KEEP CALM AND PLAN YOUR NEXT HOLIDAY

ANNUAL REPORT 2019
OF HOLIDAYCHECK GROUP AG

One of Europe's leading digital companies for holidaymakers
MUNICH, GERMANY

Largest hotel rating community in the German-speaking countries
BOTTIGHOFEN, SWITZERLAND; POZNAN & WARSAW, POLAND

Development of software solutions and technologies for hotel rating and booking platforms
MUNICH, GERMANY

Tour operator
MUNICH, GERMANY

Rental car comparison portals
BOTTIGHOFEN, SWITZERLAND

Largest hotel rating community in the Benelux region
AMSTERDAM, THE NETHERLANDS

International weather portals
AMSTERDAM, THE NETHERLANDS

Dear shareholders and holidaymakers,

the tourism year 2019 presented the travel industry with many challenges: The insolvencies of Germany's fourth-largest airline, Germania, in February and the oldest package tour operator, Thomas Cook, in October were drastic. With 50,000 holidaymakers affected during the Thomas Cook insolvency, the booking and rating portal HolidayCheck successfully mastered the biggest challenge in its history. However, the year was not only marked by challenges, but also by successes. For example, HolidayCheck was able to achieve a groundbreaking ruling for the entire online industry with a lawsuit against review fraudsters. Falsified reviews are now illegal in Germany thanks in part to our efforts. In addition, the tour operator HolidayCheck Reisen, founded at the end of 2018, showed impressive development last year - and numerous, exciting milestones were achieved.

Now the HolidayCheck Group is facing what is probably its biggest challenge. With the worldwide spread of COVID-19 and the associated travel warnings, border closures and flight bans, tourism is also coming to a standstill - with far-reaching economic consequences. The travel industry - and perhaps the world - will be different after the COVID-19 pandemic. We, the employees and management of HolidayCheck Group AG, do not want to let our passion for holidays be taken away from us despite all the circumstances. Our vision is, and remains, to become the most holidaymaker-friendly company in the world. Even in stormy times, we remain calm and will keep our vision firmly in sight. We are confident that we will also master this crisis. We are looking to the future and are working on innovations for our holidaymakers, so that after COVID-19 we can continue to be there for them with full commitment and better than before.

Our motto for 2020 and the title of our 2019 Annual Report is **„Keep Calm and Plan Your Next Holiday"**, inspired by the famous British motivational posters from the 1930s. In this Annual Report, we report on the challenges and successes of 2019 and, as far as possible, provide an outlook for the current year.

THE NEXT HOLIDAY IS SURE TO COME!

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My holiday tip

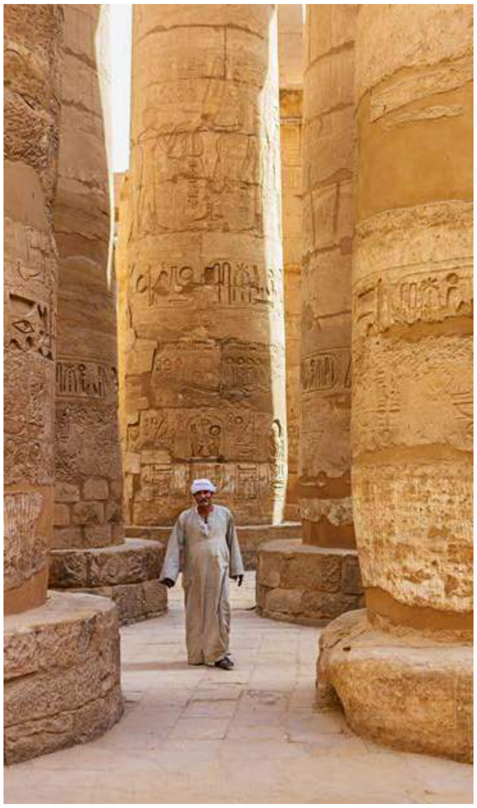
MAXIMILIAN BUCHARD

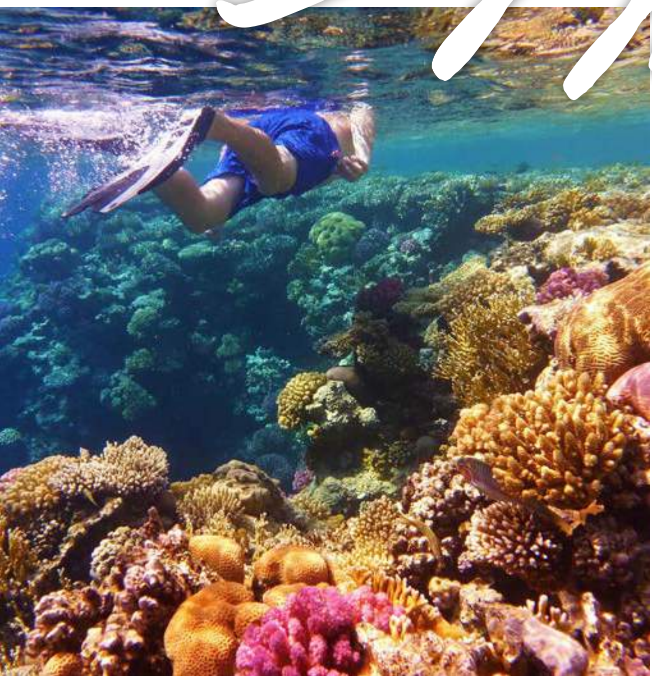
Group Accountant, HolidayCheck Group AG

We escaped the winter in December and spent a beautiful holiday in the pleasantly warm **Hurghada**. Our hotel – the Steigenberger Pure Lifestyle – is situated in a phenomenal bay that is enclosed by a coral reef. In Egypt, you should try not to miss out on a snorkelling or scuba excursion, which allows holidaymakers to witness the unique underwater world of the Red Sea. Hurghada's historic **El Dahar district** provides a glimpse of the life of Egyptians and it is always fun to haggle with the local merchants. If you want to follow in the footsteps of the ancient Pharaohs, then you should take a trip to the city of **Luxor** at the banks of the Nile River.

MY TIP: A trip to the desert – preferably in the morning. First you ride a Jeep through the **desert** and, when you reach the destination, you get to experience the life of an original **Bedouin village**. An exciting quad tour concludes this trip.

Egypt





WHEN *50,000 holidaymakers* NEED HELP QUICKLY

PASCAL DUÉ
Director Customer Service, HolidayCheck AG

In 2019, one event reverberated through the tourism industry: The insolvency of Thomas Cook, the oldest provider of package holidays, in September 2019. The full force of the bankruptcy of Europe's second largest tour operator hit the industry hard. Hundreds of thousands of holidaymakers across Europe were affected and the consequences of the insolvency were difficult to gauge at first. It was an exceptional situation for HolidayCheck that we could only overcome with an efficient crisis management.

GOOD COORDINATION IS HALF THE BATTLE

„Compared to other industries, the travel sector is very experienced in dealing with crises. Geopolitical events, natural disasters as well tour operator and airline bankruptcies happen all the time. However, the scale of the Thomas Cook insolvency was something that we had never seen before", said Marina Ackermann, Team Lead Tourism at HolidayCheck. It affected 20,000 bookings of the booking and review portal and a total of 50,000 holidaymakers. It was obvious that quick action was needed to help these holidaymakers as best as possible. A crisis management task force consisting of all relevant departments was formed and specific tasks assigned. A crisis manager was appointed to coordinate the entire project. In addition, a team of experts and a decision-making team were formed to ensure that we would act quickly and decisively. Situation rooms were set up in our locations in Bottighofen and Munich. They were linked via a video conference and staffed continuously. During the day, the task force met every three hours.

TRANSPARENT INFORMATION FOR HOLIDAYMAKERS

„Our vision is to become the most holidaymaker-friendly company in the world, which is why we consistently looked at this crisis from the perspective of holidaymakers", explained Pascal Dué, Director Customer Service at HolidayCheck. „The question holidaymak-

MARINA ACKERMANN
Team Lead Toursim, HolidayCheck Solutions

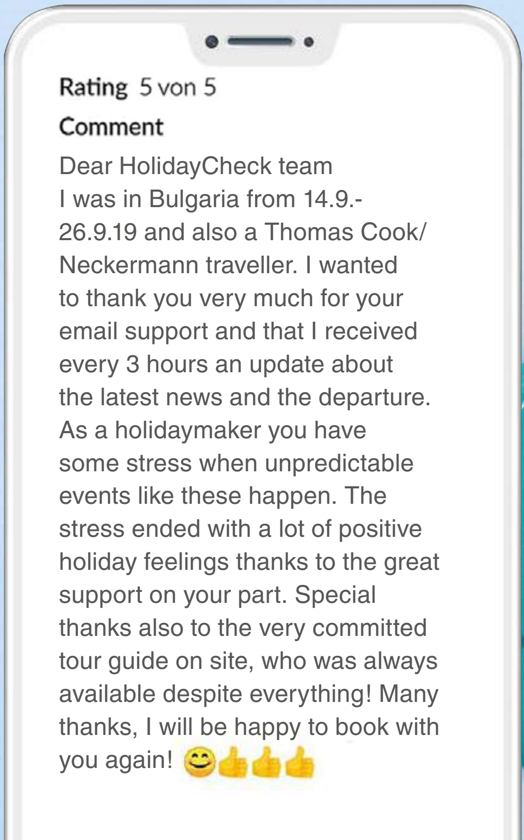
ers asked us most frequently in the days following the bankruptcy was: Can I go on my holiday? Is my tour operator affected? Uncertainty and a lack of information, including with regard to the German Thomas Cook brands, were the biggest problem", said Dué. The HolidayCheck crisis management task force focused on gathering and processing information and then quickly disseminated it to holidaymakers across all available channels. Emails with updates were sent to the affected holidaymakers several times each day. An informational website was updated continuously, a liveticker on the HolidayCheck website provided information and a special Thomas Cook hotline was set up. Holidaymakers were also able to look for alternative offers on a website that was launched in record time. „We used our good sources and connections in the travel industry to gather as much information as possible for our holidaymakers. I was constantly on the phone with tour operators and of course also the German Thomas Cook head office in Oberursel", explained Marina Ackermann.

FOCUS ON HOLIDAYMAKERS

HolidayCheck received a total of 25,000 phone calls in the first week following the Thomas Cook bankruptcy and responded to 31,000 emails. That meant a lot of overtime and long hours for the travel agents in the HolidayCheck service centre and the employees of the affected departments. „The dedication of all of our colleagues was extraordinary. Everybody pitched in, stayed longer and sought to lend a hand wherever possible. The commitment and the desire to help our holidaymakers was tremendous", recalled Marina Ackermann. In order to deal with the high volume of requests, 48 additional external customer service representatives were hired temporarily. In addition, HolidayCheck employees from other departments assisted in responding to the many email enquiries. „There were cases of holidaymakers who had gotten stranded and didn't know how they would get home. In some cases, hotel operators even asked holidaymakers to pay them to begin their holiday in the first place or they were prevented from returning home. We urgently called on hotel operators and the industry as a whole to be fair and not to put the financial burden on the affected holidaymakers", emphasised Georg Ziegler, Director Brand, Content & Community at HolidayCheck, who coordinated the internal processes at HolidayCheck as a crisis manager.

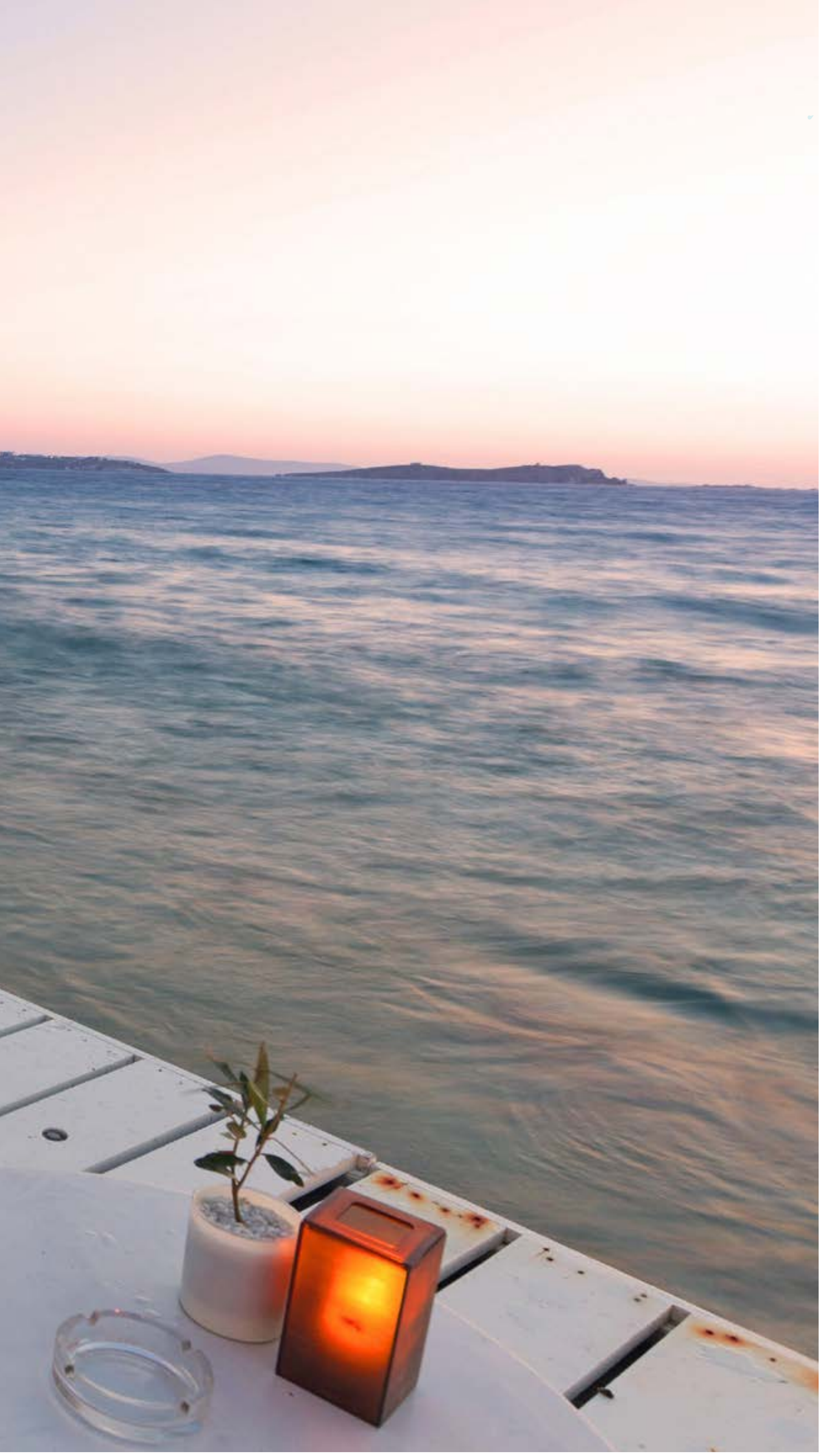
TO KEEP IMPROVING FOR THE BENEFIT OF HOLIDAYMAKERS

In successfully dealing with the events surrounding the Thomas Cook insolvency, HolidayCheck has met the largest challenge in its corporate history so far. „Our crisis management worked very well. Even though we identified areas during the Thomas Cook crisis in which we can still become better and faster, we were able to use the experience we gained to improve the quality of our service even more. Though we operated in very difficult circumstances, our teamwork was exemplary", explained Georg Ziegler. „I expressly want to thank our holidaymakers for their patience and for being understanding. In spite of a very difficult situation, our service centre received a lot of positive feedback. That motivated us even more to give our all for our holidaymakers", said Pascal Dué.



HOLIDAY TIP

Mykonos



My holiday tip

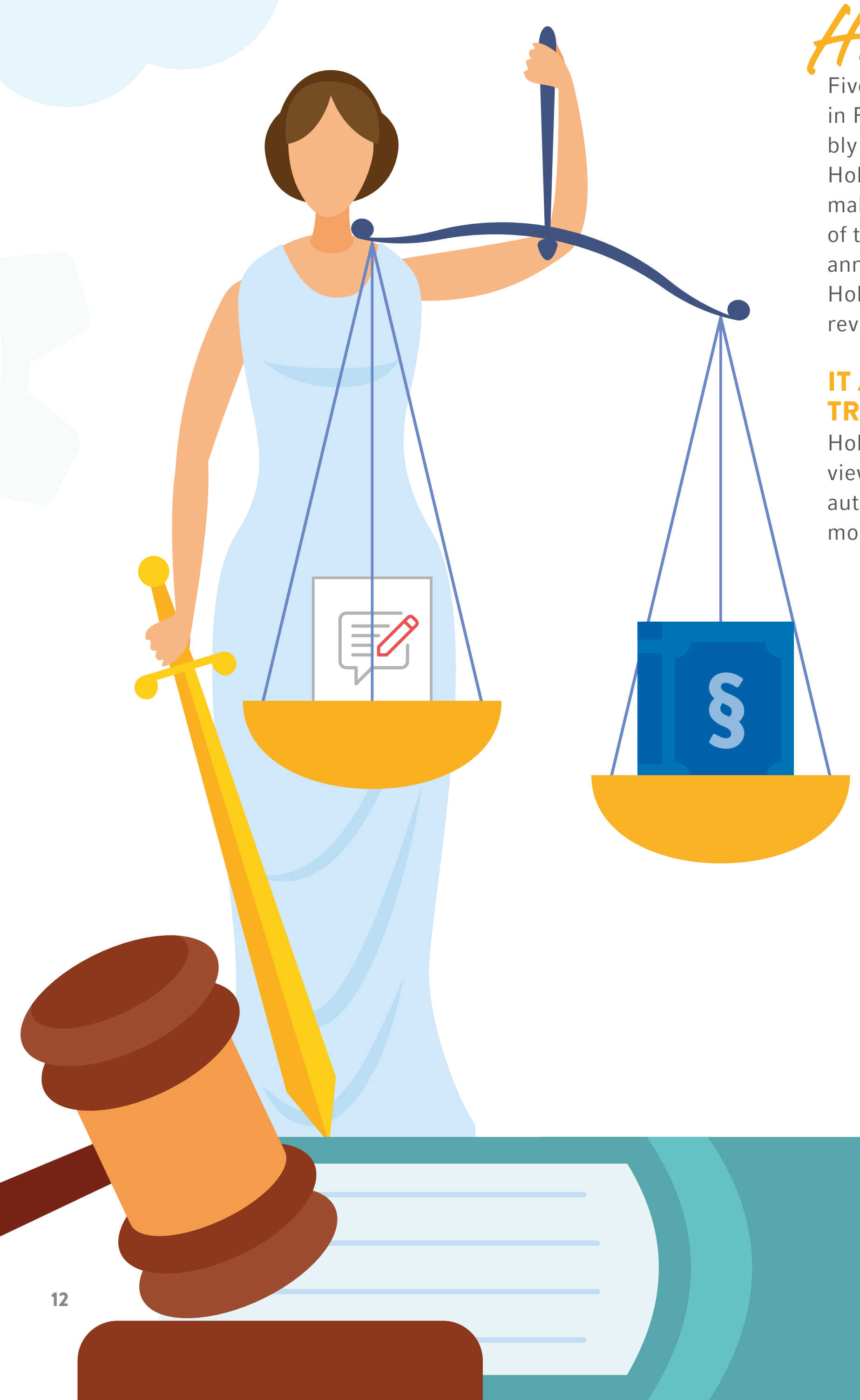
INNA MALYGINA
Team Lead Brand Awareness, HolidayCheck AG

I went to Greece in the summer of 2019 and visited multiple Greek islands. My personal highlight was **Mykonos**. This breathtaking, vibrant island offers everything a holidaymaker's heart desires. We stayed a little bit outside of the city of Mykonos. Our hotel – **the Myconian Avaton Resort** – is part of the Myconian chain and is situated on a slope right at **Elia Beach**. We really enjoyed this combination of a quiet location that is right at the beach but not too far away from the hustle and bustle of the city. In the evenings, we were able to use a free shuttle that took us to the city centre. Prior to the sunset, I recommend finding a nice spot at the waterfront in the **„Little Venice"** quarter to watch the sun go down while enjoying a chilled Greek wine. Afterwards, you can visit one of the many great restaurants and indulge in the delicious Greek food.

MY TIP: The restaurant **Vegera** right at the harbour of the city of Mykonos: Amazing cuisine, fabulous atmosphere and wonderful staff.

HolidayCheck WINS

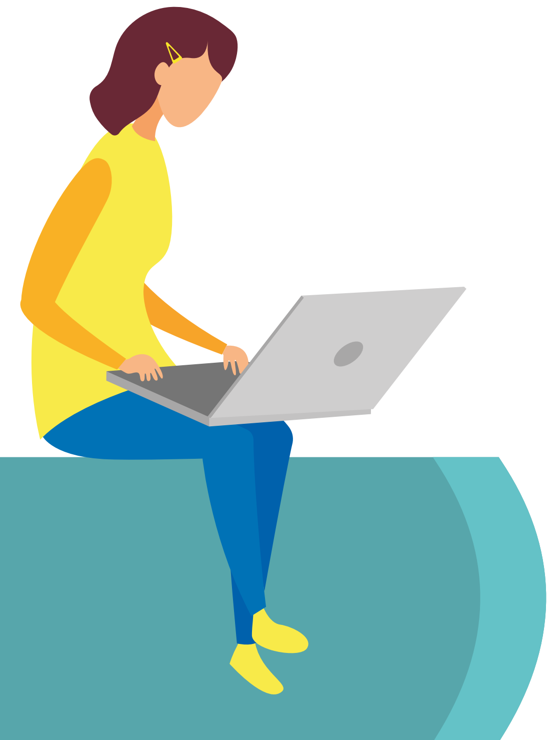
Landmark ruling against forger of reviews



HolidayCheck filed a lawsuit against the company Fivestar Marketing UG in the regional court in Munich in February 2019. The cause of action was demonstrably forged reviews that the company sold to hotels. HolidayCheck's stated goal was to stand up for holidaymakers and to put a stop to the dishonest methods of the instigators. The anxiously awaited ruling was announced on 14 November 2019. The court ruled in HolidayCheck's favour on all points and found fake reviews to be clearly illegal.

IT ALL COMES DOWN TO TRANSPARENCY AND AUTHENTICITY

HolidayCheck has been synonymous with hotel reviews and package holidays for nearly 20 years. The authenticity of reviews is the basis of the business model of the holiday booking and review platform.



When selecting a hotel, holidaymakers can only make a well-founded decision if the reviews are authentic. HoldiayCheck's zero tolerance policy regarding fake reviews is not just an empty phrase, but rather a goal the company rigorously pursues. In order to make the issue of review fraud transparent, HolidayCheck has been proactively bringing it to the attention of the public for years. In addition, the company provides glimpses behind the curtain of its own security system. It also works closely with industry groups and companies from outside the industry on solutions, such as an ISO norm that will set standards for how to deal with customer reviews.

"Forging reviews means defrauding holidaymakers."

GEORG ZIEGLER

Director Brand, Content & Community, HolidayCheck AG

THE FIGHT AGAINST REVIEW FRAUD: THE FIVESTAR MARKETING CASE

At the end of 2018, HolidayCheck uncovered a large network of review forgers. It was obvious from the start that this network would not only be investigated with all available tools but also that the topic would be communicated to the public. More than 50 hotels in Germany, Austria and Switzerland had ordered the fake reviews. Using positive reviews purchased from Fivestar Marketing, they wanted to gain an unfair advantage in attracting potential guests. Fivestar Marketing directed freelancers, which had never visited the hotels before, to write reviews. In doing so, Fivestar Marketing violated an attorney's declaration and HolidayCheck filed a lawsuit. The booking and review portal also took steps against Fivestar Marketing's clients: On the HolidayCheck website, all hotels that were involved in the scheme were labelled as participants in this attempted manipulation. At the same time, HolidayCheck sent the affected companies warnings and demanded that they issue declarations of discontinuance. Threatened with a contractual penalty, the majority of hotels pledged to no longer submit fake reviews. Many hotel owners not only signed the declaration of discontinuance but also pledged to support HolidayCheck in its fight against Fivestar Marketing and supplied important evidence.

A LANDMARK RULING FOR THE INDUSTRY AND BEYOND

"Forging reviews means defrauding holidaymakers. Our platform is protected by a two-tiered security system against review fraud. If our technical security system discovers a suspicious review, it will be sent to our approximately 60 employees for a manual check. We are also nipping at the heels of review agencies and are often one step ahead of them these days. However, in order to actually put a stop to the practices of the culprits, we and other affected companies also need a sufficient and clear political and legal framework" said Georg Ziegler, Director Brand, Content & Community. "The verdict against Fivestar Marketing was a first step in this direction and has confirmed our view that the behaviour of Fivestar Marketing UG is illegal and that we are on the right track. The increasingly vigorous debate in the media and the calls for action of consumer advocates also contribute to something getting done in the political arena".

THE FIGHT CONTINUES

As a result of the ruling of the regional court in Munich, Fivestar is no longer allowed to sell the reviews of persons who have not actually spent a night in the respective hotel or holiday home. The company also has to make sure that the respective fake reviews are deleted and provide HolidayCheck with information on who wrote the fake reviews. HolidayCheck hopes that the ruling will reverberate beyond the hotel ratings sector and be a trailblazing decision against review fraud.

My holiday tip

SEBASTIAN GOTTWALD
Finance Manager, HolidayCheck Reisen

Mauritius is a great destination for all those who love the beach and the ocean but also enjoy hiking and exploring. The island not only has many idyllic beaches, but also boasts mountains, national parks, a jungle and an exciting history.

In addition to enjoying lots of beach and water activities, such as snorkelling, sunbathing or wind and kite surfing, I also highly recommend taking a drive – either guided or on your own – to discover the island. A trip to Chamarel near the **Black River Gorges National Park** is well worth your time. This is a great place to marvel at the animals and plants during a hike and witness spectacles of nature such as waterfalls or the „Seven Coloured Earths" of Mauritius. Finally, if you climb the nearby **Le Morne Brabant**, which is a UNESCO world heritage site and towers above the island at more than 550 metres above sea level, you will be rewarded with a spectacular view of the island and the ocean.

MY TIP: Visit the beautifully situated **rum distillery of Chamarel**, which allows visitors to witness how the product is made and also offers a taste of it.

Mauritius

HolidayCheck Group AG founded HC Touristik GmbH in October 2018. The new tour operator, which offers package holidays and hotel stays under the name HolidayCheck Reisen, aims to take package holidays to the next level by making them more customer-friendly, more customisable and more flexible. The team of 20, which is led by managing director Vinzenz Greger, is looking back on a successful year 2019. We spoke to Vinzenz Greger about the rapid growth and future plans of HolidayCheck Reisen.

RETHINKING PACKAGE HOLIDAYS:

The rapid growth of HolidayCheck Reisen

VINZENZ GREGER
Managing Director HC Touristik GmbH

HolidayCheck Reisen

OCTOBER 2018
Foundation of HC Touristik GmbH and start of the Hotel Only business

JANUARY 2019
Start of the development of a new package holiday product

Vinzenz, you worked at Amazon for around 12 years before joining HolidayCheck last year to establish a new tour operator. What motivated you to take that step?
It was an opportunity for me to build something new in a completely different industry. HolidayCheck has an extensive customer base that knows and values the brand, a strong management team and a lot of in-house expertise. That means the conditions to launch something new were perfect. But, obviously, a new project not only offers opportunities but also bears risks. I asked myself how difficult it would be to establish a serious tour operator in a short period of time. We are talking about a very intense competitive environment because the industry has many well-known and experienced market participants that have been in this business for years. How much room is there at the top and how fast can a newcomer even grow in this environment? I quickly realised that, in spite of the underlying conditions, we had a major advantage because we had no baggage that had accumulated over decades. We had a fresh perspective, were able to question everything and did things the way they are done today and not 20 or even 40 years ago.

Can you tell us a bit about the first steps of HolidayCheck Reisen? How did it all start and what have you accomplished since?
We did a workshop in early 2019 in which we contemplated how we wanted to rethink the issue of package holidays. The result was an idea coupled with a very rapid plan for growth. Within just a few months, we turned the results of that workshop into an actual product that our customers were able to use for the first time in May 2019 to book their package holidays. That means it took just four months from the idea to the first booking.

And we never slowed down. We brought partners on board, such as hotel partners and flight providers, and constantly developed our product. We added new destinations weekly. At the same time, we worked on getting better prices for our customers. In total, we sent more than 2,000 holidaymakers on package holidays in 2019 and 87 percent of them would already recommend us to their friends and families. That's something we are very proud of.

Now we are working on further evolving package holidays. One of the things we are looking at is the issue of customisation because we want to distinguish ourselves from our competitors in a way that goes beyond better prices. For example, we identified the issue of transfers as something that greatly contributes to customer satisfaction, and, as a result, now offer custom transfer options at the holiday destination. We also introduced customer-friendly booking and cancellation conditions. If you want to cancel a hotel you booked with us, you can do so free of charge up to six days prior to departure. Up to four weeks prior to the start of the holiday, cancelling an entire trip costs just 25 percent of the total price. But that's just the beginning. We want to continuously improve our product and infuse it with more services.

Franziska Köhler, Teamlead Customer Service at HolidayCheck Reisen (left) and Managing Director Vinzenz Greger (second from right) set off personally the first HolidayCheck Reisen package customers at Leipzig Airport.

MAY 2019

First package tours bookable via HolidayCheck Reisen

JULY 2019

First holidaymakers go on a package tour with HolidayCheck Reisen

SINCE AUGUST 2019

Constant expansion of the hotel and flight portfolios, more and more destinations are available, constant price optimisation

What sets you apart from other tour operators? What is your vision?

We have very high standards regarding holidaymaker-friendliness. While I think that is also a goal shared by other providers, we as a team are constantly measuring and quantifying it and are taking the results very seriously. If even a single customer had a bad experience, we want to find out why. It's a value we live by every day because we have a need to understand if something didn't work right, and how we can make lasting improvements from which the holidaymaker will benefit. We want to keep evolving package holidays, improve the product and, as the world's most holidaymaker-friendly tour operator, hopefully serve as a role model for others.

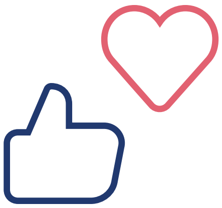
You have a highly motivated team that is hungry for success. What sets your team apart and what is it like to work for HolidayCheck Reisen?

I think it is primarily our diversity and compactness that distinguishes us. A lot of expertise is concentrated in one place. Tourism experts are working next to IT engineers as well as employees that always maintain a close contact and a dialogue with our customers. We constantly exchange information, have passionate discussions and are therefore able to benefit from the different areas of expertise of everybody else. That is special, it's a lot of fun and something that truly sets us apart.

What is next on your agenda?

In the future, we want to build even more flexibility, customisation as well as a wider selection and the ability to mix and match into the product. The idea of what makes a perfect package holiday is as diverse as our customers. The more flexible and wider our product range, the greater the flexibility that we can offer our customers and, as as result, the greater their happiness and satisfaction. That is what we are focusing on.

Thank you for this interview Vinzenz!



DECEMBER 2019

2000 holidaymakers went on a package tour with HolidayCheck Reisen, 87% recommend HolidayCheck Reisen to their family and friends

2020

Product innovations for more individuality, flexibility and holidaymaker-friendliness, individual transfer possibilities bookable

FINANCIALS

NATE GLISSMEYER
Chief Product Officer (CPO) &
Chief Technology Officer (CTO)

LETTER TO SHAREHOLDERS

GEORG HESSE
Chief Executive Officer (CEO)

MARKUS SCHEUERMANN
Chief Financial Officer (CFO)

DEAR SHAREHOLDERS, DEAR HOLIDAYMAKERS,

after being able to record an excellent business year in 2018, thanks in part to the tailwind from the travel industry, we had to face stiff headwinds in 2019. The insolvencies of the airline Germania in January and the Thomas Cook Group in September were accompanied by generally restrained demand from German holidaymakers. We were likewise dissatisfied with our general sales and earnings development, as a result. Nevertheless, thanks to the stalwart commitment of our employees, we have succeeded in providing our holidaymakers, or 'Urlauber' as we call them in German, with reliable advice and support even in these difficult times - in line with our vision of becoming the most Urlauber-friendly company in the world.

Travel industry in rough waters

Early in the 2019 financial year, we were hit by the news that the airline Germania would discontinue its flight operations due to insolvency.

HolidayCheck alone had more than 13,000 bookings, with around 25,000 holidaymakers affected. Our top priority was to assist the stranded holidaymakers and help those who still had their holiday ahead of them to rebook their holiday. Nevertheless, the insolvency led to numerous cancellations for HolidayCheck. The insolvency of the Thomas Cook Group and its German tour operators took on an unprecedented dimension, starting in September. More than 20,000 bookings with around 50,000 holidaymakers were affected at HolidayCheck alone. Thanks to an orderly crisis management and building on the experience gained from the Germania insolvency, we were able to successfully handle the number of almost 60,000 customer enquiries through the enormous commitment of our employees.

Even without the two insolvencies, 2019 would probably have been a rather unsatisfactory year for the German travel industry due to restrained customer demand. Plainly spoken, it was a disappointing year.

Sales and earnings performance

In view of the above-mentioned circumstances, we were only able to increase our annual sales by roughly 4 percent. At EUR 7 million, operating EBITDA also fell short of our guidance.

Cruises division takes the helm

After our new cruise platform went live in 2018, the first few months of platform operation focused on the gradual expansion of informational content and the direct integration of AIDA Cruises, Germany's leading cruise operator. In addition, of course, our focus was learn, learn, learn in order to constantly improve the user-friendliness and acceptance of the platform. In order to be able to offer all services from a single source, a dedicated service team has now been set up in 2019 to provide our holidaymakers with comprehensive and competent advice when booking their cruise.

First holidaymakers travel with our new tour operator, HolidayCheck Reisen

As you know, we founded HC Touristik GmbH in October 2018. The new tour operator, which offers package tours and hotel accommodation under the brand 'HolidayCheck Reisen', was already able to sell the first package tours as early as mid-2019 to our great delight. The HolidayCheck Reisen team has managed to set up the necessary infrastructure in short order. We believe the combination of state-of-the-art technology and a focus on the well-being of holidaymakers is reflected in excellent customer satisfaction figures. That is why we expect HolidayCheck Reisen to play an increasingly important role for the Group despite the current COVID-19 crisis.

Extension of Management Board contracts with Nate Glissmeyer and Markus Scheuermann

The Supervisory Board has decided to extend the contracts of Management Board members Nate Glissmeyer and Markus Scheuermann. The Management Board contract of Chief Product & Chief Technology Officer (CPO/CTO) Nate Glissmeyer was extended until the end of 2022 and that of CFO Markus Scheuermann until the end of 2023.

Outlook in times of COVID-19

The worldwide spread of COVID-19 and the associated comprehensive travel restrictions in many countries are currently having a significant impact on the demand for holiday travel. After a good start in the first 8 weeks of financial year 2020, we have recorded a sharp decline in package and hotel bookings since the end of February. In addition, we recorded a significant increase in the number of tour operators cancelling package tours and in the number of package tours

cancelled by customers. We expect demand for holiday travel to remain extremely weak in the coming weeks.

You are probably wondering how we are reacting to this crisis of hitherto unimaginable proportions? Our top priority is to protect our employees. For this reason, we have moved to working from home wherever possible at an early stage, including our service centre employees. As all the technical requirements were in place in time, business operations ran without interruption.

We have also set up a crisis management team to provide support and advice to holidaymakers affected by the crisis. It is a matter of great concern to all of us in the company to provide our holidaymakers with help and advice even in times of crisis and to keep them informed of current developments in the best possible way.

In order to preserve the company's liquidity as far as possible and reasonable, we have introduced extensive cost-cutting measures. In particular, we have reduced our marketing activities to a bare minimum. Nevertheless, these can be quickly ramped up to suit new demand situations.

In addition, we have initiated specific actions to reduce personnel costs noticeably. These include a freeze on salaries, the introduction of shortened working hours (Kurzarbeit) in large parts of the company and a partial, voluntary reduction in salary by us, the Management Board. At the same time, we have attached great importance to protecting our core capabilities so that we can quickly return to full efficiency after the crisis. We will of course consider taking further steps if necessary, as the survival of HolidayCheck is our top priority.

We will make targeted use of the current situation to continue working on innovations for holidaymakers and to further implement our vision of becoming the most holidaymaker-friendly company in the world, even during the crisis.

Overall, we unfortunately have to expect a significant year on year decline in our gross margin (revenue less COGS/prepaid travel expenses) and a significantly negative operating EBITDA for the 2020 financial year. Due to the uncertainty regarding many key factors, it is unfortunately not possible for us to reliably quantify the decline at present.

We currently have cash and cash-equivalents of around EUR 40 million. We therefore assume that despite the current effects of COVID-19, the solvency to maintain business operations should be ensured, among other things through consistent cost management.

At the same time, the HolidayCheck Group believes it is in a good starting position to gain additional market share in the long-term once the current crisis is over, both as travel agent and as tour operator.

One thing is certain: there will be a world after COVID-19. We therefore want to steer calmly through this crisis and position ourselves so that we can be successful in the new world after the crisis. The world of tourism in particular will undergo lasting change, and with our solid starting position we see opportunities here. The focus on the needs of holidaymakers will be more important after the crisis. As a technology company, we are also agile enough to get back on track quickly once the crisis is over and thus gain further market share on a sustainable basis, both in distribution of package holidays as well as in our own packaging business.

Character shows in times of crisis - and this is also true in this situation: we would like to thank all shareholders, our partners, our holidaymakers and our extraordinary team for their trust, cooperation and commitment in these extraordinary times.

Stay healthy!
And don't forget to plan your next holiday!

Best regards,
The Management Board

INVESTOR RELATIONS REPORT FOR THE FINANCIAL YEAR 2019

Dear Shareholders,

as part of our investor relations work in the previous year, we attended three investor conferences and presented the HolidayCheck Group to institutional investors at our three road shows. In addition, we presented the company to interested fund managers and analysts at our Capital Market Day in our corporate headquarters in Munich in February.

In our communications with investors, analysts and journalists we focused on explaining the potential long-term benefits of the investments we made in financial 2019 in our core package holiday operations. Another major topic were the short and medium-term effects of the insolvency of the German companies of the Thomas Cook Group.

The stock option plan we introduced in 2017 is turning more and more of our employees into shareholders. In 2019, nearly 400,000 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 2019

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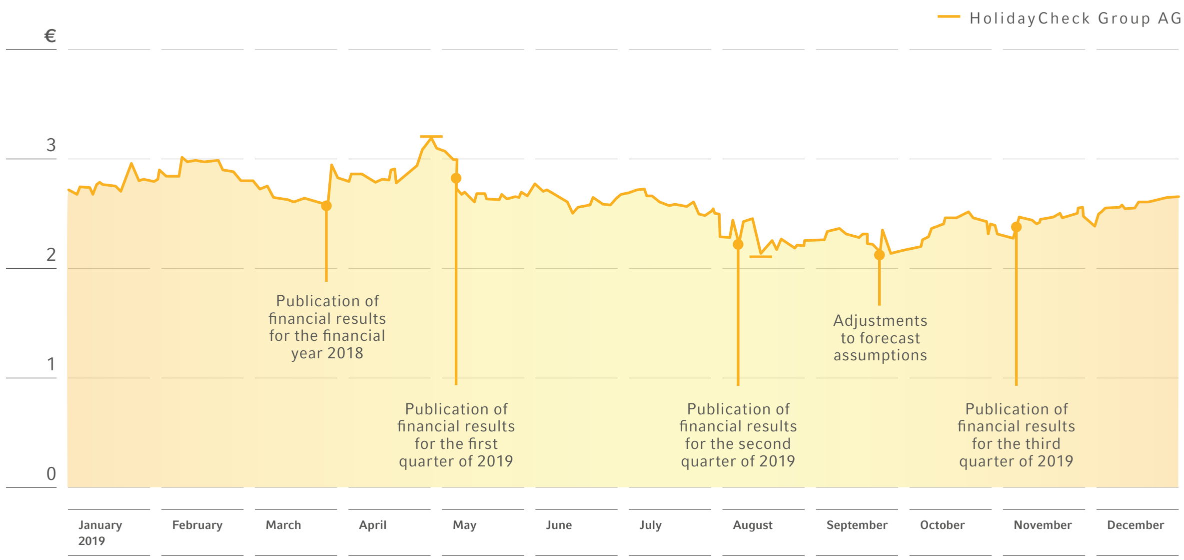
Financial 2019: HolidayCheck Group share price performance

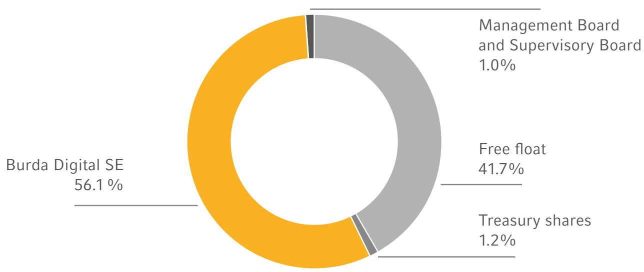


Key HolidayCheck Group share data

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 2019	58,313,628 no-par value bearer shares
Number of treasury shares at 31 December 2019	689,317
Market capitalisation at 31 December 2019	EUR 156.9 million

HOLIDAYCHECK GROUP SHARE PRICE PERFORMANCE ON XETRA	
Closing price 2018	EUR 2.65
2019 low	EUR 2.18
2019 high	EUR 3.18
Closing price 2019	EUR 2.69
Share price performance 2019	+1.5%

Shareholder structure (rounded)*



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

REPORT OF THE SUPERVISORY BOARD FOR THE FINANCIAL YEAR 2019

DEAR SHAREHOLDERS

In the financial year 2019, HolidayCheck Group AG, and indeed the entire travel sector, faced significant headwinds.

On the one hand, overall demand for package holidays was noticeably subdued throughout the industry. In addition, there was strong marketing competition between German online travel agencies and tour operators. Ultimately, however, it was the bankruptcies of the charter airline Germania at the beginning of the year and of the Thomas Cook Group's German tour operators in autumn 2019 that had the biggest impact on revenue and earnings at the HolidayCheck Group.

The Supervisory Board maintained close and effective communication with the Management Board and addressed every aspect of the latest industry and business developments both in and outside its meetings.

In response to these difficult operating conditions, the HolidayCheck Group showed the necessary cost discipline. At the same time, a conscious decision was made to adhere to key investment projects with excellent long-term prospects, such as the development and expansion of the Group's own tour operator.

Unfortunately, the HolidayCheck Group was unable to achieve the targets for revenue and operating EBITDA set at the beginning of 2019. Nevertheless, the way in which the HolidayCheck Group and its workforce have dealt with the challenges of the past financial year proves that they are well equipped to implement and make a financial success of their vision of becoming the most holiday-friendly company in the world.

MAIN ISSUES DISCUSSED BY THE SUPERVISORY BOARD

The Supervisory Board of HolidayCheck Group AG performed the activities incumbent upon it under law and the company's articles of association during the financial year 2019. 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 regular face-to-face and telephone meetings with the Management Board.

The Supervisory Board held a total of five regular meetings that were attended by all the members in person on 26 March 2019, 3 June 2019, 17 July 2019, 1 October and on 26 November 2019. Furthermore, on 4 December 2019, the Supervisory Board also passed four resolutions by way of written circulation.

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 26 March 2019 focused on the Audit Committee report, which included a detailed review of the audit of the consolidated financial statements for 2018.

At this meeting, the Supervisory Board also discussed the business performance in the financial year 2018 and the financial statements and management reports both of the company and the Group as at 31 December 2018.

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 2019 annual general meeting of shareholders.

The Supervisory Board agreed to a proposed consulting agreement between a subsidiary of HolidayCheck Group AG and Alexander Fröstl, a member of the Supervisory Board.

At its meeting on 3 June 2019, 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 17 July 2019, the Management Board began with a detailed review of the progress made towards implementing the measures discussed at the strategy meeting in 2018. 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 1 October 2019, the Supervisory Board focused on 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. In this context, there was a lengthy discussion of the significance and financial consequences of the bankruptcy of the Thomas Cook Group for the HolidayCheck Group. Additionally, the Management Board reported on current product and IT developments.

Next, the Supervisory Board approved the arrangements for two new credit lines totalling EUR 20 million to replace the existing syndicated loan.

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 26 November 2019 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 financial year 2020, including the projected liquidity situation. The Supervisory Board approved of the business plan after detailed discussion.

An adjustment to the consulting agreement between a subsidiary of HolidayCheck Group AG and the Supervisory Board member Alexander Fröstl was also discussed.

STEFAN WINNERS

Chairperson of the Supervisory Board of HolidayCheck Group AG

Thereafter, Vinzenz Greger, Managing Director at HC Touristik GmbH, who was invited to the meeting as a guest, gave a detailed report on current business developments and the wider business strategy of HC Touristik GmbH and its tour operator brand HolidayCheck Reisen.

On 4 December, a total of four resolutions were adopted by means of written circulation. Three of these decisions concerned appointments to governance bodies in Group companies. One decision concerned the increase in the capital reserve of Tomorrow Travel B.V.

COMPOSITION OF THE MANAGEMENT BOARD

There were no changes in the composition of the Management Board in the year under review.

At its meeting on 26 March 2019, the Supervisory Board decided to extend the contract of CPO/CTO Nathan Brent Glissmeyer, which was due to expire on 31 December 2019, up to 31 December 2022.

In addition, at its meeting on 17 July 2019, the Supervisory Board decided to extend the appointment of CFO Markus Scheuermann, which was due to expire on 30 June 2020, up to 31 December 2023.

COMMITTEES

An Audit Committee was formed once again in the financial year 2019. Its members were Dr Dirk Altenbeck (Chairperson of the Audit Committee), Dr Thomas Döring and Holger Eckstein. The Audit Committee met four times in the financial year, on 25 March 2019, 3 June 2019, 30 September 2019 and 25 November 2019. At these meetings, the members of the Audit Committee addressed a range of issues, including the Group's latest results, and their financial impact on the company, and the audit of the financial reports.

Furthermore a Technology Committee was established in financial 2019. The members of this Committee are Alexander Fröstl (Chairperson of the Technology Committee), Aliz Tepfenhart and Stefan Winners.

The Technology Committee met four times in the financial year, on 25 March 2019, 3 June 2019, 30 September 2019 and 25 November 2019. At its meetings, the Technology Committee focused on the progress made in the technical development of the Group's platforms.

No other committees were formed in the financial year 2019.

CORPORATE GOVERNANCE

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

No conflicts of interest arose in the year under review 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 26 November 2019.

The Management Board and Supervisory Board issued a joint declaration of conformity with the Corporate Governance Code on 1 October 2019 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 Pricewaterhouse-Coopers GmbH 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 2019 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 (HGB) and the International Financial Reporting Standards (IFRS). 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 24 March 2020 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 24 March 2020. 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 SUPERVISORY BOARD OF HOLIDAYCHECK GROUP AG *From left to right: Dr Thomas Döring, Holger Eckstein, Aliz Tepfenhart, Stefan Winners, Alexander Fröstl, Dr Dirk Altenbeck*

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 24 March 2020, the Supervisory Board also examined the management report of HolidayCheck Group AG on the disclosure of related-party transactions in the financial year 2019 (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 according 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 24 March 2020 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.

COVID-19

The Supervisory Board is closely monitoring current developments in light of the COVID-19 pandemic and its impact on the HolidayCheck Group. The Chairperson of the Supervisory Board and his deputy are in regular, almost daily, contact with the Management Board to discuss the situation. The common goal of the Supervisory Board and the Management Board is to immediately take all the urgent action that may be required while ensuring that the Group is well equipped to effectively harness whatever opportunities arise – possibly in the wake of a market consolidation – once the crisis has passed.

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 2019 and wish them every success in the financial year 2020.

Munich, Germany, March 2020

On behalf of the Supervisory Board

Stefan Winners
Chairperson

GROUP MANAGEMENT REPORT OF HOLIDAYCHECK GROUP AG, MUNICH, GERMANY, FOR THE FINANCIAL YEAR 2019

1. GROUP STRUCTURE AND BUSINESS MODEL

1.1 Organisational structure

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

In financial 2019 the Group's average total workforce was 490 full-time equivalents (FTEs 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, cruise, 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.

HC Touristik GmbH was formed in Munich, Germany, in December 2018 as a tour operator. Its revenue comes from marketing hotels and package holidays through HolidayCheck's booking platforms.

Its core sales markets are Austria, Germany and Switzerland.

Driveboo AG (based in Bottighofen, Switzerland) 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 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 decided, starting in the financial year 2019 and until further notice, that we will no longer use the equity ratio as an indicator or as a management tool. In addition, up to and including financial 2019, we used growth in sales revenue as a measure of enterprise value.

Starting in the financial year 2020, we intend to use the growth in our gross margin as an indicator instead of the previously used revenue figure. Gross margin is defined as sales revenue less cost of goods sold (COGS), i.e. advance purchases of holiday services (e.g. expenditure for hotels, flights and transfer services) by the Group's in-house tour operator HC Touristik.

In future, in addition to consolidated revenue – already previously used as a performance indicator –, we will analyse consolidated gross margin and Group operating EBITDA (earnings before interest, tax, depreciation and amortisation) as financial indicators on a monthly basis and compare them with the 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, HC Touristik GmbH and the WebAssets Group).

1.4.1 Growth and revenue (from 2020: gross margin)

For the HolidayCheck Group, consistent growth in sales revenue (to be replaced from 2020 by gross margin, see 2.2.2.1.2) is an important contributor to long-term growth in enterprise value.

Growth in sales revenue*

Growth in sales revenue – FY 2019	3.5 percent
Growth in sales revenue – FY 2018	14.2 percent

*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 either to maintain or to 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 2019 EUR million	FY 2018 EUR million
Group operating EBITDA*	7.0	10.7

*Further information on Group operating EBITDA can be found in section 2.2.2.1.4 of this report under the heading 'Calculation of operating EBITDA from EBITDA'.

1.4.3 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 employee appraisal and development interviews.

Employee satisfaction is recorded on a weekly basis using an online tool that measures satisfaction levels on a scale from 0 (lowest value) to 10 (highest value). As at 29 December 2019, this feedback system showed a small increase compared with the previous year-end figure (30 December 2018). As such, our forecast of a 'positive' assessment was achieved.

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 holidaymaker 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 November 2019.) 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 2018 compared with December 2019) 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 customer experience. Users can rate their customer experience by awarding points on a scale from 1 (very dissatisfied) to 5 (very satisfied). As our indicator, we take the figure for all customers who awarded us the maximum score of 5.

This feedback system produced a slightly 'positive' assessment compared with the previous year. The 'positive' forecast for 2019 was therefore achieved.

1.5 Research and development activities

Some Group companies (Driveboo, HolidayCheck, HolidayCheck Polska, HolidayCheck Solutions, HC Touristik 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 expenditure. 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 2019, around 185 HolidayCheck Group employees were assigned to development roles (31 December 2018: 165).

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 2018 and 2019 are shown in the table below.

Capitalised development costs

Own work capitalised – FY 2019	EUR 3,431 thousand
Own work capitalised – FY 2018	EUR 3,580 thousand

In financial 2019, amortisation charges for internally generated intangible assets were EUR 4.6 million in total (2018: EUR 4.8 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 20 December 2019, the overall picture of economic activity in the HolidayCheck Group's core sales markets in 2019 was as follows: inflation-adjusted gross domestic product (GDP) in the Netherlands rose by 1.7 percent; the analysts put inflation-adjusted growth in Belgian GDP at 1.3 percent; inflation-adjusted gross domestic product in Germany only increased slightly, by 0.5 percent; the corresponding figures for Austria and Switzerland were 1.5 percent and 0.9 percent.

2.1.2 Industry situation

According to an assessment by the Management Board, the revenue generated from package holidays in financial 2019 in the core markets targeted by the Group's transaction-based travel portals was at roughly the same level as in 2018, partly due to the bankruptcy of the airline Germania in early 2019 and partly due to the bankruptcy of the German subsidiaries of the Thomas Cook Group in the autumn. Based on the 2019 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 1.5 percent over the year.

According to the German Travel Association (DRV)[1], total revenue from the package and build-your-own holidays offered by tour operators in 2019 went up by 1 percent. On this basis, the growth in online travel agencies was probably also around a few percent.

In the previous year, for the industry as a whole, the Management Board forecast moderate low single-digit percentage growth in financial 2019. As such, this original forecast was not achieved.

In the Management Board's view, the Group's core sales markets were marked by strong competitive pressures, as forecasted in 2018.

2.2 Business development and performance

Overall, the HolidayCheck Group's business was relatively subdued in financial 2019. This was partly due to the sluggish performance of the Central European package holiday market, which was hit by unexpectedly weak customer demand, and by the bankruptcies of the airline Germania and the German subsidiaries of the Thomas Cook Group, all of which affected the Group's results. As a result of these developments, the Central European package holiday market failed to generate any growth in the year under review. The bankruptcies of the airline Germania and the German subsidiaries of the Thomas Cook Group held down the Group's revenue and earnings, partly as a result of substantial bad debt write-offs.

Accordingly, both our revenue and operating result ended the year below the Management Board's initial expectations. To be more specific, consolidated revenue rose by 3.5 percent year on year from EUR 138.9 million to EUR 143.7 million thanks to a modest increase in our market share at the expense of high street travel agencies (see the travel agency report on current market trends (Reisebürospiegel) published by ta.ts in section 2.1.2 of this consolidated management report). Operating EBITDA was EUR 7.0 million in financial 2019 compared to EUR 10.7 million in the previous year. Accordingly, the Group's results were below the original forecast of a year-on-year increase of between 7 and 12 percent in revenue and operating EBITDA between EUR 8.5 million and EUR 13.5 million in 2019.

2.2.1 Business development

In financial 2019, with a view to steadily expanding its portfolio, the Group invested 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 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 148.6 million, HolidayCheck Group's **total operating income** in financial 2019 was 3.6 percent higher than the figure of EUR 143.5 million reported at the end of the previous year.

Revenue showed a year-on-year increase of 3.5 percent, from EUR 138.9 million in 2018 to EUR 143.7 million in 2019, mainly due to a small rise in travel bookings and a first contribution of EUR 2.0 million to revenue from our in-house tour operator, HC Touristik, which was formed in 2018. As described above, this figure was below the forecast, issued in the 2018 Group management report, of a revenue growth of between 7 and 12 percent.

At EUR 1.5 million, **other income** in the financial year 2019 was up 50.0 percent compared with the figure of EUR 1.0 million recognised for 2018. This was mainly due to higher income from subletting.

The total of **other own work capitalised** fell by 5.6 percent from EUR 3.6 million in 2018 to EUR 3.4 million in the year under review.

1) https://www.drv.de/newsroom/detail/erfolgreiches-jahr-fuer-die-pauschalreise-grosses-vertrauen-trotz-thomas-cook-pleite.html

Calculation of operating EBITDA from EBITDA

	1 JANUARY TO 31 DECEMBER 2019 EUR million	1 JANUARY TO 31 DECEMBER 2018 EUR million
EBITDA	**+6.4**	**+10.0**
Minus: other income Plus: other expenses from revaluation of earn-out or put/call obligations	+0.0	+0.1
Plus: other expenses from personnel obligations linked to share-based payment plans and pension provisions	+0.6	+0.6
Group operating EBITDA	**+7.0**	**+10.7**

2.2.2.1.2 Gross margin

Starting in 2020, HolidayCheck Group plans to use **gross margin** instead of revenue as its main performance indicator. Gross margin is defined as sales revenue less cost of goods sold (COGS), i.e. advance purchases of holiday services (e.g. expenditure for hotels, flights and transfer services) by the Group's in-house tour operator HC Touristik.

Gross margin for the financial year 2019 stood at EUR 141.9 million, a rise of 2.2 percent compared with EUR 138.9 million in 2018.

2.2.2.1.3 EBITDA

Marketing expenditure went up slightly, by 2.4 percent, and ended the year at EUR 68.6 million compared with the 2018 figure of EUR 67.0 million. This was mainly due to increased online marketing and voucher costs, reflecting business growth at HolidayCheck AG.

Personnel expenditure rose by 7.2 percent in 2019 and thus stood at EUR 41.9 million, chiefly due to an increase in the number of employees from 471 to 490 full-time equivalents (without Management Board members) and pay rises. The corresponding figure for 2018 was EUR 39.1 million.

Expenses from the impairment of financial assets rose from EUR 0.1 million in 2018 to EUR 3.6 million in the year under review. This was mainly due to increased write-downs following the bankruptcy of the Thomas Cook Group. Out of the year-on-year increase of EUR 3.5 million in total valuation adjustments, a total of approximately EUR 3.2 million was bankruptcy-related.

At EUR 28.2 million, **other expenses** ended the year 3.3 percent higher (2018: EUR 27.3 million). If we adjust for the contrary effect created by the first-time application of IFRS 16, which caused a shift of EUR 2.6 million from other operating expenses to depreciation and amortisation, the total figure for other expenses was up by EUR 6.9 million, mainly owing to an increase of EUR 1.9 million in the service centre's distribution expenses – also primarily due to the increased volume of enquiries following the bankruptcies of the Thomas Cook Group and Germania. In addition, for the first time, the Group's in-house tour operator incurred expenses of EUR 1.8 million for advance purchases of travel services. These are allocated to the accounts for the corresponding period.

EBITDA (earnings before interest, taxes, depreciation and amortisation) dropped by 36.0 percent from EUR10.0 million to EUR 6.4 million year on year.

2.2.2.1.4 Calculation of operating EBITDA from EBITDA

The table shown above provides additional information on exceptional items that have an impact on EBITDA and therefore on consolidated net profit/(loss). 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) fell by 34.6 percent from EUR 10.7 million in financial 2018 to EUR 7.0 million in financial 2019.

2.2.2.1.5 Other items in the consolidated statement of income

At EUR 10.1 million, **depreciation, amortisation and impairment charges** for 2019 were 44.3 percent higher year on year (2018: EUR 7.0 million). This was chiefly due to the first-time application of IFRS 16, which caused a shift of EUR 2.6 million from other operating expenses to depreciation, amortisation and impairment charges.

EBIT (earnings before interest and tax) stood at minus EUR 3.7 million in financial 2019 compared with EUR 3.0 million in the previous year.

HolidayCheck Group's **financial result** was minus EUR 0.4 million in 2019 and minus EUR 0.2 million in the previous year. This change was due to the compounding of leasing liabilities in line with the first-time application of IFRS 16.

EBT (earnings before taxes) totalled minus EUR 4.0 million at the end of the financial year 2019 and EUR 2.8 million in the prior year.

The **tax result** for financial 2019 stood at minus EUR 0.6 million compared with minus EUR 0.9 million in 2018. The decrease was mainly due to a decline in earnings in the year under review.

Consolidated net profit/(loss) was minus EUR 4.6 million in the financial year 2019 and EUR 1.9 million in 2018.

Consolidated comprehensive income for financial 2019 amounted to minus EUR 5.2 million compared with EUR 1.9 million in the prior year. The main factor for this drop was the revaluation of defined-benefit pension plans.

Basic and diluted earnings per share were minus EUR 0.08 in the financial year 2019 and EUR 0.03 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 financial 2019, the company restructured its framework loan agreements. The syndicated loan described in our 2018 annual report was cancelled on 5 December 2019. The interest payable on this syndicated loan was stipulated for each interest period. The latest figure was 0.9 percent. The resulting interest expense for 2019 was EUR 0.2 million. In October and November 2019, HolidayCheck Group AG concluded two new framework loan agreements, each for EUR 10.00 million and covering an indefinite period. The credit available under these agreements can be drawn down as and when required. As at 31 December 2019, no such draw-downs had been made. Interest, which is payable only if the credit facilities are actually used, is linked to the reference EURIBOR rate plus a margin. At the year end, one framework loan agreement was subject to a rental guarantee of EUR 0.3 million. The annual commission for providing this guarantee is 0.6 percent.

2.2.2.2.2 Investment

In 2018, additions of EUR 2.5 million to **intangible assets acquired for valuable consideration** were primarily attributable to the purchase of the main assets of Beach-Inspector.com. In financial 2019, the amounts capitalised and added to this asset category were minimal. The main investment items related to customising and are shown as expenses.

Additions to **internally generated intangible assets** (software) mainly concern HolidayCheck AG. This figure was reduced from EUR 4.2 million in financial 2018 to EUR 3.5 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 2019 and 2018.

Net cash used in operating activities stood at EUR 2.5 million in 2019 compared with EUR 14.7 million in 2018. This was partly due to the lower figure for EBITDA. Another factor was the payment of income taxes in financial 2019 that had been deferred in the previous year due to the positive result achieved by HolidayCheck AG. In addition, the change in assets and liabilities not attributable to investing or financing activities was slightly smaller than in the previous year. For more information, see 2.2.2.2.4 'Asset position'.

Net cash used in investing activities was made up of net cash outflows totalling minus EUR 4.2 million in 2019 compared with net cash outflows of minus EUR 7.0 million in 2018. In financial 2019, the Group invested mainly in internally generated intangible assets (2019: minus EUR 3.5 million; 2018: minus EUR 4.2 million) and in operating and office equipment (2019: minus EUR 0.7 million; 2018: minus EUR 0.4 million). The year-on-year change is primarily related to the purchase in 2018 of the main assets of *Beach-Inspector.com* (see section 2.2.2.2.2).

Net cash used in financing activities totalled minus EUR 4.6 million in 2019 compared with EUR 0.0 million in 2018. In financial 2019, the company paid a dividend of EUR 2.3 million. Following the application of IFRS 16, the financial statements also include, for the first time, payments of minus EUR 2.3 million to settle rights of use. These amounts were previously shown as leasing payments under other operating expenses.

As a result, cash and cash equivalents decreased by EUR 6.3 million from EUR 33.8 million in 2018 to EUR 27.5 million at the end of 2019.

Financial resources

Our financial resources include, among other items, 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, leasing liabilities, 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

In financial 2019, HolidayCheck Group AG had no liabilities to banks. The figure for 2018 includes the arrangement fee for the syndicated loan. This loan was cancelled on 5 December 2019.

For more information on the Group's liquidity situation, especially in the context of the rapid spread of COVID-19 since January 2020 and the implications for liquidity, please refer to section 3 'Events after the balance sheet date', section 4.2.2.2.2.3 'Liquidity risk' and section 4.2.2.3 'Overall assessment of risks' of this Group management report.

2.2.2.2.4 Asset position

On the assets side of the consolidated balance sheet, **non-current assets** were up by 5.6 percent from EUR 134.4 million in 2018 to EUR 141.9 million as at 31 December 2019. The main factor here was the capitalisation of rights of use in line with the first-time application of IFRS 16. As at 31 December 2019, this category of assets was recognised in the balance sheet at EUR 9.1 million.

At EUR 52.1 million, **current assets** as at 31 December 2019 were 11.2 percent lower compared with the figure of EUR 58.7 million as at 31 December 2018. The reason for this change was primarily a decline of EUR 6.3 million in cash and cash equivalents to EUR 27.5 million as a result of cash outflows (see section 2.2.2.2.3 of this Group management report).

On the liabilities side of the consolidated balance sheet, **equity** decreased by 4.1 percent from the 2018 year-end figure of EUR 159.9 million to EUR 153.4 million as at 31 December 2019. This reduction was due to consolidated net profit/(loss) of minus EUR 4.6 million and the dividend payment of EUR 2.3 million.

As at 31 December 2019, the equity ratio was down to 79.2 percent. The corresponding ratio of the previous year was 82.8 percent.

As at 31 December 2019, **non-current liabilities** stood at EUR 13.9 million compared with the year-end figure of EUR 7.6 million in 2018. This increase was mainly due to the first-time application of IFRS 16 (see above), as a result of which leasing liabilities totalling EUR 7.1 million were recognised for the first time in the balance sheet. Pension provisions rose from EUR 1.4 million to EUR 2.2 million following the revaluation of defined-benefit pension plans. The total increase was partly offset by a reduction in non-current other financial liabilities, mainly due to the reclassification of liabilities for the 2016 tranche of LTIP 2011-2016 and the 2019 tranche (income tax portion) of LTIP 2017-2020, both of which fall due in financial 2020, and are therefore shown under current liabilities.

As at 31 December 2019, **current liabilities** amounted to EUR 26.7 million, and were up slightly on the 2018 year-end total of EUR 25.6 million (4.3 percent). The main factor here was the first-time application of IFRS 16 (see above), as a result of which current leasing liabilities totalling EUR 2.5 million were recognised for the first time. Trade payables were lower compared with 2018, primarily on account of lower voucher liabilities. Deferred income tax liabilities also fell year on year due to a low pre-tax result at HolidayCheck AG. Current other financial liabilities declined following a reduction in bonus provisions as more employees are now included in the RSP. Current non-financial liabilities ended the year higher, partly due to increased value added tax liabilities.

Total liabilities ended the financial year 2019 at EUR 40.6 million and thus 21.9 percent above the 2018 year-end figure of EUR 33.3 million.

Total assets rose by 0.4 percent from EUR 193.2 million at the end of 2018 to EUR 194.0 million as at 31 December 2019.

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

Potential impact of COVID-19

On 4 March 2020, the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) issued an expert opinion entitled 'The impact of the spread of the coronavirus on the reporting and auditing of financial statements as at 31 December 2019'. It takes the view that the rapid expansion of the infection is to be regarded as justifying valuations from January 2020 and thus only in financial statements dated after 31 December 2019. Similarly, in accordance with IFRS, it is only relevant as a non-adjusting event to (group) financial statements with a reporting date after 31 December 2019.

Nevertheless, we have decided to classify the outbreak as an event of particular importance, as the high level of uncertainty it causes has had an impact on our forecast and on our risk and opportunity report. With regard to its impact on our forecast for gross margin and operating EBITDA, which is now significantly more pessimistic, we refer to our remarks in section 4.1 of this Group management report.

We undertook an additional review of risks and opportunities in March 2020.

As a result, due to the current high level of uncertainty, we have adjusted the probability of impairment (see section 4.2.2.2.2.2) from high to almost certain, as new business models in particular could be disproportionately affected by any delay in implementation or, in the worst case scenario, discontinuation. At present, it is not possible to produce a reliable estimate of the financial impact for the financial year 2020. As soon as we are able to assess the impact more precisely, we will carry out unscheduled impairment tests, where required.

We have also added liquidity risks (cf. section 4.2.2.2.2.3) to our risk catalogue. Given the rapid spread of COVID-19 since January 2020, we have revised, in financial 2020, the assumptions underlying our consolidated revenue forecast for 2019 (commission revenue). Assuming that travel restrictions due to the spread of COVID-19 may last longer than July 2020, that there is no travel during this period and that the cancellation rate remains 10.0 percent higher thereafter, we expect prior-year revenue to decline by between EUR 8.5 million and EUR 11.7 million. In 2020, we expect cash inflows from commission revenue to decline while cash outflows increase for repayments of commission fees received in 2019 in respect of holidays in 2020 (between EUR 4.2 million and EUR 6.5 million). At present, we are unable to give a more precise estimate as tour operators are currently experiencing delays while they process a large volume of cancellations in their systems. Finally, if bookings are cancelled, we are not required to pay for the vouchers awarded to holidaymakers, since the conditions for receipt (i.e. commencement of the holiday) have not been met. This will save around EUR 1.8 million on marketing expenses already recognised and provided for in financial 2019, thus reducing our cash outflows in financial 2020.

For a more detailed explanation of the individual risks, please refer to our remarks in section 4.2 of this Group Management Report.

We have also downgraded the probability of a demand opportunity (see section 4.3.1.1.2) from possible to unlikely. For a more detailed explanation of the individual opportunities, please refer to our remarks in section 4.3 of this Group Management Report.

Draw-down of credit lines

In March 2020, as a precautionary measure, HolidayCheck Group AG drew down a total of EUR 19.7 million using its negotiated credit lines.

Stefan Winners, Chairperson of the Supervisory Board, to step down on 23 June 2020

Stefan Winners, Chairperson of the Supervisory Board of HolidayCheck Group AG, notified the company on 9 March 2020 of his intention to step down from this position at the end of the annual general meeting on 23 June 2020 at his own request in light of his departure from the Burda Group.

The Supervisory Board of HolidayCheck Group AG will propose a suitable successor for membership of the Supervisory Board of HolidayCheck Group AG in advance of the 2020 annual general meeting.

Share buy-back

Following approval by the Supervisory Board, the Management Board of HolidayCheck Group AG decided in February 2020 to make use of the share buy-back authorisation granted by the annual general meeting on 16 June 2015 in accordance with section 71 paragraph 1 number 8 of the German Stock Corporation Act (Aktiengesetz, AktG). Over the period from 24 February 2020 to 15 June 2020, the company will acquire up to 750,000 of its own shares subject to an overall price limit of EUR 2,250,000. The shares will be acquired through the stock exchange. The intention is to offer the repurchased shares to members of the Management Board and employees of the company and its affiliated entities as part of an employee stock option plan.

4. REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

4.1 Report on expected developments

4.1.1 Expected macro-economic developments

As at the balance sheet date, Deutsche Bank's Global Market Research unit[2] anticipated the following levels of economic growth in the HolidayCheck Group's core sales markets in 2020.

Inflation-adjusted gross domestic product (GDP) in the Netherlands was expected to grow by 1.6 percent and in Belgium by 1.1 percent. Inflation-adjusted gross domestic product (GDP) in Austria was anticipated to increase by 1.4 percent and in Switzerland by 1.9 percent. According to the Deutsche Bank experts, inflation-adjusted GDP in Germany should have risen by 1.0 percent. According to the annual report for 2019/2020 issued by the German Council of Economic Experts on 6 November 2019, however, GDP growth in Germany was supposed to be limited to 0.9 percent.

The GDP figures quoted above were based on estimates published by Deutsche Bank AG's Global Market Research unit on 20 December 2019.

In an assessment dated 19 March 2020, the ifo Institute predicted a decline in 2020 of between 1.5 and 6 percent in real gross domestic product (GDP) in Germany, HolidayCheck Group's biggest sales market by a substantial margin.

4.1.2 Expected industry developments

As at 31 December 2019, the Management Board of HolidayCheck Group AG anticipated that holiday bookings for the current year 2020 would be roughly on a par with 2019 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 solid consumer demand for holidays.

Other important but unpredictable factors with the potential to affect industry results include epidemics (especially the current outbreak of COVID-19), political unrest and terrorist attacks, as well as subsequent travel restrictions, primarily in the most important package holiday regions around the Mediterranean, but also in the German-speaking area (Germany, Austria and part of Switzerland) and in the Benelux countries (Belgium, Netherlands and Luxembourg).

During the period in which these consolidated financial statements were prepared, there was very little certainty over the impact of COVID-19 on the industry. Based on our current understanding, the volume of bookings is likely to decline significantly. In response we have identified a range of scenarios. These can be found together with explanatory notes in section 4.1.3.

At present, it is not possible to predict what impact the crisis will have on future competition within the travel industry.

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. Given the current situation, we intend to reduce investment in the further development of our existing products and services to a minimum. The company will adopt a series of commensurate and targeted measures to adapt its personnel costs to the current situation.

The marketing activities of our subsidiaries will reflect the current demand situation, especially with regard to search engine marketing.

2) See website Deutsche Bank Research: https://www.dbresearch.com/ - 'Outlook 2020: Fragile – handle with care'

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 consolidated net profit/(loss). 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.

As part of our report on expected developments, and specifically in response to the high degree of uncertainty created by the rapid spread of COVID-19 since January 2020, we have identified a range of scenarios based on our business plan. These scenarios are based in turn on a series of assumptions about the impact of COVID-19 in terms of duration and intensity. We are engaged in continuous scenario planning. One outcome is that our latest forecasts for gross margin and operating EBITDA are now significantly more pessimistic than our original year-end estimates and assessments.

4.1.3.1 Gross margin and operating EBITDA

With due regard for the underlying assumptions set out above and the corresponding scenarios for the potential impact of COVID-19, the Management Board anticipates a significant year-on-year decline in the HolidayCheck Group's gross margin (sales revenue less cost of goods sold (COGS)/advance purchases of holiday services) for financial 2020, after adjusting for acquisitions or disposals of long-term equity investments. In financial 2019, the HolidayCheck Group achieved a gross margin of EUR 141.9 million. A reliable quantification of the decline is currently not possible due to the uncertain facts and information situation.

In view of the assumptions described above, and of the corresponding scenarios for the potential of COVID-19, the Management Board expects a significantly negative operating EBITDA in financial 2020.

4.1.3.2 Non-financial performance indicators

Employee satisfaction

Employee satisfaction within the HolidayCheck Group is measured weekly using an online tool. In comparison with the previous year and based on an average of the weekly scores due to the consequences of the corona crisis, we expect this feedback system to deliver a 'stable to slightly negative' assessment.

Customer satisfaction

To measure 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 'stable' assessment in December 2020, when compared with the same month of 2019.

4.1.4 Overall assessment of likely developments

In light of the rapid spread of COVID-19 since January 2020 and the resulting uncertainty affecting the travel sector in particular and, more widely, the prospects for economic activity, it is not possible to quantify the likely impact of the pandemic on the company's key performance indicators, gross margin and operating EBITDA.

We will monitor the situation continuously and take appropriate decisions as soon as possible on the measures required to minimise the economic damage caused by attempts to inhibit the further spread of COVID-19.

Further changes in the economic situation and the competitive environment are possible given the current uncertainty and structural insecurity affecting tour operators above all but also other service providers and suppliers. There is also a possibility of change in the political situation in those Mediterranean countries with the biggest holiday markets.

In response to the opportunities (see section 4.3 of the Group management report) and risks (see section 4.2.2 of this Group management report) outlined below, or if our expectations and expectations 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, HC Touristik GmbH, 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.

Risk categories

Inherent risks	Active risks		
STRATEGIC	OPERATIONAL	FINANCIAL	COMPLIANCE

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.

- The risk management system is rooted in our values. Good decisions are based on a judicious balancing of opportunities and risks. We examine all relevant factors carefully, especially where large sums are involved, and take responsibility if measures are required to reduce or avoid risk. We have the courage to proactively address risks and deficiencies.
- Risk awareness should be heightened continuously at all levels of the company and its subsidiaries.
- Appropriate measures should be taken to limit the potential impact of risks.
- 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) 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.
- The risk management system should be documented in the form of a risk map.

4.2.1.2 Risks subject to mandatory disclosure

Risks are identified in relation to individual areas of responsibility. Risks are divided into two categories: ‘inherent’ and ‘active’ risks (see table above).

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:

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)

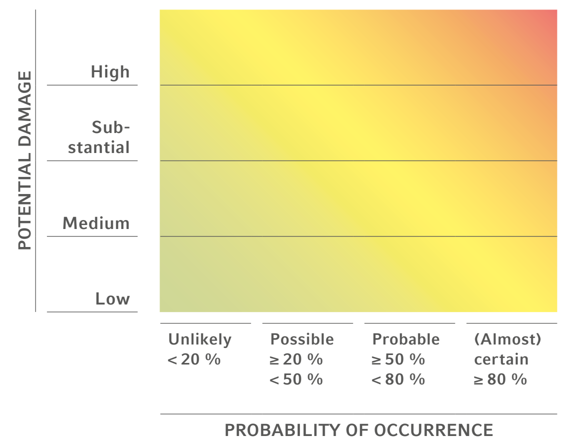
Potential to cause damage is defined in terms of the potential impact on Group EBITDA over a two-year period. Risks are allocated to one of four categories depending on the potential scale of the impact (see table above).

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 Structure and implementation of the risk management system

Risk management structures

Overall responsibility for risk management lies with the Management Board. In particular, it has a duty to ensure that the Supervisory Board receives all relevant information and that the company complies with the ad hoc reporting obligations imposed by the German Stock Corporation Act.

The role of the risk coordinator is to oversee and manage the risk management process for the entire Group. To this end, the risk coordinator prepares a risk report for the Management Board based on reports from individual Group companies and identified Group-level risks.

The senior management of each Group company is responsible for that company's risk management system. This includes:

- setting up effective risk management structures;
- maintaining the risk management system;
- implementing appropriate control measures;
- reporting and updating all notifiable risks including ad hoc reporting of critical individual risks with the potential to threaten the company's existence.

The task of maintaining the risk management system and of reporting and updating risks may be delegated to a risk management officer.

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. HolidayCheck Group AG has 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 the Group financial controls department.

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.

Risk management implementation

Identification and recording of risks

A risk inventory must be conducted on a regular basis. In order to identify new or significantly increased risks at an early stage, it is particularly important to examine whether risks that are implicitly detected in our usual work processes (e.g. budgeting) are given due consideration within the risk management system. In addition to business processes, this examination should include support processes such as finance, human resources, information technology and outsourced processes. Particular attention must be paid to any strategic risks with the potential to jeopardise key opportunities.
In general, risks of this nature can only be analysed with the involvement of the senior management. The systematic recording of uncertain assumptions made in the planning and budgeting process and when making decisions in the context of new technologies is also an important source of risk identification. Methods for identifying risks that are less common but have the potential to cause considerable damage must also be employed. Developments that jeopardise the continued existence of the Group often depend on such uncommon but extreme risks (or on a combination of risks). In such cases, early detection is very important.

Risk analysis and assessment

In the risk analysis phase, all risks recorded in the risk inventory must be examined to identify the underlying cause-and-effect relationships and assess the probability of occurrence and quantitative impact. The potential impact should be measured on a 'net risk' basis, i.e. the overall risk after factoring in existing risk management measures. The basis on which the net risk measure is calculated must be set out clearly. The concept of quantitative impact encompasses possible positive and negative deviations. In general, when a risk occurs, the impact is uncertain and should therefore be presented in the form of a range with a suitable probability distribution. The assessment of quantitative impacts must be checked.

The process of quantifying risks involves regularly obtaining subjective expert knowledge as well as referring to benchmarks and historical loss data.
Risk measurements should always be based on the best available information or the best details that can be obtained at reasonable cost. Since objective risk measurement is often difficult, the data on which the measurement is based must be clearly specified in order to ensure maximum transparency.

Potential damage is defined as the impact on the company's earnings (EBITDA) over a two-year period.

Risk management and monitoring

Risk management is about deciding which measures should be taken to manage, in line with the company's risk strategy, all risks that have previously been identified and analysed. The resulting control measures are based on the organisation's risk strategy and may be designed to avoid risk (by ceasing or refraining from certain activities), transfer risk to others (suppliers, customers, capital markets, insurers), reduce risk (market-based or process-related measures) or simply to accept risk. They address risk impacts, the probability of occurrence, or both these indicators, and are designed to ensure that the organisation can achieve its goals while avoiding any risk to its continued existence.

Risk reporting and communication

The main objective of risk reporting and communication is to map out the risk situation of the organisation in a timely manner for decision-makers and supervisory bodies. They must be informed about the overall risk level and the probability of any developments with the potential to jeopardise the organisation's continued existence.

Companies must report all risks and their current status to the risk coordinator in the prescribed format when submitting their quarterly financial statements (mid-April, mid-July, mid-October and the end of January).

Based on these individual company reports and any identified Group-level risks, the risk coordinator then prepares a risk report for the Management Board. There is no general procedure for the Management Board to respond to individual company reports, although this may be done in certain cases if there is good reason.

Independently of these arrangements, all risks that are judged as critical or as a threat to the existence must be reported in writing as and when they are identified (i.e. ad hoc) to the Group risk coordinator, who will notify the Management Board.

In addition, each individual company's senior management must report to the respective governance bodies (e.g. the shareholders' meeting) on all new risks or changes to existing risks.

In order to demonstrate that the risk management system is functioning correctly, all risk management documentation must be updated continuously at both Group and subsidiary level.

Individual companies must document the organisational measures required in order to establish and operate an effective risk management system. Quarterly reports are also regarded as documentary evidence of the functioning of the risk management system.

Each subsidiary's risk management officer must document all that company's risks and measures and the corresponding responsibilities in a standardised format.

This documentation can then be examined by the internal audit team and external auditors to evaluate whether the system is working correctly. Responsibility for keeping proper documentation lies with individual senior managers and the Group risk coordinator.

In light of new information about the rapid spread of COVID-19 since January 2020, we undertook an additional review of risks and opportunities in March 2020 to re-evaluate probabilities of occurrence and potential damage.

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 the 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: substantial (single Group EBITDA risk ≥ EUR 6 million). The ‘potential damage’ assessment has been downgraded from ‘high’ to ‘substantial’ compared to the previous year. When calculating potential damage, we assigned greater importance than last year to possible countermeasures, especially procedures initiated in order to ease the pressure on our fixed costs.

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 and realisation of hotel and package holidays for consumers.

Changes in customer preferences (e.g. with regard to types of holiday or the technology used) and any widespread reduction in consumer demand (e.g. as a result of economic, political, legal or social crises or following terrorist attacks, natural disasters, bankruptcies or outbreaks of disease, like the current outbreak of the COVID-19 pandemic) could have a negative impact on the future revenue and earnings of the HolidayCheck Group and even jeopardise its continued existence.

Since the HolidayCheck Group does not operate internet portals in China, the United Kingdom or the USA and these countries are not significant holiday destinations for our customers, neither Brexit nor the trade disputes between the China and the USA have a direct impact on the demand behaviour of our customers.

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

Risk classification
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million). As at 31 December 2019, there was no change in the risk classification compared to the previous year.

In principle, there is an increased demand-side risk given new information about the rapid spread of COVID-19 since January 2020. Based on our current understanding, however, we believe that these potential impacts are adequately reflected in our scenario planning. Accordingly, the probability of occurrence is again rated as ‘possible’ and the potential damage as ‘high’.

4.2.2.1.1.3 Marketing risks

Expenditure on marketing activities, especially popular tools such as search engine marketing (SEM), vouchers and TV advertising, makes up the HolidayCheck Group’s largest single block of costs under usual business operations. 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 expenses of the HolidayCheck Group and its travel portals, and thus impact negatively on the earnings of the entire HolidayCheck Group.

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

The probability of occurrence has been raised from ‘unlikely’ to ‘possible’ compared to the previous year as a result of increased advertising pressure from competitors.

4.2.2.1.1.4 Bankruptcy risks

Through their respective internet portals, on which customers can, for example, book package holidays, cruises, hotels, flights and car rentals, HolidayCheck Group companies act as brokerage agents for tour operators, shipping companies, airlines and other contractual partners. As a tour operator, our subsidiary HC Touristik creates its own packages based on hotel and airline offers. These packages are sold under the HolidayCheck Reisen brand through HolidayCheck's travel platforms. For marketing and sales support, HolidayCheck Group companies also work with other contractual partners, e.g. call centre service providers and database operators.

The bankruptcy of an important contractual partner, such as a tour operator or an airline, can lead to a significant loss of revenue and additional costs, e.g. to repatriate holidaymakers, and thus cause significant financial damage to the HolidayCheck Group.

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

'Bankruptcy risks' were added to the list of Group risks in our 2019 annual report due to the intensified business activities of our own tour operator HolidayCheck Reisen and following the bankruptcy of the German subsidiaries of the Thomas Cook Group.

In principle, there is an increased risk of bankruptcy for tour operators and suppliers (e.g. airlines) in light of the rapid expansion of COVID-19 since January 2020. Based on our current understanding, however, we believe that these potential impacts are adequately reflected in our scenario planning. Accordingly, the probability of occurrence is again rated as 'possible' and the potential damage as 'medium'.

Since mid-March, it has not been possible to obtain new insurance cover for receivables from numerous tour operators. We are exploring alternative, cost-effective hedging options for future bookings. However, demand is very subdued during the travel restrictions, so at present there is no additional risk in this area. We are currently reviewing all the tour operators we work with to determine whether they are at an increased risk of bankruptcy. If this proves to be the case for individual tour operators and if our contracts permit, we will proactively exclude them from our marketing activities.

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 technological developments and on the portals' 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 and skills 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). This risk classification is unchanged compared with the previous year.

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 three 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: possible (≥ 20 - < 50 percent); potential damage: medium (single Group EBITDA risk ≥ EUR 1 million).

Compared to the previous year, the probability of occurrence has been increased from 'unlikely' to 'possible' in light of the tight labour market situation.

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: medium (single Group EBITDA risk ≥ EUR 1 million). The potential damage assessment has been downgraded from 'substantial' to 'medium', since no larger-scale merger and acquisition (M&A) activities are planned.

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, As a consequence, liabilities to HolidayCheck AG are 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 2019, 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.

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.

To counter this risk as effectively as possible, the HolidayCheck Group prepares monthly accounts for the Group. The responsible financial controls officers analyse and report these Group accounts and submit them to the senior managers and Management Board members. Any deviations from targets are reported to the Management Board promptly, so that suitable measures can be initiated.

Moreover, trade receivables are checked monthly for potential impairment. Specific valuation allowances 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: substantial (single Group EBIT risk ≥ EUR 10 million). As at 31 December 2019, this risk classification is unchanged compared with the previous year.

In principle, new information about the rapid expansion of COVID-19 since January 2020 increases the pressure on balance sheet asset valuations. While the short-term impact on risks in connection with receivables (see 4.2.2.1.1.4 'Bankruptcy risks') can be estimated, the long-term effects are still highly uncertain and therefore cannot be reliably quantified. Given this uncertainty and based on our current knowledge, we have classified the probability of impairment risks, in particular with regard to the carrying values of long-term equity investments, the single-entity financial statements of HolidayCheck Group AG and consolidated goodwill, as almost certain. The assessment of potential damage remains high.

4.2.2.2.2.3 Liquidity risks
Generally speaking, the rapid spread of COVID-19 since January 2020 increases the pressure on liquidity for all companies in the wider economy and in particular for companies in the travel sector. In this context, it is particularly important to note that holidaymakers are entitled to cancel their booking without charge following the imposition of travel restrictions in mid-March 2020. As we cannot yet foresee whether the restrictions will remain in place beyond mid-April, any assessment of liquidity risk will inevitably depend on a large number of assumptions. If a customer exercises the option to cancel a booking without charge, the direct result is that we lose, retrospectively, our entire claim to a commission and therefore do not receive a cash payment. Equally, any commission fees already received must be refunded. Our first tentative extrapolations of the impact on liquidity are set out in section 3 of this Group management report under the heading 'Events after the balance sheet date'. This situation could be exacerbated by an increase in the general bankruptcy risk, especially among our customers and suppliers (see section 4.2.2.1.1.4 'Bankruptcy risks').

As we have no control over travel restrictions and their impact, we are taking a range of measures to safeguard the Group's future liquidity position. These include:

- sourcing additional cash (drawing down the entire amount available under our new credit lines), exploring our options with respect to a bridging loan (if required) and continuously monitoring the business support measures announced by the public authorities (e.g. extension of payment deadlines for payments of tax and social security contributions);
- cutting costs while travel restrictions remain in force (suspending search engine marketing activities, examining personnel measures such as short-time working and terminating certain contracts with third parties, such as call centre operators);
- reducing our own liquidity and insolvency risk during the travel restrictions by suspending the sale of package tours at HC Touristik and excluding tour operators from sales activities if they are known to be at a high risk of insolvency.

Overall, we believe these measures should allow us to maintain the Group's liquidity. If the travel restrictions remain in force beyond July, however, internal measures may no longer be sufficient on their own to avoid liquidity problems. In this scenario we are confident that we can request and receive government support – and in particular bridging loans – in those German federal states (or countries outside Germany) in which the Group's parent company and subsidiaries are based.

Risk classification
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million). This risk was added to the risk catalogue in March 2020. If the spread of COVID-19 persists for a longer period, this risk has the potential to become a risk to the continued existence of the Group within the meaning of section 322 paragraph 2 sentence 3 of the German Commercial Code.

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. This risk classification is unchanged compared with the previous year.

For more information about compliance issues, see section 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. As at 31 December 2019, the overall risk level of the HolidayCheck Group was almost unchanged compared with the preceding year.

In response to the rapid spread of COVID-19 since January 2020, we re-evaluated some of our risks in March 2020. Based on the information currently available to us, the described uncertainties concerning the impact of COVID-19, as set out in the report on expected developments in 2020, especially those related to impairment as set out in section 4.2.2.2.2.2 under the heading ‘Other financial risks’ and to risks as described in section 4.2.2.2.2.3 ‘Liquidity risks’, have led to changes in the evaluation of the risk situation. We refer to our explanatory remarks in these sections.

To summarise, the Management Board believes it is highly probable that the Group will remain solvent during the period under consideration despite the impact of COVID-19. It has therefore prepared the accounts on a going concern basis. Nevertheless, should the spread of COVID-19 continue to have an impact for a longer period, the Group would face liquidity risks, thus creating material uncertainty in relation to events and circumstances that could give rise to significant doubts about the capacity of the Group to continue its business activities. Consequently, the Group may not then be able to realise its assets or settle its debts in the ordinary course of business.

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, for instance 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 (≥ EUR 1 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 and arrangement of package holidays and hotel brokerage services for end users.

Increased consumer 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 Netherlands, Sweden and the United Kingdom) 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: medium (≥ EUR 1 million). Following a re-evaluation, the potential of this factor was changed from 'high' in 2018 to 'medium'. After the balance sheet date, in response to the impact of the COVID-19 outbreak, we downgraded the probability of occurrence from 'possible' to 'unlikely'.

4.3.1.1.3 Marketing opportunities

Expenses for marketing activities, especially popular marketing tools – such as search engine marketing (SEM), vouchers and TV advertising –, currently make 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 expenses 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, for example from advertising revenues.

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 last 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 customer target groups by making efficient use of the right marketing tools and channels. Expenses for 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.
Despite the uncertainties described in our outlook for 2020, the company takes the view – based on the information currently available and with the exception of the change outlined in 4.3.1.1.2 'Demand-related opportunities' – that, in terms of opportunities, the situation of the HolidayCheck Group in 2020 will remain largely unchanged compared with 2019. 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 resulting changes are incorporated in the Group's internal processes and systems.

Across the company, planning, reporting, financial controls 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 financial controls). 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 the 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 accounts and financial statements locally. Using a defined Group-wide consolidation and reporting system, they are then sent to Group Accounting in Munich, Germany. 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 and 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.

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

The Group's main financial liabilities are trade payables and other miscellaneous debt. These are primarily required as a source of financing for the Group's business operations. The Group'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 2019 (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 very least. The maximum extent of the potential bad debts to which the Group is exposed corresponds to the reported aggregate amount of trade receivables and 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 2019, 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 2019, the company held a total of 689,317 treasury shares, corresponding to around 1.2 percent of the share capital, purchased at a weighted average price of EUR 2.79.

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.

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 nomination 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 up to 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 10.0 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 characteristics. 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 fractions of shares. Beyond this, shareholders are not entitled to require the company to repurchase 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 2019, the company held a total of 689,317 treasury shares, corresponding to around 1.2 percent of the share capital, purchased at a weighted average price of EUR 2.79.

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 all members of the 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 46.0 percent and 51.0 percent (maximum amount 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.

In 2019, the short-term performance-related element of Management Board remuneration was made up of a variable component based on profit targets (50.0 percent) and a component based on revenue targets (50.0 percent). In addition, the Supervisory Board may award a short-term bonus 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 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 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 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 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.

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 0.0 percent. Above the threshold, it is set at 80.0 percent. If the result is on target, the performance score is 100.0 percent, while a 120.0 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 80.0 and 120.0 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 euro) is divided by the reference amount for HolidayCheck Group AG shares in order to calculate the number of shares to be granted 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 to 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 service contract in 2018 and the service contracts of Nathan Glissmeyer and Markus Scheuermann in 2019. However, the number of tranche shares granted 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 year under review was EUR 1,621,691.91 and EUR 1,590 thousand in 2018.

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

	Georg Hesse		Nathan Glissmeyer		Markus Scheuermann	
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	
in EUR '000	2018	2019	2018	2019	2018	2019
Non-performance-related remuneration	367	382	345	366	271	271
Performance-related remuneration[1)]	176	150	143	130	210	100
Remuneration based on long-term incentives[2)]	78	51	0	90	0	81
Total remuneration	**621**	**583**	**488**	**586**	**481**	**452**

1) Performance-related remuneration for 100 percent target achievement (110 percent in 2018). Additionally, in 2018, the CFO was granted a bonus payment of EUR 100 thousand.
2) For 2019, the figure for remuneration based on long-term incentives contains an adjustment to the 2020 tranche under the LTIP 2017-2020 based on fair value on the grant date in accordance with IFRS 2 and on an expected average target achievement of 100 percent. In 2019, additional remuneration was granted in respect of 2018 for meeting the agreed targets of 125.7 percent. For 2018, the figure for remuneration based on long-term incentives contains adjustments to two LTIP tranches under the LTIP 2017-2020 based on their fair value on the grant date in accordance with IFRS 2 and on 102 percent achievement.

Benefits granted to members of the Management Board (in office) during the financial year 2019

	Georg Hesse				Nathan Glissmeyer				Markus Scheuermann			
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			
in EUR '000	2018	2019	2019 (min.)	2019 (max.)	2018	2019	2019 (min.)	2019 (max.)	2018	2019	2019 (min.)	2019 (max.)
Non-performance-related remuneration	**367**	**382**	**382**	**382**	**345**	**366**	**366**	**366**	**271**	**271**	**271**	**271**
of which: fixed remuneration	340	355	355	355	320	340	340	340	250	250	250	250
of which: ancillary benefits	27	27	27	27	25	26	26	26	21	21	21	21
Short-term variable remuneration	**176**	**150**	**0**	**280**	**143**	**130**	**0**	**256**	**210**	**100**	**0**	**220**
Single-year variable remuneration[1)]	176	150	0	180	143	130	0	156	110	100	0	120
of which: bonus payment	0	0	0	100	0	0	0	100	100	0	0	100
Multi-year variable remuneration	**200**	**276**	**0**	**375**	**195**	**260**	**0**	**352**	**120**	**151**	**0**	**204**
of which: LTIP tranche 2019[2)]	0	225	0	324	0	210	0	302	0	120	0	173
of which: LTIP tranche 2018[3)]	200	51	0	51	195	50	0	50	120	31	0	31
Total remuneration	**743**	**808**	**382**	**1.037**	**683**	**756**	**366**	**974**	**601**	**522**	**271**	**695**

1) The single-year variable remuneration is shown in the case of 100 percent achievement (2018: 110 percent).
2) The 2019 figures for multi-year variable remuneration contain the earned tranches of each beneficiary 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.
3) The 2019 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 125.7 percent achievement.

In addition, the total remuneration of members of the Management Board in respect of financial 2019 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, bonus payments and multi-year variable components is capped at EUR 959 thousand;
- the overall remuneration payable to Nathan Glissmeyer, including the fixed element, ancillary benefits, the single-year variable element, bonus payments and multi-year variable components is capped at EUR 898 thousand.
- the overall remuneration payable to Markus Scheuermann, including the fixed element, ancillary benefits, the single-year variable element, bonus payments and multi-year variable components is capped at EUR 643 thousand.

In financial 2018, 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, bonus 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, bonus 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, bonus payments and multi-year variable components is capped at EUR 643 thousand.

Benefits received by members of the Management Board (in office or resigned from office) during financial 2019

	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 Feb. 2017	
in EUR '000	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Non-performance-related remuneration	**367**	**373**	**345**	**366**	**271**	**271**	**0**	**0**	**0**	**0**
of which: fixed remuneration	340	346	320	340	250	250	0	0	0	0
of which: ancillary benefits	27	27	25	26	21	21	0	0	0	0
Short-term variable remuneration	**180**	**169**	**146**	**137**	**67**	**206**	**0**	**0**	**0**	**0**
of which: single-year variable remuneration for 2018	0	169	0	137	0	106	0	0	0	0
of which: single-year variable remuneration for 2017	180	0	146	0	67	0	0	0	0	0
of which: bonus payment	0	0	0	0	0	100	0	0	0	0
Multi-year variable remuneration	**225**	**251**	**197**	**245**	**80**	**151**	**0**	**182**	**0**	**61**
of which: LTIP tranche 2018[1)]	0	251	0	245	0	151	0	0	0	0
of which: LTIP tranche 2017[2)]	225	0	197	0	80	0	0	0	0	0
of which: LTIP tranche 2015	0	0	0	0	0	0	0	182	0	61
Total remuneration	**772**	**793**	**688**	**748**	**418**	**628**	**0**	**182**	**0**	**61**

1) in the case of target achievement of 125.7 percent
2) in the case of target achievement of 112.5 percent

Transactions of Management Board members in HolidayCheck Group AG shares in the FY 2019

PERSON / ENTITY / SUBJECT TO DISCLOSURE REQUIREMENTS	TRANSACTION DATE	TRANSACTION	STOCK MARKET	QUANTITY	SHARE PRICE PER UNIT
Georg Hesse	1 July 2019	Purchase under LTIP	–	46,748	EUR 2.67
Nathan Glissmeyer	1 July 2019	Purchase under LTIP	–	45,997	EUR 2.67
Markus Scheuermann	9 May 2019	Purchase	Xetra	20,000	EUR 2.7615
Markus Scheuermann	1 July 2019	Purchase under LTIP	–	28,038	EUR 2.67
Markus Scheuermann	8 August 2019	Purchase	Xetra	12,500	EUR 2.34

Share-based remuneration granted in the financial year of 2019 (real shares)

		Nathan Glissmeyer	Markus Scheuermann	Total
LTIP Tranche 2020	Fair value on grant date (in EUR '000)	40	50	90
	Notional number of shares	8,088	10,090	18,178
	Personnel expenses (in EUR '000)	17	13	30

The revaluation of the LTIP 2011-2016 for the 2016 tranche generated expenditure of EUR 16 thousand in financial 2019. This figure includes EUR 7 thousand for Georg Hesse. It also comprises EUR 9 thousand in respect of members of the Management Board who left the company before the financial year 2019 (EUR 5 thousand for Dr Dirk Schmelzer, and EUR 4 thousand for Timo Salzsieder.

Liabilities to members of the Management Board total EUR 1,920,729.98 (2018: EUR 2,551 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 307,286.94 thousand (2018: EUR 639 thousand) to members of the Management Board who left the company before financial 2019. There were no amounts receivable from members of the Management Board.

Shareholdings of Management Board members
Georg Hesse (CEO) held a total of 232,096 shares in the HolidayCheck Group AG as at 31 December 2019. This corresponds to approximately 0.40 percent of the company's shares.

Nathan Glissmeyer (CPO) held a total of 111,742 shares in the HolidayCheck Group AG as at 31 December 2019. This corresponds to approximately 0.19 percent of the company's shares.

Markus Scheuermann (CFO) held a total of 142,448 shares in the HolidayCheck Group AG as at 31 December 2019. This corresponds to approximately 0.24 percent of the company's shares.

In financial 2019, HolidayCheck Group AG received the above-presented disclosures of securities transactions involving members of the Management Board pursuant to section 15a of the German Securities Trading Act.

The number of shares is based on the XETRA closing price of EUR 2.61 for HolidayCheck Group AG shares on 26 March and 17 July 2019. In addition, the total for the 2020 tranche depends on the anticipated level of performance in relation to the specified EBT and revenue targets for the shares granted in financial 2019. As well as the direct expense for the shares, the figure for personnel expenditure 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 273,701.09 (2018: EUR 275 thousand). Liabilities towards members of the Supervisory Board totalled EUR 270,795.76 (2018: EUR 324 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 2019:

The members of the Supervisory Board received the following remuneration in the FY 2019

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	35
Alexander Fröstl	Member of the Supervisory Board; Chairperson of the Technology Committee	40

In financial 2019, the company also incurred expenses of EUR 30 thousand under a limited-term consultancy agreement between a Group subsidiary and Alexander Fröstl, a member of the Supervisory Board.

Shareholdings of Supervisory Board members
At the end of the financial year 2019, the total number of shares in HolidayCheck Group AG held directly or indirectly by all members of the Supervisory Board amounted to a total of 106,394 shares.

Transactions of Supervisory Board members in HolidayCheck Group AG shares in the financial year 2019 (see table below):

Transactions of Supervisory Board members in HolidayCheck Group AG shares in the FY 2019

PERSON / ENTITY / SUBJECT TO DISCLOSURE REQUIREMENTS	TRANSACTION DATE	TRANSACTION	STOCK MARKET	QUANTITY	SHARE PRICE PER UNIT
Two Wins GmbH*	9 August 2019	Purchase	Xetra	9,577	EUR 2.35

* 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 2019 was 490 full-time equivalents (without Management Board members). The corresponding figure for the Group in 2018 was 471 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 senior 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 2019 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, 24 March 2020

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 convenience translation of the Group management report of the HolidayCheck Group AG. 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 2019

ASSETS	NOTES	31 DEC. 2019 € '000	31 DEC. 2018 € '000
NON-CURRENT ASSETS			
Intangible assets	**11.1.**		
Intangible assets acquired for valuable consideration		16,779	18,611
Internally generated intangible assets		10,611	11,886
Goodwill		100,182	100,182
		127,572	**130,679**
Right-of-use assets	**11.2.**	**9,127**	**0**
Property, plant and equipment (tangible assets)	**11.3.**		
Land, land rights and buildings		16	18
Other equipment, operating and office equipment		2,089	2,363
Prepayments		3	0
		2,108	**2,381**
Receivables and other assets	**11.7.**		
Other financial assets		2,052	653
Other non-financial assets		61	150
		2,113	**803**
Deferred taxes	**11.15.**	**993**	**548**
TOTAL non-current assets		**141,913**	**134,411**
CURRENT ASSETS			
Receivables and other assets			
Trade receivables	11.4.	22,429	22,004
Contract assets	11.5.	0	1,060
Receivables from affiliated entities	11.6.	89	184
Income tax receivables		7	13
Other financial assets	11.7.	127	39
Other non-financial assets	11.7.	1,961	1,686
		24,613	**24,986**
Cash and cash equivalents	**11.8.**	**27,457**	**33,759**
TOTAL current assets		**52,070**	**58,745**
TOTAL ASSETS		**193,983**	**193,156**

EQUITY AND LIABILITIES	NOTES	31 DEC. 2019 € '000	31 DEC. 2018 € '000
EQUITY			
Shares issued	11.9./11.10.	57,624	57,230
Capital reserves	11.9.	85,097	85,048
Revenue reserves	11.9.	2,300	1,755
Other reserves	11.12.	-2,441	-1,819
Consolidated retained earnings		10,795	17,677
TOTAL equity		**153,375**	**159,891**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions for pensions	11.13.	2,161	1,375
Contract liabilities	11.16.	0	401
Lease liabilities	11.17.	7,114	0
Other financial liabilities	11.21.	253	1,186
Deferred taxes	11.15.	4,337	4,686
TOTAL non-current liabilities		**13,865**	**7,648**
CURRENT LIABILITIES			
Other provisions	11.18.	181	235
Liabilities to banks	11.19.	0	40
Trade payables	11.20.	15,301	16,120
Contract liabilities	11.16.	2,321	2,575
Lease liabilities	11.17.	2,523	0
Liabilities to affiliated entities	11.6.	45	35
Income tax liabilities		1,115	1,525
Other financial liabilities	11.21.	2,330	2,554
Other non-financial liabilities	11.21.	2,927	2,533
TOTAL current liabilities		**26,743**	**25,617**
TOTAL liabilities		**40,608**	**33,265**
TOTAL EQUITY AND LIABILITIES		**193,983**	**193,156**

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2019

	NOTES	1 JAN. - 31 DEC. 2019 € '000	1 JAN. - 31 DEC. 2018 € '000
Revenue	12.1.	143,705	138,890
Other income	12.2.	1,486	1,033
Other own work capitalised	12.3.	3,431	3,580
Total operating income		**148,622**	**143,503**
Marketing expenses	12.4.	-68,559	-67,043
Personnel expenses	12.6.	-41,925	-39,084
thereof current benefits		*-41,325*	*-38,418*
thereof long-term incentive plans and pensions	11.12./11.13./11.14.	*-600*	*-666*
Net impairment losses on financial assets	11.4.	-3,557	-89
Other expenses	12.7.	-28,173	-27,297
EBITDA		**6,408**	**9,990**
Depreciation, amortisation and write-downs	11.1./11.2./11.3.	-10,081	-7,022
EBIT		**-3,673**	**2,968**
Financial income	12.8.	0	2
Financial expenses	12.9.	-353	-179
Financial result		**-353**	**-177**
EBT		**-4,026**	**2,791**
Actual taxes	11.15.	-1,247	-1,603
Deferred taxes	11.15.	680	738
Tax result		**-567**	**-865**
Consolidated net profit/(loss)		**-4,593**	**1,926**
Consolidated net profit/(loss) attributable to			
equity holders of the parent company		-4,593	1,926
		-4,593	**1,926**
		in €	in €
Basic and diluted earnings per share	**11.11.**	**-0,08**	**0,03**
Average number of shares outstanding		57,429,073	57,075,802

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2019

	NOTES	1 JAN. - 31 DEC. 2019 € '000	1 JAN. - 31 DEC. 2018 € '000
Consolidated net profit/(loss)		**-4,593**	**1,926**
Items not subject to reclassification into the statement of income		**-629**	**7**
Revaluation of defined-benefit plans	11.12.	-629	7
Change due to revaluation		*-741*	*9*
Deferred tax effect		*112*	*-2*
Items subject to possible reclassification into the statement of income in the future		**7**	**-18**
Currency translation differences	11.12.	7	-18
Other comprehensive income		**-622**	**-11**
Consolidated comprehensive income		**-5,215**	**1,915**
Consolidated comprehensive income attributable to			
equity holders of the parent company		-5,215	1,915
		-5,215	**1,915**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2019

	Equity attributable to equity holders of the parent company			
	Issued shares			Capital reserves
	Subscribed capital € '000	Treasury shares € '000	TOTAL € '000	€ '000
NOTES	11.9.	11.9./11.10.		11.9.
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**
1 JANUARY 2019	**58,314**	**-1,084**	**57,230**	**85,048**
Effects of share-base payment plans	0	394	394	49
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*
Paid dividends	*0*	*0*	*0*	*0*
31 DECEMBER 2019	**58,314**	**-690**	**57,624**	**85,097**

	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 € '000
11.9.	11.12.	11.12.			
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**
1,755	**289**	**-2,108**	**-1,819**	**17,677**	**159,891**
545	0	0	0	0	988
0	-629	7	-622	-6,882	-7,504
0	*0*	*0*	*0*	*-4,593*	*-4,593*
0	*-629*	*7*	*-622*	*0*	*-622*
0	*0*	*0*	*0*	*-2,289*	*-2,289*
2,300	**-340**	**-2,101**	**-2,441**	**10,795**	**153,375**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2019

	NOTES	1 JAN. - 31 DEC. 2019 € '000	1 Jan. - 31 Dec. 2018 € '000
CASH FLOW FROM OPERATING ACTIVITIES			
Consolidated net profit/(loss)		-4,593	1,926
Amortisation, depreciation and write-downs		10,081	7,022
Financial result	12.8./12.9.	353	177
Taxes	11.15.	567	865
EBITDA		**6,408**	**9,990**
Other non-cash expenses/income [1]		964	651
Increase/decrease in assets not attributable to investing or financing activities		-759	-3,031
Increase/decrease in liabilities not attributable to investing or financing activities		-2,273	7,187
Interest expenses		-195	-160
Income tax payments/refunds [2]		-1,663	14
Net cash used in operating activities		**2,482**	**14,651**
CASH FLOW FROM INVESTING ACTIVITIES			
Cash outflow for internally generated intangible assets		-3,500	-4,174
Cash outflow for tangible and intangible assets acquired for valuable consideration		-767	-2,881
Cash inflow from disposal of tangible and intangible assets		52	7
Cash inflow from interest		0	2
Net cash used in investing activities		**-4,215**	**-7,046**
CASH FLOW FROM FINANCING ACTIVITIES			
Cash outflow for principal elements of lease payments		-2,263	0
Cash outflow for paid dividends		-2,289	0
Net cash used in financing activities		**-4,552**	**0**
Net increase/decrease in cash		**-6,285**	**7,605**
Cash and cash equivalents at the beginning of the financial year		**33,759**	**26,155**
Valuation-related changes in cash		-17	-1
Cash at the end of period		**27,457**	**33,759**

Footnotes

1) The figure mainly comprises non-cash changes in equity due to the issue of shares to employees, unrealised stock exchange price gains and gains/losses from the disposal of assets.

2) There were outflows of EUR 1,666 thousand (2018: EUR 149 thousand) and inflows of EUR 3 thousand (2018: EUR 163 thousand) for income taxes in the financial year.

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2019

	NET CARRYING AMOUNTS	
	31 DECEMBER 2019 € '000	31 DECEMBER 2018 € '000
INTANGIBLE ASSETS		
Intangible assets acquired for valuable consideration	16,779	18,611
Internally generated intangible assets	10,611	11,886
Goodwill	100,182	100,182
	127,572	**130,679**
RIGHT-OF-USE ASSETS		
Land and buildings	8,919	0
Vehicles	123	0
Other equipment, operating and office equipment	85	0
	9,127	**0**
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS)		
Land, land rights and buildings	16	18
Other equipment, operating and office equipment	2,089	2,363
Prepayments	3	0
	2,108	**2,381**

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

ACQUISITION AND PRODUCTION COSTS					
1 JANUARY 2019 € '000	ADDITIONS € '000	DISPOSALS € '000	TRANSFER € '000	CURRENCY RESERVES € '000	31 DECEMBER 2019 € '000
36,549	18	-44	-1	0	36,522
29,471	3,500	-6,177	1	0	26,795
105,261	0	0	0	0	105,261
171,281	**3,518**	**-6,221**	**0**	**0**	**168,578**
10,532	914	0	0	0	11,446
146	39	0	0	0	185
7	104	-8	0	0	103
10,685	**1,057**	**-8**	**0**	**0**	**11,734**
20	0	0	0	0	20
8,222	746	-91	0	1	8,878
0	3	0	0	0	3
8,242	**749**	**-91**	**0**	**1**	**8,901**

AMORTISATION, DEPRECIATION AND WRITE-DOWNS					
1 JANUARY 2019 € '000	ADDITIONS AMORTISATION, DEPRECIATION € '000	DISPOSALS AMORTISATION, DEPRECIATION € '000	TRANSFER DEPRECIATION € '000	CURRENCY RESERVES € '000	31 DECEMBER 2019 € '000
17,938	1,834	-6	-23	0	19,743
17,585	4,626	-6,050	23	0	16,184
5,079	0	0	0	0	5,079
40,602	**6,460**	**-6,056**	**0**	**0**	**41,006**
0	2,527	0	0	0	2,527
0	62	0	0	0	62
0	21	-3	0	0	18
0	**2,610**	**-3**	**0**	**0**	**2,607**
2	2	0	0	0	4
5,859	1,009	-80	0	1	6,789
0	0	0	0	0	0
5,861	**1,011**	**-80**	**0**	**1**	**6,793**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2018

	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**

HOLIDAYCHECK GROUP AG, MUNICH, GERMANY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2019

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 2019, the Group's average total workforce was 490 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 (hereinafter referred to as 'Driveboo')
- HC Touristik GmbH, Munich, Germany (hereinafter referred to as 'HCT')
- HolidayCheck AG, Bottighofen, Switzerland (hereinafter referred to as 'HC')
- HolidayCheck Polska sp. z o.o., Warsaw, Poland (hereinafter referred to as 'HCPL')
- HolidayCheck Solutions GmbH, Munich, Germany (hereinafter referred to as 'HCS')
- Meteovista B.V., Amsterdam, Netherlands (hereinafter referred to as 'Meteovista')
- Tomorrow Travel B.V., Amsterdam, Netherlands (hereinafter referred to as 'TomTrav')
- WebAssets B.V., Amsterdam, Netherlands (hereinafter referred to as '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, the interpretations issued by the IFRS Interpretations Committee (IFRS IC) and 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 2019 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 2019 were applied. This also

Standards revised by the International Accounting Standards Board (IASB) in the FY 2019

	Applicable from [1]	Endorsed by EU
IFRS 16 Leases	1 January 2019	Yes
Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation	1 January 2019	Yes
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019	Yes
Amendments to IAS 28 in relation to Long-term Interests in Associates and Joint Ventures	1 January 2019	Yes
IFRIC 23: Uncertainty over Income Tax Treatments	1 January 2019	Yes
Annual Improvements to International Reporting Standards (2015-2017 cycle)	1 January 2019	Yes

1) Date first applicable in European Union

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 been no change from the accounting and valuation policies applied in HCG's consolidated financial statements for 2019.

2.1. Impact of new or revised standards

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 2019:

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 now have to be shown in a form largely comparable to the previous accounting treatment of finance leases. The lease accounting rules for lessors in IAS 17 have been incorporated into IFRS 16 with hardly any changes. For more information about the impact of applying IFRS 16 for the first time, please see section 3 of the notes.

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 2017, the **IASB published the volume Annual Improvements to International Reporting Standards (2015-2017 cycle)** as part of its annual improvements project. The amendments concern IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The amendments are mainly intended to clarify the scope of application and had no significant impact on the presentation of the HCG Group's asset, financial and earnings situation.

New or revised standards and interpretations – not applied

	Applicable from [1]	Endorsed by EU
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2022	No
IFRS 17 Insurance Contracts	1 January 2023	No
Amendments to IFRS 3 Business Combinations: Definition of a Business	1 January 2020	No
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020	Yes
Amendments based on IBOR Reform Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	Yes
Amendments to References to the Framework Concept	1 January 2020	Yes

1) Date first applicable in European Union

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 the HCG Group 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 2019. 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 above).

The purpose of **IFRS 17** is to ensure that companies follow uniform rules on the accounting treatment of insurance contracts and the corresponding disclosures.

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.

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.

The amendments based on **IBOR Reform Phase 1** contain initial responses to the potential impacts of the IBOR reform on financial reporting (amendments to IFRS 9, IAS 39 and IFRS 7).

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.

3. AMENDMENTS TO REPORTING POLICIES

Impacts of the first-time application of IFRS 16

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. The choice of the transitional reporting method had no impact on equity. Comparative figures for the same periods in the previous year are not adjusted. Instead, we have inserted notes explaining those changes to items in the balance sheet and the statement of income for the current period that are linked to the first-time application of IFRS 16. Furthermore, the IFRS 16 disclosure obligations are not generally applied to the comparative information. As there were no onerous leases when IFRS 16 was first applied, there was no need to adjust the value of the right-of-use assets.

HCG has chosen to apply the following transitional rules:

- we have exercised the option not to perform a revaluation; accordingly, we have applied IFRS 16 only to existing contracts classed as leases under IAS 17 and IFRIC 4;

- leasing liabilities have been 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) asset has been shown as the total of the leasing liabilities after adjusting for previously recognised lease payments; the weighted average incremental borrowing rate applied to the Group's lease liabilities as at 1 January 2019 stood at 1.5 percent;
- initial direct costs were excluded when measuring right-of-use assets for the first time.

With regard to the options and exemptions available under IFRS 16, the HCG Group applies the following approach:

- right-of-use assets and leasing liabilities will be shown separately in the balance sheet;
- the recognition, valuation and presentation rules of IFRS 16 will not be applied to current leases and leases in which the leased 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 following disclosures are linked to the first-time application of IFRS 16:

- as at 1 January 2019, the leasing liabilities created by the first-time application of IFRS 16 stood at EUR 10,685 thousand (see table below);
- the right-of-use (RoU) asset was also recognised at EUR 10,685 thousand;
- based on the Group's current lease contracts, there was a shift during the period under review between leasing expenses and depreciation charges. While leasing expenses fell by EUR 2,648 thousand, depreciation charges increased by EUR 2,610 thousand;
- based on the Group's current lease contracts, there was a shift of around EUR 2,263 thousand during the period under review between operating cash flow and cash flow from financing activities;
- the compounding of leasing liabilities created interest expenses of EUR 161 thousand during the period under review.

For more information, please see section 11.2 'Right-of-use assets' and section 11.17 'Leasing liabilities'.

First-time valuation of leasing liabilities as at 1 January 2019

	1 JAN 2019 EUR '000
Liabilities from operating leases as at 31 December 2018	12,358
discounted by the lessee's incremental borrowing rate of interest as at 1 January 2019	10,812
less current leases, recognised as expenses on a straight-line basis (optional)	-33
less leases with leased assets of minor value, recognised as expenses on a straight-line basis (optional)	-94
Leasing liabilities as at 1 January 2019	**10,685**
Of which:	
Non-current leasing liabilities	8,189
Current leasing liabilities	2,496

4. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the annual accounts of HolidayCheck Group AG and its subsidiaries as at 31 December 2019, 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 long-term 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 intercompany 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 10.1 '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 7 Accounting and valuation principles.

5. 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.

Since 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.

6. REPORTING CURRENCY AND CURRENCY TRANSLATION

The consolidated financial statements are prepared in euros, 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 when the fair value was established.

In the financial year 2019, with the exception of HolidayCheck Polska, whose functional currency is the zloty (PLN), all entities within the Group adopted the euro 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.

7. ACCOUNTING AND VALUATION PRINCIPLES

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

The new standard IFRS 16 Leases was applied for the first time in financial 2019.

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 or lower of recoverable amount
Goodwill	Acquisition cost or lower of recoverable amount
Right-of-use assets	Amortised acquisition cost or lower of recoverable amount
Property, plant and equipment (tangible assets)	Amortised acquisition or production cost
Trade receivables	Amortised acquisition cost or lower of recoverable amount
Contract assets	Amortised acquisition cost
Other (non-)financial assets (current and non-current)	Fair value or amortised acquisition cost
Other (non-)financial assets (current and non-current)	Amortised acquisition cost or lower of recoverable amount
Cash and cash equivalents	Amortised acquisition cost
LIABILITIES	
Provisions	Present value of future settlement amount
Pensions	Projected unit credit method
Liabilities to banks	Amortised acquisition cost
Trade payables	Present value of future settlement value or amortised acquisition cost
Contract liabilities (current and non-current)	Amortised acquisition cost
Leasing liabilities (current and non-current)	Present value of future settlement value
Other financial liabilities (current and non-current)	Fair value or amortised acquisition cost
Other (non-)financial liabilities (current and non-current)	Amortised acquisition cost

Intangible assets and goodwill
Intangible assets consist primarily of goodwill and brands from the acquisition of fully consolidated subsidiaries and internally generated intangible assets, in particular software.

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.

Internally 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 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 12.5 '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 market readiness of the internally generated intangible assets.

Throughout the Group, the following useful lives form the basis of amortisation for material intangible assets. Any intangible assets acquired from third parties in return for payment and assets that are internally generated are amortised over the same periods:

Amortisation of intangible assets

Goodwill	no amortisation
Trade mark rights / brand names and internet domains	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 at least once a 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.

Right-of-use assets
Right-of-use assets are recognised in respect of lease contracts where HCG is the lessee and has the right to use an asset for a defined period. Right-of-use assets are shown at the cost of acquisition less accumulated depreciation. They are adjusted whenever it becomes necessary to revalue the leasing liabilities due to changes in the contract or the contract term or as a result of assessed impairment losses.

Straight-line depreciation of right-of-use assets is based on useful lives of between one and six years. The asset's useful life is based in turn on the period of use or the duration of the lease, whichever is shorter. The lease duration was taken to be the agreed rental term (excluding the ordinary right of termination) with due regard for any options to extend where there is adequate certainty that such options will be exercised.

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, 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.

Impairment of intangible assets, right-of-use 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 right-of-use assets and 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, right-of-use 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, 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.

Profits and losses from disposals of intangible assets, right-of-use assets and property, plant and equipment (tangible assets)

Profits and losses from disposals of intangible assets, right-of-use assets and property, plant and equipment (tangible assets) are shown under other income or other expenses in the statement of income at the time of derecognition.

Financial instruments

For the financial year 2019, 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.

Classification and measurement

In all cases where a Group company is party to the contract, financial instruments are recognised initially (on trade date) at fair value, which is the same as the value of the consideration paid. If a financial instrument is not subsequently measured at fair value through profit and loss (FVPL), all directly attributable transaction costs must be taken into account in the initial measurement. On initial recognition, financial instruments are allocated to one of the following measurement categories.

IFRS 9 specifies three measurement categories for financial assets:

- financial assets measured at amortised cost (AC);
- financial assets measured at fair value with changes in fair value recognised in profit and loss as they arise (FVPL);
- financial assets measured at fair value with changes in fair value recognised in other comprehensive income (FVOCI).

IFRS 9 classification depends on whether the financial assets in question meet the cash flow criterion (do the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding) and on the entity's business model (are financial assets held in order to collect contractual cash flows).

In accordance with IFRS 9, there are two categories of financial liabilities:

- financial liabilities measured at fair value with changes in fair value recognised in profit and loss as they arise (FVPL);
- financial liabilities measured at amortised cost (AC, FLAC).

The list of financial assets and liabilities measured at fair value with changes in fair value recognised in profit and loss as they arise (FVPL) includes derivatives that are not held for hedging purposes.

Any profit or loss from subsequent measurements, including from interest and dividends, is recognised in the statement of income.

The HCG Group uses derivative financial instruments solely as a hedge against currency risks linked to its operating activities. It does neither hold nor 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. Derivative financial instruments are recognised as financial assets if the fair value of the derivative is positive or as financial liabilities if the fair value of the derivative is 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 assets measured at amortised cost are non-derivative financial assets 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 assets 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.

Debt instruments are measured at fair value with changes in fair value recognised in 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 with changes in fair value recognised in profit and loss as they arise:

- 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 transferred to the statement of income.

No debt instruments in the FVOCI measurement category 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 (OCI). 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 transferred 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.

On subsequent valuation, financial liabilities are generally measured at amortised cost using the effective interest rate method. Within the HCG Group, this category primarily includes trade payables, liabilities to banks, liabilities in respect of loans and other financial liabilities. It does not include derivatives with a negative market value, which are measured at fair value through profit and loss (FVPL).

Impairment of financial assets

Based on IFRS 9, financial assets are assessed for impairment using the 'expected credit loss' (ECL) model. This model must be used for financial assets measured at amortised cost and for contract assets and debt instruments measured at fair value with changes in fair value recognised in other comprehensive income.

For these financial assets, IFRS 9 stipulates that all expected credit losses must be reflected through impairment. To this end, we use the general or simplified approach as set out in IFRS 9 (see also sections 11.4 and 11.22).

General approach

Using the general approach, 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. An 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. If there are objective indicators of such an increase (e.g. bankruptcy), an appropriate loss allowance is recognised.

HCG assesses expected credit losses on cash and cash equivalents and other financial assets, with the exception of trade receivables, using the general approach. These financial assets are reviewed quarterly for any deterioration in credit quality that could lead to their reclassification.

Simplified approach

The simplified approach 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.

As the Group's contract assets were not classed as material, a risk allowance was not created.

In the case of brokerage services, credit loss risks are established by means of external credit ratings and internal risk assessments. 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 for 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.

Derecognition of financial assets and liabilities

Financial assets are derecognised if:

- the rights to the cash flows have expired; or
- they 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 2019.

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 management staff and members of the Management Board. In accordance with IFRS 2, these payments are recognised as personnel expenditure and as a corresponding increase in other financial liabilities. (See section 11.14. 'Employee stock option plans of the company').

The share-based payments with settlement in the form of shares in the company 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 management staff. In accordance with IFRS 2, these payments are recognised as personnel expenditure and as a corresponding increase in other financial liabilities or equity. (See section 11.14. '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.

Equity

Shares issued are recognised in equity at nominal value. 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 the sale of treasury shares exceeds or falls below their original purchase price, the difference is placed in the capital reserve in accordance with section 272 paragraph 2 number 1 of the German Commercial Code. The remaining difference between the income from sale and the amount placed in the capital reserve as per section 272 paragraph 2, numbers 1 and 4 of the German Commercial Code is shown under other revenue reserves.

Leasing liabilities

Leasing liabilities are recognised at the present value of the future settlement value. Lease payments are discounted using the implicit interest rate in the contract, assuming it is possible to calculate an implicit interest rate. If this rate cannot be determined, the Group discounts the lease payments using the lessee's incremental borrowing rate of interest that underlies all leases.

Subsequently, leasing liabilities are measured and compounded using the effective interest rate method and are shown after deducting lease payments. Leasing liabilities are adjusted if the underlying contract or the term of the contract changes.

Pension provisions

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 expenditure.

Current and deferred income tax

Actual 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.

If it is not possible to refrain from doing so under exemption rules, 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 IFRS-based approaches. This is done according to the liability method, which reflects the Group's expectations at the balance sheet date. Deferred tax assets and liabilities are not generally formed for temporary differences based on IFRS 16. 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 non-financial assets and liabilities and financial obligations

Other non-financial assets are recognised if it is expected that there will be an inflow of resources that embody an economic benefit in order to settle a receivable, provided that this amount can be reliably determined.

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 17.3.).

Realisation of income and expenses
Under IFRS 15 rules, revenue is shown less value-added tax (VAT), passenger-related taxes and fees, income deductions, credits and compensation payments or customer goodwill and after the elimination of intra-group 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 performance obligation (brokerage service) to the customer has been fulfilled (see also section 9).

Revenue generated as a tour operator is realised when the corresponding performance obligation vis-à-vis the customer is fulfilled. In this context, the tour operator provides significant integration services within the meaning of IFRS 15 to transform the performance obligation into a product (holiday/package tour) for the customer. As such, the package tour constitutes a performance obligation for HCT.

Revenue is generally realised over the course of the holiday, since the customer uses the holiday product on a pro rata basis over that time. A package holiday generally consists of various services, e.g. flights, hotel accommodation and transfers.

With regard to advertising services, HCG fulfils its performance 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. In the case of advertisements brokered by external agencies, sales revenue is based on advertising media supplied and invoiced and on the same principles.

With regard to other services (mainly involving subscription revenue from maintaining and providing weather data), HCG fulfils its performance 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 straight-line basis. No other price components are stipulated. 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 recognised on a gross basis in revenue and services received under the corresponding expense items.

Expenses for advance purchases of holiday services (currently shown for materiality reasons under other operating expenses) are totalled and then, as for revenue, allocated on a pro rata basis over the course of the holiday.

Royalty and rental income and expenses are allocated on a pro rata basis in accordance with the relevant contractual period.

Interest income and interest expenses are calculated using the effective interest rate method.

8. 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 Finance team establishes appropriate valuation methods and input parameters for the measurement of 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 following 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.

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;
- 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.

9. 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. Especially calculations of discounted cash flows are very much subject to planning assumptions that can be sensitive to change and therefore to impairment.

Details of intangible assets and the assumptions on which impairment tests are based can be found in section 11.1. '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.

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 when forming the provision in so far as they can be predicted with sufficient objective certainty. The amount recognised is that which seems most likely on careful examination of the circumstances. Provisions are discounted in so 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 measurement of pension provisions includes 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.

Sales revenue

Brokerage services

With regard to brokerage services, HCG fulfils its performance 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 sales 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.

10. DISCLOSURES RELATING TO SUBSIDIARIES

10.1. 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 12 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 2019, HCG held shares in the entities shown in the table below.

Reporting entity as at 31 December 2019

COMPANY	PRINCIPAL PLACE OF BUSINESS	Shareholding in percent	Equity as at 31 Dec 2019 EUR '000	Net income/ (loss) in 2019 EUR '000
HolidayCheck Group AG	Munich, Germany	-	-	-
HolidayCheck AG	Bottighofen, Switzerland	100.00	98,371	4,181
HolidayCheck Polska Sp. z o.o.[1)]	Warsaw, Poland	100.00	696	258
HolidayCheck Solutions GmbH	Munich, Germany	100.00	69	0
HC Touristik GmbH	Munich, Germany	100.00	4	-13
Driveboo AG	Bottighofen, Switzerland	100.00	1,032	30
Tomorrow Travel B.V.	Amsterdam, Netherlands	100.00	51	-41
WebAssets B.V.	Amsterdam, Netherlands	100.00	30,805	-1,037
Zoover Media B.V.[2)]	Amsterdam, Netherlands	100.00	-1,829	-2,897
Zoover International B.V.[2)]	Amsterdam, Netherlands	100.00	1,298	1,280
Zoover GmbH [2)]	Munich, Germany	100.00	-29	-6
Meteovista B.V. [2)]	Amsterdam, Netherlands	100.00	12,207	570
Zoover Travel B.V. [2)]	Amsterdam, Netherlands	100.00	-171	0

1) Indirect shareholding via HolidayCheck AG

2) Indirect shareholding via WebAssets B.V.

10.2. Changes in the reporting entity

The process of liquidating SARL Zoover France was completed on 4 December 2019 through an entry in the commercial register of Nanterre, France.

The liquidation of SARL Zoover France had no impact on the consolidated financial statements within the meaning of IFRS 5. The liquidation loss of EUR 88 thousand was recognised in the current period result.

11. NOTES TO THE CONSOLIDATED BALANCE SHEET

11.1. 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 875 thousand; previous year: EUR 1,225 thousand) and acquired software.

The principal assets of *Beach-Inspector.com* (internet portal, brand, domain and ratings database) were acquired in the previous year under the terms of an asset deal. The ratings database is written down according to the declining-balance method. However, the internet portal, brand and domain are amortised on a linear basis over their useful life. The residual carrying value of these assets as at 31 December 2019 was EUR 1,361 thousand (previous year: 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 brand names, a write-down is performed in line with IAS 36.

In financial 2019, 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 10,611 thousand (EUR 11,886 thousand in the previous year) 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 2019 and 2018 (see tables on pages 72 to 75).

The year-end carrying amount of intangible assets under development was EUR 1,046 thousand (previous year: EUR 947 thousand).

The total figure for goodwill in 2019 was EUR 100,182 thousand (unchanged on the prior year) and derives from the following acquisitions:

Goodwill from acquisitions

	31 DEC 2019 EUR '000	31 DEC 2018 EUR '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 7 ‘Accounting and valuation principles’. In each case, the company concerned acts as the cash-generating unit.

Goodwill and intangible assets with an indefinite useful life as at 31 December 2019

	Allocated goodwill and intangible assets with an indefinite useful life		Valuation parameters				
	Goodwill EUR '000	Brands and internet domains EUR '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	9.3% (2018: 11.6%)	15.3% (2018: 12.7%)	1.1% (2018: 1.1%)	9.1% (2018: 8.3%)	5 (2018: 5)
WebAssets B.V.	31,091	9,146	20.0% (2018: 19.2%)	30.6% (2018: 19.0%)	1.1% (2018: 1.1%)	9.1% (2018: 8.3%)	5 (2018: 5)

The mandatory annual tests for goodwill confirmed that there had been no impairment of capitalised goodwill.

The annual impairment tests for goodwill and for intangible assets with an indefinite useful life were based on the assumptions as at 31 October 2019 shown in the table above.

Write-downs on goodwill were based on impairment testing. With regard to the goodwill for HolidayCheck AG, a 12.0 percent higher weighted average cost of capital (WACC), a 5.5 percent reduction in the average EBITDA margin or a 47.5 percent decrease in sales revenues would have led to the carrying value falling below its recoverable value. Turning to the goodwill for WebAssets B.V., a 3.5 percent rise in the weighted average cost of capital (WACC), a 7.0 percent lower average EBITDA margin or a 25.0 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.

11.2. Right-of-use assets

Right-of-use assets are divided into three categories: land and buildings; vehicles; and operating and office equipment. For more information on carrying values as at 31 December 2019 and on the first-time application of this method as at 1 January 2019, please see the consolidated statement of changes in non-current assets on pages 72 to 75.

11.3. Property, plant and equipment (tangible assets)

Property, plant and equipment relates primarily to other equipment, operating and office equipment with a value of EUR 2,089 thousand (previous year: EUR 2,363 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 2019 and 2018 (see tables on pages 72 to 75).

11.4. Trade receivables

The company constantly monitors trade receivables. This category of receivables mainly consists of amounts owed by customers for brokerage services and advertising.

Appropriate loss allowances are formed if there are expected credit losses (see also section 7). Total gross trade receivables and total net trade receivables are shown in the following table.

Gross and net stock of trade receivables

	2019 EUR '000	2018 EUR '000
Total gross receivables	27,480	24,105
Loss allowances	-5,051	-2,101
Total net receivables	22,429	22,004

The following table reconciles the figures for loss allowances in respect of trade receivables as at 1 January 2019 and 31 December 2019.

Reconciliation of loss allowances for trade receivables

	2019 EUR '000	2018 EUR '000
Impairment as at 1 January	2,101	2,361
Adjustment of loss allowances for trade receivables (previous year, as at 1 January 2018, due to change from IAS 39 to IFRS 9)	0	-330
Used	-607	-19
Reversed	-117	-35
Added	3,674	124
Impairment at 31 December	5,051	2,101

The increase in new allowances over the year is mainly due to the bankruptcy of the Thomas Cook Group.

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. For more information on credit losses see section 11.23.

11.5. Contract assets

In financial 2018, we recognised contract assets for the first time following the insourcing of some contracts with our media customers (previously through an agency). These contract assets were rights to payment totalling EUR 1,060 thousand under business-to-business (B2B) marketing contracts. At the time, the rights in question were not yet based on contractual performance by HCG. In financial 2019, the invoicing of these contracts remained in-house. Unlike the previous year, however, advance payment invoices were issued immediately after the signing of each contract rather than invoicing the full amount at the end of the year. As a result, payments for a large proportion of contracts were received during the year. Consequently, the outstanding amounts totalling EUR 50 thousand in 2019 were allocated to trade receivables.

11.6. Receivables from and liabilities to affiliated entities

Receivables and payables in relation to affiliated entities are mainly due to trade relationships with Burda Group companies (see section 17.1). Given the short-term nature of these items, the fair value is the same as the carrying value.

11.7. Other financial and non-financial assets

Other financial assets totalling EUR 2,179 thousand (previous year: EUR 692 thousand) consisted mainly of credit card credit balances and (rent) deposit accounts. The increase is due to the opening of additional deposit accounts.

Other non-financial assets totalling EUR 2,022 thousand (previous year: EUR 1,836 thousand) 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.

11.8. Cash and cash equivalents

Cash and cash equivalents are made up of cash on hand amounting to EUR 6 thousand (previous year: EUR 4 thousand) and cash at banks of EUR 27,451 thousand (previous year: EUR 33,755 thousand). Further details of the changes in the Group's cash position can be found in the consolidated statement of cash flows.

11.9. Equity

As at 31 December 2019, the company's subscribed share capital stood at EUR 58,313,628, divided into 58,313,628 notional no-par value shares, each with an accounting value of EUR 1. All the company's shares are fully paid up.

Following issues of own shares in the company (treasury shares) in financial 2019 – 394,466 no-par value shares with a nominal value of EUR 1 each – under the RSP and LTIP 2017-2020 employee stock option plans, the total figure for treasury shares fell to EUR 689 thousand (previous year: EUR 1,084 thousand) (see also section 11.10. 'Treasury shares').

As at 31 December 2019, the company held a total of 689,317 treasury shares, equivalent to around 1.2 percent of its share capital.

Capital reserves

As at 31 December 2019, the capital reserves of HCG were EUR 85,097 thousand. This figure rose by EUR 49 thousand because of the issue of shares in the company 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.

Revenue reserves

An amount of EUR 545 thousand was recognised as the increase in the revenue reserves in connection with the share-based payment plans. The 2019 year-end total for the HCG Group's revenue reserves was EUR 2,300 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.

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 in the company equal to a proportion of up to 10 percent of the company's share capital. This authorisation expires on 15 June 2020.

11.10. Treasury shares

In July of financial year 2019, the company transferred 394,466 no-par value shares, each representing EUR 1 of its total share capital, to employees of the Holiday-Check Group under the RSP and to members of the Management Board under the LTIP 2017-2020 (in the form of shares). The buying and selling prices for each tranche of shares are shown in the table on top of the following page.

Changes in equity are shown in the consolidated schedule of changes in equity.

Buying and selling prices of shares issued

NUMBER OF SHARES	PORTION OF SHARE CAPITAL (EUR)	PORTION OF SHARE CAPITAL	AVERAGE STOCK EXCHANGE PRICE AT PURCHASE (EUR)	BUYING PRICE (EUR)	STOCK EX-CHANGE PRICE AT ISSUE (EUR)	SELLING PRICE (EUR)	PURPOSE
1,553	1,553.00	0.00%	2.58	4,003.82	2.64	4,099.92	ShareMatch
599	599.00	0.00%	2.58	1,544.30	2.65	1,587.35	ShareMatch
118,766	118,766.00	0.20%	2.58	306,193.60	2.64	313,542.24	RSP
152,765	152,765.00	0.26%	2.58	393,847.26	2.65	404,827.24	RSP
120,783	120,783.00	0.21%	2.58	311,393.67	2.83	341,574.32	LTIP 2018
394,466	**394,466.00**	**0.67%**		**1,016,982.65**		**1,065,631.07**	

11.11. 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	2019	2018
Consolidated net profit/(loss) accruing to shareholders of HCG	EUR '000	-4,593	1,926
Weighted average number of issued shares	(pieces)	57,429,073	57,075,802
Earnings per share	EUR '000	-0.08	0.03

11.12. 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.

Development of other reserves

	Reserves for revaluation of defined-benefit pension plans EUR '000	Reserves for currency translation differences EUR '000	TOTAL EUR '000
Initial level as at 1 January 2019	**289**	**-2,108**	**-1,819**
Revaluation of defined-benefit pension plans	**-629**		**-629**
Change due to revaluation	-741		-741
Deferred tax effect	112		112
Currency translation differences		**7**	**7**
Final level as at 31 December 2019	**-340**	**-2,101**	**-2,441**

11.13. Provisions for pensions

As at 31 December 2019, the provisions for pensions amounted to EUR 2,161 thousand (EUR 1,375 thousand in the previous financial year). 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). 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 512 thousand in the financial year 2019 (EUR 541 thousand in the prior year) was recognised in the statement of income.

Development of pension obligations in the financial year

	2019 EUR '000	2018 EUR '000
Present value of pension obligations as at 1 January	5,895	4,995
Expenses for additional pension entitlements acquired in the financial year	538	534
Employee contributions	549	511
Interest expenses for existing entitlements	55	36
Pension payments in the financial year	-276	-361
Gains/(losses) resulting from changes in financial assumptions	913	-165
Gains/(losses) resulting from experience adjustments	356	146
Exchange rate changes in the case of plans in a currency other than the euro	297	199
Past service costs and settlements	-36	0
Present value of pension obligations as at 31 December	**8,291**	**5,895**

Out of these obligations, plan assets are in place covering EUR 8,291 thousand (previous year: EUR 5,895 thousand).

Development of plan assets in the financial year

	2019 EUR '000	2018 EUR '000
Present value of plan assets as at 1 January	-4,520	-3,698
Interest income	-45	-29
Employer contributions	-549	-511
Employee contributions	-549	-511
Pension payments in the financial year	276	361
Return on plan assets excluding amounts recognised as interest income	-528	11
Exchange rate changes in case of plans in a currency other than the euro	-215	-143
Present value of plan assets as at 31 December	**-6,130**	**-4,520**

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 574 thousand (previous year: EUR 18 thousand).

Breakdown of plan assets

	2019 (percent)	2018 (percent)
Equity instruments	24.4	22.4
quoted	*8.7*	*9.9*
not-quoted	*15.7*	*12.5*
Debt instruments	25.0	24.1
quoted	*17.6*	*18.2*
not-quoted	*7.4*	*5.9*
Property	16.9	17.2
quoted	*2.5*	*2.2*
not-quoted	*14.4*	*15.0*
Cash	2.6	3.1
Assets from insurance policies	0.0	0.0
Other	31.1	33.2
quoted	*0.0*	*0.0*
not-quoted	*31.1*	*33.2*
Total	**100.0**	**100.0**

Derivation of pension provisions in the year under review

	2019 EUR '000	2018 EUR '000
Present value of plan assets as at 31 December	-6,130	-4,520
Present value of pension obligations as at 31 December	8,291	5,895
Benefit obligations in excess of assets	**2,161**	**1,375**
Net defined benefit liability as at 31 December	**2,161**	**1,375**

Derivation of pension expenses in the year under review

	2019 EUR '000	2018 EUR '000
Expenditure for additional pension entitlements acquired in the financial year	-538	-534
Interest expenditure for existing entitlements	-55	-36
Interest income	45	29
Past service costs and settlements	36	0
Expense recognised in the statement of income	**-512**	**-541**

Actuarial assumptions

	2019 (percent)	2018 (percent)
Interest rate	0.20	0.90
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 17.92 years (previous year: 15.9 years) for HolidayCheck AG and a period of 17.89 years (previous year: 15.6 years) for Driveboo AG.

In 2020, the company expects to make contributions to the plan of EUR 654 thousand (contributions in 2019: EUR 549 thousand).

Sensitivity analysis

		Effects on obligations (EUR '000)			
		2019		2018	
	Change in the assumption	Increase in the assumption	Decrease in the assumption	Increase in the assumption	Decrease in the assumption
Discount rate	0.50 %	-681	804	-432	505
Salary progression in the future	0.50 %	163	-185	122	-133
Increase in pensions in the future	0.50 %	276	-248	166	-150
Life expectancy	1 year	114	-98	64	-55

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 funding 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), the foundation may even levy remedial contributions from the employer and employees to rectify any lack of cover if other measures fail to do so.

11.14. 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 (formerly 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.

Long-term incentive plan (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 shares in the company ('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 a 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 the 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.

Under the RSP, employees receive shares in HolidayCheck Group AG. The shares are granted in annual tranches with no link between individual tranches. Under the terms of the plan, employees are entitled to a specific, individually agreed target amount in euro (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 stock market 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 stock market 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. The shares cannot be sold during the holding period. After this period, the holder is free to choose when to sell the shares held, i.e. there are no further restrictions on shares granted under the RSP.

LTIP 2011-2016
In the financial year 2019, phantom shares from the 2015 tranche were earned and paid out as shown below. The table above shows the outstanding phantom shares from the 2016 tranche as at 31 December 2019.

LTIP 2011-2016

Outstanding phantom shares as at 1 January 2019	503,929
Phantom shares granted	0
Phantom shares forfeited	0
Phantom shares paid out	287,158
Outstanding phantom shares as at 31 December 2019	216,771

LTIP 2017-2020

The LTIP 2017-2020 was set up in financial 2017, when 447,588 shares were granted. On the grant date, these had a total allocation value of EUR 2,375 thousand.

LTIP 2017-2020

	2018 TRANCHE	2019 TRANCHE	2020 TRANCHE	TOTAL
Outstanding shares as at 1 January 2019	100,088[1)]	106,909[4)]	111,215[4)]	318,212
Shares granted	20,695[2)]	0	18,178[3)]	38,873
Shares earned	120,783[2)]	0	0	120,783
Shares forfeited	0	0	0	0
Shares transferred	120,783[2)]	0	0	120,783
Outstanding shares as at 31 December 2019	0	106,909	129,393	236,302

1) The underlying stock market prices for HolidayCheck Group AG shares granted in previous years can be found in our 2018 annual report.
2) In addition to 1), in 2019 the Supervisory Board set the actual reference price on transfer for the shares of HolidayCheck Group AG in respect of the 2018 tranche at EUR 2.83 and factored in the degree to which performance targets had been met.
3) Based on the XETRA stock market price of EUR 2.61 for HolidayCheck Group AG shares on the grant dates (26 March 2019 and 17 July 2019)
4) In addition to 1) and 3), the total for each tranche in 2019 and 2020 on transfer depends on the level of performance in relation to the specified EBT and revenue targets for the shares granted in the financial years from 2017 to 2019.

RSP

In 2019, the total number of shares granted under the RSP and the share matching plan (ShareMatch) was 273,683 (previous year: 170,623). On the grant date, these corresponded to a total allocation volume of EUR 724 thousand (previous year: EUR 527 thousand).

RSP

	2018 TRANCHE	2019 TRANCHE
Outstanding shares as at 1 January 2019	0	0
Shares granted	170,623[1)]	273,683[2)]
Shares earned	170,623[1)]	273,683[2)]
Shares forfeited	0	0
Shares transferred	170,623[1)]	273,683[2)]
Outstanding shares as at 31 December 2019	0	0

1) 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.
2) This includes additional matching shares. The underlying HolidayCheck Group AG share prices on the grant dates were EUR 2.64 and EUR 2.65 respectively.

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).

LTIP 2011-2016

	2016 TRANCHE
End of holding period	June 2020
(Residual) term of phantom shares	153 days
Share price on valuation date	€ 2.69
Initial reference price	€ 2.58
Projected dividend yield	0.52%
Risk-free interest rate for the (remaining) term	-0.69%
Projected volatility for 100-day average	4.19%
Cap	€ 7.70
Fair value of each capped phantom share including guaranteed dividends	€ 2.73

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 2019 is based on the parameters in the table above.

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 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 the remaining 2019 and 2020 tranches and then adjusted to take account of the expected degree of target fulfilment as at 31 December 2019. 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 2019, the weighted average fair value of the shares granted under the LTIP 2017-2020 was EUR 2.69 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 2019 (i.e. 30 December 2019).

The table below shows the amounts recognised in the consolidated financial statements for financial 2019 in respect of liabilities from share-based payment transactions.

Other miscellaneous obligations from share-based transactions

	2019 EUR '000	2018 EUR '000
Plans with cash settlement (LTIP 2011-2016)	592	1,335
Plans with cash settlement (LTIP 2017-2020)	1,016	1,163
Of which settlement in equity instruments	*534*	*611*
Of which ancillary personnel costs	*482*	*552*
Total	**1,608**	**2,498**

The holding period for the phantom shares granted in the 2015 tranche of the LTIP 2011-2016 ended in financial 2019. Based on an aggregate number of 287,158 phantom shares, the total payout from this tranche was EUR 812 thousand.

The holding period for shares earned in the 2018 tranche of the LTIP 2017-2020 ended in financial 2019. Based on an aggregate number of 120,783 shares, the total payout from this tranche was EUR 342 thousand.

The expenditure resulting for the HolidayCheck Group in relation to the two LTIPs and the RSP during the period under review was as follows:

Personnel expenditure for share-based payments

	2019 EUR '000	2018 EUR '000
Of which from plans with settlement in cash (LTIP 2011-2016)	68	-69[3)]
Of which from plans with settlement in equity instruments (LTIP 2017-2020)	264[1)]	287[4)]
Of which from plans with settlement in equity instruments (RSP)	724[2)]	604[5)]
Total	**1,056**	**822**

1) Including pro rata personnel expenditure for the 2020 tranche; excluding ancillary personnel costs
2) This includes personnel expenditure for the share matching offer of the 2018 tranche.
3) In financial 2018, the revaluation of LTIP 2011-2016 produced income as a result of share price movements.
4) Including pro rata personnel expenditure for the 2019 and 2020 tranches; excluding ancillary personnel costs; the 2018 figure was adjusted to exclude ancillary personnel costs.
5) This includes personnel expenditure for the share matching offer of the 2017 tranche.

11.15. 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 (previous year: 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 (previous year: 17.15 percent) and a corporation tax rate of 15.0 percent (previous year: 15.0 percent) plus the solidarity surcharge of 5.5 percent (previous year: 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 Tomorrow Travel B.V.

There are trade tax loss carryforwards of EUR 128,869 thousand (EUR 122,163 thousand in the previous year), corporation tax loss carryforwards of EUR 136,807 thousand (EUR 129,954 thousand in the previous year) and international loss carryforwards of EUR 6,383 thousand (EUR 5,458 thousand in the previous year) within the HCG Group.

No deferred tax assets were recognised on trade tax loss carryforwards of EUR 128,864 thousand (EUR 122,163 thousand in the previous year), corporation tax loss carryforwards of EUR 136,802 thousand (EUR 129,954 thousand in the previous year) and international loss carryforwards of EUR 3,181 thousand (EUR 3,538 thousand in the previous year) within the Group, as it is currently thought unlikely that they will be utilised.

Losses incurred in the Netherlands up to 2018 must be used within nine years of the date on which they arise (losses incurred from 2019 onwards must be used within six years) 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 Group 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 362 thousand (2018: EUR 444 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 tables below 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

	1 January 2019 EUR '000	Recognised in other comprehensive income EUR '000	Income (+)/ Expenses (-) EUR '000	31 December 2019 EUR '000
Resulting from temporary differences				
Provisions for pensions	207	112	17	336
Other balance sheet items	23	0	1	24
	230	**112**	**18**	**360**
Resulting from loss carryforwards	**318**	**0**	**320**	**638**
	548	**112**	**338**	**998**
Less deferred tax liabilities resulting from offsetting				
Resulting from temporary differences				
Intangible assets	0	0	5	5
	0	**0**	**5**	**5**
Balance of deferred tax assets	**548**	**112**	**333**	**993**

Deferred tax liabilities

	1 January 2019 EUR '000	Recognised in other comprehensive income EUR '000	Income (+)/ Expenses (-) EUR '000	31 December 2019 EUR '000
Resulting from temporary differences				
Intangible assets	4,686	0	-349	4,337
Balance of deferred tax liabilities	**4,686**	**0**	**-349**	**4,337**
Effects on the statement of income			680	
thereof recognised as deferred tax expenses			*680*	

Deferred tax assets of EUR 24 thousand (EUR 23 thousand in the previous year) and deferred tax liabilities of EUR 742 thousand (EUR 679 thousand) had less than one year remaining.

The revaluation of defined-benefit pension plans – recognised as other comprehensive income – led to an increase of EUR 112 thousand (a decrease of EUR 2 thousand in the previous year) in equity on account of their deferred tax effect.

The following table shows the reconciliation of the fictitious tax expense and tax income to the actual tax expense and tax income:

Tax reconciliation at HolidayCheck Group

Tax effects	2019 EUR '000	2018 EUR '000
Earnings from continuing operations before taxes	**-4,026**	**2,791**
Fictitious tax expense/income (32,98%, 2018: 32,98%)	1,328	-920
Adjustments to fictitious tax expense/income		
Deferred taxes not capitalised on tax losses in reporting year	-2,305	-1,498
Valuation adjustment to deferred taxes capitalised on tax losses in previous years	0	-91
Use of not capitalised tax loss carryforwards	0	123
Tax-free income	0	-3
Tax reduction due to different tax rates in countries other than Germany	780	1,703
Non-deductible expenses	-53	-53
Tax effects due to additions and reductions for local taxes	0	-17
Tax income and expenses of other periods	-98	-10
Other differences	-219	-99
Tax expenses/income according to consolidated statement of income	**-567**	**-865**

11.16. Contract liabilities

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. These were reclassified in financial 2019 as current contract liabilities.

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 the financial year of 2019 to provide media campaign services in 2020) 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 12.1.

11.17. Leasing liabilities

As explained in section 3, leasing liabilities are shown in the financial statements for the first time due to the application of IFRS 16. The following table contains a breakdown of leasing liabilities:

Leasing liabilities

	31 DECEMBER 2019 EUR '000	1 JANUARY 2019 EUR '000
Non-Current leasing liabilities	7,114	8,189
Current leasing liabilities	2,523	2,496
	9,637	**10,685**

The following table shows the maturities of leasing liabilities:

Maturities of leasing liabilities

	2020 EUR '000	2021-2023 EUR '000	FROM 2024 EUR '000
Leasing liabilities	2,523	4,756	2,358

The amounts recognised in the statement of income in respect of leases are shown in the following table:

Expenses related to current leasing liabilities

	2019 EUR '000
Interest expenses from the compounding of leasing liabilities related to IFRS 16	161
Expenses related to current leases	15
Expenses related to leases of low-value assets	37

For more information on the Group's leasing activities, please see section 17.2 'Leases'.

11.18. Other provisions

The table below shows the changes in other provisions during the year under review.

Other provisions

	As at 1 Jan 2019 EUR '000	Used EUR '000	Reversed EUR '000	Added EUR '000	As at 31 Dec 2019 EUR '000
Other current provisions					
Provisions for anniversary payments	91	-28	-1	15	77
Litigation costs	144	0	-66	23	101
Other current provisions	0	0	0	3	3
Total other current provisions	**235**	**-28**	**-67**	**41**	**181**

Anniversary benefits are based on length of service.

Furthermore, the Group is exposed to legal risks. These can particularly be risks in connection with other legal disputes and tax law disputes.

11.19. Liabilities to banks
Liabilities to banks amount to EUR 0 thousand (EUR 40 thousand in the previous year).

Other liabilities to banks

	31 DECEMBER 2019 EUR '000		31 DECEMBER 2018 EUR '000	
	Current	Non-current	Current	Non-current
Other liabilities to banks	0	0	40	0
	0	**0**	**40**	**0**

On the balance sheet, current account overdrafts are shown as liabilities to banks under current financial liabilities.

In financial 2019, the company restructured its framework loan agreements. The syndicated loan described in our 2018 annual report was terminated on 5 December 2019. The interest payable on this syndicated loan was stipulated for each interest period. The latest figure was 0.9 percent. The resulting interest expense for 2019 was EUR 0.2 million.

In October and November 2019, HolidayCheck Group AG concluded two new framework loan agreements, each for EUR 10.00 million and covering an indefinite period. The credit available under these agreements can be drawn down as and when required. As at 31 December 2019, no such draw-downs had been made. Interest, which is payable only if the credit facilities are actually used, is linked to the reference EURIBOR rate plus a margin. At the year end, one framework loan agreement was subject to a rental guarantee of EUR 0.3 million. The annual commission for providing this guarantee is 0.6 percent.

As at 31 December 2019 the Group had no liabilities to banks. The previous-year figure for other liabilities to banks includes the loan arrangement fee of EUR 40 thousand for the above-mentioned syndicated loan.

All loans are unsecured.

11.20. Trade payables
The total year-end figure for trade payables in 2019 was EUR 15,301 thousand (EUR 16,120 thousand in the previous year). Payment obligations in relation to outstanding invoices stood at EUR 1,737 thousand (EUR 1,921 thousand in the previous year).

Trade payables have a remaining term of less than one year.

11.21. Other financial and non-financial liabilities
See table on the next page on top.

Non-current personnel obligations mainly comprise EUR 219 thousand (EUR 1,126 thousand in the previous year) in respect of the non-current portion of obligations from share-based payment transactions for HCG.

Current other personnel obligations consisted of EUR 1,204 thousand (EUR 1,469 thousand in the previous year) in respect of provisions for bonuses and EUR 855 thousand (EUR 761 thousand in the previous year) for personnel obligations under the LTIPs.

The year-end figures for transit items mainly consist of advance payments for holidays and vouchers.

Other financial and non-financial liabilities

	31 DECEMBER 2019 EUR '000		31 DECEMBER 2018 EUR '000	
	Current	Non-current	Current	Non-current
Other personnel obligations	2,059	219	2,230	1,126
Liabilities to the Supervisory Board	271	0	324	0
Other miscellaneous financial liabilities	0	34	0	60
TOTAL FINANCIAL LIABILITIES	**2,330**	**253**	**2,554**	**1,186**
Transit item	974	0	603	0
Obligations for leave not taken and other personnel obligations	940	0	944	0
Social security liabilities	578	0	484	0
Wage and church tax liabilities	315	0	299	0
Other miscellaneous non-financial liabilities	120	0	203	0
TOTAL NON-FINANCIAL LIABILITIES	**2,927**	**0**	**2,533**	**0**

11.22. Additional disclosures on financial instruments

The carrying amounts, amounts recognised and fair values by measurement category as at 31 December 2019 and 31 December 2018 are shown in the tables on the next pages.

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.

On account of their short terms, the carrying amount and the fair value of liabilities to banks as at 31 December 2018 were the same. The only items in this category were loan arrangement fees (see section 11.19 'Liabilities to banks').

Trade payables, payables to affiliated entities and other miscellaneous financial liabilities that do not result from the stock option plans mostly have short remaining terms. For this reason, their carrying amounts on the reporting date were approximately the same as their fair values.

The fair values of derivative financial instruments are determined by the banks using common valuation methods based on market data such as currency prices and interest rate curves.

The table below shows the carrying amounts of the financial assets and liabilities according to their measurement category and asset classification based on IFRS 9.

Classification of the different categories of financial instruments

ASSETS	Measurement category according to IFRS 9 EUR '000	Carrying amounts according to IFRS 9 as at 31 Dec 2019 EUR '000	Carrying amounts according to IFRS 9 as at 31 Dec 2018 EUR '000
Cash and cash equivalents	AC	27,457	33,759
Trade receivables	AC	22,429	22,004
Receivables from affiliated entities	AC	89	184
Other financial assets			
Other financial assets	AC	2,169	692
Derivative financial instruments	FVPL	10	0
Other non-financial assets	n.a.	2,022	1,836
LIABILITIES	Measurement category according to IFRS 9 EUR '000	Carrying amounts according to IFRS 9 as at 31 Dec 2019 EUR '000	Carrying amounts according to IFRS 9 as at 31 Dec 2018 EUR '000
Liabilities to banks	FLAC	0	40
Trade payables	FLAC	15,301	16,120
Leasing liabilities	n.a.	9,637	0
Liabilities to affiliated entities	FLAC	45	35
Other financial liabilities			
Other financial liabilities	FLAC	1,509	1,853
Other financial liabilities outside the scope of IFRS 7 (IFRS 2)	n.a.	1,074	1,887
Other non-financial liabilities	n.a.	2,927	2,533
of which aggregated by measurement category			
Financial assets measured at amortised cost	AC	52,144	56,639
Financial assets measured at fair value through profit and loss	FVPL	10	0
Financial liabilities measured at amortised cost	FLAC	16,855	18,048

The net totals for each measurement category are shown in the following table:

Net totals measurement category

	31 DEC 2019 EUR '000	31 DEC 2018 EUR '000
Financial assets measured at amortised cost (AC)	-3,557	-89
Financial assets measured at fair value through profit and loss (FVPL)	10	0
Financial liabilities measured at amortised cost (FLAC)	-150	-179
Total	**-3,697**	**-268**

Loss allowances of minus EUR 3,557 thousand (minus EUR 89 thousand in the previous year) for trade receivables are classifiable as financial assets measured at amortised cost and have been recognised in full in the statement of income. Income of EUR 10 thousand (EUR 0 thousand in the previous year) from the measurement of derivative financial instruments at fair value through profit and loss (FVPL) has been recognised in full in the statement of income. Interest of minus EUR 150 thousand (minus EUR 179 thousand in the previous year) in respect of liabilities to banks has been allocated to the measurement category 'financial liabilities measured at amortised cost (FLAC)' and recognised in full in the statement of income. This interest figure is the total of all interest expenses in the FLAC measurement category.

The table below shows the fair values of those financial assets and financial liabilities measured at fair value and their classification within the fair value hierarchy (see section 8. 'Determining fair value'). It contains no information on financial assets and financial liabilities that were not measured at fair value if the carrying amount constitutes a reasonable approximation of the fair value.

Level 2 financial assets

	31 DEC 2019 EUR '000	31 DEC 2018 EUR '000
Financial assets		
Positive fair value from derivative financial instruments	10	0

At the end of each financial year, checks are conducted to identify whether any instruments need to be reclassified (i.e. at a different level) within the fair value hierarchy. There were no such reclassifications at the end of 2019 or 2018.

11.23. Disclosures on 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.

Default (or credit) risk

The default (or credit) risk is the risk of incurring a financial loss if a customer or the other party to a contract for a financial instrument fails to meet its contractual obligations. The default (or credit) risk arises from cash and cash equivalents, derivative financial instruments with a positive market value, credit balances with banks and financial institutions and trade receivables. In accordance with IFRS 9, the carrying value of a financial asset equals the maximum default risk.

Default (or credit) risks are managed at Group level. They are carefully checked before signing a contract and thereafter monitored continuously so that we can respond promptly to any deterioration in the other party's credit rating.

As part of the financial risk management system, the Finance department ensures that credit limits are not exceeded and that reminders are issued at fortnightly intervals for outstanding trade receivables.

Assessments of the credit quality of trade receivables are based on external credit ratings (where available) and on past experience of default rates for the business partner in question. Creditworthiness is generally assumed. Furthermore, the analysis of outstanding receivables provides information on the credit quality. In addition, as noted in section 7, 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 default (or credit) losses. Uninsured trade receivables that are credit-impaired at the reporting date (level 3) may be defaulted entirely.

Section 11.4 explains the change in the figures for impairment of trade receivables between 1 January 2019 and 31 December 2019.

The table below 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 default 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 default risk (grade 9) is recognised for these items. In addition, receivables that are more than 90 days overdue or receivables from customers that have filed for bankruptcy are classified as rating category 10.

Gross carrying values of trade receivables by rating category as at 31 December 2019

	GROSS CARRYING VALUE (covered by credit loss insurance) EUR '000	GROSS CARRYING VALUE (not covered by credit loss insurance) EUR '000
Trade receivables		
Rating category 1	21	458
Rating category 2	2,732	944
Rating category 3	201	50
Rating category 4	2,674	700
Rating category 5	2,478	755
Rating category 6	5,539	2,451
Rating category 7	591	450
Rating category 8	0	1
Rating category 9	0	967
Rating category 10	2,145	4,323
Total	**16,381**	**11,099**

Gross carrying values of trade receivables by rating category as at 31 December 2018

	GROSS CARRYING VALUE (covered by credit loss insurance) EUR '000	GROSS CARRYING VALUE (not covered by credit loss insurance) EUR '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**

Gross carrying values (not covered by credit loss insurance)

	31 DEC 2019 EUR '000	31 DEC 2018 EUR '000
Other financial assets	**2,169**	**692**
Rating category 1	2,169	692
Cash and cash equivalents	**27,457**	**33,759**
Rating category 1	27,457	33,759
TOTAL	**29,626**	**34,451**

To assess the creditworthiness of financial institutes, the Group uses current credit quality ratings from external rating agencies. HCG has allocated all cash and cash equivalents to the following default risk category based on capital market ratings (see table above). Other financial assets include (rent) deposit accounts.

The credit quality of other financial assets and cash and cash equivalents was analysed. Due to immateriality no risk allowances were recognised as at 31 December 2018 or 31 December 2019.

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.

The Group employs currency forwards to hedge cash flows denominated in Swiss francs against possible exchange rate risks. As at 31 December 2019, the currency forward transactions produced a positive fair value of EUR 10 thousand in respect of derivative financial instruments. As at 31 December 2018, there were no currency forward transactions. The 2019 figure was shown in the consolidated balance sheet under 'other financial assets' and in the consolidated statement of income under 'other income' as income from currency translation. No derivative contracts were concluded as a hedge against interest rate risks. No transactions were concluded that would meet the conditions for hedge accounting.

Assuming all other variables remained constant, if there had been a 10 percent change in the EUR/CHF exchange rate as at 31 December 2019, net income/(loss) for the year as a whole would have been EUR 1,277 thousand (in the previous year EUR 1,058 thousand) higher or EUR 1,560 thousand (in the previous year EUR 1,293 thousand) lower.

Assuming all other variables remained constant, if there had been a 10 percent change in the EUR/PLN exchange rate as at 31 December 2019, net income/(loss) for the year as a whole would have been EUR 24 thousand (in the previous year EUR 21 thousand) lower or EUR 29 thousand (in the previous year EUR 26 thousand) higher.

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 periodic cash planning.

The tables on the next page show the maturity dates for the Group's liabilities. The figures are based on contractual, undiscounted payments.

Maturity dates of liabilities as at 31 December 2019

	2020 EUR '000	2021-2023 EUR '000	from 2024 EUR '000
Liabilities to banks	0	0	0
Trade payables and liabilities to affiliated entities	15,346	0	0
Other miscellaneous financial liabilities	1,475	34	0
Other miscellaneous financial liabilities outside the scope of IFRS 7	855	219	0

Maturity dates of liabilities as at 31 December 2018

	2019 EUR '000	2020-2022 EUR '000	from 2023 EUR '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

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).

11.24. 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 fell by 4.1 percent in the financial year 2019. The main factors here were consolidated net profit/(loss) of minus EUR 4.6 million and dividend payments totalling EUR 2.3 million.

There was a reduction in the ratio of equity to total capital. This was largely due to consolidated net profit/(loss) and the first-time recognition of lease liabilities under IFRS 16 rules.

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.

Performance indicators

INDICATOR	METHOD OF CALCULATION	31 DEC 2019	31 DEC 2018
Equity ratio	Equity / total capital	79.1%	82.8%
Return on equity	Consolidated net profit/(loss) after taxes / equity	-3.0%	1.2%
Return on assets	Consolidated net profit/(loss) after taxes / total capital	-2.4%	1.0%
Debt ratio	Net debt / equity	26.5%	20.8%

12. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

12.1. Sales revenue

The following table contains information on sales revenue from contracts with customers that has to be shown separately. This revenue is subdivided into the following categories: type of service and timing of revenue recognition. A geographical breakdown of sales revenue can be found in section 13 'IFRS 8 notes'.

Sales revenues from contracts with customers

	2019 EUR '000	2018 EUR '000
Type of service		
Brokerage services	127,992	124,549
Advertising services	13,295	13,912
Tour operator revenue	2,038	0
Other services	380	429
Timing of revenue recognition		
Over time	16,787	15,199
At a point in time	126,918	123,691
TOTAL	**143,705**	**138,890**

Brokerage services consist of 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.

Revenue from advertising services comprises revenue from the various forms of advertising carried by our websites.

Tour operator revenue relates to the revenue from the marketing of hotel accommodation and package holidays through the Group's holiday booking portals.

Other services consist mainly of subscription revenue from the display of weather information.

The table below contains information about the Group's contract assets and contract liabilities from contracts with customers.

Contract assets and contract liabilities from contracts with customers

	31 DEC 2019 EUR '000	31 DEC 2018 EUR '000
Trade receivables	22,429	22,004
Contract assets	0	1,060
Contract liabilities	2,321	2,976

Performance obligations with customers

PRODUCT/TYPE OF SERVICE	NATURE AND TIMING OF THE FULFILMENT OF PERFORMANCE OBLIGATIONS, INCLUDING MATERIAL PAYMENT CONDITIONS	REVENUE RECOGNISED ON THE BASIS OF IFRS 15
Brokerage commissions	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
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

The main factor leading to changes in the balances for contract assets was a change in the method of billing for B2B marketing contracts (see also 11.5 'Contract assets').

The main factor leading to changes in the balances for contract liabilities was the fulfilment of a non-current obligation (see also 11.16 'Contract liabilities').

In financial 2019, the Group recorded sales revenue of EUR 2,575 thousand that was shown at the beginning of the year in the sum of EUR 2,575 thousand in the balance for contract liabilities. No sales revenue was recognised in financial 2019 that was (partially) fulfilled in previous periods.

The transaction price of performance obligations that were not yet (or not yet entirely) fulfilled as at 31 December 2019 was EUR 401 thousand. It is expected that this revenue will be realised over the next year.

In accordance with IFRS 15, this report contains no further disclosures on other performance obligations with an expected term of less than one year.

The table above contains information on the performance obligations with customers concerning the timing of fulfilment of those obligations, material payment conditions and types of services.

12.2. Other income

Other operating income recognised in the financial statements for 2019 stood at EUR 1,486 thousand (EUR 1,033 thousand in the previous year).

Income of EUR 335 thousand (EUR 222 thousand in the previous year) from the reversal of provisions for which there are no corresponding expenses is shown under other operating income. Income from currency translation was EUR 388 thousand (EUR 375 thousand in the previous year), while higher income from increased subletting came to EUR 412 thousand (EUR 68 thousand in the previous year). This item also includes income of EUR 171 thousand (EUR 153 thousand in the previous year) from a government grant in the Netherlands and out-of-period income of EUR 40 thousand (EUR 42 thousand in the previous year).

12.3. Other own work capitalised

Other own work capitalised amounting to EUR 3,431 thousand (EUR 3,580 thousand in the previous year) mainly concerns the capitalisation of software developed in-house by HC and WA. Work performed by external contractors is not included under 'other own work capitalised' in the statement of income.

12.4. 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. The increase to EUR 68,559 thousand (EUR 67,043 thousand in the previous year) is mainly attributable to higher online marketing and voucher costs as a result of business growth.

12.5. 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 recognised in the balance sheet as internally generated software (see also section 12.3. '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.

12.6. Number of employees and personnel expenditure

On average, 490 people (full-time equivalents without Management Board members) worked in the continuing operations of HCG Group over the financial year 2019. The corresponding figure for 2018 was 471 full-time equivalents (without Management Board members).

The total workforce over the financial year for the continuing operations was as follows:

Breakdown of total workforce

POSITION	2019 FTEs	2018 FTEs
Senior executive managers of the subsidiaries	6	5
Holders of general commercial power of attorney (*Prokurist* under German law)	10	10
Employees	474	456
TOTAL	**490**	**471**

In the financial year 2019, personnel expenditure amounted to EUR 41,925 thousand (EUR 39,084 thousand in the previous year). Out of this total, EUR 1,407 thousand was attributable to defined-contribution pension plans (EUR 1,339 thousand in the previous year) and EUR 538 thousand to defined-benefit pension plans (EUR 534 thousand in the previous year).

The figure for personnel expenditure includes severance payments of EUR 323 thousand (EUR 8 thousand in the previous year) in connection with the termination of employment contracts. For disclosures regarding the share-based payment plans see section 11.14. 'Employee stock option plans of the company'.

Other expenses

	2019 EUR '000	2018 EUR '000
Distribution expenses	11,264	11,903
IT expenses	4,156	3,818
Legal, consulting and audit expenses	2,676	1,761
Product expenses	2,653	2,259
Advance purchases of holiday services	1,771	0
Travel costs and entertainment	1,133	1,242
Freelancer fees	978	1,201
Expenses for external content	596	712
Rental and building costs	585	2,540
Insurance fees and charges	537	496
Supervisory Board remuneration	274	275
Currency translation losses	237	184
Expenses relating to previous years	213	31
Other miscellaneous expenses	1,100	875
TOTAL	**28,173**	**27,297**

12.7. Other expenses

Other expenses break down as shown in the table above.

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.

Legal, consulting and audit expenses arise primarily in connection with in-house audit expenses incurred by the Group, consultancy services, legal advice and statutory audit costs.

Product expenses are expenses that have a strong link to sales of holidays, e.g. licences for Traveltainment and other services.

Advance purchases of holiday services are expenses connected with the tour operator revenue generated from the marketing of hotel accommodation and package holidays through the Group's holiday booking portals. In the reporting period, rental and building costs fell to EUR 585 thousand (EUR 2,540 thousand in the previous year). This was mainly due to the first-time application of IFRS 16, which led to a shift from other expenses to depreciation. Most of the costs still recognised under this heading are ancillary rental costs and cleaning and maintenance expenses. As regards the binding force of the tenancy, rental and leasing agreements not covered by IFRS 16, please see section 17.3 'Other obligations'.

Other miscellaneous expenses include other services, accountancy and personnel services, other taxes, office materials and outward shipping.

12.8 Financial income

Total financial income of EUR 0 thousand (EUR 2 thousand in the previous year) 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.

12.9 Financial expenses

The financial expenses of EUR 353 thousand (EUR 179 thousand in the previous year) result mainly from financing-related interest expenses and compounding due to first-time application of IFRS 16.

13. IFRS 8 NOTES

The tables below contain geographical information on external revenue and non-current assets.

External revenue

	2019 EUR '000	2018 EUR '000
In Germany	123,617	121,473
Outside Germany	20,088	17,417
of which in Switzerland	*2,684*	*3,338*
of which in the Netherlands	*5,531*	*6,269*
of which in other countries	*11,873*	*7,811*
TOTAL	**143,705**	**138,890**

Non-current assets

	2019 EUR '000	2018 EUR '000
In Germany	7,634	779
Outside Germany	134,279	133,632
of which in Switzerland	*86,612*	*88,413*
of which in the Netherlands	*47,409*	*45,100*
of which in other countries	*258*	*119*
TOTAL	**141,913**	**134,411**

HolidayCheck AG (Bottighofen, Switzerland) and WebAssets B.V. (Amsterdam, Netherlands) operate a range of hotel rating and holiday booking portals that generate sales 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.

As a tour operator, HC Touristik GmbH (Munich, Germany) offers dynamically combined package holidays and hotel accommodation under the HolidayCheck Reisen brand through HolidayCheck's booking platforms.

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 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 sales revenue, we have taken the registered office of the customer.

In financial 2019, the HCG Group had a number of key customers that accounted in each case for more than 10 percent of total consolidated revenue. HC generated EUR 25.8 million, EUR 18.2 million, EUR 17.9 million and EUR 14.7 million respectively from four customers. In 2018, HC generated revenue of EUR 16.5 million and EUR 14.7 million respectively from two customers, in each case above the 10 percent mark.

14. 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.

Cash and non-cash changes in liabilities from financing activities

		Cash changes	Non-cash changes			
	As at 31 Dec 2018 EUR '000	EUR '000	Purchases EUR '000	Exchange rate-related changes EUR '000	Changes in fair value EUR '000	As at 31 Dec 2019 EUR '000
Liabilities to banks	40	-40	0	0	0	0
Total liabilities from financing activities	**40**	**-40**	**0**	**0**	**0**	**0**

The 2018 figure for liabilities to banks is made up of deferred loan arrangement fees for the syndicated loan, which was terminated on 5 December 2019. These fees are shown as cash outflows for interest expenses in the consolidated statement of cash flows under the heading 'Cash flow from operating activities'.

15. EVENTS AFTER THE BALANCE SHEET DATE

Potential impact of COVID-19

On 4 March 2020, the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) issued an expert opinion entitled 'The impact of the spread of the coronavirus on the reporting and auditing of financial statements as at 31 December 2019'. It takes the view that the rapid expansion of the infection is to be regarded as justifying valuations from January 2020 and thus only in financial statements dated after 31 December 2019. Similarly, in accordance with IFRS, it is only relevant as a non-adjusting event to (group) financial statements with a reporting date after 31 December 2019.

Nevertheless, we have decided to classify the outbreak as an event of particular importance, as the high level of uncertainty it causes has had an impact on our forecast and on our risk and opportunity report. With regard to its impact on our forecast for gross margin and operating EBITDA, which is now significantly more pessimistic, we refer to our remarks in section 4.1 of the Group management report.
We undertook an additional review of risks and opportunities in March 2020.

As a result, due to the current high level of uncertainty, we have adjusted the probability of impairment (see section 4.2.2.2.2.2) from high to almost certain, as new business models in particular could be disproportionately affected by any delay in implementation or, in the worst case scenario, discontinuation. At present, it is not possible to produce a reliable estimate of the financial impact for the financial year 2020. As soon as we are able to assess the impact more precisely, we will carry out unscheduled impairment tests where required.

We have also added liquidity risks (cf. section 4.2.2.2.2.3) to our risk catalogue. Given the rapid spread of COVID-19 since January 2020, we have revised the assumptions underlying our consolidated revenue forecast for 2020 (commission revenue). Assuming that travel restrictions due to the spread of COVID-19 may last longer than July 2020, that there is no travel during this period and that the cancellation rate remains 10.0 percent higher thereafter, we expect prior-year revenue to decline by between EUR 8.5 million and EUR 11.7 million. In 2020, we expect cash inflows from commission revenue to decline while cash outflows increase for repayments of commission fees received in 2019 in respect of holidays in 2020 (between EUR 4.2 million and EUR 6.5 million). At present, we are unable to give a more precise estimate as tour operators are currently experiencing delays while they process a large volume of cancellations in their systems. Finally, if bookings are cancelled, we are not required to pay for the vouchers awarded to holidaymakers, since the conditions for receipt (i.e. commencement of the holiday) have not been met. This will save around EUR 1.8 million on marketing expenses already recognised and provided for in financial 2019, thus reducing our cash outflows in financial 2020. For a more detailed explanation of the individual risks, please refer to our remarks in section 4.2 of the Group management report.

We have also downgraded the probability of a demand opportunity (see section 4.3.1.1.2 of the Group management report) from possible to unlikely. For a more detailed explanation of the individual opportunities, please refer to our remarks in section 4.3 of the Group management report.

Draw-down of credit lines

In March 2020, as a precautionary measure, HolidayCheck Group AG drew down a total of EUR 19.7 million using its negotiated credit lines.

Stefan Winners, Chairperson of the Supervisory Board, to step down on 23 June 2020

Stefan Winners, Chairperson of the Supervisory Board of HolidayCheck Group AG, notified the company on 9 March 2020 of his intention to step down from this position at the end of the annual general meeting on 23 June 2020 at his own request in light of his departure from the Burda Group.

The Supervisory Board of HolidayCheck Group AG will propose a suitable successor for membership of the Supervisory Board of HolidayCheck Group AG in advance of the 2020 general meeting of shareholders.

Share buy-back

Following approval by the Supervisory Board, the Management Board of HolidayCheck Group AG decided in February 2020 to make use of the share buy-back authorisation granted by the annual general meeting on 16 June 2015 in accordance with section 71 paragraph 1 number 8 of the German Stock Corporation Act (Aktiengesetz, AktG). Over the period from 24 February 2020 to 15 June 2020, the company will acquire up to 750,000 of its own shares subject to an overall price limit of EUR 2,250,000. The shares will be acquired through the stock exchange. The intention is to offer the repurchased shares to members of the Management Board and employees of the company and its affiliated entities as part of an employee stock option plan.

16. RISKS TO CONTINUED EXISTENCE WITHIN THE MEANING OF SECTION 322 PARAGRAPH 2 SENTENCE 3 OF THE GERMAN COMMERCIAL CODE

The Management Board believes it is highly probable that the Group will remain solvent during the period under consideration despite the impact of COVID-19. It has therefore prepared the accounts on a going concern basis. Nevertheless, should the spread of COVID-19 continue to have an impact for a longer period, the Group would face liquidity risks (see also section 4.2.2.2.2.3 'Liquidity risks' and section 4.2.2.3 'Overall assessment of risks' of the Group management report), thus creating material uncertainty in relation to events and circumstances that could give rise to significant doubts about the capacity of the Group to continue its business activities. Consequently, the Group may not then be able to realise its assets or settle its debts in the ordinary course of business.

17. OTHER DISCLOSURES

17.1 Business relations with affiliated entities and parties

The members of the Management Board and Supervisory Board are classed as related persons within the meaning of IAS 24. In the year under review, the following business relationships existed between the Management Board, the Supervisory Board and the entities included in the consolidated financial statements:

The emoluments paid to the **members of the Supervisory Board** in the reporting period totalled EUR 270 thousand (EUR 268 thousand in the previous year) and consisted entirely of short-term benefits. In addition, the company incurred expenses of EUR 4 thousand (EUR 7 thousand in the previous year) in respect of travel expenses for members of the Supervisory Board. In financial 2019, the Group incurred expenses of EUR 30 thousand in respect of a time-limited consulting contract on standard commercial terms between a Group subsidiary and a member of the Supervisory Board.

The total remuneration of the **members of the Management Board** in the financial year 2019 was

EUR 1,621 thousand (EUR 1,590 thousand in the previous year). Of this total, EUR 1,399 thousand (EUR 1,512 thousand in the previous year) is attributable to short-term benefits and EUR 222 thousand (EUR 78 thousand in the previous year) to share-based payments, which constitute long-term benefits.

Further details can be found in the remuneration report, which forms part of the Group management report.

Based on the most recent notification of voting rights dated 20 December 2018, Burda Digital SE, Munich, Germany (formerly Burda Digital Future SE; a subsidiary of Burda GmbH, Offenburg, Germany, which is in turn a subsidiary of Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany) holds more than 50 percent of the share capital of HolidayCheck Group AG.

As such, HCG is a controlled company within the meaning of section 312 paragraph 1 sentence 1 in conjunction with section 17 paragraph 2 of the German Stock Corporation Act. As there is no control agreement between HCG and Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany, the Management Board of HCG prepares a report on the relations of the company with affiliated enterprises in accordance with section 312 paragraph 1 sentence 1 of the German Stock Corporation Act.

In financial 2019, as in the previous year, HCG and the enterprises under its control exchanged services with Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany, and its affiliated enterprises. 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.

The following transactions were entered into with related parties:

Revenue and other income

	2019 EUR '000	2018 EUR '000
Burda GmbH, Offenburg, Germany	53	53
Hubert Burda Media Holding KG, Offenburg, Germany	5	13
Subsidiaries of Hubert Burda Media Holding KG	0	1
TOTAL	**58**	**67**

Marketing, personnel and other operating expenditure

	2019 EUR '000	2018 EUR '000
Subsidiaries of Hubert Burda Media Holding KG	766	782
Hubert Burda Media Holding KG, Offenburg, Germany	61	66
Burda GmbH, Offenburg, Germany	0	11
TOTAL	**827**	**859**

In addition, dividends totalling EUR 1,308 thousand (EUR 0 thousand in the previous year) were paid to the company Burda Digital SE, Munich, Germany.

The following balances remained outstanding at the end of the reporting period:

Trade receivables

	31 DEC 2019 EUR '000	31 DEC 2018 EUR '000
Subsidiaries of Hubert Burda Media Holding KG	89	184
TOTAL	**89**	**184**

Trade payables

	31 DEC 2019 EUR '000	31 DEC 2018 EUR '000
Subsidiaries of Hubert Burda Media Holding KG	31	21
Hubert Burda Media Holding KG, Offenburg, Germany	14	4
Burda GmbH, Offenburg, Germany	0	10
TOTAL	**45**	**35**

As in the previous year, there were ongoing liabilities to Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany and its affiliated entities, primarily in respect of rental and leasing agreements and agency agreements for services provided by various entities in the Burda Group (see also section 17.3 'Other obligations').

17.2 Leases

For the purposes of IFRS 16, HCG acts solely as a lessee. Its leasing activities consist of renting various office buildings, parking spaces, vehicles and equipment (e.g. IT equipment). Rental agreements generally have a fixed term of between three months and eight years. The terms of these contracts may vary considerably as they are negotiated individually. In particular, contracts to lease property may, for example, include extension or termination options to provide a degree of flexibility over the assets used by the Group. In addition, rental payments for property may change over time in line with changes in the corresponding price indices.

Contracts may include both leasing and non-leasing components.

17.3 Other obligations

As part of its business activities, HCG assumed other obligations in relation to a large number of underlying events and issues. These are shown in the table on the next page.

HolidayCheck Group AG provided guarantees totalling EUR 4,330,000 on behalf of HC Touristik GmbH and Zoover Media B.V. in respect of three suppliers and one syndicate. These guarantees were not exercised in financial 2019.

Based on 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 that are not recognised according to IFRS 16 as at the balance sheet date:

Other financial liabilities in 2019

	TOTAL EUR '000	Of which affiliated entities EUR '000
1. Under rental and leasing agreements (temporary)		
Due in 2020	37	37
Due between 2021 and 2024	24	24
Due after 2024	0	0
	61	**61**
2. Liabilities under other contracts (temporary)		
Due in 2020	534	125
Due between 2021 and 2024	246	0
Due after 2024	409	0
	1,189	**125**

The Group's liabilities under **rental and leasing contracts** mainly relate to vehicles and to operating and office equipment. The figures for these contracts are not presented under IFRS 16 rules as they are either short-term contracts (up to 12 months) or low-value contracts. (For more information about IFRS 16 exemptions, see section 3.)

The **other contracts** mainly relate to agency agreements for services with various entities in the Burda Group and other third parties, and to insurance policies.

With the exception of the above-mentioned guarantees, there were no contingent liabilities as at 31 December 2019.

17.4 Notifications received in accordance with section 22 of the German Securities Trading Act

With regard to the notification requirements imposed by section 21 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), please see the notes to the single-entity financial statements of HolidayCheck Group AG.

17.5 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 October 2019 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).

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, Nassau, Germany
Nathan Brent Glissmeyer	Member of the Management Board (CPO)	
Markus Scheuermann	Member of the Management Board (CFO)	

17.6 Management Board

In the financial year 2018, the persons listed in the table above 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.

17.7 Supervisory Board
(See table below)

Supervisory Board

Name	Position	Exercised activity / other supervisory board mandates
Stefan Winners	Chairperson of the Supervisory Board	• Managing Director, Hubert Burda Media Holding Geschäftsführung SE, Offenburg, Germany (until 31 December 2019); • Managing Director and Chairperson of the Board of Directors, Burda Digital SE, Munich, Germany (until 31 December 2019); • Chairperson of the Supervisory Board, New Work SE, Hamburg, Germany; • Chairperson of the Advisory Board, BurdaForward GmbH, Munich, Germany (until 31 December 2019); • 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 Supervisory Board, FMTG AG, Vienna, Austria; • Member of the Advisory Board, OpenCampus GmbH, Munich, Germany.
Aliz Tepfenhart	Member of the Supervisory Board	• Managing Director, Burda Digital SE, Munich, Germany; • Chairperson of the Advisory Board, Cyberport GmbH, Dresden, Germany and computeruniverse GmbH, Friedberg (Hessen), Germany; • Chairperson of the Advisory Board, Silkes Weinkeller GmbH, Mettmann, Germany; • Shareholder representative, jameda GmbH, Munich, 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 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.

17.8 Auditor’s fees
The total fee charged by our accountants in respect of financial 2019 covers the audit (2019: EUR 172 thousand; 2018: EUR 158 thousand), tax consultancy services (2019: EUR 0 thousand; 2018: EUR 0 thousand) and other services (2019: EUR 9 thousand; 2018: EUR 4 thousand). Other (assurance) services comprise fees for covenant compliance.

17.9 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
b. HC Touristik GmbH

17.10 Authorisation to publish the annual financial statements

On 24 March 2020, 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 24 March 2020.

Munich, Germany, 24 March 2020

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 AG's notes to the consolidated financial statements. Only the German version these notes are 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.

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 2019, 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 2019, 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 2019. 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 net assets and financial situation of the Group as at 31 December 2019 and of its earnings position for the financial year from 1 January to 31 December 2019; 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.

Material uncertainty surrounding the continuation of business activity

We refer to the disclosures in section 16 of the notes to the consolidated financial statements 'Risks to continued existence within the meaning of section 322 paragraph 2 sentence 3 of the German Commercial Code and in section 4.2.2.2.2.3 of the Group management report 'Liquidity risks', in which the legal representatives state that the Group could find itself in a tight liquidity situation depending on the further spread of the COVID-19 virus. As set out in section 16 'Risks to the continued existence within the meaning of section 322 paragraph 2 sentence 3 of the German Commercial Code' and section 4.2.2.2.2.3 'Liquidity risks', these events and circumstances indicate a material uncertainty that could give rise to significant doubts over the capacity of the Group to continue its business activities and that constitute a risk to the continued existence of the Group within the meaning of section 322 paragraph 2 sentence 3 of the German Commercial Code. As part of our audit remit, we have examined the Group-wide corporate and liquidity plans drawn up by the company. In this context, we have also assessed whether the assumptions underlying the corporate and liquidity plans are appropriate and examined whether the corporate and liquidity plans were correctly derived on the basis of those assumptions. Our audit opinions remain unchanged in this regard.

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 2019. 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 addition to the matter addressed in the section entitled 'Material uncertainty surrounding the continuation of business activity', we identified the matters set out below as the key audit matters requiring communication in our audit report.

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 as follows:

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 total of EUR 100,182 thousand (51.64 percent of total assets and 65.32 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 the 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 7, 9 and 11.1 of the notes to the consolidated financial statements under the heading 'Intangible assets'.

Other Information

The legal representatives are responsible for the other information. Other information consists of the declaration on corporate governance required under sections 289f and 315d of the German Commercial Code.

The other information also comprises 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 net assets, financial and earnings position 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 4 June 2019. We were engaged by the Supervisory Board on 16 December 2019. 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, 24 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Alexander Fiedler	p.p. Sonja Knösch
Certified auditor	Certified auditor
(Wirtschaftsprüfer)	(Wirtschaftsprüfer)

INFORMATION ABOUT THE AUDITOR

PricewaterhouseCoopers GmbH 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 additionally Sonja Knösch (since financial 2019).

The total fee charged by our accountants in respect of financial 2019 covers the audit (2019: EUR 172 thousand; 2018: EUR 158 thousand), tax consultancy services (2019: EUR 0 thousand; 2018: EUR 0 thousand) and other services (2019: EUR 9 thousand; 2018: EUR 4 thousand). Other (assurance) services comprise fees for covenant compliance.

FINANCIAL CALENDAR 2020*

8 May 2020
Publication of the Q1 2020 Interim Statement

23 June 2020
Annual General Meeting 2020
of HolidayCheck Group AG

10 August 2020
Publication of the HY1 2020 Interim Report

9 November 2020
Publication of the nine months 2020
Interim Statement

November 2020
Analysts' meeting at the German Equity Forum 2020
in Frankfurt am Main, Germany

* scheduled dates

DISCLAIMER

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LEGAL NOTICE

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Horner Translations

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KEY FIGURES

REVENUE AND EARNINGS		FY 2019	FY 2018	Change in %
Consolidated revenue	in EUR million	143.7	138.9	3.5%
Marketing expenses	in EUR million	-68.6	-67.0	2.4%
Personnel expenses	in EUR million	-41.9	-39.1	7.2%
Other expenses	in EUR million	-31.7	-27.4	15.7%
EBITDA	in EUR million	6.4	10.0	-36.0%
Operating EBITDA	in EUR million	7.0	10.7	-34.6%
EBIT	in EUR million	-3.7	3.0	-
Financial result	in EUR million	-0.4	-0.2	100.0%
EBT	in EUR million	-4.0	2.8	-
Consolidated net profit/loss	in EUR million	-4.6	1.9	-
Earnings per share	in EUR	-0.08	0.03	-

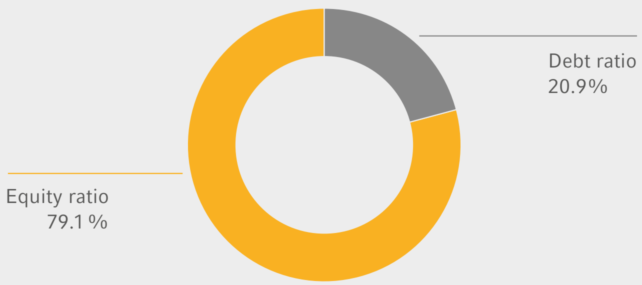
CASH FLOW		FY 2019	FY 2018	Change in %
Cash flow from operating activities	in EUR million	2.5	14.7	-83.0%
Cash flow from investing activities	in EUR million	-4.2	-7.0	-40.0%
Cash flow from financing activities	in EUR million	-4.6	0.0	-

EMPLOYEES	FY 2019	FY 2018	Change in %
Average number of employees (FTEs; without management board)	490	471	4.0%

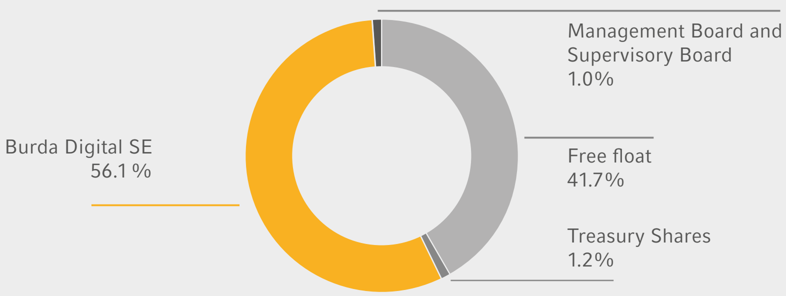
KEY CAPITAL MARKET DATA		31 DEC 19	31 DEC 18	Change in %
Equity ratio	in percent	79.1%	82.8%	-4.5%
Debt ratio	in percent	20.9%	17.2%	21.5%

ASSETS AND CAPITAL STRUCTURE		31 DEC 19	31 DEC 18	Change in %
Total assets	in EUR million	194.0	193.2	0.4%
Non-current assets	in EUR million	141.9	134.4	5.6%
Current assets	in EUR million	52.1	58.7	-11.2%
thereof cash	in EUR million	27.5	33.8	-18.6%
Equity	in EUR million	153.4	159.9	-4.1%
Debt	in EUR million	40.6	33.3	21.9%

EQUITY RATIO AND DEBT RATIO AS AT 31 DECEMBER 2019



SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2019 (ROUNDED)*



* no guarantee of completeness

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