousand that was shown at the beginning of the year in the sum of EUR 300 thousand in the balance for contract liabilities. No revenue was recognised in financial 2018 that was (partially) fulfilled in previous periods.

The transaction price of contractual obligations that were not yet (entirely) fulfilled as at 31 December 2018 was EUR 800 thousand. It is expected that this revenue will be realised over the next two years.

In accordance with IFRS 15, this report contains no further disclosures on other contractual obligations with an expected term of less than one year.

The table below contains information on the Group's contractual obligations with customers concerning the timing of fulfilment of those obligations, material payment conditions and types of services.

Contractual obligations with customers

PRODUCT/TYPE OF SERVICE	NATURE AND TIMING OF THE FULFILMENT OF CONTRACTUAL OBLIGATIONS, INCLUDING MATERIAL PAYMENT CONDITIONS	REVENUE RECOGNISED ON BASIS OF IFRS 15 (APPLICABLE FROM 1 JANUARY 2018)	REVENUE RECOGNISED ON THE BASIS OF IAS 18 (APPLICABLE UP TO 31 DECEMBER 2017)
Brokerage services	Advance consideration received for 3-year contract term linked to achievement of specified targets; fulfilment through brokerage of holiday cancellation insurance policies to holidaymakers.	Recognised at a point in time on brokerage of holiday cancellation insurance policies; timing of recognition determined by date on which policy is taken out by holidaymaker.	n/a
Media services	Advance consideration either requested, immediately due or already received for media services to be provided in financial 2019.	Recognised over time on display of advertising forms/ data; period, price and service are precisely defined in the contract.	Recognised over time on display of advertising forms/ data; period, price and service are precisely defined in the contract.

11.2. Other income

Other operating income recognised in the financial statements for 2018 stood at EUR 1,033 thousand (2017: EUR 1,572 thousand).

Income of EUR 222 thousand (2017: EUR 123 thousand) from the reversal of provisions for which there are no corresponding expenses is also shown under other operating income. Income from currency translation was EUR 375 thousand (2017: EUR 293 thousand), while income from subletting came to EUR 68 thousand (2017: EUR 133 thousand). This item also includes income of EUR 153 thousand (2017: EUR 336 thousand) from a government grant in the Netherlands and out-of-period income of EUR 42 thousand (2017: EUR 180 thousand).

11.3. Other own work capitalised

Other own work capitalised amounting to EUR 3,580 thousand (2017: EUR 3,188 thousand) mainly concerns the capitalisation of software developed in-house by HC and WA. This increase was mainly due to the greater use of in-house staff and a corresponding reduction in the use of outside contractors. Work performed by external contractors is not included in the statement of income under 'other own work capitalised'.

11.4. Marketing expenses

Marketing expenses are mainly incurred by HC and WA. This item covers the redemption of vouchers, online and offline marketing campaigns and advertising.

11.5. Research and development expenses

At HC, WA, HCPL, Driveboo and HCS, development activities are decentralised and conducted within the companies themselves. Development costs that can be capitalised are shown in the balance sheet as software developed in-house (see also section 11.3. Other own work capitalised).

In financial 2018, the Group incurred non-recurring research expenses totalling EUR 631 thousand for an evaluation of proposals to set up an in-house tour operator business as a strategic addition to its portfolio. Apart from this item, research expenses do not generally arise as each development project is linked to the goal of introducing specific functionality.

11.6. Number of employees and personnel expenses

On average, the HCG Group's continuing operations employed 471 full-time equivalents (FTEs) - without Management Board members - over the financial year 2018. The corresponding figure for 2017 was 439 full-time equivalents - without Management Board members.

The total workforce over the financial year (including Management Board members) for the Group's continuing operations was as follows:

Breakdown of total workforce

POSITION	2018 FTES	2017 FTES
Executive managers of the subsidiaries	5	3
Holders of general commercial power of attorney (Prokurist under German law)	10	10
Staff	456	426
TOTAL	**471**	**439**

In the financial year 2018, personnel expenses amounted to EUR 39,084 thousand (EUR 38,024 thousand in 2017). Out of this total, EUR 1,339 thousand was attributable to defined-contribution pension plans (EUR 1,166 thousand in 2017) and EUR 534 thousand to defined-benefit pension plans (EUR 541 thousand in 2017).

The figure for personnel expenses includes severance payments of EUR 8 thousand (EUR 123 thousand in 2017) in connection with the termination of employment contracts. For disclosures regarding the share-based payment plans see section 10.13. Employee stock option plans of the company.

11.7. Other expenses

(see table on top of the following page)

Most of the Group's **distribution expenses** are generated by HC and relate primarily to the telephone-based customer centre. **IT expenses** are incurred for server hosting, external IT expenses and IT product licences. **Freelancer fees** are mainly generated by WA and HC for IT work.

In the reporting period, EUR 2,540 thousand was spent on **rental and building costs** (EUR 2,645 thousand in 2017). These costs relate mainly to rent for office space and servers. As regards the binding force of the tenancy, rental and leasing agreements, reference is made to section 15 Other obligations.

Other expenses

	2018 € '000	2017 € '000
Distribution expenses	11,903	8,310
IT expenses	3,818	4,341
Rental and building costs	2,540	2,645
Product expenses	2,259	1,872
Legal, consulting and audit expenses	1,761	1,603
Travel costs and entertainment	1,242	883
Freelancer fees	1,201	2,467
Expenses for external content	712	705
Insurance and charges	496	421
Currency translation losses	184	739
Impairment allowances	89	1,004
Expenses relating to previous years	31	211
Other miscellaneous expenses	1,150	2,165
TOTAL	**27,386**	**27,366**

Product expenses are expenses that have a strong link to sales of holidays, e.g. licences for Traveltainment and other services.

Legal, consulting and audit expenses arose primarily in connection with in-house audit expenses incurred by the Group, consultancy services, legal advice and statutory audit costs.

Impairment allowances mainly affect HC and also include customer goodwill. The impairment allowances shown in the table consist of additions to and reversals from risk allowances (simplified method), a breakdown is shown in section 10.3.

Other miscellaneous expenses include accountancy and personnel services, other taxes, office materials and outward shipping.

11.8. Financial income

Total financial income of EUR 2 thousand (EUR 4 thousand in 2017) was made up of interest and similar income.

In future, the success of the company's investment strategy will be largely determined by interest rate movements on the capital and money markets.

Net results of valuation categories

	2018 € '000	2017 € '000
Financial assets measured at amortised cost (2017: LaR)	-89	-1,002
Financial liabilities measured at amortised cost (FLAC)	-179	-183
Fair value through profit or loss (FVTPL; 2017: FLHFT)	0	-117
Fair value through other comprehensive income (FVTOCI; 2017: AFS)	0	0
TOTAL	**-268**	**-1,302**

11.9. Financial expenses

The financial expenses of EUR 179 thousand (2017: EUR 183 thousand) result mainly from financing-related interest expenses.

11.10. Net results of valuation categories

See table above.

Allowances of minus EUR 89 thousand (2017: EUR 1,004 thousand) for trade receivables and interest of EUR 0 (2017: EUR 2 thousand) are classifiable as financial assets measured at amortised cost (in 2017 as loans and receivables) and have been recognised in full in the statement of income.

Interest of EUR 179 thousand (2017: EUR 183 thousand) in respect of liabilities to banks has been allocated to the valuation category 'financial liabilities measured at amortised cost (FLAC)' and is recognised in full in the statement of income. The fair value measurement of derivatives without a hedging relationship (2018: EUR 0; 2017: EUR 117 thousand) has been recognised separately in the statement of income. The total interest revenue and total interest expense under the valuation categories AC and FLAC, as referred to in Section 10.22, are shown.

12. IFRS 8 NOTES

The tables below contain geographical information on external revenue and non-current assets.

HolidayCheck AG (Bottighofen, Switzerland) and WebAssets B.V. (Amsterdam, Netherlands) operate a range of hotel rating and holiday booking portals that generate revenue in the form of commission from the brokerage of package tours and hotel bookings and from website links that take visitors to other booking portals.

The core sales markets for these web portals are Austria, Belgium, Germany, the Netherlands, Poland and Switzerland.

WebAssets B.V. also operates advertising-based weather portals. The main source of revenue is online advertising, and the core sales markets are Belgium, Germany and the Netherlands.

The above information was produced using the Group's accounting and valuation methods.

For non-current assets, the geographical information is based on the location of the company's registered office. For revenue, we have taken the registered office of the customer.

In financial 2018, for the first time, the HCG Group had a number of customers that accounted in each case for more than 10 percent of total consolidated revenue. HC generated EUR 16.5 million and EUR 14.7 million respectively from two customers.

External revenue

	2018 € '000	2017 € '000
Germany	121,473	103,239
Outside Germany	17,417	18,332
of which in Switzerland	3,338	3,532
of which in the Netherlands	6,269	6,507
of which in other countries	7,811	8,293
TOTAL	**138,890**	**121,571**

Non-current assets

	2018 € '000	2017 € '000
Germany	779	1,040
Outside Germany	133,632	133,475
of which in Switzerland	88,413	88,106
of which in the Netherlands	45,100	45,255
of which in other countries	119	114
TOTAL	**134,411**	**134,515**

13. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows shows how the Group's cash and cash equivalents changed during the course of the reporting period through inflows and outflows of cash. In accordance with IAS 7 (statement of cash flows), a distinction is made between operating activities, investing activities and financing activities. The Group applies the indirect method for cash flows from operating activities and the direct method for cash flows from financing and investing activities. The liquidity shown in the financial statement includes cash on hand and cash at banks.

The figure for 'liabilities to banks' is made up of deferred loan arrangement fees for the syndicated loan. These are shown as cash outflows for interest expenses in the consolidated statement of cash flows under the heading 'Cash flow from operating activities'.

14. EVENTS AFTER THE BALANCE SHEET DATE

The Supervisory Board of HCG approved the release of these consolidated financial statements on 26 March 2019. At that point, with the following exceptions, no significant events had occurred after the balance sheet date.

On 5 February 2019 the airline Germania filed for bankruptcy. Although we have no direct contractual relationship with Germania, this will have a negative impact on our revenue due to increased cancellations of package holidays booked through our website. Under bankruptcy rules, holidaymakers are entitled to cancel their booking if the tour operator is unable to offer alternative comparable transport (e.g. another airport). For us, this means a loss of commission revenue. The financial statements for 2018 include enough write-downs to cover the risk to our expected revenue from cancellations.

On 7 March 2019 Sternzeit Media GmbH, which managed our B2B marketing activities up to financial 2018, also filed for bankruptcy. Our contract with Sternzeit Media GmbH was cancelled, and the two companies' mutual entitlements were largely offset against each other. Any outstanding year-end receivables are therefore of subordinate importance and are fully covered by specific impairment allowances for trade receivables.

Cash and non-cash changes in liabilities from financing activities

			Non-cash changes			
	As at 31 DEC 2017 € '000	Cash changes € '000	Purchases € '000	Exchange rate-related changes € '000	Changes in fair value € '000	As at 31 DEC 2018 € '000
Liabilities to banks	40	0	0	0	0	40
Other miscellaneous financial liabilities						
Derivative financial instruments without hedging relationship	117	-117	0	0	0	0
Total liabilities from financing activities	**157**	**-117**	**0**	**0**	**0**	**40**

15. OTHER DISCLOSURES

15.1. Related parties

The Group is controlled by Burda Digital Future SE. In the previous year, the Group was controlled by Burda Digital GmbH, which reallocated its shareholding to Burda Digital Future SE in financial 2018. The consolidated financial statements of HCG are therefore included in the sub-group financial statements of Burda GmbH, Offenburg, Germany (which holds the shares in Burda Digital Future SE) and in the group financial statements of Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany. The consolidated financial statements are submitted to the operator of Germany's electronic Federal Gazette (Bundesanzeiger) for publication.

In addition to the entities included in the consolidated financial statements of HCG, the entities making up the Hubert Burda Media Group are closely related to HolidayCheck Group AG, as are persons and entities in the management structure of HCG and in the Hubert Burda Media Group that exert a significant influence on financial and business policies, including close family members and intermediate entities.

All transactions with related entities primarily concern services as defined by IAS 24.21c. Any transactions between related persons were concluded on arm's length basis at the conditions that apply to transactions between third parties.

Balances and transactions between HCG and its subsidiaries, which constitute related parties, were eliminated in full as part of the consolidation process and are not included in these notes. The following transactions were entered into with related parties:

Revenue and other income

	2018 € '000	2017 € '000
Burda GmbH, Offenburg, Germany	53	251
Hubert Burda Media Holding KG, Offenburg, Germany	13	0
Subsidiaries of Hubert Burda Media Holding KG	1	10
TOTAL	**67**	**261**

Marketing, personnel and other operating expenses

	2018 € '000	2017 € '000
Subsidiaries of Hubert Burda Media Holding KG	782	838
Hubert Burda Media Holding KG, Offenburg, Germany	66	100
Burda GmbH, Offenburg, Germany	11	4
Burda Digital GmbH, Munich, Germany	0	22
TOTAL	**859**	**964**

The following balances remained outstanding at the end of the reporting period:

Receivables

	31 DEC 2018 € '000	31 DEC 2017 € '000
Subsidiaries of Hubert Burda Media Holding KG	184	174
TOTAL	**184**	**174**

Liabilities

	31 DEC 2018 € '000	31 DEC 2017 € '000
Subsidiaries of Hubert Burda Media Holding KG	21	34
Burda GmbH, Offenburg, Germany	10	5
Hubert Burda Media Holding KG, Offenburg, Germany	4	5
TOTAL	**35**	**44**

The outstanding balances at the end of the reporting period are unsecured and do not bear interest. They are settled by cash payment. There are no guarantees in place in respect of receivables from and payables to related parties. As in 2017, there were no adjustments to the value of receivables from related parties in financial 2018.

Liabilities to related parties

Liabilities to related parties mainly include obligations in respect of rental and leasing agreements and agency agreements for services provided by various entities in the Burda Group (see also section 15.2 Other liabilities). There were no liabilities towards related persons as at the balance sheet dates.

Remuneration of persons in key Group positions

The following remuneration was paid to members of the Supervisory Board as consideration for their work:

- The emoluments paid to the members of the **Supervisory Board** in the reporting period totalled EUR 268 thousand (2017: EUR 248 thousand) and consisted entirely of short-term benefits. In addition, the company incurred expenses of EUR 7 thousand (2017: EUR 22 thousand) in respect of travel expenses for members of the Supervisory Board.
- Liabilities to members of the Supervisory Board totalled EUR 324 thousand (2017: EUR 296 thousand).
- As at the balance sheet date, the total number of shares in the company held directly or indirectly by members of the Supervisory Board in accordance with section 15a paragraph 3 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) was 96,817 (2017: 90,671 shares).

Remuneration of the Management Board

A description of the remuneration system for members of the Management Board is provided, together with the mandatory disclosures required by section 314, paragraph 1, number 6a, sentences 5 to 8 of the German Commercial Code, in the Group management report.

The total remuneration of the members of the Management Board in the financial year 2018 was EUR 1,590 thousand (2017: EUR 3,572 thousand). Of this total, EUR 1,512 thousand (2017: EUR 1,551 thousand) is attributable to short-term benefits and EUR 78 thousand (2017: EUR 2,021 thousand) to share-based payments.

As regards the presentation of HCG's Management Board and the Supervisory Board, we refer to the information in section 15.5 Management Board and in section 15.6 Supervisory Board.

Granted share-based payment

Granted share-based payment in 2018	Georg Hesse	TOTAL
Grant date FV (€ '000)	78	**78**
Calculated number of shares	12,116	**12,116**
Personnel expenses (€ '000)	29	**29**

Granted share-based payment in 2017	Georg Hesse	Nathan Glissmeyer	Markus Scheuermann	TOTAL
Grant date FV (€ '000)	800	790	431	**2,021**
Calculated number of shares	155,476	153,535	83,842	**392,853**
Personnel expenses (€ '000)	417	396	201	**1,014**

15.2. Other liabilities

As part of its business activities, HCG assumed other liabilities in relation to a large number of underlying events and issues. These are shown in the table on the following page.

HCG issued a going concern forecast on behalf of two subsidiary. This obliges HCG to provide enough financing to ensure the continued operation of the subsidiaries.

According to the information available, the companies in question are in a position to meet the underlying obligations in all cases. It is not expected that the guarantees will need to be exercised.

The following table shows the Group's other financial liabilities as at the balance sheet date, (see table below).

The liabilities primarily arise from **rental and leasing contracts** for buildings, IT systems and office machinery. These contracts usually run for 12 to 60 months and more than 60 months in exceptional cases. The economic risks and rewards remain with the owner due to obligations to return the items and rights to require purchase.

The **other contracts** mainly relate to service contracts with various entities in the Burda Group (business management) and other third parties.

As at 31 December 2018, there were no contingent liabilities.

Other financial liabilities in 2018

	TOTAL EUR '000	OF WHICH AFFILIATED ENTITIES EUR '000
1. Under rental and leasing agreements (temporary)		
Due in 2019	2,755	37
Due between 2020 and 2023	6,036	61
Due after 2023	3,567	0
	12,358	**98**
2. Liabilities under other contracts (temporary)		
Due in 2019	259	125
Due between 2020 and 2023	16	0
Due after 2023	195	0
	470	**125**

Obligation to notify acquisitions or disposals in financial 2018

Shareholder	Last reported share of voting rights	Date of notification
Burda Digital Future SE, Munich, Germany[2] (subsidiary of Burda GmbH)	56.06 %	20 December 2018
Burda GmbH, Offenburg, Germany	56.06 %[1]	20 December 2018

1) of which 56.06 percent held indirectly
2) In 2018, the HolidayCheck Group shares held by Burda Digital GmbH were reallocated to Burda Digital Future SE.

15.3. Long-term equity investments in the company as defined by section 21 paragraph 1 sentence 1 of the German Securities Trading Act in conjunction with section 160 paragraph 1 number 8 of the German Stock Corporation Act

The table above shows the shareholder structure and lists the acquisitions or disposals in financial 2018 that were subject to mandatory disclosure under section 21 paragraph 1 sentence 1 of the German Securities Trading Act.

15.4. Corporate governance

The company has made the declaration required under section 161 of the German Stock Corporation Act for this financial year and published it on its website *(https://www.holidaycheckgroup.com/investor-relations/corporate-governance/?lang=en)* in November 2018 for perusal by the shareholders.

The company is included in the consolidated financial statements of the sub-group Burda GmbH, Offenburg, Germany (smallest reporting entity) and in the consolidated financial statements of Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany (largest reporting entity). These consolidated financial statements are submitted for publication to the operator of the electronic Federal Gazette (Bundesanzeiger).

15.5. Management Board

In the financial year 2018, the persons listed in the table below held positions as Management Board members of the company with rights of representation, either jointly with another member of the Management Board or together with a holder of general commercial power of attorney (Prokurist under German law).

The business division of HolidayCheck Group AG's Chairperson of the Management Board, Georg Hesse includes the following functions and areas:
- information and consultation with the Supervisory Board;
- overall strategy and corporate development;
- HR senior management and junior staff;
- personnel development;
- Group communications;
- Group internal audit.

In his business division, the Management Board member Nathan Brent Glissmeyer is responsible for the following functions and areas:
- product development and operation of all the brands owned by HolidayCheck Group AG;
- IT units (development and operations);
- product and user experience (UX), including interaction/visual design.

In his business division, the Management Board member Markus Scheuermann is responsible for the following functions and areas:
- financial, investment and personnel planning;
- controlling, reporting, risk management and internal control systems;
- financial management of long-term equity investments;
- financing and bank relations;
- external financial reporting;
- investor relations;
- personnel administration;
- legal, contract and tax management;
- general administration and purchasing.

According to its articles of association, the company is represented by two members of the Management Board or by one member of the Management Board jointly with one holder of general commercial power of attorney (Prokurist under German law). If only one Management Board member has been appointed, this member represents the company alone. The members of the Management Board represent the company as set out in the articles of association.

Management Board

NAME	POSITION	SUPERVISORY BOARD MANDATES / EXERCISED ACTIVITY
Georg Hesse	Chairperson of the Management Board (CEO)	Member of the Supervisory Board of Leifheit AG(from 30 May 2018)
Nathan Brent Glissmeyer	Member of the Management Board (CPO/CTO)	
Markus Scheuermann	Member of the Management Board (CFO)	

15.6. Supervisory Board

(See table below)

Supervisory Board

NAME	POSITION	OTHER SUPERVISORY BOARD MANDATES / EXERCISED ACTIVITY
Stefan Winners	Chairperson of the Supervisory Board	• Managing Director, Hubert Burda Media Holding Geschäftsführung SE, Offenburg, Germany; and Managing Director, Burda Digital GmbH, Munich, Germany; • Managing Director and Chairperson of the Board of Directors, Burda Digital Future SE, Munich, Germany; • Chairperson of the Supervisory Board, XING SE, Hamburg, Germany; • Chairperson of the Advisory Board, BurdaForward GmbH, Munich, Germany; • Member of the Supervisory Board and Board of Advisors, Giesecke & Devrient GmbH, Munich, Germany; • Member of the Board of Directors, Cyndx Holdco, Inc., Delaware, USA.
Dr Dirk Altenbeck	Deputy Chairperson of the Supervisory Board	• Tax Consultant, Managing Partner, PKF Issing Faulhaber Wozar Altenbeck GmbH & Co. KG (accountants and tax consultants), Würzburg, Germany.
Dr Thomas Döring	Member of the Supervisory Board	• Managing Director, Delaunay Capital Partners GmbH, Traunstein, Germany; • Chairperson of the Advisory Board, Distribusion Technologies GmbH, Berlin, Germany; • Member of the Advisory Board, OTI Holding Plc., Istanbul, Turkey. • Member of the Advisory Board, OpenCampus GmbH, Munich, Germany
Aliz Tepfenhart	Member of the Supervisory Board	• Managing Director, Burda Digital GmbH, Munich, Germany; • Managing Director, Burda Digital Future SE,Munich, Germany; • Chairperson of the Advisory Board, Cyberport GmbH, Dresden, Germany; • Member of the Advisory Board, BurdaForward GmbH, Munich, Germany.
Alexander Fröstl	Member of the Supervisory Board	• Managing Director, iLX GmbH, Munich, Germany; • Member of the Advisory Board, BurdaForward GmbH, Munich, Germany; • Member of the Board of Directors, Ifolor AG, Kreuzlingen, Switzerland.
Holger Eckstein	Member of the Supervisory Board	• Managing Director, Hubert Burda Media Holding Geschäftsführungs SE, Offenburg, Germany; and Managing Director, Burda GmbH, Offenburg, Germany.

15.7. Auditor's fees

The total fee charged by our accountants in respect of financial 2018 covers the audit (2018: EUR 158 thousand; 2017: EUR 140 thousand); tax consultancy services (2018: EUR 0 thousand; 2017: EUR 18 thousand) and other services (2018: EUR 4 thousand; 2017: EUR 21 thousand). Other (assurance) services comprise fees for covenant compliance.

15.8. Exemption from the requirement to prepare annual financial statements in accordance with section 264 paragraph 3 of the German Commercial Code

The following subsidiaries of HolidayCheck Group AG, which were included in the consolidated financial statements and meet all other preconditions, have opted to make use of the exemption pursuant to section 264 paragraph 3 of the German Commercial Code:

a. HolidayCheck Solutions GmbH

15.9. Authorisation to publish the annual financial statements

On 26 March 2019, the Management Board released HCG's consolidated financial statements and consolidated management report for presentation to the Supervisory Board. The Supervisory Board is expected to approve the consolidated financial statements and release them for publication on 26 March 2019.

Munich, Germany, 26 March 2019

Georg Hesse Chairperson of the Management Board (CEO)	**Nathan Brent Glissmeyer** Member of the Management Board (CPO)	**Markus Scheuermann** Member of the Management Board (CFO)

INDEPENDENT AUDITOR'S REPORT TO HOLIDAYCHECK GROUP AG, MUNICH, GERMANY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of HolidayCheck Group AG, Munich, Germany, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of HolidayCheck Group AG for the financial year from 1 January to 31 December 2018. In accordance with German law, we have not audited the content of the declaration on corporate governance required under sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch, HGB).

In our opinion, based on our audit findings:

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and the supplementary requirements of German commercial law pursuant to Section 315e paragraph 1 of the German Commercial Code and, with due regard for these requirements, give a true and fair view of the assets and financial situation of the Group as at 31 December 2018 and of its earnings position for the financial year from 1 January to 31 December 2018; and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. With respect to the Group management report, our audit opinion does not extend to the contents of those parts of the Group management report referred to below in the section entitled 'Other information'.

Pursuant to Section 322 paragraph 3 sentence 1 German Commercial Code, we declare that our audit has not led to any reservations concerning the legal regularity of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 German Commercial Code and EU Audit Regulation No. 537/2014 on specific requirements regarding statutory audit of public-interest entities (referred to below as 'EU Audit Regulation') and in compliance with the German Generally Accepted Standards on Auditing (Grundsätze ordnungsgemäßer Abschlussprüfung) as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) governing the conduct of an audit of financial statements.

Our responsibilities under these requirements and principles are detailed in the 'Auditor's responsibilities for the audit of the consolidated financial statements and Group management report' section of our audit report.

We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 paragraph 2 letter f of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 paragraph 1 of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the basis for our audit opinions on the consolidated financial statements and Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those which, in our professional judgment, were the most significant matters in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were duly considered in the context of our audit of the consolidated financial statements as a whole and when reaching our opinion. We have not provided a separate opinion on these matters.

In our view, the most important matter in our audit was as follows:

❶ **impairment of goodwill.**

Our comments on this particularly important audit matter are broken down into three sections.

① Audit matter and explanation of potential issues
② Audit procedures and findings
③ References to further information

The key audit matter is set out below.

❶ **Impairment of goodwill**

① The company's consolidated financial statements contain a figure of EUR 100,182 thousand (51.87 percent of total assets and 62.66 percent of equity) in respect of goodwill under the balance-sheet heading 'Intangible assets'. Goodwill is tested by the company for impairment once a year or on an ad hoc basis to identify any write-downs that may be required. Impairment tests are conducted at Group level for all cash-generating units to which the goodwill in question has been allocated. When performing an impairment test, the carrying value of the cash-generating unit (including its goodwill) is measured against the corresponding recoverable amount. The recoverable amount is generally calculated on the basis of value in use. In turn, this figure is regularly based on the present value of future cash flows from the group of cash-generating units. Present values are calculated using discounted cash flow models. The starting point for this calculation is the Group's medium-term plan. The figures in this plan are then extrapolated on the basis of assumed growth rates, factoring in expectations of future growth in the wider market and anticipated macroeconomic developments. Discounting is based on the average weighted cost of capital for the group of cash-generating units in question. The impairment test did not identify any need to write down the value of goodwill.

The result of this valuation is very much dependent on the assessment made by the company's legal representatives of future cash inflows from the group of cash-generating units in question, on the discounting rate used, on the assumed growth rate and on other assumptions and is therefore subject to a high degree of uncertainty. Against this background and given the complexity involved in the valuation processes, this matter was held to be particularly important in our audit.

② As part of our audit, we retraced the company's impairment testing methodology. We reconciled the future cash inflows used in the calculation with the Group's medium-term plan. We then assessed whether the calculation was reasonable, in particular with reference to general and industry-specific market expectations. We also assessed whether the associated Group function costs had been properly factored in to the calculation. Since even relatively small changes in the discounting rate and growth rate can have a significant impact on company valuations produced using this method, we subjected the parameters used in determining the discounting rate to close scrutiny and retraced the method of calculation. In light of the forecasting uncertainties involved, we retraced the sensitivity analyses produced by the company and conducted our own sensitivity analyses. In this respect, based on the available information, we found that the carrying values of the cash-generating units, including the goodwill attributed to those units, are adequately covered by discounted future cash surpluses. The valuation parameters and assumptions used by the legal representatives are generally in line with our own expectations and lie within what we judge to be appropriate ranges.

③ The company's disclosures on goodwill are contained in sections 6, 8 and 10.1 of the notes to the consolidated financial statements under the heading 'Intangible assets'.

Other Information

The legal representatives are responsible for the other information. The other information consists of the declaration on corporate governance required under sections 289f and 315d of the German Commercial Code.

The other information also consists of the remaining parts of the annual report (excluding any references to external information) with the exception of the audited consolidated financial statements and Group management report and our auditor's report.

Our opinions on the consolidated financial statements and Group management report do not cover the other information. Consequently, we have not expressed an audit opinion or any other form of audit conclusion thereon.

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

- is materially inconsistent with the consolidated financial statements, with the Group management report or other knowledge we obtained during our audit; or
- otherwise appears to be materially misstated.

Responsibilities of the legal representatives and the supervisory board for the consolidated financial statements and Group management report

The legal representatives are responsible for ensuring that the consolidated financial statements are prepared in such a way that they comply, in all material respects, with the IFRS as adopted by the European Union and with the additional requirements of German commercial law pursuant to Section 315e paragraph 1 German Commercial Code and for ensuring, with due regard for these requirements, that the consolidated financial statements give a true and fair view of the asset, financial and earnings situation of the Group. In addition, the legal representatives are responsible for the internal controls they have deemed necessary in order to ensure that the consolidated financial statements are free from any incorrect misstatements, whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue to operate as a going concern. They are also responsible for disclosing, where applicable, any matters that may affect the Group's situation as a going concern. In addition, they are responsible for drawing up financial reports based on the going concern principle of accounting unless there is an intention to liquidate the Group or cease operations or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for ensuring that the Group management report is prepared in such a way that it provides, as a whole, an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for all the arrangements and measures (systems) they have deemed necessary in order to ensure that the Group management report complies with the applicable German legal requirements and to ensure that sufficient appropriate evidence is provided for the assertions made in the Group management report.

The supervisory board is responsible for overseeing the financial reporting process established by the Group in order to prepare the consolidated financial statements and Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and Group management report

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, intentional or unintentional, and whether the Group management report as a whole gives an appropriate picture of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge we obtained during our audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that contains our opinions on the consolidated financial statements and Group management report.

Reasonable assurance provides a high degree of assurance but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code and the EU Audit Regulation in compliance with the German Generally Accepted Standards on Auditing (Grundsätze ordnungsgemäßer Abschlussprüfung) as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) governing the conduct of an audit of financial statements will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in combination, they could reasonably be expected to influence economic decisions taken by the intended readers of the financial reports on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain a questioning approach throughout the audit.

Additionally we:

- identify and assess the risks of material misstatements in the consolidated financial statements and the Group management report, whether intentional or unintentional, plan and conduct audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate as the basis for our opinions; the risk of not detecting a material misstatement caused by fraud is higher than for one caused by error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the deliberate suppression of internal controls;
- obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the arrangements and measures (systems) relevant to the audit of the Group management report in order to plan audit procedures appropriate to the circumstances but not with a view to expressing an opinion on the effectiveness of these systems;
- evaluate whether the accounting policies employed by the legal representatives are appropriate and whether the estimates made by the legal representatives and the associated disclosures are reasonable.
- conclude whether the legal representatives' use of the going concern principle of accounting is appropriate and, based on the audit evidence obtained, whether there is any material uncertainty in relation to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern; if we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions; our conclusions are based on the audit evidence obtained up to the date of our auditor's report; it remains possible, however, that the Group may at some point no longer be able to continue operating as a going concern due to future events or circumstances.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair picture of the asset, financial and earnings situation of the Group in compliance with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to section 315e paragraph 1 German Commercial Code.
- obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Group to enable us to express opinions on the consolidated financial statements and Group management report; we are responsible for the direction, supervision and conduct of the Group audit; we bear sole responsibility for our audit opinions.
- evaluate whether the Group management report is consistent with the consolidated financial statements, complies with legislation and provides an appropriate picture of the Group's position.
- perform audit procedures on forward-looking statements made by the legal representatives in the Group management report; on the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions made by the legal representatives as the basis for such forward-looking statements and assess whether the forward-looking statements are objectively derived from those assumptions. We have not expressed a separate opinion on the forward-looking statements or on the underlying assumptions; there is a substantial unavoidable risk that future events will differ materially from such forward-looking statements.

We hold discussions with the persons responsible for the supervision of the company. These discussions cover, for example, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify in the course of our audit.

We also provide the persons responsible for the supervision of the company with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, the associated safeguards.

From the matters discussed with the persons responsible for the supervision of the company, we determine which matters were of the greatest significance in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless such public disclosure is precluded by law or regulation.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditors by the annual general meeting on 20 June 2018. We were engaged by the Supervisory Board on 30 October 2018. We have been the Group auditor of HolidayCheck Group AG, Munich, Germany, without interruption since the financial year 2007.

We declare that the opinions expressed in this auditor's report are consistent with the supplementary report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German certified auditor responsible for the audit is Alexander Fiedler.

Munich, Germany, 26 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Alexander Fiedler
Wirtschaftsprüfer
(Public auditor)

ppa. Ulrich Warning
Wirtschaftsprüfer
(Public auditor)

INFORMATION ABOUT THE AUDITOR

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, Munich branch office, Bernhard-Wicki-Strasse 8, 80636 München, Germany, has acted as auditor and Group auditor for HolidayCheck Group AG (formerly TOMORROW FOCUS AG) since 2007. The responsible lead auditors are Alexander Fiedler (since financial 2014) and Ulrich Warning (since 2016, involved since 2015).

The fees paid to the accountants were recognised as expenses in the financial year and amounted to EUR 158 thousand for financial statement audit services (2017: EUR 140 thousand), EUR 0 for tax consultancy services (2017: EUR 18 thousand) and EUR 4 thousand for other services (2017: EUR 21 thousand). Other (assurance) services comprise fees for covenant compliance.

FINANCIAL CALENDAR 2019*

8 May 2019
Publication of the Q1 2019 Interim Statement

4 June 2019
Annual General Meeting at Haus der Bayerischen Wirtschaft, Max-Joseph-Str. 5, 80333 Munich, Germany

8 August 2019
Publication of the HY1 2019 Interim Report

8 November 2019
Publication of the nine months 2019 Interim Statement

November 2019
Analysts' meeting at the German Equity Forum 2019 in Frankfurt am Main, Germany

* scheduled dates

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DISCLAIMER

This is a translation of HolidayCheck Group AG's annual report. Only the German version of the report is legally binding. Every effort was made to ensure the accuracy of the translation, however, no warranty is made as to the accuracy of the translation and the company assumes no liability with respect thereto. The company cannot be held responsible for any misunderstandings or misinterpretation arising from this convenience translation.

LEGAL NOTICE

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TRANSLATION

Verbum versus Verbum
Horner Translations

PRINTING

viaprinto

AUTHORS

ARMIN BLOHMANN

Director Group Communications & Investor Relations, HolidayCheck Group AG, with his children in Bel Omber, Mauritius.

MY URLAUBER* COMMITMENT:

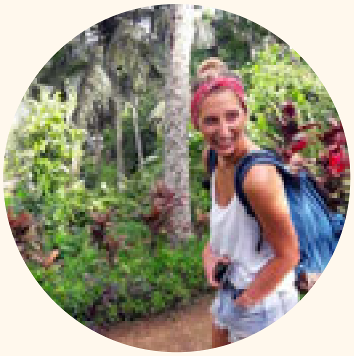
As an ambassador of our vision I convince everybody that the vision adds value not only to Urlaubers*, but to colleagues and investors as well.

MAXIMILIAN BUCHARD

Group Accounting consultant, HolidayCheck Group AG, at the Grand Canyon National Park in Arizona, USA.

MY URLAUBER* COMMITMENT:

With a transparent and carefully constructed set of financial reports, I can provide the management team with a solid basis for making the best possible decisions on behalf of our Urlaubers* and investors.



MERIT GRÖNER

Junior Manager Internal Communications, HolidayCheck AG, at the Tegalalang rice terraces in Ubud, Bali.

MY URLAUBER* COMMITMENT:

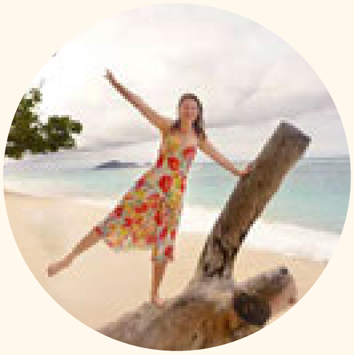
I do my best every day to motivate my colleagues to follow clear lines of transparency and communication regarding our vision of becoming the most Urlauber*-friendly company in the world.

MELANIE STUCHLIK

Manager Group Communications & CSR, HolidayCheck Group AG, on Padar Island in the Komodo National Park, Indonesia.

MY URLAUBER* COMMITMENT:

I challenge processes of the internal communication every day to ensure employees are informed in the best way and inspired to push our vision forward.



KERSTIN TROTTNOW

Group Director Finance, HolidayCheck Group AG, on Silhouette, one of the islands of the Seychelles.

MY URLAUBER* COMMITMENT:

I build and run a finance organisation that removes bottlenecks to innovate products for our Urlaubers* through process improvements.

SABINE WODARZ

Deputy Head Group Communications & Investor Relations, HolidayCheck Group AG, in the Binz Baltic seaside resort on the island of Rügen, Germany.

MY URLAUBER* COMMITMENT:

I communicate actively and transparently with our shareholders and investors with the aim of building confidence in our vision and of achieving a fair market cap.

* Urlauber [uːɐlaʊbɐ] is the German term for holidaymaker, vacationer.

KEY FIGURES

REVENUE AND EARNINGS		Financial year 2018	Financial year 2017	Change in %
Consolidated revenue	in EUR million	138.9	121.6	14.2%
EBITDA	in EUR million	10.0	0.2	>100%
Operating EBITDA	in EUR million	10.7	1.6	>100%
EBIT	in EUR million	3.0	-5.7	-
Financial result	in EUR million	-0.2	-0.2	0.0%
EBT	in EUR million	2.8	-5.9	-
Consolidated net profit/loss from continuing operations	in EUR million	1.9	-6.3	>100%
Consolidated net profit/loss from discontinued operations	in EUR million	0.0	0.3	-
Consolidated net profit/loss	in EUR million	1.9	-5.9	-
Earnings per share from continuing operations	in EUR	0.03	-0.11	-
Earnings per share from discontinued operations	in EUR	0.00	0.01	-
Earnings per share	in EUR	0.03	-0.10	-

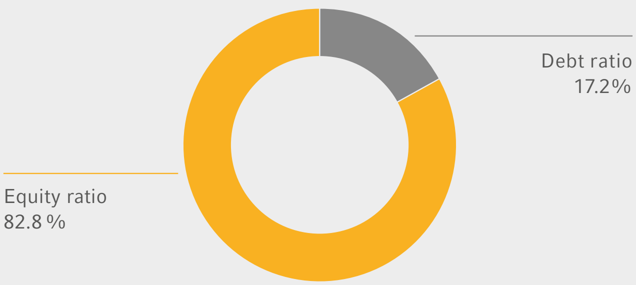
CASHFLOW		Financial year 2018	Financial year 2017	Change in %
Cash flow from operating activities	in EUR million	14.7	-2.1	-
Cash flow from investing activities	in EUR million	-7.0	-7.6	-7.9%
Cash flow from financing activities	in EUR million	0.0	-3.9	-

EMPLOYEES (FROM CONTINUING OPERATIONS)		Financial year 2018	Financial year 2017	Change in %
Average number of employees (FTEs)		471	439	7.2%

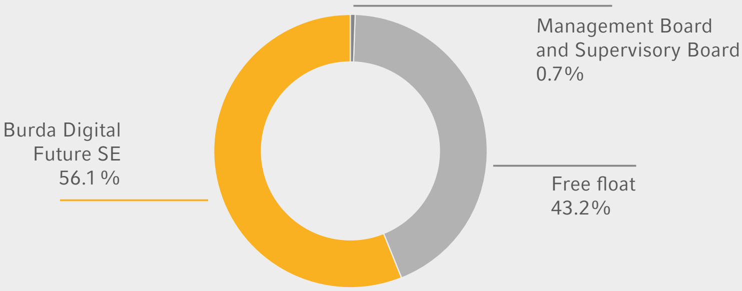
KEY CAPITAL MARKET DATA		31 Dec 2018	31 Dec 2017	Change in %
Equity ratio		82.8%	86.1%	-3.8%
Debt ratio		17.2%	13.9%	23.7%

		31 Dec 2018	31 Dec 2017	Change in %
ASSETS AND CAPITAL STRUCTURE				
Total assets	in EUR million	193.2	182.3	6.0%
Non-current assets	in EUR million	134.4	134.5	-0.1%
Current assets	in EUR million	58.7	47.8	22.8%
thereof cash	in EUR million	33.8	26.2	29.0%
Equity	in EUR million	159.9	157.0	1.8%
Debt	in EUR million	33.3	25.4	31.1%

EQUITY RATIO AND DEBT RATIO AS AT 31 DECEMBER 2018



SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2018 (ROUNDED)*



* no guarantee of completeness

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