HolidayCheck Group AG
Munich, Germany

Annual financial statements as at 31 December 2018 persuant to the German Financial Code (Handelsgesetzbuch, HGB)

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HolidayCheck GROUP

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A. Management report of HolidayCheck Group AG, Munich, Germany, for the financial year 2018

1. Group structure and business model

1.1 Organisational structure

HolidayCheck Group AG, a joint-stock company under German law (*Aktiengesellschaft*), is the parent company of the HolidayCheck Group, a digital group for holidaymakers with operations in Central Europe.
In financial 2018 the Group's average total workforce was 471 full-time equivalents (FTEs without Management Board members) based at five locations in Germany, the Netherlands, Poland and Switzerland. The average total workforce of HolidayCheck Group AG, in financial 2018 was 23 full-time equivalents (FTEs without Management Board members).

The registered office of the company is in Germany, and the headquarters of the HolidayCheck Group are located in Munich. The HolidayCheck Group was led by a Management Board comprising the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and the Chief Product Officer (CPO) who is responsible 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 Group segments

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

1.3 Description of business operations

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

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

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

Driveboo AG (based in Bottighofen, Switzerland) was spun off from HolidayCheck AG with retrospective effect from 1 January 2017 and now operates the car hire comparison portal MietwagenCheck. Its revenue is generated for car hire bookings.
Driveboo AG's core sales markets are Austria, Germany and Switzerland.

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

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

1.4 Financial control system with financial and non-financial indicators

HolidayCheck Group AG has developed a financial control system to control and develop each of its subsidiaries. The aim is for those companies to grow faster than the market average. The financial control system defines the indicator for profitability. This involves analysing the company's net retained profit and comparing it against our original planning and twice-yearly forecasts. HolidayCheck Group AG also uses employee satisfaction as a non-financial indicator. The financial and non-financial indicators are not used internally as a measure of sustainability.

1.4.1 Financial performance indicators

1.4.1.1 Net retained profit

The development of HolidayCheck Group AG's earnings is dependent on several factors. Operating income (i.e. total revenue plus other operating income) and operating expenses (materials costs, personnel expenses, depreciation, amortisation, write-downs and other operating expenses) affect the result from operating activities and therefore net retained profit. The latter is also determined in part by the financial result, which in turn depends largely on the profits generated by long-term equity investments and on levels of borrowing. Net retained profit/(net accumulated loss) is therefore used as a measurement and management indicator at holding company level.

1.4.1.2 Equity ratio

A healthy capital structure is a prerequisite for sustained growth in revenue and earnings. Previously, at holding company level, HolidayCheck Group AG measured and managed its capital structure on the basis of its equity ratio (equity / total capital x 100 percent). Given that we have maintained a consistently high equity ratio for years, we have decided, starting in financial 2019 and until further notice, that we will no longer use the equity ratio as an indicator or as a management tool for our capital structure.

1.4.2 Non-financial performance indicators

Once a year, HolidayCheck Group AG also calculates the non-financial key performance indicator 'employee satisfaction' (previously stated as 'employee know-how') on the basis of interviews with the staff members. This indicator is then used within HolidayCheck Group AG as a management tool.

Employee satisfaction

One of the main factors contributing to the sustainable development of HolidayCheck Group AG as the holding company 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, HolidayCheck Group AG strives to recruit people with a good level of technical and industry knowledge for positions within the company and 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 personal development interviews.
Employee satisfaction is measured on a weekly basis using an online tool. Based on average measurements for the year as a whole, this feedback system produced a ‘stable’ assessment compared with the previous year. As such, our forecast of a ‘positive’ assessment was not achieved.

1.5 Research and development activities

HolidayCheck Group AG makes use of external service providers to help implement technical projects. To a large extent, however, HolidayCheck Group AG’s operating subsidiaries draw on their own development resources. In financial 2018, the company incurred research expenses totalling EUR 0.60 million to set up a tour operator business (2017: EUR 0).

2. Economic report

2.1 Macro-economic and industry situation

To a large extent, HolidayCheck Group AG is affected by the same macro-economic factors as the HolidayCheck Group.

2.1.1 Macro-economic situation

According to a report by Deutsche Bank’s Global Market Research unit issued on 4 November 2018, the overall picture of economic activity in the HolidayCheck Group’s core sales markets in 2018 was as follows.
Inflation-adjusted gross domestic product (GDP) in the Netherlands rose by 2.7 percent (GDP 2017: 2.9 percent). The analysts put inflation-adjusted growth in Belgian GDP at 1.6 percent (GDP 2017: 1.7 percent). The corresponding figures were for Germany 1.6 percent (GDP 2017: 2.2 percent), for Austria 3.0 percent (GDP 2017: 3.1 percent) and for Switzerland 3.0 percent (GDP 2017: 1.7 percent) in 2018.

2.1.2 Industry situation

According to an assessment by the Management Board, the revenue generated from package holidays in financial 2018 in the core markets targeted by the Group’s transaction-based travel portals showed growth in a low to medium single-digit percentage range compared with the previous year, partly due to a stable geopolitical situation in popular holiday destinations. Based on the 2018 travel agency report on current market trends (*Reisebürospiegel*) published by ta.ts, the total industry revenue, including package holidays, cruises, flights, etc., generated by high street travel agencies grew by 2.5 percent over the year. In the view of the Management Board, growth among online travel agencies is likely to have been above this figure. In the previous year, we forecast moderate low single-digit percentage revenue growth for financial 2018.
As forecast in 2017, the Group’s core sales markets were marked by strong competitive pressures.

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

2.2 Business development and performance

At EUR 2.21 million, the figure for revenue in financial 2018 was up on the previous year (EUR 2.08 million). Operating income (revenue plus other operating income) fell from EUR 3.59 million in 2017 to EUR 3.13 million due to a decrease in other operating income.

There was a net loss for the year of EUR 4.76 million compared with a net loss of EUR 3.24 million in 2017.

Net retained profit for the financial year 2018 stood at EUR 8.39 million compared with EUR 13.15 million in 2017. As such, the company achieved its forecast of between EUR 8.00 million and EUR 9.00 million.

The equity ratio as at 31 December 2018 was reduced slightly from 97.3 percent to 96.8 percent year on year. As such, the company exceeded its minimum equity ratio target for 2018 of 95.0 percent.

The assessment of the Management Board is that the company also met its previous year forecast ('stable') for employee satisfaction (previously stated as 'employee know-how').

2.2.1 Business development

In financial 2018, the main focus of HolidayCheck Group AG was on laying the organisational and administrative foundations for the steady expansion of its holiday portfolio.

2.2.2 Performance

2.2.2.1 Income situation of HolidayCheck Group AG

Operating income (total of revenue and other operating income) for the financial year 2018 declined from EUR 3.59 million in the previous year to EUR 3.13 million. With regard to specific items, revenue showed a year-on-year increase from EUR 2.08 million in 2017 to EUR 2.21 million as the company provided more of its services in-house. Other operating income declined from EUR 1.51 million in 2017 to EUR 0.92 million in 2018. In financial 2017, operating income included higher reversals of provisions due to the expiry of a guarantee claim.

Operating expenses (materials costs, personnel expenses, depreciation, amortisation and other operating expenses) were down to EUR 8.97 million after EUR 10.19 million in 2017. Personnel expenses decreased from EUR 4.75 million in 2017 to EUR 4.42 million in 2018. This was mainly due to the front-loading effect of the previous year on additions to the long-term incentive programme (LTIP 2017-2020). Other operating expenses declined from EUR 4.52 million in 2017 to EUR 3.60 million in 2018. The main factors here were substantial reductions in losses from currency differences (in 2017 the company incurred a loss from its cash holdings in Swiss francs) and in the fees paid to external service providers.

The **result from operating activities** (operating income less operating expenses) stood at minus EUR 5.84 million compared with minus EUR 6.60 million in the previous year.

The **financial result** (total of income from long-term equity investments, income from profit transfer agreements and other interest and similar income less interest and similar expenditure) fell from EUR 3.36 million in 2017 to EUR 1.09 million in 2018. This was mainly due to the dividend of EUR 2.80 million received by HolidayCheck Group AG in financial 2017 from HolidayCheck AG. At the same time, however, income from profit transfer agreements rose from EUR 0.63 million in 2017 to EUR 1.13 million in the year under review.

Net loss for the year was EUR 4.76 million in financial 2018 compared with net loss for the year of EUR 3.25 million in 2017.

Net retained profit for the financial year 2018 stood at EUR 8.39 million compared with EUR 13.15 million in 2017.

2.2.2.2 Asset and financial position

Financial management objectives

The main financial management objective of HolidayCheck Group AG is to ensure that sufficient liquidity is available at all times to the HolidayCheck Group for it 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.

Information of the capital structure

On the assets side of the balance sheet, the value of the **fixed assets** of HolidayCheck Group AG as at 31 December 2018 went up from EUR 131.05 million at the end of 2017 to EUR 133.05 million. This was mainly due to an increase of EUR 2.24 million in the balance sheet item 'shares in affiliated entities' to EUR 132.49 million following a payment into the capital reserve of Driveboo AG and a corresponding increase in the carrying value of this long-term equity investment.

The **current assets** of HolidayCheck Group AG decreased from EUR 21.14 million as at 31 December 2017 to EUR 16.09 million as at 31 December 2018. This was mainly due to a decline in cash at banks, which ended the year EUR 6.46 million lower at EUR 9.88 million. Apart from operating expenses, the decrease in cash and cash equivalents was primarily attributable to the payment into the capital reserve of Driveboo AG.

On the liabilities side of the balance sheet, the **equity** of HolidayCheck Group AG fell from EUR 148.37 million as at 31 December 2017 to EUR 144.48 million as at 31 December 2018. The main factors here were the net loss for the year in financial 2018 of minus EUR 4.76 million and (in the opposite direction) issues of treasury shares to employees and members of the Management Board.

The **equity ratio** declined from 97.3 percent as at 31 December 2017 to 96.8 percent at the end of 2018.

Provisions were slightly up from EUR 3.41 million at year-end 2017 to EUR 3.49 million as at 31 December 2018. This was mainly due to an increase in the provision for variable bonus payments.

Year-end **liabilities** rose from EUR 0.65 million at the end of 2017 to EUR 1.26 million as at 31 December 2018. This was mainly due to an increase of EUR 0.32 million in liabilities to affiliated entities due to non-recurring costs charged on to subsidiaries.
The figure for current liabilities to banks includes loan arrangement fees. In June 2014, as part of a wider plan to restructure the way HolidayCheck Group AG finances its activities, the company entered into a syndicated loan agreement. Under the terms of this agreement, it can borrow up to EUR 50 million on a flexible basis with repayment by 2019. This agreement was renegotiated in May 2015 to take account of the Group's new structure and the fact that guarantors for the loan were no longer part of the Group. The term of the loan was extended to 2020. As at 31 December 2018, HolidayCheck Group AG had not drawn down any of the funds available under this loan agreement. The interest payable on the syndicated loan is stipulated for each interest period. The latest figure was 0.9 percent. The variable rate is therefore the same as in the previous year.

As at 31 December 2018, **total assets** stood at EUR 149.23 million compared with the year-end figure of EUR 152.43 million for 2017. This decline was mainly due to the decrease in equity. The balance sheet of HolidayCheck Group AG shows current assets of EUR 16.18 million and current liabilities of EUR 3.01 million.
As at 31 December 2018, the company also had unused credit lines totalling EUR 49.00 million under a syndicated loan agreement. EUR 1 million was used out of the total syndicated loan amount of EUR 50 million for rent guarantees and avals. Altogether, the company generated net cash flows of EUR 6.46 million in financial 2018, mainly for operating expenses and the increase in Driveboo AG‘s capital reserves. The company’s ongoing liquidity position is secure.

2.2.2.3 Liquidity

The estimated cash flow from operating activities stood at minus EUR 5.2 million (2017: minus EUR 3.0 million). The main factor in this year-on-year change was the lower result figure.
The estimated cash flow from investing activities was minus EUR 2.1 million (2017: minus EUR 0.3 million). The decline is primarily due to payment into the capital reserve of Driveboo AG.
The estimated cash flow from financing activities totalled EUR 0.9 million (2017: minus EUR 4.0 million). The year-on-year change is mainly attributable to the purchase of treasury shares in 2017.

2.2.2.4 Overall assessment of the company’s position

Overall, HolidayCheck Group AG’s results in 2018 were in line with the company’s plans.

3. Events after the balance sheet date

There have been no material changes in the company’s situation and the wider industry environment since the beginning of the financial year 2019.

4. Report on expected developments, opportunities and risks

4.1 Report on expected developments

4.1.1 Expected macro-economic developments

Deutsche Bank’s Global Market Research unit anticipates the following levels of economic growth in HolidayCheck Group’s core sales markets:
Inflation-adjusted gross domestic product (GDP) in the Netherlands is expected to grow by 2.2 percent and in Belgium by 1.8 percent. Inflation-adjusted gross domestic product (GDP) in Austria is anticipated to increase by 2.2 percent and in Switzerland by 1.7 percent. According to the Deutsche Bank experts, inflation-adjusted GDP in Germany should rise by 1.3 percent. According to the forecast issued by the German Council of Economic Experts on 19 March 2019, however, GDP growth in Germany will be limited to 0.8 percent.
The GDP figures quoted above are based on estimates published by Deutsche Bank AG’s Global Market Research unit on 4 November 2018.

4.1.2 Expected industry developments

For the current year, the Management Board of HolidayCheck Group AG anticipates moderate revenue growth, in the low single digits expressed as a percentage, in the core markets served by the Group’s holiday portals, especially in the package holiday sector. One important factor here will be the forecast economic developments in the core sales

markets served by those holiday portals (see section 4.1.1 of this Group management report) and the corresponding likelihood of a constantly high consumer demand for holidays.
Another important but largely unpredictable factor that could have an impact on developments in the travel industry is any political unrest or terrorist attacks, especially in our key Mediterranean package holiday regions, in the German-speaking area (Germany, Austria and part of Switzerland) and in the Benelux countries.
At the same time, the company anticipates strong and sustained competitive pressures, primarily as a result of continued high levels of spending by competitors on marketing and the entry of new competitors into the market. In the medium term, a possible trend towards consolidation could lead to some easing of the competitive situation and to a corresponding reduction in marketing expenditure.

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

4.1.3 The HolidayCheck Group

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

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

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

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

4.1.3.1 Net retained profit

HolidayCheck Group AG measures and manages its profitability on the basis of its net retained profit.
After allocation of the operating loss for financial 2018, the company's net retained profit for the financial year 2018 was EUR 8.39 million compared with a net retained profit of EUR 13.15 million in the previous year.
Looking ahead at financial 2019, HolidayCheck Group AG expects to generate a net retained profit of between EUR 6.70 and 8.70 million.

4.1.3.2 Forecast for non-financial performance indicators

The non-financial performance indicator 'employee satisfaction' is expected to be stable in the current financial year.

Non-financial performance indicator	Forecast for financial year 2019
Employee satisfaction	Stable

4.1.4 Overall assessment of likely developments

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

HolidayCheck Group AG expects to generate a net retained profit of between EUR 6.70 and EUR 8.70 million in 2019, compared to EUR 8.39 million in 2018.

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

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

4.2 Risk report

With regard to its business activities, HolidayCheck Group AG is largely faced with the same risks and opportunities as the HolidayCheck Group. In general, HolidayCheck Group AG's exposure to risk reflects the size of its holdings in subsidiaries and long-term equity investments and their potential to distribute profits. This is reflected in the figure for income from long-term investments and indirectly on net retained profit at HolidayCheck Group AG. For this reason, potential damage (see section 4.2.1.2 'Risks subject to mandatory disclosure') is also expressed in relation to Group EBITDA.

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

4.2.1 Risk management system

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

4.2.1.1 Risk policy guidelines

The Management Board has formulated a series of policy guidelines for the risk management system.

- Risks should be managed actively at all levels of the Group and its subsidiaries, i.e. by identifying, monitoring and measuring risks and by initiating and continuously optimising appropriate countermeasures.

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

4.2.1.2 Risks subject to mandatory disclosure

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

Risk categories			
Inherent risks	Active risks		
Strategic	Operational	Financial	Compliance

Inherent risks are those which depend on external factors that cannot be influenced by the HolidayCheck Group and/or its individual companies. These include economic risks, for example.
Active risks are those which depend on internal factors that can be influenced by decisions and actions. On the operational side, examples in this category are sales and personnel risks.

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

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

Potential to cause damage is defined in terms of the potential impact on Group EBITDA over a two-year period. The table below shows the risks that are allocated to one of four categories depending on the potential scale of the impact:

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)

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

Potential damage	High				
	Substantial				
	Medium				
	Low				
		Unlikely	Possible	Probable	(Almost) certain
		< 20 percent	≥ 20 percent and < 50 percent	≥ 50 percent and < 80 percent	≥ 80 percent
	Probability of occurrence				

4.2.1.3 Risk management structures

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

All risks and the status of those risks are reported to Group Controlling together with the quarterly financial statements. Risks are updated solely through the own risk management tool. Following consultation, this may be done by the companies themselves or by Group Controlling. In addition, the Compliance Board must be advised immediately in writing of any critical risks, risks that jeopardise the existence of the Group or potentially criminal incidents relating to compliance rules. The Compliance Board will forward the details to the Management Board. To this end, a new whistleblower procedure was set up during the year under review.
Senior management at the Group's individual companies is responsible for reporting any new risks and/or changes in the status of existing risks at the appropriate meetings (e.g. meetings of the board of directors).
Group Controlling will prepare a report for the Management Board based on the reports received from individual companies and any Group-level risks identified.
Responsibility for updating the risk management system lies with the Group's Management Board, Group Controlling and senior management of the respective subsidiaries.
The subsidiaries of HolidayCheck Group AG have established their own risk management systems on this basis.
Responsibility for updating the risk management systems of subsidiaries lies with their respective senior management. Subsidiaries which are covered by the risk management system due to their risk exposure have designated a risk management officer as the point of contact for Group Controlling.

As evidence of the proper functioning of risk management systems, the corresponding documentation is continuously updated at both Group and subsidiary level.
In order to facilitate a systematic response to the risks identified within the Group and reported to HolidayCheck Group AG, the risk map is updated every quarter and submitted to Group Controlling. Any changes and new risks are highlighted.

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

- operational corporate planning, including updated intra-year forecasts;

- quarterly financial statements;
- liquidity planning;
- monthly reporting by subsidiaries (comparing target and actual results) to the Group.

The HolidayCheck Group has also established compliance regulations and mechanisms. These include a code of conduct and a whistleblower procedure. The aim is to identify potential infringements of these rules and systematically prevent them from occurring. In financial 2018, HolidayCheck Group AG set up a new Compliance Board, whose main duty is to establish an appropriate compliance management system (CMS) for the HolidayCheck Group and to ensure that this system is continuously developed.
The HolidayCheck Group draws on its own internal resources and where necessary calls in external tax advisers to ensure that it complies with tax regulations. We monitor all changes in legislation and regularly evaluate their impact on Group companies.

In 2009, Germany's Accounting Law Modernisation Act (*Bilanzrechtsmodernisierungs-gesetz, BilMoG*) imposed a duty on Supervisory Boards to assess the effectiveness of corporate risk management. In making its assessment, the Supervisory Board draws on the results of internal audits and information from Group Controlling.
HolidayCheck Group AG is also subject by law to an inspection by the Group's auditor in accordance with section 317, paragraph 4 of the German Commercial Code (*Handelsgesetzbuch, HGB*). The task of the auditor is to evaluate whether the Management Board has implemented the measures imposed under section 91, paragraph 2 of the German Stock Corporation Act in an appropriate form and whether the corresponding monitoring system is designed in such a way that it can identify developments which jeopardise the continued existence of the company at an early stage.

4.2.2 Risks

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

4.2.2.1 Inherent risks of the HolidayCheck Group

4.2.2.1.1 Strategic risks

4.2.2.1.1.1 Competition-related risks

Market dominance of search engine providers
Many Internet users turn above all to search engines such as that operated by the market leader Google when they are looking for hotels. Search engines are based on complex and confidential algorithms, and they present users with hit lists containing links to relevant third-party websites such as those of HolidayCheck and Zoover. However, they also present their own web services such as Google Hotel Finder.
Search engine providers regularly make wide-ranging changes to their search algorithms. As such, there is always a potential risk that the search engine rankings of websites operated by HolidayCheck Group may fall temporarily or even permanently.
In response, the HolidayCheck Group takes specific measures in order to direct users straight to its own online offers.

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

Existing and new competitors
Increased competition due to existing competitors, the entry of new competitors into the market or the introduction of innovative new technology, can undermine usage and/or the purchase of products or services offered online by the HolidayCheck Group.
Of particular concern in this context is Google, which increasingly directs users towards its own services such as Google Flights and Google Hotel Finder. This creates a potential risk of market consolidation and puts Google in direct competition for traffic with other providers such as the HolidayCheck Group. Any serious reduction in traffic could lead to a significant downturn in revenue and earnings for the HolidayCheck Group.

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

4.2.2.1.1.2 Other strategic risks

Demand risks
The HolidayCheck Group's travel portals concentrate on business activities in the holiday sector, especially in connection with the brokerage of package holidays and hotels for consumers.
Changes in customer preferences (e.g. with regard to types of holiday or the technology used) and any widespread reduction in demand (e.g. as a result of economic, political, legal or social crises or following terrorist attacks, natural disasters or outbreaks of disease) could have a negative impact on the future revenue and earnings of the HolidayCheck Group and even jeopardise its continued existence.
The HolidayCheck Group adopts various strategies in anticipation of changing customer requirements. These include continuously developing new products and services and regularly updating its existing portfolio.

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

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

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

Group and its travel portals and impact negatively on the earnings of the entire HolidayCheck Group.

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

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

4.2.2.2 Active risks of the HolidayCheck Group

4.2.2.2.1 Operational risks

4.2.2.2.1.1 Operational sales risks

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

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

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

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

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

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

4.2.2.2.1.2 Personnel risks

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

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

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

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

4.2.2.2.1.3 Structural risks

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

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

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

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

4.2.2.2.2 Financial risks

4.2.2.2.2.1 Foreign currency risks

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

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

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

4.2.2.2.2.2 Other financial risks

Impairment
HolidayCheck Group AG performs annual impairment tests to assess whether there has been any impairment in the valuations of long-term equity investments, receivables of all kinds, self-generated intangible assets or brand names in its single-entity financial statements or of goodwill within the Group.
This could result in major write-downs which would not lead to payouts but could considerably depress the results of the entire HolidayCheck Group.

The HolidayCheck Group counteracts this as well as possible by drawing up monthly consolidated financial statements. In addition, all long-term equity investments submit monthly deviation analyses to Group Controlling. Any deviations from targets are reported to the Management Board promptly so that suitable countermeasures can be initiated.
Moreover, trade receivables are checked monthly for potential impairment. 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: high (single Group EBIT risk ≥ EUR 10 million). This risk classification is unchanged compared with the previous year.

4.2.2.2.3 Compliance risks

4.2.2.2.3.1 Data protection risks

The websites operated by the HolidayCheck Group store and process personal user data, some of which may be highly sensitive. There is a risk that this data may be targeted and stolen, e.g. by hackers or Group employees or as a result of human

error. The data may then end up in the public domain and in the worst scenario may be misused for criminal purposes. The resulting damage to our image could lead to a serious decline in revenue and earnings for individual portals and in the worst-case scenario for the entire Group of companies.
In order to reduce this risk, the HolidayCheck Group works with an external data protection specialist whose role includes checking compliance with data protection laws. In addition, the Group has implemented numerous security measures of a technical nature, e.g. state-of-the-art firewall and antivirus technologies. HolidayCheck and other portals are regularly certified by the German technical control board (TÜV).

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

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

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

4.2.2.2.3.2 Legal risks

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

Even so, it is not possible to entirely rule out breaches of current rules, laws and directives and potential sanctions, fines and compensation orders under criminal or civil law. In addition, any such breaches could damage our reputation and lead to a significant loss of revenue and earnings.
Adapting our business activities to changes in the law can increase our operating costs or even place severe restrictions on our business operations.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: unlikely (< 20 percent); potential damage: medium (single Group EBITDA risk ≥ EUR 1 million). This risk classification is unchanged compared with the previous year.

4.2.2.3 Overall assessment of risks

The risks described in the above risk report could potentially have a substantial impact on the earnings, asset and financial position of the HolidayCheck Group. The overall risk level of the HolidayCheck Group is almost unchanged compared with the preceding year. When all known facts and circumstances are taken into consideration, no risks currently exist, whether individually or in combination, that could jeopardise the company’s continued existence in the foreseeable future.

4.3 Opportunities report

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

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

4.3.1 Inherent opportunities of the HolidayCheck Group

4.3.1.1 Strategic opportunities

4.3.1.1.1 Competition-related opportunities

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

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

4.3.1.1.2 Demand-related opportunities

The HolidayCheck Group's travel portals concentrate on business operations in the holiday sector, especially the brokerage of package holiday and hotel bookings by end users.

Increased demand for travel products in general, e.g. as a result of a strong economic upswing or a growing preference for package holidays, could in turn push up demand for the products and services offered by the HolidayCheck Group's travel portals.

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

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

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

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

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

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

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

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

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

4.3.2 Active opportunities

4.3.2.1 Operational opportunities

4.3.2.1.1 Sales opportunities

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

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

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

4.3.2.1.2 Personnel opportunities

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

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

4.3.2.1.3 Structural opportunities

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

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

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

4.3.2.1.4 Marketing opportunities

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

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

4.3.2.2 Financial opportunities

4.3.2.2.1 Foreign currency opportunities

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

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

4.3.3 Overall assessment of opportunities

On the whole, there was no significant change in the overall opportunities situation year on year.
The company takes the view that, in terms of opportunities, the situation of the HolidayCheck Group in 2019 is mainly unchanged.
There is a distinct possibility that some of our key indicators will exceed the levels anticipated in the company’s forward planning and have a positive impact on the earnings, asset and financial position of the HolidayCheck Group.

5. Internal control system and risk management system as part of the group accounting process

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

Across the company, planning, reporting, controlling and early warning systems and processes have been established that allow it to comprehensively analyse and manage income-related risk factors and going-concern threats. Functional responsibilities are clearly defined for all (Group) accounting processes (e.g. accounting system, financial accounting and controlling).
Wherever accounting processes are outsourced to service providers, their control and risk management systems are adapted to the particular requirements of our company and monitored by us on an ongoing basis.

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

Basic principles of accounting-based internal control system

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

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

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

Basic elements of the internal control system

- Automatic systems-based controls are in place to ensure that accounting practice complies with legislation and accounting standards when the consolidated and single-entity financial statements of HolidayCheck Group AG are prepared. These controls are supplemented by manual checks on the accounts and other approval and validation procedures (separation of functions, rules and restrictions on access, cross-checking principle and rules on payments and transfers).
- The Finance and Controlling departments carry out regular completeness checks and analyse any discrepancies from the specified business plan. They submit their results in a standardised monthly report to the Management Board. The Finance and Controlling departments also produce a standardised monthly report for the Management Board examining any deviation from the business plan with regard to forecast income and expenditure.
- Uniform accounting rules, operational procedures and work instructions are in place across the Group to ensure that accounts are based on uniform standards. This is also achieved by means of centralised checks on reporting packages, analyses of any deviation from set budgets and reports on the results of monthly and quarterly reconciliation work.
- The IT-based accounting systems used are protected against unauthorised access. A uniform consolidation and reporting system is in place for all external accounting and internal reports produced by Group companies.
- The Group's financial statements are consolidated internally. Group Accounting carries out the necessary consolidation and reconciliation measures and monitors compliance with the prescribed schedules and processes.
- Accounting support is available the local companies from key contacts at Group Accounting in Munich.
- Any particularly technical or complex matters are clarified on a case-by-case basis with the help of external experts and/or consultants.
- The Finance and Controlling departments ensure that all transactions are recognised promptly and in due time so that the financial statements can be drawn up by the scheduled date.
- The Finance and Controlling departments make sure that all intra-group transactions are fully recognised, reconciled and eliminated.
- The Finance and Controlling departments monitor that matters of accounting significance or those subject to disclosure requirements in relation to contractual agreements are identified and correctly shown in the financial statements.

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

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

6. Risk reporting with regard to the use of financial instruments

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

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

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

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

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

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

Responsibility for managing these risks lies with the company’s management, which ensures that all activities of the HolidayCheck Group that are exposed to financial risks (see also section 4.2.2.2.2 of this 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 1and section 315a, paragraph 1 German Commercial Code

Share capital structure

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

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

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

Transfer and voting rights restrictions

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

Disclosures relating to direct and indirect shareholdings

According to the German Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*), any investor whose share of voting capital reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise must notify the company in question and the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin*) of this fact. In the financial year 2018, the company received the following notifications in respect of voting rights:

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

Special rights

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

Voting right controls relating to shares held by employees

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

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

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

Pursuant to article 5, paragraph 1 of the articles of association, the Management Board is made up of one or more persons. The Supervisory Board appoints the members of the

Management Board and specifies their number. It can also appoint deputy Management Board members. The Supervisory Board may appoint a Chairperson of the Management Board.
Pursuant to article 5, paragraph 2 of the articles of association, the company is represented by two members of the Management Board or by one member of the Management Board in conjunction with another employee holding general commercial power of attorney (*Prokurist* under German law). In this respect, deputy Management Board members have the same status as ordinary Management Board members. If only one member of the Management Board is appointed, he or she represents the company alone. The Supervisory Board may grant one or all members of the Management Board the authority to represent the company alone and/or exempt them from the ban on multiple representation under section 181 of the German Civil Code (*Bürgerliches Gesetzbuch, BGB*) in so far as this is permissible pursuant to section 112 of the German Stock Corporation Act. The authority of sole representation and/or exemption from the ban on multiple representation under section 181 of the German Civil Code may be revoked at any time.
Pursuant to section 84, paragraph 3 of the German Stock Corporation Act the appointment of Management Board members and the appointment of the Chairperson of the Management Board may be revoked if there is good cause to do so.
Amendments to the articles of association are subject to a resolution of the general meeting of shareholders pursuant to section 179 of the German Stock Corporation Act. The authority to make amendments to the wording only is accorded to the Supervisory Board in article 8, paragraph 5 of the articles of association. The Supervisory Board is also authorised by resolution of the shareholders' meeting to amend article 4 of the articles of association in accordance with the use of contingent capital.
Resolutions by the general meeting of shareholders are taken by simple majority pursuant to article 18 of the articles of association unless a larger majority is mandatory by law. Resolutions on amendments to the articles of association require at least a three-quarter majority of share capital represented according to section 179, paragraph 2 of the German Stock Corporation Act, unless otherwise stipulated in the company's articles of association.

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

1. The Management Board is authorised, subject to Supervisory Board approval, to undertake one or more increases in the company's share capital until 19 June 2023 up to a maximum of EUR 29,156,814 by issuing 29,156,814 new no-par value shares in exchange for cash or non-cash contributions (authorised capital 2018). As a general rule, shareholders must be granted subscription rights. The new shares may also be issued to one or several banks, subject to the obligation to offer them to shareholders.
   However, the Management Board is authorised, subject to Supervisory Board approval, to exclude shareholders' statutory subscription rights in the following circumstances:
   - where required, to settle fractional amounts;
   - where a capital increase in exchange for cash contributions does not exceed 10.0 percent of the share capital, and the issue price for the new shares is not significantly lower than the stock market price (section 186, paragraph 3, sentence 4 of the German Stock Corporation Act); if this authority to exclude subscription rights under section 186, paragraph 3, sentence 4 of the German Stock Corporation Act is exercised, due regard should be given to other authorities to exclude subscription rights granted by section 186, paragraph 3, sentence 4 of the German Stock Corporation Act;
   - where a capital increase in exchange for non-cash contributions is carried out for the purpose of acquiring another company, a long-term equity investment in another company or parts of another company or in order to purchase claims against the company.

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

2. A conditional increase in share capital up to EUR 11,600,000 by way of issuing up to 11,600,000 no-par value bearer shares has been carried out (conditional capital 2015). This conditional capital increase is only implemented to the extent that the holders of the convertible bonds and/or bonds with warrants issued by the company up to 15 June 2020, on the basis of the authorisation of the general meeting of shareholders of 16 June 2015, actually exercise their conversion or option rights or where the conversion obligations linked to such bonds are met and to the extent that no other methods of servicing such commitments are used. The new shares carry dividend rights from the beginning of the financial year in which they are created by the exercise of conversion or option rights or through the fulfilment of conversion obligations. Subject to the approval of the Supervisory Board, the Management Board is authorised to establish the further details pertaining to the execution of the conditional capital increase. The Supervisory Board is authorised to amend the wording of the articles of association in line with the use made of conditional capital. The same conditions apply if the authority to issue convertible bonds and/or bonds with warrants is not used before the end of the designated period, or if conditional capital 2015 has not been used on expiry of the deadlines for the exercise of conversion and/or option rights or for the fulfilment of conversion and/or option obligations.

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

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

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

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

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

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

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

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

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

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

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

8. Declaration on corporate governance in accordance with section 161 of the Germany Stock Corporation Act

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

9. Remuneration report

Remuneration report for the Management Board

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

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

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

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

Vesting of the phantom shares granted under the LTIP is subject to individually negotiated EBTA targets or corridors for each financial year. Depending on the extent to which targets are met in the financial year in which the tranche was granted, the original number of phantom shares is increased or reduced. If a specified minimum target is not achieved, or if the company's liabilities exceed a certain threshold, entitlement to the granted phantom shares may be forfeited completely. After this point, the 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 percent. Above the threshold, it is set at 80 percent. If the result is on target, the performance score is 100 percent, while a 120 percent performance score is awarded for reaching the ceiling.
For EBT/revenue results between the threshold and the target or between the target and the ceiling, the precise performance score is calculated on a linear basis. The overall performance score is taken as the arithmetical average of the scores for the two constituent indicators. This average score is then multiplied by the baseline figure for the member of the Management Board in question. Using this method, the Supervisory Board can weigh the results by a factor of between 80 and 120 percent in recognition of the overall performance of each member of the Management Board in the financial year.

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

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

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

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

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

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

FUNCTION	Georg Hesse Chief Executive Officer (CEO) since 1 January 2016		Nathan Glissmeyer Chief Product Officer (CPO) since 1 January 2017		Markus Scheuermann Chief Financial Officer (CFO) since 29 May 2017		Dr Dirk Schmelzer Chief Financial Officer (CFO) left the company on 31 March 2017		Timo Salzsieder Chief Product & IT Officer (COO) left the company on 28 February 2017	
(Total remuneration in EUR '000)	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Non-performance-related remuneration	366	367	397	345	161	271	97	0	57	0
Performance-related remuneration *	160	176	130	143	60	210	73	0	50	0
Remuneration based on long-term incentives **	800	78	790	0	431	0	0	0	0	0
Total remuneration	**1.326**	**621**	**1.317**	**488**	**652**	**481**	**170**	**0**	**107**	**0**

* Performance-related remuneration for 110 percent target achievement (100 percent in 2017). The performance-related remuneration of those members of the Management Board who left the company in 2017 contains a pro rata lump-sum settlement in lieu of inclusion in the LTIP tranche 2017 in addition to a pro rata share of their short-term variable remuneration for 2017.
** For 2018, the figure for remuneration based on long-term incentives contains two LTIP tranches under the LTIP (2017-2020). These are shown at their fair value on the grant date in accordance with IFRS 2 and on the basis of an expected average target achievment of 102 percent. For 2017, the figure for remuneration based on long-term incentives contains four LTIP tranches under the LTIP (2017-2020). These are shown at their fair value on the grant date in accordance with IFRS 2 and on the basis of 100 percent achievement.

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

MANAGEMENT BOARD REMUNERATION

	Georg Hesse				Nathan Glissmeyer				Markus Scheuermann				Dr Dirk Schmelzer				Timo Salzsieder			
	Chief Executive Officer (CEO) since 1 January 2016				Chief Product Officer (CPO) since 1 January 2017				Chief Financial Officer (CFO) since 29 May 2017				Chief Financial Officer (CFO) left the company on 31 March 2017				Chief Product & IT Officer (COO) left the company on 28 February 2017			
(EUR '000)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed remuneration	340	340	340	340	320	320	320	320	149	250	250	250	90	0	0	0	53	0	0	0
Ancillary benefits****	26	27	27	27	77	25	25	25	12	21	21	21	7	0	0	0	4	0	0	0
	366	**367**	**367**	**367**	**397**	**345**	**345**	**345**	**161**	**271**	**271**	**271**	**97**	**0**	**0**	**0**	**57**	**0**	**0**	**0**
Single-year variable remuneration*	160	176	0	192	130	143	0	156	60	110	0	120	35	0	0	0	25	0	0	0
Special payment	0	0	0	100	0	0	0	100	0	100	0	100	0	0	0	0	0	0	0	0
Settlement for LTIP tranche 2017**	0	0	0	0	0	0	0	0	0	0	0	0	38	0	0	0	25	0	0	0
Multi-year variable remuneration* **	**200**	**200**	**0**	**288**	**175**	**195**	**0**	**281**	**71**	**120**	**0**	**173**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
of which: LTIP tranche 2018	0	200	0	288	0	195	0	281	0	120	0	173	0	0	0	0	0	0	0	0
of which: LTIP tranche 2017	200	0	0	0	175	0	0	0	71	0	0	0	0	0	0	0	0	0	0	0
	726	**743**	**367**	**947**	**702**	**683**	**345**	**882**	**292**	**601**	**271**	**664**	**170**	**0**	**0**	**0**	**107**	**0**	**0**	**0**
Pension-related expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	**726**	**743**	**367**	**947**	**702**	**683**	**345**	**882**	**292**	**601**	**271**	**664**	**170**	**0**	**0**	**0**	**107**	**0**	**0**	**0**

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

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

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

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

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

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

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

MANAGEMENT BOARD REMUNERATION

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

* term of 4 years
** in the case of target achievement of 112.5 percent

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

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

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

Shareholdings of Management Board members
Georg Hesse (CEO) held a total of 185,348 HolidayCheck Group AG shares as at 31 December 2018. This corresponds to approximately 0.32 percent of the company's shares.
Nathan Glissmeyer (CPO) held a total of 65,745 HolidayCheck Group AG shares as at 31 December 2018. This corresponds to approximately 0.11 percent of the company's shares.
Markus Scheuermann (CFO) held a total of 81,910 HolidayCheck Group AG shares as at 31 December 2018. This corresponds to approximately 0.14 percent of the company's shares.

In financial 2018, HolidayCheck Group AG received the following disclosures of securities transactions involving members of the Management Board pursuant to section 15a of the German Securities Trading Act:

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

		Georg Hesse
LTIP Tranche 2019	Fair value on grant date (in EUR '000)	25
	Notional number of shares	3.905
	Personnel expenses (in EUR '000)	12
LTIP Tranche 2020	Fair value on grant date (in EUR '000)	53
	Notional number of shares	8.211
	Personnel expenses (in EUR '000)	17

(All figures in German data format)

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

Remuneration report for the Supervisory Board
The remuneration of the HolidayCheck Group AG Supervisory Board is regulated in article 11 of HolidayCheck Group AG's articles of association, which stipulates a fixed

amount of EUR 30 thousand for every member of the Supervisory Board for each complete financial year. The Chairperson receives EUR 70 thousand and the Deputy Chairperson EUR 35 thousand.
An additional sum of EUR 15 thousand is paid to the Chairperson of the Audit Committee and EUR 5 thousand to every other member of the Audit Committee for each full year of membership. From financial 2018 onwards, an additional sum of EUR 10 thousand is paid to the Chairperson of the Technology Committee and EUR 5 thousand to every other member for each full year of membership.

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

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

The members of the Supervisory Board received the following remuneration (including reimbursement of expenses) in the financial year 2018:

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

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

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

Person/entity subject to disclosure requirements	Transaction date	Transaction	Stock market	Quantity	Share price per unit
Two Wins GmbH*	1 February 2018	Purchase	TGAT	4,559	EUR 2.87
Two Wins GmbH*	2 February 2018	Purchase	TGAT	1,587	EUR 2.865

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

10. Employees

Excluding members of the Management Board, the average headcount of HolidayCheck Group AG over the financial year 2018 was 23 full-time equivalents (FTEs excluding members of the Management Board). The corresponding figure for 2016 was 16.

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 management report contains statements relating to future business and financial performance and future events or developments concerning the HolidayCheck Group that may constitute forward-looking statements. These statements may be identified by words such as ‘expects’, ‘looks forward to’, ‘anticipates’, ‘intends’, ‘plans’, ‘believes’, ‘seeks’, ‘estimates’, ‘will’, ‘project’ or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in media releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on current expectations and certain assumptions of the HolidayCheck Group management team, and are, therefore, subject to various risks and uncertainties. Numerous factors, many of which are beyond the control of the HolidayCheck Group, nevertheless affect its operations, performance, business strategy and results and could cause the Group’s actual results, performance or achievements to be materially different from those expressed or implied in such forward-looking statements or anticipated on the basis of historical trends. These factors include in particular, but are not limited to, the matters described in section 4.2.2 of this annual report under the heading *Risks*.
Further information about risks and uncertainties affecting the HolidayCheck Group can be found in this annual report and in our most recent earnings release, both of which are available on our website at www.holidaycheckgroup.com. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, the actual results, performance or achievements of the HolidayCheck Group may vary materially from those described in the corresponding forward-looking statements as being expected, anticipated, intended, planned, believed, sought, estimated or projected. The HolidayCheck Group neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.
Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals shown, and percentages may not precisely reflect the absolute figures.

12. Responsibility statement by the legal representatives in accordance with Section 37y, number 1 of the German Securities Trading Act in conjunction with Section 297, paragraph 2, sentence 4 and Section 315, paragraph 1, sentence 6 of the German Commercial Code

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

13. Final combined declaration

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

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

Munich, Germany, 26 March 2019

Georg Hesse Chairperson of the Management Board (CEO)	Nathan Brent Glissmeyer Member of the Management Board (CPO)	Markus Scheuermann Member of the Management Board (CFO)

B. Balance sheet of HolidayCheck Group AG, Munich, Germany, as at 31 December 2018

Balance sheet as at 31 December 2018

ASSETS	31 DEC 2018	31 DEC 2017
	€	€ '000
A. Fixed assets	**133.050.647,19**	**131.050**
I. Intangible assets	**42.222,08**	**62**
Software licences acquired for cash	42.222,08	62
II. Property, plant and equipment (tangible assets)	**521.837,00**	**742**
Other equipment, operating and office equipment	521.837,00	742
III. Long-term financial assets	**132.486.588,11**	**130.246**
1. Shares in affiliated entities	132.486.588,11	130.246
B. Current assets	**16.089.971,08**	**21.140**
I. Inventories	**2.398,74**	**6**
Goods	2.398,74	6
II. Receivables and other assets	**6.204.557,23**	**4.787**
1. Trade receivables	1.993,86	1
2. Receivables from affiliated entities	6.010.013,93	4.581
3. Other assets	192.549,44	205
III. Balances at banks	**9.883.015,11**	**16.347**
C. Prepaid expenses	**91.366,78**	**241**
Total assets	**149.231.985,05**	**152.431**

(All figures in German data format)

LIABILITIES		31 DEC 2018	31 DEC 2017
		€	€ '000
A. Equity		**144.479.220,10**	**148.369**
I. Issued capital*		57.229.845,00	56.944
1. Subscribed capital	58.313.628,00		58.314
2. Nominal value of treasury shares	-1.083.783,00		-1.370
II. Capital reserves		77.716.218,84	77.567
III. Other revenue reserves		1.144.266,64	710
IV. Net retained profit		8.388.889,62	13.148
B. Provisions		**3.491.309,15**	**3.407**
Other provisions		3.491.309,15	3.407
C. Liabilities		**1.261.455,80**	**655**
1. Liabilities to banks		39.873,75	40
2. Trade payables		261.838,44	113
3. Liabilities to affiliated entities		407.593,30	89
4. Other liabilities		552.150,31	413
		149.231.985,05	**152.431**

* Contingent capital: € 11.600.000 (2017: € 11.600 thousand)

C. Statement of income under German Commercial Code (HGB) of HolidayCheck Group AG, Munich, Germany, as at 31 December 2018

	2018	2017
	€	€
1. Revenue	2.205.568,35	2.084
2. Other operating income	920.068,66	1.508
3. Materials expenses	-703.188,35	-679
Cost of purchased services	*-703.188,35*	*-679*
4. Personnel expenses	-4.419.734,13	-4.746
a) Wages and salaries	*-4.101.538,25*	*-4.500*
b) Social security contributions and post-employment benefit costs	*-318.195,88*	*-246*
5. Amortisation, depreciation and write-downs of tangible and intangible fixed assets	-252.421,80	-246
6. Other operating costs	-3.595.012,85	-4.519
7. Income from long-term equity investments	0,00	2.800
8. Income under profit transfer agreements	1.129.685,35	626
9. Other interest and similar income	121.456,54	92
10. Interest and other expenses	-160.840,90	-163
11. Income taxes	7,29	0
12. Earnings after taxes	**-4.754.411,84**	**-3.243**
13. Other taxes	-4.422,39	-2
14. Net loss for the year	**-4.758.834,23**	**-3.245**
15. Profit brought forward from previous year	13.147.723,85	16.393
16. Withdrawals from capital reserves	0,00	15
17. Withdrawals from other revenue reserves	0,00	2.367
18. Offsetting of the difference arising from the purchase of treasury shares	0,00	-2.382
19. Net retained profit	**8.388.889,62**	**13.148**

(All figures in German data format)

D. HolidayCheck Group AG, Munich, Germany
Notes for the financial year 2018

(1) General information

The registered office of HolidayCheck Group AG is in Munich, Germany. The company is listed in the commercial register maintained by the District Court (*Amtsgericht*) of Munich under the number (HRB) 133680.

HolidayCheck Group AG is a large joint-stock company as defined in section 267, paragraph 3, sentence 2 of the German Commercial Code (*Handelsgesetzbuch, HGB*).

The annual financial statements for the financial year 2018 were prepared in accordance with the accounting regulations of the German Commercial Code and the relevant stipulations of the German Stock Corporation Act (*Aktiengesetz, AktG*).

The statement of income was prepared according to the total cost accounting principle. The company's reporting currency is the euro. Numerical disclosures for the year under review are generally made in euro (EUR) and for the previous year in EUR thousands (or EUR '000).

(2) Equity, conditional and authorised capital, and treasury shares

HolidayCheck Group AG is listed in the Prime Standard segment of Deutsche Börse AG and a total of 58,313,628 shares (German securities code (WKN) 549 532; ISIN: DE0005495329; stock exchange 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.

At the general meeting of shareholders on 16 June 2015, a resolution was approved to create new contingent capital of <u>EUR 11,600,000</u> (<u>contingent capital 2015/I</u>). 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.

The general meeting of shareholders on 16 June 2015 authorised the Management Board to purchase <u>own shares equal to a proportion of up to 10 percent of the company's share capital</u>. This authorisation expires on 15 June 2020.

Following a decision by the annual general meeting on 20 June 2018, the Management Board is authorised, subject to Supervisory Board approval, to undertake one or more increases in the company's share capital until 19 June 2023 up to a maximum of EUR 29,156,814 by issuing 29,156,814 new no-par value shares in exchange for cash and/or non-cash contributions (<u>authorised capital 2018/I</u>).

Shareholdings

HolidayCheck Group AG holds long-term equity investments in the following companies. Each company's equity (based on commercial law) and result for the year are shown in the following table:

Company	Shareholding (percent)	Equity 31 December 2018 (€)	Result 2018 (€)
HolidayCheck AG, Bottighofen, Switzerland	*100,00*	*24.715.249,79*	*8.174.893,24*
*HolidayCheck Polska Sp. z.o.o., Warsaw, Poland ***	*100,00*	*665.224,75*	*236.197,42*
Driveboo AG, Bottighofen, Switzerland	*100,00*	*915.258,78*	-643.629,23
Tomorrow Travel B.V., Amsterdam, Netherlands	*100,00*	*-1.632.735,25*	-36.433,46
*HolidayCheck Solutions GmbH, Munich, Germany**	*100,00*	*69.068,86*	*0,00*
*HC Touristik GmbH, Munich, Germany**	*100,00*	*17.437,75*	*-7.562,25*
WebAssets B.V., Amsterdam, Netherlands	*100,00*	*4.995.067,42*	*-115.179,49*
*MeteoVista B.V., Amsterdam, Netherlands***	*100,00*	*6.514.653,66*	*1.548.409,09*
*Zoover France SARL, Paris, France**/****	*100,00*	*88.067,73*	*0,00*
*Zoover GmbH, Munich, Germany***	*100,00*	*-22.582,73*	*92.569,90*
*Zoover International B.V., Amsterdam, Netherlands***	*100,00*	*5.269.523,23*	*1.316.841,66*
*Zoover Media B.V., Amsterdam, Netherlands***	*100,00*	*1.068.009,82*	*-2.207.565,42*
*Zoover Travel B.V., Amsterdam, Netherlands***	*100,00*	*-170.540,27*	*81,79*

* A profit transfer agreement has been concluded with this company.
** HolidayCheck Group AG is only an indirect shareholder of these companies.
*** This company is in liquidation.

(4) Accounting and valuation methods

The accounting and valuation methods applied by the company in 2017 were unchanged on the previous year.

Intangible assets acquired for a consideration are valued at acquisition cost and subjected to amortisation by the straight-line method on a pro rata temporis basis over their expected useful lives (between 2 and 5 years). Internally generated intangible assets are not capitalised.
Items under **property, plant and equipment** (tangible assets) are valued at cost less depreciation and, if necessary, impairment write-downs (based on a useful life of between 1 and 15 years). Subsidies are valued at cost. Low-value assets valued at up to EUR 800 are written off entirely in the year of their acquisition. Their disposal is assumed in the same year as that in which they are added.

Long-term financial assets are valued at the lower of cost of acquisition or fair value on the reporting date if a permanent impairment in value is expected. If the grounds for impairment are no longer given, write-ups are made pursuant to section 253, paragraph 5 of the German Commercial Code.

Inventories are valued at their cost of acquisition. They are written down on the reporting date if the repurchase cost or market value is lower.

Receivables, other assets and cash at banks are valued at their nominal value. Receivables, other assets and cash at banks denominated in currencies other than the euro are translated into euros at the average spot exchange rate on the date of origin or the balance sheet date, whichever is the higher. Items with a residual term of up to one year are generally measured using the average spot exchange rate on the balance sheet date. Individual bad debt allowances are established for receivables as required. There are no general allowances.

The item of **prepaid expenses** includes expenses recognised prior to the reporting date that represent expenses for a specific period after the reporting date.

Deferred taxes generally reflect timing differences between the accounting value of assets, liabilities, prepaid expenses and deferred income under commercial law and their value for tax purposes. At HolidayCheck Group AG, deferred taxes are based on differences from the company's own balance sheet items and from those of its tax-group subsidiary. Tax loss carryforwards are taken into account as well as accounting differences based on timing. Tax loss carryforwards are only recognised to the extent that their use is anticipated to offset losses in the next five years.

Deferred taxes are calculated on the basis of the combined income tax rate of the tax group headed by HolidayCheck Group AG (currently 32.98 percent). The combined income tax rate includes corporation tax, trade tax and solidarity surcharge. Any resulting tax charge would be recognised in the balance sheet as a deferred tax liability. If the result is a reduction in tax, the company exercises its capitalisation option in such a way that no deferred taxes are capitalised.

No deferred taxes were recognised in the year under review since a surplus of liabilites cannot be created due to existing loss carryforwards.

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

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).

The **LTIP 2017-2020** replaced the **LTIP 2011-2016** in financial 2017. Entitlements under the new share-based payment plan will generally be settled in the form of equity instruments. Under the terms of the LTIP 2017-2020, members of the Management Board of HolidayCheck Group AG will be granted an annual tranche of company shares (‘restricted stocks’) for each year between 2017 and 2020. Details can be found in section 9 of the remuneration report for the Management Board.

The **restricted stock plan** (RSP) 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. Under the restricted stock plan, employees receive shares in HolidayCheck Group AG. The shares are granted in annual tranches with no link between individual tranches. The first tranche under the restricted stock plan was granted in financial 2017. Once they have been granted, the shares must generally be held for two years. After this period, the holder is free to choose when to sell them, i.e. there are no further restrictions on shares granted under the restricted stock plan. The corresponding expense is shown under personnel expenses.

In accordance with the prudence principle, the **other provisions** cover all obligations and risks of which the company was aware at the time when the annual financial statements were prepared. These include future price and cost increases where there are sufficient objective indications that they will occur. Provisions with a remaining term of more than one year are discounted using the corresponding average market interest rate for the previous seven financial years.

Liabilities are stated at their settlement value. Items denominated in currencies other than the euro are translated into euros at the historical exchange rate on the date of origin or the middle spot rate on the balance sheet date, whichever is the lower. Liabilities with a residual term of up to one year are generally measured using the middle spot rate on the balance sheet date.

Revenue is considered to have been realised when performance has been rendered.

(5) Explanatory notes on items in the balance sheet and statement of income

(5.1) Fixed assets

The development of individual fixed assets is shown in the enclosed statement of fixed assets.

Please refer to Note 3 Shareholdings with regard to the item ‘Long-term financial assets’

HolidayCheck Group AG, Munich, Germany

Statement of changes in fixed assets as at 31 December 2018

	Acquisition and production costs				Accumulated amortisation, depreciation and write-downs				Carrying amount	Carrying amount
	As at 1 JANUARY 2018 €	Additions €	Disposals €	As at 31 DECEMBER 2018 €	As at 1 JANUARY 2018 €	Additions €	Disposals €	As at 31 DECEMBER 2018 €	31 DECEMBER 2018 €	DECEMBER 2017 €
Intangible assets	**214.454,82**	**390,00**	**0,00**	**214.844,82**	**152.760,74**	**19.862,00**	**0,00**	**172.622,74**	42.222,08	61.694,08
Software licenses acquired for cash	214.454,82	390,00	0,00	**214.844,82**	152.760,74	19.862,00	0,00	**172.622,74**	42.222,08	61.694,08
Property, plant and equipment (tangible assets)	**1.658.620,43**	**11.896,80**	**3.634,95**	**1.666.882,28**	**916.120,43**	**232.559,80**	**3.634,95**	**1.145.045,28**	521.837,00	742.500,00
Other assets, operating and office equipment	1.658.620,43	11.896,80	3.634,95	**1.666.882,28**	916.120,43	232.559,80	3.634,95	**1.145.045,28**	521.837,00	742.500,00
Long-term financial assets	**138.543.519,00**	**2.240.330,08**	**0,00**	**140.783.849,08**	**8.297.260,97**	**0,00**	**0,00**	**8.297.260,97**	132.486.588,11	130.246.258,03
Shares in affiliated entities	138.543.519,00	2.240.330,08	0,00	**140.783.849,08**	8.297.260,97	0,00	0,00	**8.297.260,97**	132.486.588,11	130.246.258,03
Total	140.416.594,25	2.252.616,88	3.634,95	142.665.576,18	9.366.142,14	252.421,80	3.634,95	9.614.928,99	133.050.647,19	131.050.452,11

(All figures in German data format)

HolidayCheck GROUP

(5.2) Receivables and other assets

At the year-end, as in 2017, receivables and other assets (in particular tax receivables) had a remaining term to maturity of up to one year.

Receivables from affiliated entities contain trade receivables of EUR 136,102.90 (2017: EUR 19,557.92), other receivables of EUR 1,129,685.35 (2017: EUR 626,035.94) under profit transfer agreements and receivables under financing agreements totalling EUR 4,744,225.68 (2017: 3,934,766.14). The receivables under financing agreements consist of cash pool funds made available to Group companies for financing purposes.

(5.3) Equity

On 20 June 2018, the annual general meeting of the company decided to carry forward the net retained profit of HolidayCheck Group AG for the financial year 2017 totalling EUR 13,147,723.85.

As at 31 December 2018, the company held 1,083,783 treasury shares (2017: 1,369.310), equivalent to around 1.9 percent (2017: 2.3 percent) of its share capital.

In July and August of financial 2018, the company transferred 285,527 no-par value shares, each representing EUR 1 of its total share capital, to employees of the HolidayCheck Group under the restricted stock plan (RSP), in the form of bonus shares and under the LTIP 2017-2020 stock option plan for members of the Management Board. The buying and selling prices for each tranche of shares granted are shown in the following table.

Number of shares	Portion of share capital (€)	Portion of share capital	Average stock exchange price at purchase (€)	Buying price (€)	Stock exchange price at issue (€)	Selling price (€)	Purpose
200	200,00	0,00%	2,53	506,17	3,07	613,00	Bonus shares
200	200,00	0,00%	2,53	506,17	3,12	624,00	Bonus shares
9.389	9.389,00	0,02%	2,53	23.762,15	3,07	28.777,29	Share match
18.606	18.606,00	0,03%	2,53	47.088,99	3,12	58.050,72	Share match
72.409	72.409,00	0,12%	2,53	183.256,31	3,07	221.933,59	RSP
94.220	94.220,00	0,16%	2,53	238.456,68	3,12	293.966,39	RSP
90.503	90.503,00	0,16%	2,50	226.338,46	2,93	264.879,51	LTIP 2017
285.527	**285.527,00**	**0,49%**		**719.914,93**		**868.844,50**	

(All figures in German data format)

The changes in equity are shown in the following table:

	I. Issued capital			II. Capital reserve			III. Other revenue reserves	IV. Net retained profit	TOTAL
	1. Subscribed share capital	2. Nominal value of treasury shares	TOTAL	According to section 272, paragraph 2, sentence 1 of the German Commercial Code	According to section 272, paragraph 2, sentence 4 of the German Commercial Code	TOTAL			
	€	€	€	€	€	€	€	€	€
1 JANUARY 2018	58.313.628,00	-1.369.310,00	**56.944.318,00**	77.465.030,90	102.258,37	**77.567.289,27**	**709.878,71**	**13.147.723,85**	**148.369.209,83**
Net loss for the year	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-4.758.834,23	-4.758.834,23
Addition to revenue reserves	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Effects of share-based payment plans	0,00	285.527,00	285.527,00	148.929,57	0,00	148.929,57	434.387,93	0,00	868.844,50
31 DECEMBER 2018	58.313.628,00	-1.083.783,00	**57.229.845,00**	77.613.960,47	102.258,37	**77.716.218,84**	**1.144.266,64**	**8.388.889,62**	**144.479.220,10**

(All figures in German data format)

(5.4) Other provisions

This item relates to provisions for other personnel costs of EUR 3,157,159.58 (2017: EUR 3,060,898.29), mainly in relation to outstanding tranches of the LTIP 2011-2017, the LTIP 2017-2020 and bonuses; audit and consulting fees of EUR 110,285.00 (2017: EUR 134,100.00); outstanding invoices of EUR 172,364.57 (2017: EUR 185,905.41); other expenses of EUR 1,500.00 (2017: EUR 1,500.00) and process costs of EUR 50,000.00 (2017: EUR 25,000.00).

(5.5) Liabilities

Schedule of liabilities	Remaining terms up to one year €	Total €
Liabilities to banks	39.873,75 (39.445,00)	39.873,75 (39.445,00)
Trade payables	261.838,44 (113.402,13)	261.838,44 (113.402,13)
Liabilities to affiliated entities	407.593,30 (88.870,57)	407.593,30 (88.870,57)
Other liabilities	552.150,31 (412.877,96)	552.150,31 (412.877,96)
of which taxes	*78.033,42* (79.946,89)	*78.033,42* (79.946,89)
(Figures for previous years in brackets)	**1.261.455,80** **(654.595,66)**	**1.261.455,80** **(654.595,66)**

(All figures in German data format)

As in 2017, all liabilities had remaining terms of less than one year. The item 'liabilities to affiliated entities' exclusively included trade payables.

(5.6) Contingent liabilities and other financial obligations

The company acts as guarantor for a loan granted by WebAssets B.V. to Tomorrow Travel B.V. As at the balance sheet date, this loan stood at EUR 1,376.817.06 (2017: EUR 1,342.927.80).

The company has also issued a going concern guarantee on behalf of Tomorrow Travel B.V. This involves an obligation to provide enough financing to ensure continued operation.

HolidayCheck Group AG also has a subordination agreement with Driveboo AG.

According to the latest information available, the parties to the guarantee are in a position to meet the underlying obligations in all cases; it is not expected that the guarantee will need to be exercised.

The other financial obligations which are significant for the assessment of the company's financial position pursuant to section 285, number 3a of the German Commercial Code are listed below:

Rent and lease contracts	Total €	of which to affiliated entities €
Payable in 2019	1,000,746.56	0.00
Payable 2020 to 2023	3,876,237.72	0.00
Payable after 2023	2,999,223.98	0.00

Other contracts	Total €	of which to affiliated entities €
Payable in 2019	259,072.61	125,068.75
Payable 2020 to 2023	32,232.88	0.00
Payable after 2023	0.00	0.00

The total figure for other financial obligations is EUR 8,167,513.75.

Other financial obligations mainly consist of a rental obligation for the office building in Munich, Germany. There is no risk to the company from these other financial obligations.

(5.7) Revenue and other operating income

The revenue shown is mainly derived from management services totalling EUR 1,726,726.59 (2017: EUR 1,534,725.46) and from rents and leases of EUR 477,117.67 (2017: EUR 546,058.12). Geographically, the total figure is divided into EUR 1,021,290.13 (2017: EUR 1,164,123.28) from Germany and EUR 1,184,278.22 (2017: EUR 919,250.30) from other countries.

Other operating income mainly contains out-of-period income totalling EUR 143,437.30 (2017: EUR 479,007.75), including income of EUR 26,898.85 (2017: EUR 44,881.14) from the reimbursement of costs, and income of EUR 116,538.39 (2017: EUR 424,862.88) from the reversal of provisions. Other operating income also includes other costs of EUR 723,374.64 (2017: EUR 696,781.93) charged on, and income of EUR 1,185.03 (2017: EUR 262.20) from price and currency differences.

(5.8) Expenses for materials

At EUR 703,188.95 (2017: EUR 678,958.29), expenses for materials includes rental and ancillary costs, and expenses for IT and other services.

(5.9) Personnel expenses

The item ‘Social security and pension expenses’ includes pension expenses of EUR 422.56 (2017: EUR 714.12).

(5.10) Other operating expenses

The following table contains a breakdown of the other operating expenses:

	2018 €	2017 €
Legal/consultancy and audit costs	1,193,444.81	880,673.18
Expenses for other services	734,429.57	597,888.85
Other ancillary personnel costs	666,704.65	544,030.34
Rent expenses	168,081.25	157,804.49
Information costs	135,024.62	164,832.67
Travel costs	107,019.84	99,436.25
Fees	90,336.89	525,042.39
IT services	53,762.18	69,895.01
Expenses relating to other periods	28,208.61	216,769.07
Additions to write-downs on receivables	8,474.31	5,135.73
Expenses from price and currency differences	1,681.99	405,732.42
Other miscellaneous operating expenses	407,844.13	815,474.69
TOTAL	3,595,012.85	4,518,715.09

(5.11) Income from long-term equity investments

This item contains income from affiliated entities of EUR 0 (2017: EUR 2,799,813.35).

(5.12) Income from profit transfers

This item contains the entire amount of income generated under a profit transfer agreement between HolidayCheck Group AG and HolidayCheck Solutions GmbH.

(5.13) Other interest and similar income

This item includes interest from affiliated entities of EUR 121,156.35 (2017: 89,781.78).

(5.14) Interest and similar expenses

This item contains loan fees of EUR 158,882.37 (2017: EUR 160,300.00).

(6) Employees

Excluding members of the Management Board, the average headcount of HolidayCheck Group AG over the financial year 2018 was 23 full-time equivalents (FTEs). The corresponding figure for 2017 (FTEs without members of the Management Board) was 16. The table below shows a breakdown of staff:

	2018	2017
Employees	21	15
Employees with managerial function	2	1
Total	**23**	**16**

(7) Shareholders, consolidated financial statements, affiliated entities

Pursuant to section 315e of the German Commercial Code, HolidayCheck Group AG as the holding company prepares consolidated financial statements (in accordance with international accounting standards) and a Group management report.

The company is included in the consolidated subgroup financial statements of Burda GmbH, Offenburg, Germany, (smallest reporting entity) and in the consolidated financial statements of Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany, (largest reporting entity). The consolidated financial statements are submitted to the electronic Federal Gazette (*Bundesanzeiger*) for publication.

(8) Supervisory Board

	Position	Exercised activity / other mandates
Stefan Winners	Chairperson of the Supervisory Board	Managing Director, Hubert Burda Media Holding Geschäftsführung SE, Offenburg, Germany; and Managing Director, Burda Digital GmbH, Munich, Germany; Managing Director and Chairperson of the Board of Directors, Burda Digital Future SE, Munich, Germany; Chairperson of the Supervisory Board, XING SE, Hamburg, Germany; Chairperson of the Advisory Board, BurdaForward GmbH, Munich, Germany; Member of the Supervisory Board and Board of Advisors, Giesecke & Devrient GmbH, Munich, Germany; Member of the Board of Directors, Cyndx Holdco, Inc., Delaware, USA.
Dr Dirk Altenbeck	Deputy Chairperson of the Supervisory Board	Tax Consultant, Managing Partner, PKF Issing Faulhaber Wozar Altenbeck GmbH & Co. KG (accountants and tax consultants), Würzburg, Germany.
Dr Thomas Döring	Member of the Supervisory Board	Managing Director, Delaunay Capital Partners GmbH, Traunstein, Germany; Chairperson of the Advisory Board, Distribusion Technologies GmbH, Berlin, Germany; Member of the Advisory Board, OTI Holding Plc., Istanbul, Turkey. Member of the Advisory Board, OpenCampus GmbH, Munich, Germany.
Aliz Tepfenhart	Member of the Supervisory Board	Managing Director, Burda Digital GmbH, Munich, Germany; Managing Director, Burda Digital Future SE, Munich, Germany; Chairperson of the Advisory Board, Cyberport GmbH, Dresden, Germany; Member of the Advisory Board, BurdaForward GmbH, Munich, Germany.
Alexander Fröstl	Member of the Supervisory Board	Managing Director, iLX GmbH, Munich, Germany; Member of the Advisory Board, BurdaForward GmbH, Munich, Germany; Member of the Board of Directors, Ifolor AG, Kreuzlingen, Switzerland.
Holger Eckstein	Member of the Supervisory Board	Managing Director, Hubert Burda Media Holding Geschäftsführungs SE, Offenburg, Germany; and Managing Director, Burda GmbH, Offenburg, Germany.

For details of the remuneration of the Supervisory Board, please see the remuneration report in the following section.

9) Management Board

In the financial year 2018, the following persons held positions as Management Board members of the company with rights of representation, either jointly or together with a holder of general commercial power of attorney (*Prokurist* under German law).

	Position	Supervisory mandates / exercised activity
Georg Hesse	Chairperson of the Management Board (CEO)	Member of the Supervisory Board of Leifheit AG (from 30 May 2018)
Nathan Brent Glissmeyer	Member of the Management Board (CPO/CTO)	
Markus Scheuermann	Member of the Management Board (CFO)	

Remuneration report for the Management Board

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

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

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

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

Under the terms of the LTIP, phantom shares were granted in annual tranches. There is no link between these tranches. The last tranche was granted in financial 2016.

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

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

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

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

The Supervisory Board of HolidayCheck Group AG defines a target corridor for both constituent performance indicators for each tranche and therefore each financial year. A threshold, target and ceiling are specified for each corridor. If the result is below the threshold, the performance score is set at 0.0 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 EUR) is divided by the 'reference price' for HolidayCheck Group AG shares in order to calculate the number of shares to be awarded for that tranche. The reference price is defined as the average closing price of HolidayCheck Group AG shares on the XETRA trading system over the last one hundred stock exchange trading days up to the annual general meeting at which the consolidated financial statements for the qualifying financial year are presented to shareholders.

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

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

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

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

HolidayCheck GROUP

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

	Georg Hesse		Nathan Glissmeyer		Markus Scheuermann		Dr Dirk Schmelzer		Timo Salzsieder	
FUNCTION	Chief Executive Officer (CEO) since 1 January 2016		Chief Product Officer (CPO) since 1 January 2017		Chief Financial Officer (CFO) since 29 May 2017		Chief Financial Officer (CFO) left the company on 31 March 2017		Chief Product & IT Officer (COO) left the company on 28 February 2017	
(Total remuneration in EUR '000)	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Non-performance-related remuneration	366	367	397	345	161	271	97	0	57	0
Performance-related remuneration *	160	176	130	143	60	210	73	0	50	0
Remuneration based on long-term incentives **	800	78	790	0	431	0	0	0	0	0
Total remuneration	**1.326**	**621**	**1.317**	**488**	**652**	**481**	**170**	**0**	**107**	**0**

* Performance-related remuneration for 110 percent target achievement (100 percent in 2017). The performance-related remuneration of those members of the Management Board who left the company in 2017 contains a pro rata lump-sum settlement in lieu of inclusion in the LTIP tranche 2017 in addition to a pro rata share of their short-term variable remuneration for 2017.
** For 2018, the figure for remuneration based on long-term incentives contains two LTIP tranches under the LTIP (2017-2020). These are shown at their fair value on the grant date in accordance with IFRS 2 and on the basis of an expected average target achievment of 102 percent. For 2017, the figure for remuneration based on long-term incentives contains four LTIP tranches under the LTIP (2017-2020). These are shown at their fair value on the grant date in accordance with IFRS 2 and on the basis of 100 percent achievement.

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

MANAGEMENT BOARD REMUNERATION

	Georg Hesse				Nathan Glissmeyer				Markus Scheuermann				Dr Dirk Schmelzer				Timo Salzsieder			
	Chief Executive Officer (CEO) since 1 January 2016				Chief Product Officer Officer (CPO) since 1 January 2017				Chief Financial Officer (CFO) since 29 May 2017				Chief Financial Officer (CFO) left the company on 31 March 2017				Chief Product & IT Officer (COO) left the company on 28 February 2017			
(EUR '000)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed remuneration	340	340	340	340	320	320	320	320	149	250	250	250	90	0	0	0	53	0	0	0
Ancillary benefits****	26	27	27	27	77	25	25	25	12	21	21	21	7	0	0	0	4	0	0	0
	366	**367**	**367**	**367**	**397**	**345**	**345**	**345**	**161**	**271**	**271**	**271**	**97**	**0**	**0**	**0**	**57**	**0**	**0**	**0**
Single-year variable remuneration*	160	176	0	192	130	143	0	156	60	110	0	120	35	0	0	0	25	0	0	0
Special payment	0	0	0	100	0	0	0	100	0	100	0	100	0	0	0	0	0	0	0	0
Settlement for LTIP tranche 2017**	0	0	0	0	0	0	0	0	0	0	0	0	38	0	0	0	25	0	0	0
Multi-year variable remuneration* **	**200**	**200**	**0**	**288**	**175**	**195**	**0**	**281**	**71**	**120**	**0**	**173**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
of which: LTIP tranche 2018	0	200	0	288	0	195	0	281	0	120	0	173	0	0	0	0	0	0	0	0
of which: LTIP tranche 2017	200	0	0	0	175	0	0	0	71	0	0	0	0	0	0	0	0	0	0	0
	726	**743**	**367**	**947**	**702**	**683**	**345**	**882**	**292**	**601**	**271**	**664**	**170**	**0**	**0**	**0**	**107**	**0**	**0**	**0**
Pension-related expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	**726**	**743**	**367**	**947**	**702**	**683**	**345**	**882**	**292**	**601**	**271**	**664**	**170**	**0**	**0**	**0**	**107**	**0**	**0**	**0**

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

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

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

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

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

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

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

MANAGEMENT BOARD REMUNERATION

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

* term of 4 years
** in the case of target achievement of 112.5 percent

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

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

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

Shareholdings of Management Board members

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

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

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

In financial 2018, HolidayCheck Group AG received the following disclosures of securities transactions involving members of the Management Board pursuant to section 15a of the German Securities Trading Act:

Person/entity subject to disclosure requirements	Transaction date	Transaction	Stock market	Quantity	Share price per unit
Georg Hesse	8 May 2018	Purchase	XFRA	10,000	EUR 3.0833
Georg Hesse	21 August 2018	Purchase under LTIP		40,348	EUR 3.1
Nathan Glissmeyer	21 August 2018	Purchase under LTIP		35,745	EUR 3.1
Nathan Glissmeyer	27 December 2018	Purchase		30,000	EUR 2.6112
Markus Scheuermann	8 May 2018	Purchase	Xetra	17,500	EUR 3.0149
Markus Scheuermann	21 August 2018	Purchase under LTIP		14,410	EUR 3.1

Granted share-based payment in 2018 (real shares)

		Georg Hesse	Total
LTIP tranche 2019	Grant date FV (€ '000)	25	25
	Calculated number of shares	3.905	3.905
	Personnel expense	12	12
LTIP tranche 2020	Grant date FV (€ '000)	53	53
	Calculated number of shares	8.211	8.211
	Personnel expense	17	17

(All figures in German data format)

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

Remuneration report for the Supervisory Board

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

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

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

The members of the Supervisory Board received the following remuneration (including reimbursement of expenses) in the financial year 2018:

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

Shareholdings of Supervisory Board members

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

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

Person/entity subject to disclosure requirements	Transaction date	Transaction	Stock market	Quantity	Share price per unit
Two Wins GmbH*	1 February 2018	Purchase	TGAT	4,559	EUR 2.87
Two Wins GmbH*	2 February 2018	Purchase	TGAT	1,587	EUR 2.865

(10) Total auditor's fees

The auditing fee charged by the auditor for the financial year 2018 was EUR 158,000 (2017: EUR 139,800), for tax consultancy services EUR 0 (2017: EUR 17,750) and EUR 3,500 for other services (2017: EUR 21,000). Other (assurance) services comprise fees for covenant compliance.

(11) Events after the balance sheet date

In January 2019, HolidayCheck Group AG signed a subordination agreement with Driveboo AG in respect of all existing and all future receivables.

(12) Notifications pursuant to section 20 paragraphs 1 and 4 of the German Stock Corporation Act and section 21 paragraph 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*) in conjunction with section 160 paragraph 1 number 8 of the German Stock Corporation Act

The following table shows the shareholder structure and lists the acquisitions or disposals in financial 2017 that were subject to mandatory disclosure under section 21 paragraph 1 sentence 1 of the German Securities Trading Act.

Shareholder	Last reported share of voting rights	Date of notification
Burda Digital Future SE, Munich, Germany[2)] (subsidiary of Burda GmbH)	56.06 percent	20 December 2018
Burda GmbH, Offenburg, Germany	56.06 percent[1)]	20 December 2018

[1)] of which 56.06 percent held indirectly.
[2)] In 2018, the HolidayCheck Group shares held by Burda Digital GmbH were reallocated to Burda Digital Future SE.

(13) Declaration of conformity pursuant to section 161 of the German Stock Corporation Act

The company has provided the declaration prescribed in section 161 of the German Stock Corporation Act. In November 2018 it published the declaration for shareholders on its website at https://www.holidaycheckgroup.com/investor-relations/corporate-governance/.

(14) Calculation of net retained profit from net income/loss for the year

The net loss reported for financial 2018 was EUR 4,758,834.23. After deducting this figure from the carrying forward profit of EUR 13,147,723.85 for the previous year, the resulting net retained profit is EUR 8,388,889.62.

(15) Proposal on appropriation of net retained profit

The Management Board will propose that the annual general meeting approve a resolution to appropriate the net retained profit of HolidayCheck Group AG for the financial year 2018 totalling EUR 8,388,889.62 as follows:

a) the amount of EUR 2,332,545.12 to be distributed to shareholders in the form of a dividend of EUR 0.04 per qualifying no-par value share;
b) the remaining amount of EUR 6,056,344.50 and the amount attributable to treasury shares, based on the accounting par value, as a result of the dividend payment proposed above in a) to be carried forward.

(16) Authorisation to publish the annual financial statements

On 26 March 2019, the Management Board approved the release of the annual financial statements and management report of HCG to the Supervisory Board. The Supervisory Board is expected to approve the annual financial statements on 26 March 2019 and release them for publication.

Munich, Germany, 26 March 2019

....	....	....
Georg Hesse	Nathan Brent Glissmeyer	Markus Scheuermann
Chairperson of the Management Board (CEO)	Member of the Management Board (CPO)	Member of the Management Board (CFO)

E. Independent Auditor's Report

To HolidayCheck Group AG, Munich, Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of HolidayCheck Group AG, Munich, Germany, which comprise the balance sheet as at 31 December 2018 and the statement of income for the financial year from 1 January 2018 to 31 December 2018, and the notes to the annual financial statements, including the presentation of accounting and valuation methods. In addition, we have audited the management report of HolidayCheck Group AG for the financial year from 1 January 2018 to 31 December 2018. In accordance with German law, we have not audited the content of the declaration on corporate governance required under sections 289f and 315d of the German Commercial Code (*Handelsgesetzbuch, HGB*).

In our opinion, based on our audit findings:

- the accompanying annual financial statements comply, in all material respects, with the provisions of German commercial law and, with due regard for the German Generally Accepted Standards of Accounting (*Grundsätze ordnungsgemäßer Buchführung*), give a true and fair view of the assets and financial situation of the company as at 31 December 2018 and of its earnings position for the financial year from 1 January 2018 to 31 December 2018; and

- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. With respect to the management report, our audit opinion does not extend to the above-mentioned declaration on corporate governance.

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 annual financial statements and the management report.

Basis for the audit opinions
We conducted our audit of the annual financial statements and the 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 annual financial statements and management report' section of our audit report. We are

independent of the company 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 annual financial statements and management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those which, in our professional judgment, were the most significant matters in our audit of the annual financial statements for the financial year from 1 January 2018 to 31 December 2018. These matters were duly considered in the context of our audit of the annual financial statements as a whole and when reaching our opinion. We have not provided a separate opinion on these matters.

In our view, the most important matter in our audit was as follows:

❶ valuation of shares in affiliated entities

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 **Valuation of shares in affiliated entities**

① The company's annual financial statements contain a figure of EUR 132.487 thousand (88.78 percent of total assets) in respect of shares in affiliated entities under the balance-sheet heading 'financial assets'.

Under German commercial law, shares in affiliated entities are to be valued at the lower of cost or fair value. Fair values are calculated, using discounted cash flow models, as the present value of future cash flows based on the forecasts produced by the company's legal representatives. Expectations of future growth in the wider market and anticipated macroeconomic developments are also taken into account. Discounting is based on the cost of capital, which is calculated individually for each financial asset. On the basis of the calculated values and other documentation, there was no write-down requirement in the financial year under review. The result of this valuation is very much dependent on how future cash inflows are assessed by the company's legal representatives and on the discounting and growth rates used. It is therefore subject to a high degree of uncertainty. Against this background and given the high degree of complexity involved in the valuation processes and the importance of this item in determining the company's asset and income position, this matter was held to be particularly important in our audit.

② As part of our audit, we retraced the company's valuation methodology. In particular, we assessed whether the fair values were properly calculated using discounted cash flow models and with due regard for the applicable valuation standards. In doing so, we also compared them with other factors such as general and industry-specific market expectations and drew on detailed explanations, provided by the legal representatives, of the main value drivers underlying the projections of future cash inflows. Since even relatively minor 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 and the growth rate to close scrutiny and retraced the method of calculation. Given the information available, it is our opinion that the valuation parameters and underlying valuation assumptions used by the legal representatives are generally appropriate as a basis for correctly valuing the shares in affiliated entities.

③ The company's disclosures on long-term financial assets are contained in sections 3, 4 and 5.1 of the notes to the annual financial statements.

Other information

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

Our opinions on the annual financial statements and 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 annual financial statements, with the 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 annual financial statements and management report

The legal representatives are responsible for ensuring that the annual financial statements are prepared in such a way that they comply, in all material respects, with the provisions of German commercial law and for ensuring, with due regard for the German Generally Accepted Standards of Accounting, that the annual financial statements give a true and fair view of the assets, financial and earnings situation of the company. In addition, the legal representatives are responsible for the internal controls they have deemed necessary, in accordance with the German Generally Accepted Standards of Accounting, to ensure that the annual financial statements are free from any incorrect misstatements, whether intentional or unintentional.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue to operate as a going concern. They are also responsible for disclosing, where applicable, any matters that may affect the company'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 are factual or legal circumstances which dictate otherwise.

Furthermore, the legal representatives are responsible for ensuring that the management report is prepared in such a way that it provides, as a whole, an appropriate view of the company's position and is, in all material respects, consistent with the annual 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 management report complies with the applicable German legal requirements and to ensure that sufficient appropriate evidence is provided for the assertions made in the management report.

The supervisory board is responsible for overseeing the financial reporting process established by the company in order to prepare the annual financial statements and management report.

Auditor's responsibilities for the audit of the annual financial statements and management report

Our objectives are to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, intentional or unintentional, and whether the management report as a whole gives an appropriate picture of the company's position and, in all material respects, is consistent with the annual 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 annual financial statements and 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 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 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 annual financial statements and this 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 annual financial statements and the 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 annual financial statements and of the arrangements and measures (systems) relevant to the audit of the 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 company 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 company'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 annual financial statements and in the 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 company 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 annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair picture of the assets, financial and earnings situation of the company in compliance with the German principles of proper accounting;

- evaluate whether the management report is consistent with the annual financial statements, complies with legislation and provides an appropriate picture of the company's position;

- perform audit procedures on forward-looking statements made by the legal representatives in the 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 annual financial statements for the current 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 auditors by the annual general meeting on 20 June 2018. We were engaged by the Supervisory Board on 30 October 2018. We have been the 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 AUDITORS RESPONSIBLE FOR THE ENGAGEMENT

The German certified auditor responsible for the audit is Alexander Fiedler.

Munich, Germany, 26 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Alexander Fiedler
Wirtschaftsprüfer (Public auditor)

ppa. Ulrich Warning
Wirtschaftsprüfer (Public auditor)

F. Information about the auditor

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, Munich branch office, Bernhard-Wicki-Strasse 8, 80636 München, Germany, has acted as auditor and Group auditor for HolidayCheck Group AG (formerly TOMORROW FOCUS AG) since 2007.
The responsible lead auditors are Alexander Fiedler (since financial 2014) and Ulrich Warning (since 2016, involved since 2015).
The fees paid to the accountants were recognised as expenses in the financial year and amounted to EUR 158 thousand for financial statement audit services (2017: EUR 140 thousand), EUR 0 for tax consultancy services (2017: EUR 18 thousand) and EUR 4 thousand for other services (2017: EUR 21 thousand). Other (assurance) services comprise fees for covenant compliance.

G. Report of the Supervisory Board for the financial year 2018

Dear Shareholders

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

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

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

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

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

Main issues discussed by the Supervisory Board

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

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

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

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

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

The Supervisory Board meeting on 20 March 2018 focused on the Audit Committee report, which included a detailed review of the audit of the consolidated financial statements for 2017.
At this meeting, the Supervisory Board also discussed the business performance in the financial year 2017 and the financial statements and management reports both of the company and the Group as at 31 December 2017.
Other topics covered at this Supervisory Board meeting included the reports drawn up by the Management Board on the current market situation, the Group's business performance and the Group's liquidity and financing situation.
Furthermore, the Supervisory Board discussed and approved of the agenda for the 2018 annual general meeting.

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

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

At its meeting on 26 and 27 September 2018, the Supervisory Board examined the reports of the Audit and Technology Committees, the Management Board's report on current market and business developments and 'Forecast II' for the HolidayCheck Group. The Management Board reported on current product and IT developments. Next, the Supervisory Board approved a proposal to form a tour operator under the name HC Touristik GmbH.
Thereafter, Dr Philipp Goos, CEO of WebAssets B.V., gave a detailed report on the current business performance and future business strategy of WebAssets B.V. He participated as a guest.

The Supervisory Board meeting held on 29 November 2018 dealt with the latest reports of the Audit Committee and the Technology Committee. The Management Board reported on the current market situation and the business

performance of the HolidayCheck Group and presented details to the Supervisory Board of its business plan for HolidayCheck Group AG for the year 2019, including the projected liquidity situation. The Supervisory Board approved of the business plan after detailed discussion.
The Supervisory Board also approved a proposal to purchase the content data of BeachInspector GmbH under the terms of an asset deal. This purchase is contingent on a positive outcome from the ongoing due diligence process.
Furthermore, the Members of the Supervisory Board gave their approval to a resolution to increase the capital of Driveboo AG by CHF 2.5 million through a payment into the capital reserve.
A proposal to conclude a cash pooling agreement between HolidayCheck Group AG and HC Touristik GmbH for up to EUR 1.0 million was also approved.

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

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

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

No other committees were formed in the financial year 2018.

Corporate governance
All meetings of the Supervisory Board and its Committees were fully attended. No conflicts of interest arose in 2018 on the part of Supervisory Board members in connection with their membership of the Supervisory Board of HolidayCheck Group AG.

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

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

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

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

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

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

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

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

The single-entity financial statements and the consolidated financial statements received the auditor's unqualified approval. The single-entity financial statements, consolidated financial statements, single-entity management report, Group management report and auditor's report were made available to all members of the Supervisory Board. The financial statements were discussed in detail at the Supervisory Board's balance sheet meeting on 26 March 2019 in the presence of the auditor, who also provided a report.
At this meeting, the discussions centred on the main audit findings, especially the audit focus points specified in agreement with the Audit Committee and the Supervisory Board and the main audit findings.

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

Audit of the dependency report pursuant to section 314 paragraphs 2 and 3 of the German Stock Corporation Act
At its meeting on 26 March 2019, the Supervisory Board also examined the management report of HolidayCheck Group AG on the disclosure of related-party transactions in the financial year 2018 (dependency report) pursuant to section 312 of the German Stock Corporation Act.

The Supervisory Board examined this report and no objections were raised. The Management Board explained the advantages and possible risks associated with the transactions specified in the dependency report to the Supervisory Board, which then examined them and weighed them up. The Supervisory Board also requested an explanation of the principles 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 26 March 2019 and outlined the main findings of its audit of the dependency report.

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

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

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

Munich, Germany, March 2019

On behalf of the Supervisory Board

Stefan Winners
Chairperson

H. Imprint

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Disclaimer:
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