HolidayCheck GROUP

Time for holiday(makers)

ANNUAL REPORT 2017
OF THE HOLIDAYCHECK GROUP AG

Dear shareholders, Dear holidaymakers,

As you know, our vision is to become the most holidaymaker-friendly company in the world. It is our fixed star, which allowed us to once again stay the course in 2017. This annual report, entitled „Time for holiday(makers)“, provides you with information on the most important waypoints of the HolidayCheck Group's path in 2017 toward becoming the most holidaymaker-friendly company.

„To turn this vision into reality, we aim to attract the best talents and get them to make a long-term commitment to our company. With them, we want to put together the best team in the travel industry. As part of our Talent-2020 initiative, we therefore introduced a stock-based remuneration model last year (see page 22). We have replaced short-term annual bonuses with a program that rewards long-term thinking and actions that foster the sustainable growth of the company's values.

The Leadership Essentials (page 12), which we defined in 2017, are another key component of our Talent-2020 initiative. Based on our values, they define the behaviour of our managers as they interact with employees. The goal is to jointly represent our culture and our values and to promote the success of our company.

Another key milestone toward becoming the most holidaymaker-friendly company in the world was our ad campaign „Book Your Thing“ (see page 28), with which we initiated a successful repositioning of the HolidayCheck brand as experts for perfect recreational holidays.

Our new brand campaign was accompanied by the introduction of the HolidayCheck Passion Search (page 26). It allows holidaymakers to search hotel ratings based on individual interests, such as „yoga“ or „diving“ in order to more easily find their perfect recreational holiday.

We are particularly proud of the newly developed cruise offers (page 46) from HolidayCheck, launched at the end of 2017 as a closed user test but available to all HolidayCheck users since January. The offers are primarily geared toward cruise novices who are planning their first cruise and it offers them a correspondingly comprehensive advisory service.

In 2017, we took a lot of time for our employees and naturally even more for our holidaymakers. We know that we still have a ways to go before we are the most holidaymaker-friendly company in the world. But our view of this fixed star is unobstructed and our course for 2018 has been set.

We will provide you with additional details on current innovations and modernisations of the HolidayCheck Group in this annual report.

Enjoy!

HolidayCheck GROUP

One of Europe's leading digital
companies for holidaymakers

Munich, Germany

HolidayCheck

Largest hotel rating community
in the German-speaking countries

Bottighofen, Switzerland;
Poznan & Warsaw, Poland

HolidayCheck SOLUTIONS

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

Munich, Germany

driveboo

Rental car comparison portal

Bottighofen, Switzerland

zoover

Largest hotel rating community
in the Benelux region

Amsterdam, The Netherlands

Weeronline

International weather portal

Amsterdam, The Netherlands

Magazine

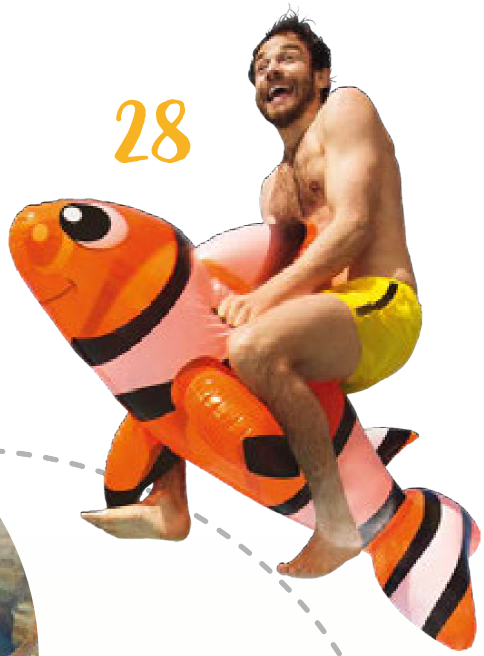
16

26

12

22

28



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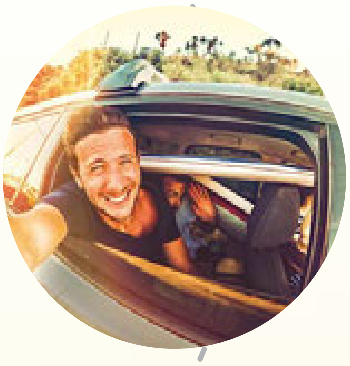
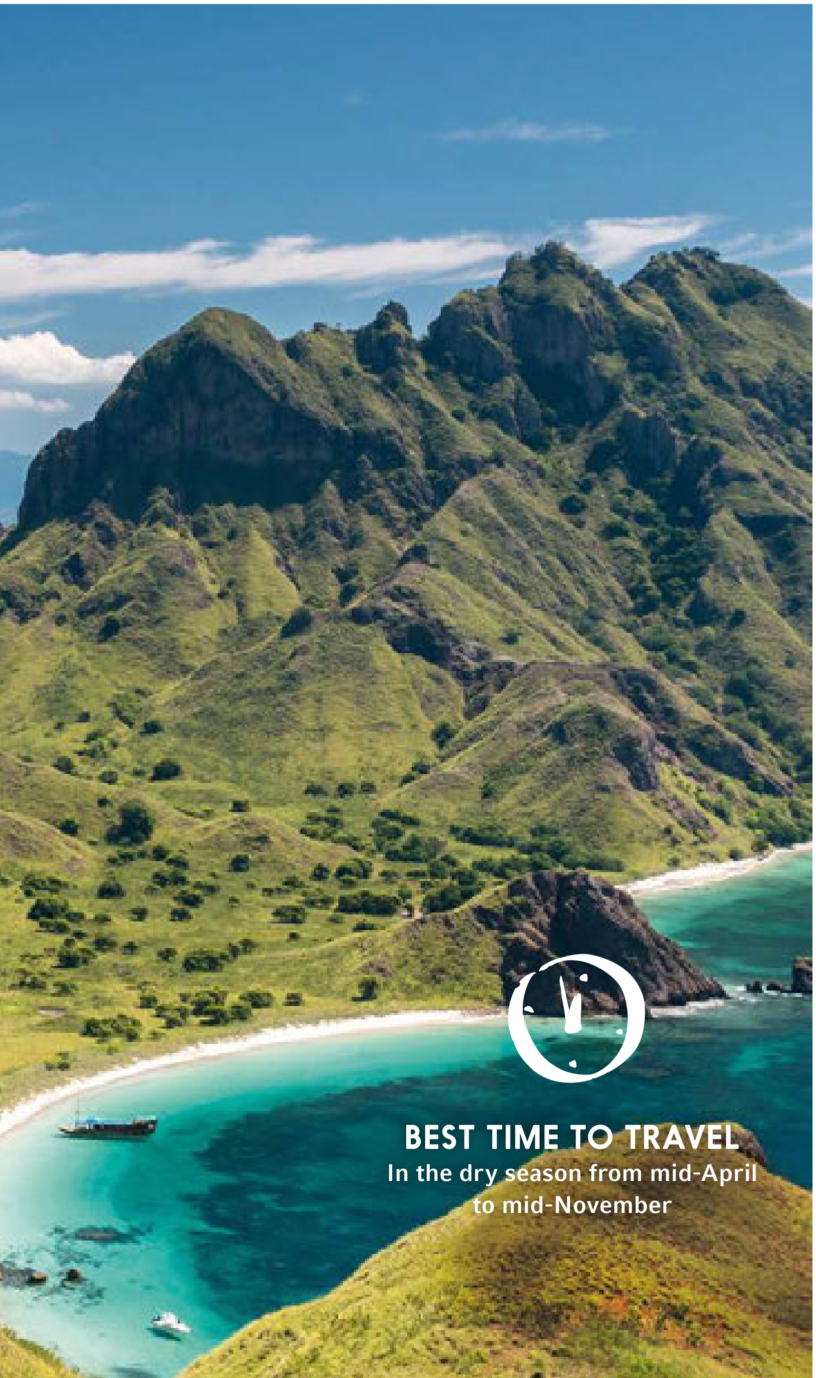


Financials

Magazine


Komodo & Flores,
Indonesia
INSIDER TIP * INSIDER TIP *



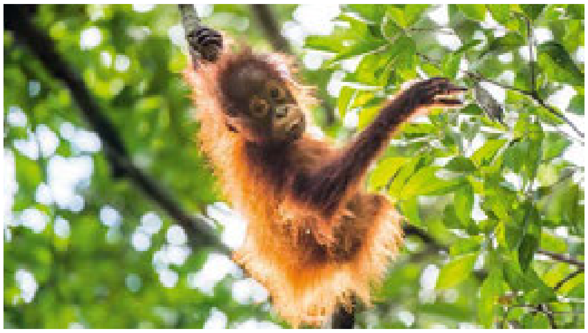
BEST TIME TO TRAVEL
In the dry season from mid-April to mid-November

DR YVONNE KOHNLE
Senior Marketing & Competitive Intelligence Analyst, HolidayCheck AG

My insider tip for a breathtaking natural landscape and fascinating underwater worlds is the **Labuan Bajo region** in **Komodo, Indonesia**. It is the perfect starting point for exploring the national park and the Komodo dragons that live there, as well as the island of **Flores**. In the evening, you can visit the night market at the pier and enjoy freshly caught fish. This is where I experienced my most beautiful dives – with mantas, turtles and reef sharks.

MY HIGHLIGHT was a 4-day scooter trip across the island that culminated in climbing the **Kelimutu volcano** with its three colourful lakes.

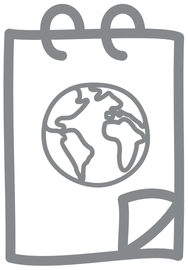
Bucket List



BORNEO I INDONESIA

At the very top of my bucket list is the Tanjung Puting national park in Borneo, Indonesia. During a tour with traditional klotok boats, it is possible to observe some of the last orang-utans that still live in the wild.

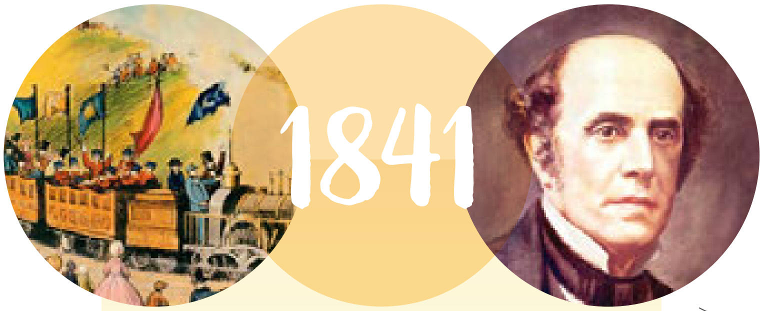
THE DEVELOPMENT OF GERMAN package holidays



WHERE DOES THE TERM "HOLIDAY" COME FROM?

The term "holiday" comes from the Old English word hāligdæg, which means "holy day". Initially, the term only referred to special religious holidays but it is now also applied to any day off work.

Source: https://www.etymonline.com/word/holiday



SINCE WHEN HAVE PACKAGE HOLIDAYS BEEN OFFERED?

The first package holiday was offered by Thomas Cook, a former carpenter, on 5 July 1841. The price of a railway outing he organised for 600 teetotallers included a ham sandwich and tea.

Source: https://www.thomascook.de/unternehmen/newsroom/fotos-und-logos/historie/

WHAT IS A PACKAGE HOLIDAY?

It is a holiday in which at least two travel services are combined. In addition, the holidaymakers have a measure of security thanks to a risk coverage certificate.

GERMAN PACKAGE HOLIDAY MARKET FACTS FOR 2017

11,116 TRAVEL AGENCIES*

2,500 TOUR OPERATORS*

TURNOVER OF* **33,7 billion**

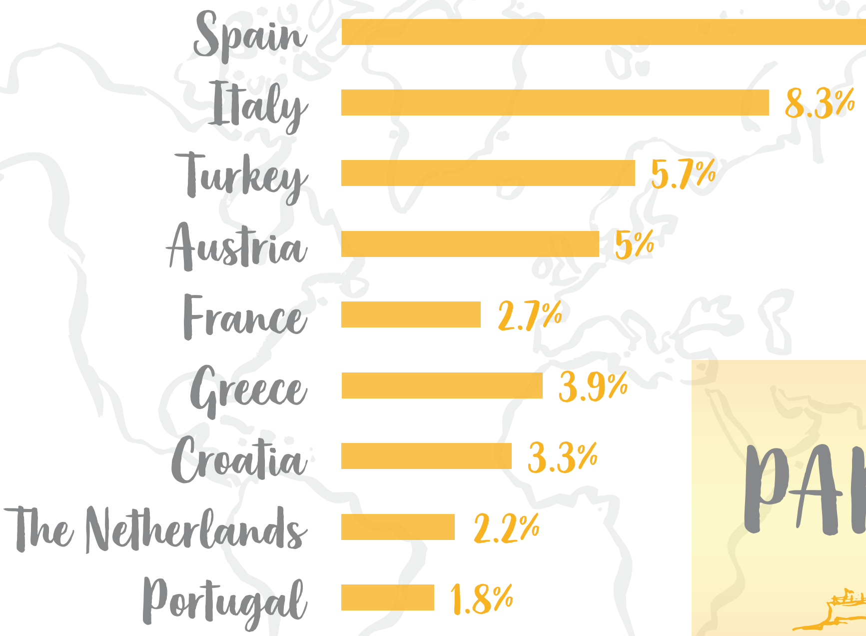
69,6 M PACKAGE HOLIDAYS*

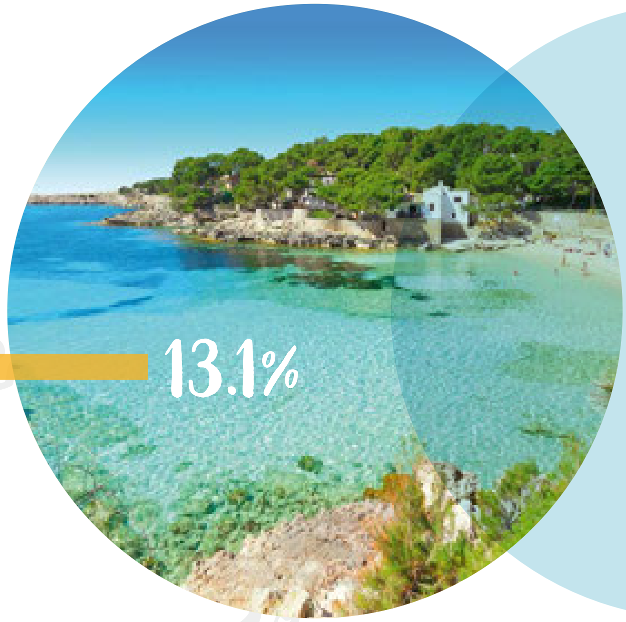
were undertaken in Germany in 2017

**Source: DRV (2018), https://www.drv.de/pressecenter/wissenswertes-ueber-die-branche.html*

WHERE DO GERMANS LIKE TO SPEND THEIR PACKAGE HOLIDAYS?

Most popular travel destinations in 2017**





... was the most popular destination for city breaks in 2016*

YOUNG FAMILIES PREFER BEACH HOLIDAYS

AVERAGE TRIP LENGTH IN 2017*

13.1 Days

72.4% of Germans travel abroad*

27.6% of Germans stay in Germany*

WHAT MIGHT PACKAGE HOLIDAYS LOOK LIKE IN THE FUTURE?

Holidaymakers will have additional options that will allow them to custom-design their recreational holidays even more and tour operators become providers of modules.

** Source: DRV (2018): The German travel market. 2017 facts and figures.*
*** Share of all holidays with a length of at least five days in 2017; Source: RA travel analysis 2018*

Setting a good example

THE LEADERSHIP ESSENTIALS OF THE HOLIDAYCHECK GROUP

Our vision is to become the most holidaymaker-friendly company in the world! To make that happen, we need outstanding talents. That is why we launched our Talent-2020 initiative in 2016. Its goal is to put together the best team in the travel industry. Together, we want to offer our holidaymakers something big.

Our 12 corporate values are at the heart of our Talent-2020 initiative. They are our guide toward making our vision a reality. Our talent management processes revolve around these values. They include classic HR modules, such as our hiring process, the trainings we offer or our feedback process.

Our new „Leadership Essentials“ are another important component. Based on our values, they define the behaviour of our managers as they interact with employees. The goal is to jointly represent our culture and our values and to promote the success of our company. The Leadership Essentials ensure that your management behaviour is guided by the corporate values.

By the way, we have published the Leadership Essentials, as well as the 12 corporate values, in the „Career“ section of our website at *www.holidaycheck-group.com/karriere/*. This provides applicants with a transparent look at the management style they can expect.

„We are really proud of our Leadership Essentials. They were developed jointly by all managers on the basis of our values, and they symbolise what leadership means at HolidayCheck: fostering a culture that makes us better and more holiday-maker-friendly each and every day.“

GEORG HESSE I CEO HOLIDAYCHECK GROUP AG

Our Leadership Essentials

Owner

I THINK AND ACT AS THOUGH I HAD BUILT THE COMPANY MYSELF.

Members of your team and those around you are inspired. They fix things rather than complain. The company is strong and cooperation is effortless.

Enable

I CONVEY THE CONTEXT, REASONING, AND PASSION MY TEAM NEEDS.

Our team members get our vision and spend their time making it come true. They feel well informed and they understand our rationale well enough to be able to make the right decisions autonomously.

Results

I HAVE VERY HIGH STANDARDS IN BOTH QUALITY AND ACHIEVEMENT.

Teams reliably deliver excellent results and everyone can see it plainly in facts and figures.

Change

I DRIVE INNOVATION AND I BRING ABOUT CHANGE.

The team members deliver innovation and improve the world, operating effectively even in the face of uncertainty. When going through a change, those affected don't feel like victims, but rather support those changes as competent and informed contributors.

Focus

I ENSURE WE HAVE FOCUS.

Each team members is focused and adds to the collective progress of the team. He can explain his own role and knows how to prioritize his various tasks and responsibilities.

Trust

I CREATE AN OPEN AND HONEST ENVIRONMENT AROUND ME.

Our teams live in an environment full of trust and free of fear. Members don't talk about one another, but rather speak truthfully to one another and show great respect for each other and the truth. The pursuit of the truth matters more than feeling comfortable.

Coach

I HELP MY TEAM TO IMPROVE THROUGH MY ACTIONS AND COMMITMENT.

Managers and team members have real trust for one another. Team members feel their contributions are honored and they see failure as a chance to learn and improve.

Decisions

I ENSURE WE MAKE THE MOST APPROPRIATE DECISIONS.

We learn from the collective intelligence of the whole company and the team makes better and better decisions over time.

Growth (People)

I HELP EACH TEAM MEMBER TO IMPROVE THOUGH MY ACTIONS AND COMMITMENT.

Team members are happy and motivated. They know their own development areas and the plan to get better. They work to improve. The members of the team take on more responsibility over time.

Growth (Teams)

AS A MANAGER, I WANT THE TEAM AS A WHOLE TO BE EFFECTIVE AND WORK WELL TOGETHER.

The quality of the team is an inspiration for other teams. Other teams enjoy working with the team.

FLORIAN SCHNEIDER
Head of Content Quality & Partnerships, HolidayCheck AG

One year ago, I discovered the fascinating world of Israel. The starting point was **Tel Aviv** – a city that lives between modernism and tradition. My highlight: Strolling through **Carmel Market** in the city centre on an empty stomach. It is the best place to discover the country's cuisine from olives to dates. Visitors should definitely not miss out on a trip to the **Dead Sea**. The weightlessness in the water is simply amazing. Nearby there is the world heritage site of **Masada**, a historical fortress located on the plateau of a mountain range. Any holidaymaker who has a few extra days should definitely pay **Jerusalem** a visit. A stroll through the city is like a tour of history.

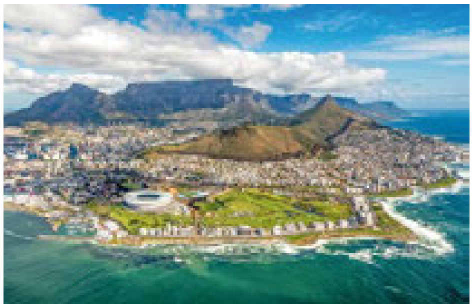
MY SPECIAL TIP: If you walk through the old town on a weekday you can avoid the masses of tourists and experience the magic of this place in a different way.

BEST TIME TO TRAVEL
Spring or from October through November

Bucket List

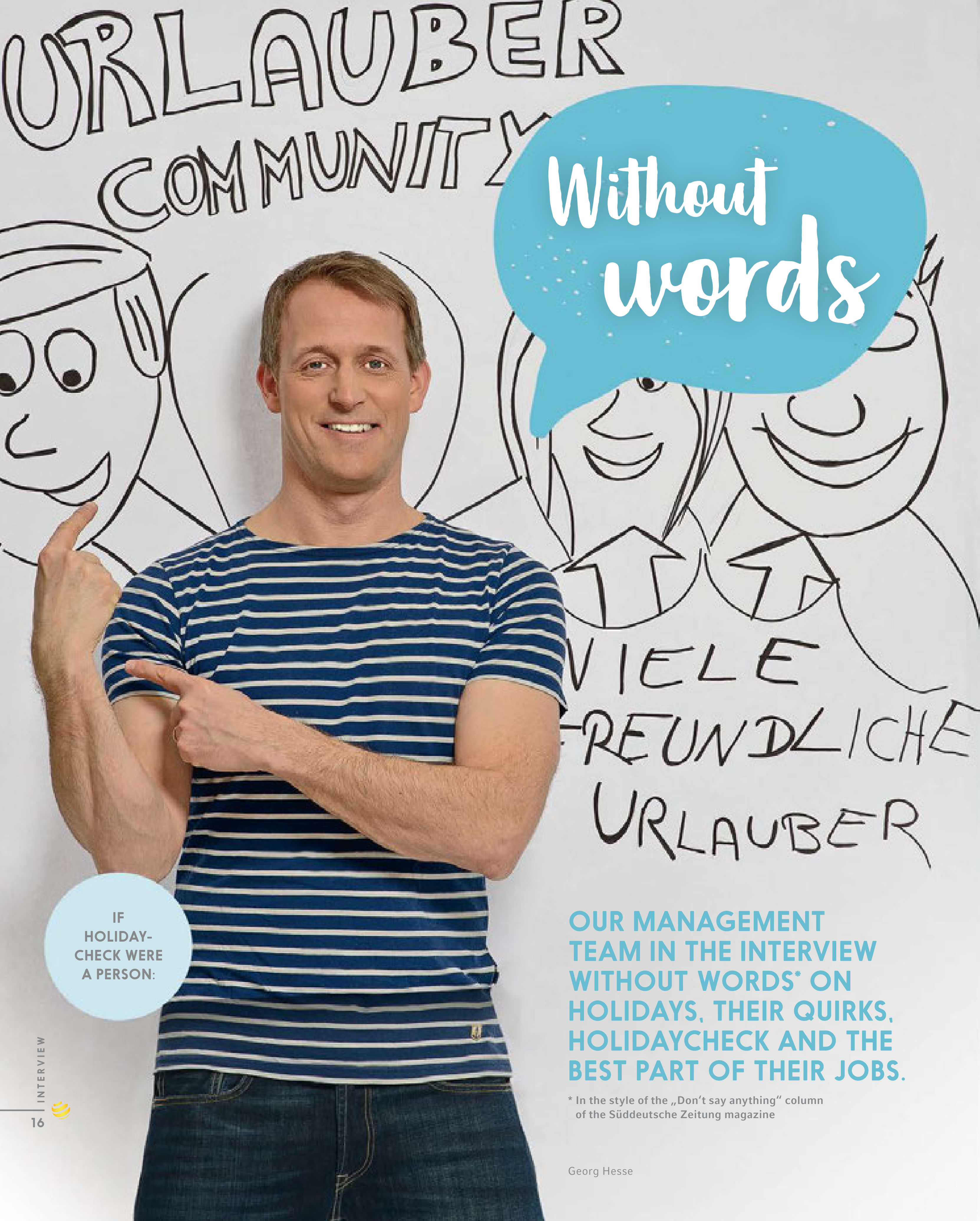
CAPE TOWN I SOUTH AFRICA

I've always wanted to visit Cape Town. The flair and beauty of South Africa are supposed to be breathtaking. I imagine that putting the cherry on top with a good wine in the mountains would be fantastic.




Israel
INSIDER TIP

Without words



IF HOLIDAY-CHECK WERE A PERSON:

OUR MANAGEMENT TEAM IN THE INTERVIEW WITHOUT WORDS* ON HOLIDAYS, THEIR QUIRKS, HOLIDAYCHECK AND THE BEST PART OF THEIR JOBS.

* In the style of the „Don't say anything" column of the Süddeutsche Zeitung magazine

Georg Hesse

Nate Glissmeyer

Christoph Ludmann

Markus Scheuermann

Georg Hesse

CHIEF EXECUTIVE OFFICER (CEO)

MY GOAL FOR 2018: To intensify the relationship with our holidaymakers and to provide them with more transparency and a sense of trust in the travel industry.

WHAT WE CAN STILL WORK ON: There is no area in which we cannot make improvements. Primarily, this year I want to improve the dialogue with our holiday-makers across many dimensions.

THIS IS HOW THE HOLIDAYCHECK GROUP MAKES ME PARTICULARLY PROUD: The following three decisions make me particularly proud:
1. To always put the holidaymaker first, for example through investments in data quality or by abandoning certain non-transparent marketing tools.
2. To want to build the best team in the industry and to invest in truly exceptional employees.
3. To connect our holidaymakers to real people through the long-term expansion of our travel centre.

THE BEST PART OF MY JOB: To me, this is the best job in the world. We have a shared, great vision and give our all to build something exceptional for holiday-makers. I can't think of many things that would be more fun.

MY „QUIRK": Among other things, my consumption of an unbelievable amount of Diet Coke. I know, I'm not a good role model. ;)

HOLIDAY TO ME MEANS: Spending time with my wife and my incredible girls; with the right mixture of two-thirds of recreation and one-third of exploration.

MY FAVOURITE HOLIDAY DESTINATION: The family holidays to Ibiza and our favourite farm in the Chiemgau region.

MY MOST EXTRAORDINARY HOLIDAY EXPERIENCE: As a child, I went on a safari in Kenya with my parents and I was truly wowed. Then, in 2014, we drove through Namibia with our daughters in a camper with roof tent. It was a wonderful way of bringing that experience full circle.

WHERE I HAVE ALWAYS WANTED TO TRAVEL: To New York with my wife.

3 THINGS FOR A PERFECT HOLIDAY: The beach, my family and some kind of athletic activity that justifies lavish dinners.

Markus Scheuermann

CHIEF FINANCIAL OFFICER (CFO)

MY GOAL FOR 2018: Professionally, to consistently implement the next steps with regard to Holiday-Check's product and organisation. Personally, as always, I want to try to spend more time with my family.

WHAT WE CAN STILL WORK ON: Integrating the wishes and needs of our holidaymakers even more consistently into all of our processes.

THIS IS HOW THE HOLIDAYCHECK GROUP MAKES ME PARTICULARLY PROUD: We have an incredibly motivated and talented team that totally supports our vision of becoming the most holidaymaker-friendly company in the world.

THE BEST PART OF MY JOB: To be able to actively work on the implementation of our vision and to learn new things in the process. As a result, true to our values, I keep improving.

MY „QUIRK": I often listen to music while working – everything from Portishead to Mastodon, depending on my mood. That allows me to focus and to tune out the hustle and bustle of the office.

HOLIDAY TO ME MEANS: A successful mixture of family, sports and relaxation with a stack of interesting books.

MY FAVOURITE HOLIDAY DESTINATION: I always enjoy trying something new and visiting a different destination each year – this year that'll simply be a glamping trip to Croatia.

MY MOST EXTRAORDINARY HOLIDAY EXPERIENCE: My backpacking tour through Laos during which I met incredibly hospitable and open people – in spite of the language barrier.

WHERE I HAVE ALWAYS WANTED TO TRAVEL: The Himalayas - I envision the landscape to be spectacular and the people to be very interesting!

3 THINGS FOR A PERFECT HOLIDAY: my family, good food, new experiences and impressions

Nate Glissmeyer

CHIEF PRODUCT OFFICER (CPO) AND SENIOR VICE PRESIDENT ENGINEERING

MY GOAL FOR 2018: To question even fundamental things in order to allow teams and management to act in concert and to be able to be more independent of each other.

WHAT WE CAN STILL WORK ON: Measuring and analysing our work even more. With the resulting shared database, we can improve our cross-departmental work even more.

THIS IS HOW THE HOLIDAYCHECK GROUP MAKES ME PARTICULARLY PROUD: Our efforts of trying new things and to never stand still. The willingness to make even uncomfortable changes brings us closer to making our vision a reality.

THE BEST PART OF MY JOB: It feels as though every week we have a couple of experiences that allow us to achieve a breakthrough for our holidaymakers. This feeling releases a lot of energy for innovation.

MY „QUIRK": I am a stickler for details and only sign off on things I truly understand.

HOLIDAY TO ME MEANS: I love nature and therefore like skiing and bicycling the most.

MY FAVOURITE HOLIDAY DESTINATION: Madeira, with its unbeatable mixture of sun, volcanic landscape and delicious wine.

MY MOST EXTRAORDINARY HOLIDAY EXPERIENCE: A trip to Andalusia with my wife and a city trip to New York in the fall. We had an unbelievable view of the colourful foliage from our Central Park suite.

WHERE I HAVE ALWAYS WANTED TO TRAVEL: As a big wine lover, I have always wanted to travel to the Lot/Dordogne/Bordeaux region.

3 THINGS FOR A PERFECT HOLIDAY: Bike, Kindle, WLAN

Christoph Ludmann

CEO | HOLIDAYCHECK AG

MY FACIAL EXPRESSION WHEN JUMPING INTO THE POOL:

MY GOAL FOR 2018: Offering our holidaymakers more added value and delivering on our goals of holidaymaker friendliness, branding and performance.

WHAT WE CAN STILL WORK ON: Organisationally, we have to position ourselves even more consistently to accomplish our important tasks.

THIS IS HOW THE HOLIDAYCHECK GROUP MAKES ME PARTICULARLY PROUD: HolidayCheck is a brand holidaymakers trust. We take the trust they invest in us very seriously. Our top priority is to value this trust and to uncompromisingly gear our actions toward the needs of the holidaymakers. That makes me very proud.

THE BEST PART OF MY JOB: The variety! To be able to work on many different topics and to learn something new every day.

MY "QUIRK": I love (live) music, attend a lot of concerts and don't mind travelling to do so.

MY FAVOURITE THING TO DO WHILE ON HOLIDAY:

HOLIDAY TO ME MEANS: Spending time with my family. That allows me to get away from everything and to recharge my batteries.

MY FAVOURITE HOLIDAY DESTINATION: I love snowboarding in the Alps, enjoy strolling through the alleys of new cities or spending time at a finca – preferably while barbecuing.

MY MOST EXTRAORDINARY HOLIDAY EXPERIENCE: The first time the four of us went on a holiday together!

WHERE I HAVE ALWAYS WANTED TO TRAVEL: Canada, with its breathtaking landscapes, has been on my bucket list for a long time.

3 THINGS FOR A PERFECT HOLIDAY: Family, good music, good food

All of us are shareholders!

HolidayCheck Group employees at the 2017 Summer Summit

THE RESTRICTED STOCK PLAN OF THE HOLIDAYCHECK GROUP

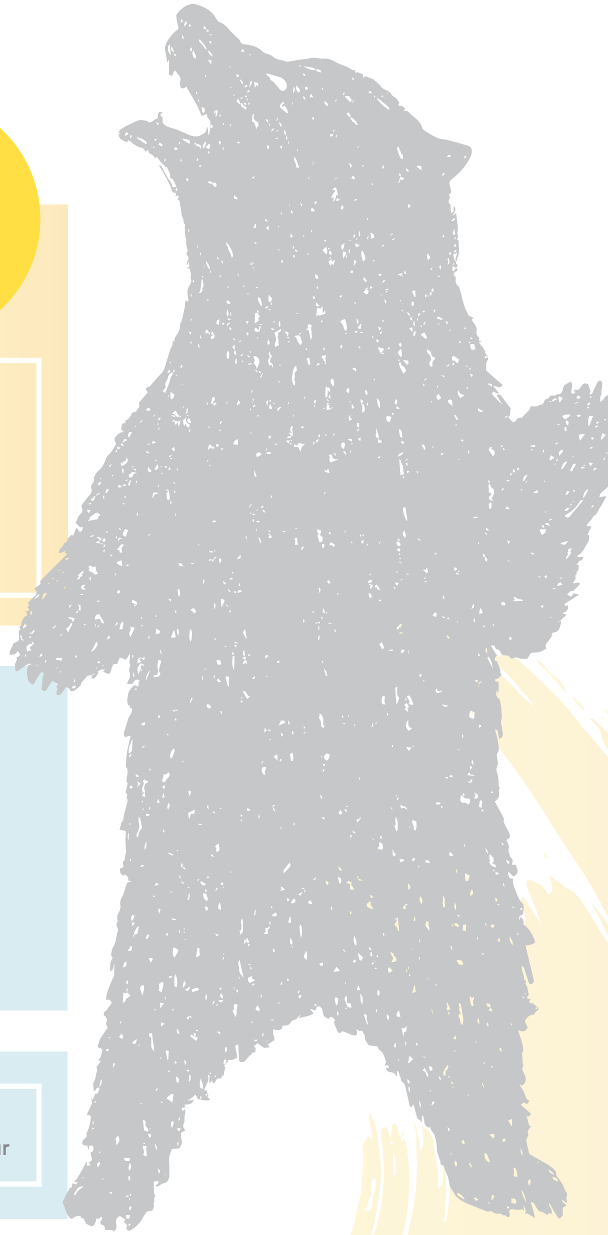
It takes outstanding talents to make the vision of the HolidayCheck Group to become the most holidaymaker-friendly company in the world a reality. To achieve that goal, the so-called Talent-2020 initiative was launched last year. Among its most important functions are the continuous development of current employees as well as attracting new, outstanding talents to the company.

> „Our aspiration is to build the best team in the travel industry. To do so, we need employees that think and act like owners – sustainably and with a long-term outlook.“
>
> GEORG HESSE I CEO HOLIDAYCHECK GROUP AG

„Our aspiration is to build the best team in the travel industry. To do so, we need employees that think and act like owners – sustainably and with a long-term outlook. Short-term bonuses are the completely wrong incentive in this case. That is why we have gotten rid of them for all new employees and replaced them with a stock participation program, that gives them a long-term stake in the success of our company,“ CEO Georg Hesse said.

Employees become co-entrepreneurs

With the launch of the so-called „Restricted Stock Plan“ (RSP) for employees in Germany and Switzerland, a type of remuneration was introduced that is geared toward the long term and focuses on the sustainable increase of the company's value. Instead of a direct, short-term-oriented participation in the company result in the form of an annual bonus, employees get to own a part of the company itself.



The model applies to all new employees that join the company starting in 2017. Existing employees get a choice. The large participation in the stock-based program (and the associated voluntary relinquishment of an annual bonus) is further evidence for the success of the program and its acceptance. This year, the RSP program was also introduced for all employees in Poland.

Motivation 2.0

„This means that every employee in Germany, Austria, Switzerland and Poland will be a shareholder of the HolidayCheck Group AG in the near future. We expect that, in the medium term, this will lead to a significant increase in how much employees identify with the HolidayCheck Group," Hesse emphasised.

In addition, a minimum holding period of two years for the granted stock ensures that employees develop an increased interest in the sustainable success of the company.

Initial results

The success of the RSP program is also owed to the corporate culture and our values, for example the value of „We love it when you are hungry for success." This „we" feeling of the HolidayCheck Group and the identification with the company is evidenced in many places, for example in the regular company meetings for all employees in which the development of the company is discussed as well as ideas and improvements.

Against the backdrop of a very tight applicant market, the new stock-based participation program is often the key argument to get new talents excited about the HolidayCheck Group. It is another important component on our path toward becoming the best team in the travel industry.


Outerbanks,
North Carolina
INSIDER TIP * INSIDER TIP *

TRAVEL TIP

Those visiting in June will not only avoid the high season but also get to enjoy pleasant warm temperatures.

CHARLOTTE BROSSE
Key Account & Relationship Manager Tourism
HolidayCheck AG

Last summer, I took a road trip to the **Outer Banks in North Carolina**. **Ocracoke Island**, which is part of the Outer Banks, can easily be explored by bike. Tourists can ride through the dunes to the natural Atlantic Ocean beach, visit the light tower or collect shells during a long stroll at the beach. As a special tip, I can recommend dinner at **Jolly Roger's** right at the marina. It was there that I experienced one of the most spectacular sunsets of my life. The drive on **Highway 12** is an experience in itself. Kilometres of dunes on one side and the open sea on the other make for a picturesque drive.

MY HIGHLIGHT: In addition, small towns like **Kill Devil Hills** also provide excellent opportunities for a stroll. Anybody who wants to enjoy breathtaking nature during a relaxed road trip in the US away from the classic routes should pay a visit to the Outer Banks.

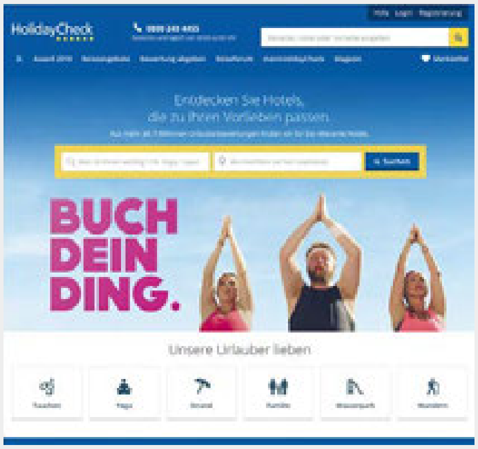
Bucket List

SRI LANKA

My bucket list has always included Sri Lanka. It not only offers beautiful beaches for relaxation but also allows visitors to immerse themselves in an ancient culture. That combination simply fascinates me.

Searching for holidays 2.0

THE NEW PASSION SEARCH FROM HOLIDAYCHECK



FIND THAT THING

The passion search is a first step toward offering a custom holiday search that complies with the vision of making the HolidayCheck Group the most holidaymaker-friendly company in the world.

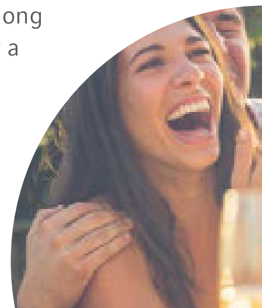
Finding the right offer for the next dream holiday is often not that easy. The selection does not always depend on location, time and the right price-performance ratio. Personal hobbies or criteria such as child friendliness also play a key role in the selection of the perfect holiday hotel. But what's the best way to search for „snorkelling", „tapas" or „infinity pool"?

HolidayCheck has tackled this problem. Using the new Passion Search, holidaymakers can now filter hotels according to their own personal wish list. The new intelligent search function, based on the most current ratings of the past two years, leaves nothing to be desired.

> „We are moving away from the simple affirmation from the masses to a tailor-made holiday recommendation for each individual."
>
> GEORG ZIEGLER, DIRECTOR BRAND, CONTENT & COMMUNITY I HOLIDAYCHECK

The system learns from the texts of ratings

To allow holidaymakers to filter the perfect holiday suggestions from millions of travel offers, the HolidayCheck Passion Search is based on the entire range of experiences of previous holidaymakers instead of, as is usually the case, on a rigid framework of pre-defined characteristics. The more often a particular feature has been mentioned positively, the higher the corresponding hotel is ranked among search results. For example, when searching for a



passion such as „wellness“, terms like „sauna“, „massages“ or „spa“ are part of the evaluation.

„We are moving away from the simple affirmation from the masses to a tailor-made holiday recommendation for each individual“, said Georg Ziegler, Director Brand, Content & Community at HolidayCheck.

From a rating to a recommendation

The idea for the Passion Search was first developed during the so-called „innovation days“ of the HolidayCheck Group. They offer employees from different departments the opportunity to jointly present creative ideas, then develop a business plan for them and, if necessary, develop an initial prototype. The best ideas are implemented, such as the Passion Search. The project, which was designed by Thomas Mayer, NLP (Natural Language Processing) Data Scientist, and implemented by employees from a wide range of departments and teams, is a great example of working together in an interdisciplinary manner.

The passion search is a first step toward offering a custom holiday search that complies with the vision of making the HolidayCheck Group the most holidaymaker-friendly company in the world.

THE NEW HOLIDAYCHECK MARKETING CAMPAIGN

HolidayCheck stands for authentic ratings that help holidaymakers find their dream holiday. The new marketing campaign is supposed to emphasise that they can also book their trip directly on HoldiayCheck. The campaign with the slogan „Book Your Thing – Our Experts. Your Ratings. Your Perfect Holiday“ was launched mid-June 2017 and includes spots on German TV.

Find your dream holiday

„Our unique selling point in the very competitive online travel market is that we can find a holiday for each recreational holidaymaker that really suits them. The claim ‚Book Your Thing‘ sums up this promise in a way that is striking and easy to remember: Are you looking for your dream holiday? Book it on HolidayCheck!“, says Stephanie Weigand, Teamlead Brand Marketing at HolidayCheck.

The idea for the campaign was developed jointly with the Hamburg-based ad agency Jung von Matt.

LINK TO THE VIDEO:
WWW.YOUTUBE.COM/WATCH?V=K9IBTFFB4TW

A 30-second advert was shot as a central element of the communication related to the repositioning campaign. The spot shows holidaymakers in humorous, individual holiday situations. From riding an inflatable banana to initial attempts at yoga to a mountain of pancakes. The spot primarily highlights one thing: regardless of what somebody likes to do, they can find their personal dream holiday on HolidayCheck.

> *„Our unique selling point in the very competitive online travel market is that we can find a holiday for each recreational holidaymaker that really suits them.“*
>
> **STEPHANIE WEIGAND I TEAMLEAD BRAND MARKETING HOLIDAYCHECK**

But the repositioning as a booking portal was not just successfully implemented on TV. The online video campaign, which was launched at the same time, also received generally positive feedback and above-average click rates. With a Germany-wide billboard campaign, supplemented by social media activities and the integration of so-called micro influencers, „Book Your Thing“ was implemented across all relevant media channels.

The new „Book Your Thing“ spot shows holidaymakers in humorous individual holiday situations.

2018 – Totally My Thing

Naturally, the „Book Your Thing“ campaign will be continued across all media this year in order to secure HolidayCheck's position as the most holidaymaker-friendly online travel agency in the minds of holidaymakers. Especially in the area of online video, additional spots were launched to speak to holidaymakers in a way that is even more targeted and individualised. In addition, since January, the frequency of the „Book Your Thing“ TV spot has increased greatly and the campaign now also includes eye-catching environments and special advertising formats. The striking 10-second spots, which target early bookers, i.e. those holidaymakers that plan and book their summer holiday early in the year, are supposed to contribute to further position HolidayCheck as an authentic, digital and transparent travel agency.

Chasing the sun

WHEN IS THE BEST TIME FOR A HOLIDAY IN DIFFERENT DESTINATIONS?

Spring | Summer

SHORT-DISTANCE

Spring

23°
11°
9h
7d

MALLORCA

Anybody who does not want to travel to Japan for the famous cherry blossoms, can enjoy the almond bloom on Mallorca in March. Most trees can be found on the eastern side of the Balearic island. But not only a sea of white and pink blossoms makes this season so attractive. Compared to the high season, the island is much quieter in the spring and still features a very pleasant climate.

TIP: Enjoy a relaxed drive along the coast with a rental car and allow yourself to drift through the beautiful landscape.

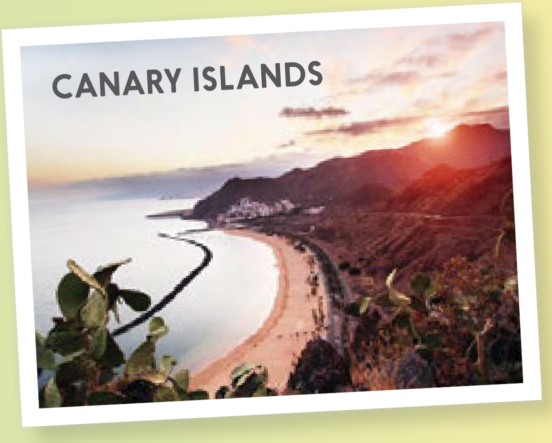
Summer

18°
10°
15h
6d

MEDIUM-DISTANCE

Spring

22°
16°
9h
4d



Summer

13°
8°
5h
16d

ICELAND

Whether it's geysers, icy lagoons or breathtaking crater landscapes, Iceland captivates with its unique nature and scenic diversity. A trip way up north is particularly worth it in the summer.

TIP: Anybody crossing the Atlantic Ocean with Icelandair can add a stopover of up to 7 days in Iceland at no extra cost. That does not just save money but allows two holidays to be combined into one.

LONG-DISTANCE

Spring

30°
22°
8h
3d

Summer

29°
24°
9h
2d

Weeronline is one of the leading digital weather portals in the Netherlands and notifies visitors daily about national weather conditions as well as those in the world's top travel destinations. The Weeronline travel calendar shows the most beautiful destination in each season for short, medium and long-distance travel.

Autumn

Winter

SHORT-DISTANCE

PORTO, PORTUGAL

24° | 14° | 8h | 6d

The insider tip in northern Portugal is the perfect destination for stretching the summer a few extra days. The old town captivates with its narrow alleys and countless restaurants. There you can start your evening in a relaxed atmosphere with a Porto Tonico – a mixture of port and tonic water. The surroundings are also not to be missed. The Atlantic Ocean beaches or the picturesque vineyards in the hinterland are easily accessible by bike.

6° | 1° | 1h | 19d

MEDIUM-DISTANCE

18° | 9° | 7h | 3d

24° | 19° | 7h | 2d

LONG-DISTANCE

19° | 10° | 7h | 6d

CHIANG MAI, THAILAND

31° | 15° | 10h | 1d

A sea of lights awaits visitors of the Yee Peng festival at Chiang Mai's Mae-Jo university. The famous lantern festival brings together thousands of people annually to send their wishes skywards in white lanterns.

Note: The Yee Peng festival is often confused with the classic Loy Krathong festival of lights, which is held throughout Thailand one week later.

Max. Temperature *Min. Temperature* *Sunshine duration (hours per day)* *Precipitation (days with some rain)Saison*

Panama

INSIDER TIP * INSIDER TIP *

TRAVEL TIP
Direct flight from Frankfurt to Panama City with Lufthansa

DIYANA LIPOVA
IT Talent Acquisition Manager, Zoover

Anybody looking for the colourful variety of a tropical island, a jungle and a Caribbean metropolis should definitely visit **Panama**. As is well known, **Panama City** captivates with its skyscrapers. I recommend that those who find the hustle and bustle of the city a bit hectic should visit the **Casco Viejo quarter**, which is still very traditional and original. In **Boquete**, a small town in the mountains, visitors can explore unspoiled nature, hot springs and coffee plantations or marvel at tropical birds during an expedition. However, you should find a local guide because a jungle tour can be very dangerous for novices.

MY PERSONAL HIGHLIGHT was a trip to the **Bocas del Toro Islands** in the Caribbean Sea. They offer white beaches, breathtaking nature and an active underwater world. Visitors will feel like Robinson Crusoe!

Bucket List

TOKYO I JAPAN

I have always wanted to visit Tokyo because I am fascinated by the culture and size of the city. I think floating through a colourful world of lights and taking in so many impressions would be amazing.

HolidayCheck

Holiday monitor 2018

For the third year in a row, HolidayCheck has analysed the booking behaviour of German package tourists. This year's study was once again based on early booking data from the first three months. Here you can see what the trends and developments for the 2018 travel year look like in detail:

WINNERS AND LOSERS AMONG PACKAGE HOLIDAY DESTINATIONS

Development of early booking figures compared to the previous year* ranking according to booking volume

2017	2018	DESTINATION	DEVELOPMENT IN PERCENT
› 1	1	Spain	+5%
› 2	2	Egypt	+71%
⌃ 4	3	Turkey	+92%
⌄ 3	4	Greece	+41%
› 5	5	Portugal	+15%
› 6	6	Bulgaria	+28%
⌃ 8	7	UAE	+55%
⌄ 10	8	Italiy	+45%
⌄ 7	9	Dom. Republic	- 8%
⌄ 12	10	Tunesia	+81%
⌄ 9	11	Thailand	+4%
⌄ 11	12	Cyprus	+29%
› 13	13	Maledives	+22%
› 14	14	Mexico	+4%
› 15	15	Marocco	+21%
› 16	16	Malta	+56%
⌃ 18	17	Croatia	+29%
⌄ 17	18	Mauritius	+5%
⌄ 16	19	Cuba	- 22%
⌃ 21	20	Cap Verde	+56%

Countries plagued by crises, such as Egypt, Turkey and Tunisia, gained the most.

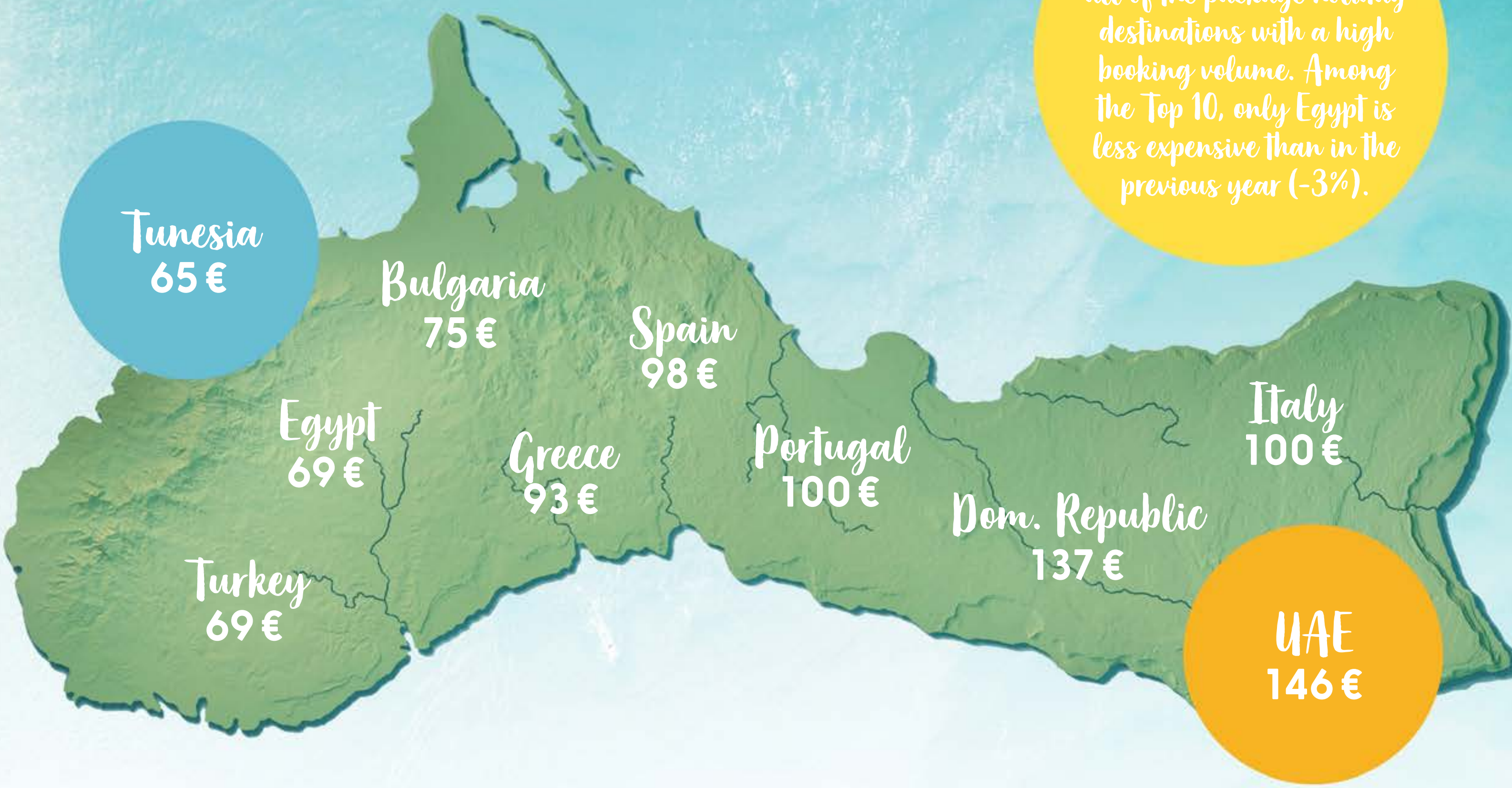
18 of the top 20 package holiday destinations feature an at times significant increase in bookings.

** Booking period 01.11.2017 - 31.01.2018 compared to 01.11.2016 - 31.01.2017; Package holiday bookings of German holidaymakers*

THE COSTS OF HOLIDAYS

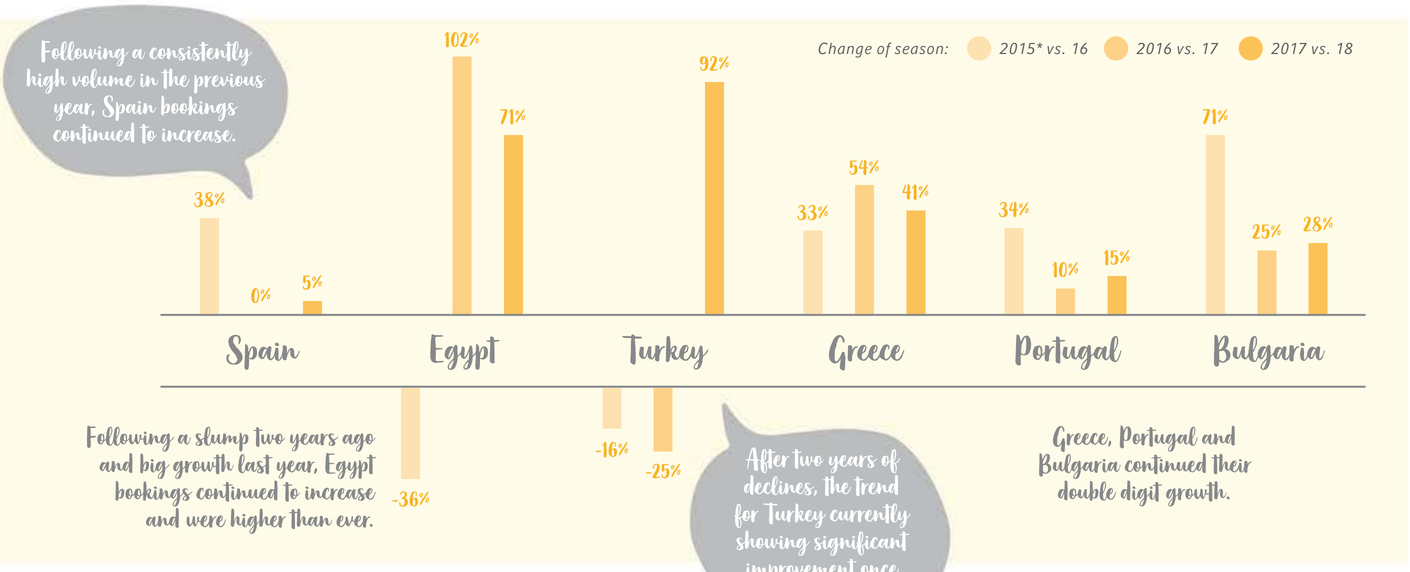
Average expenses of HolidayCheck holidaymakers per person/day*

Prices were up for nearly all of the package holiday destinations with a high booking volume. Among the Top 10, only Egypt is less expensive than in the previous year (-3%).



*Analysis of the bookings of German holidaymakers in the period from November 2017 to January 2018 compared to the previous year; A package holiday includes at least transportation and accommodations

TREND OF EARLY BOOKING FIGURES*



*Booking period 01.11.2014 - 31.01.2015; Season 2016 - 2018 analogous

Searching, booking, rating

THE HOLIDAY CYCLE OF HOLIDAYCHECK

Want to find the perfect holiday quickly and easily? Easier said than done. Where exactly do you want to go? And when? What should be included in the price? What else does the hotel have to offer? The list of potential questions is endless.

From seeking inspiration from Away, an individual consultation online or on the phone with a service centre employee to being aided by hotel ratings, we are helping holidaymakers find the perfect dream holiday every step of the way. The unique HolidayCheck holiday cycle is completed when the holidaymaker submits a rating or review.

Unique holiday recommendations

As a successful hotel rating portal, it has always been engrained in the DNA of HolidayCheck to connect holidaymakers with holidaymakers. The degree of detail of the ratings that our diligent users submit often goes far beyond what can be found about the rated hotels on Google and others. In combination with the company-owned booking platform from HolidayCheck we can provide our holidaymakers with unique holiday recommendations thanks to an intelligent analysis of ratings and the comprehensive know-how of our travel experts.

Seeking inspiration

Even before holidaymakers are targeting a concrete hotel, they can allow themselves to be inspired by Away (*www.away-magazin.de*), the digital travel magazine of HolidayCheck. Whether they are checking out beaches, holiday reports, background reports or exciting travel videos, Away offers users all relevant information on the topic of recreational holidays. The intelligent integration of suitable hotels allows holidaymakers to

THE HOLIDAYCHECK TRAVEL EXPERTS:
HTTPS://AWAY.HOLIDAYCHECK.DE/HOLIDAYCHECK-REISEEXPERTEN

then quickly and easily book the recreational holiday at *HolidayCheck.de* that is right for them.

If users would like further information ahead of booking their dream holiday, they can talk year-round to a trained travel expert in our HolidayCheck service centre – free of charge and with no obligation.

Outstanding holiday advice

The employees of HolidayCheck's online travel agency do not just help customers with the selection of the perfect holiday, they also answer questions related to the booking. In addition, the service team checks meticulously whether all online bookings have been relayed properly and completely. Since HolidayCheck places a particularly great value on quality and

Away by HolidayCheck

Prior to searching for a specific hotel, holidaymakers can go on an inspirational journey with Away, the digital travel magazine from HolidayCheck.

© Dana Beach Resort provided by HolidayCheck

holidaymaker-friendliness, most of the more than 100 travel experts have received tourism management training. They answer up to 3,000 phone calls per day as well as approx. 3,000 queries by mail. The outstanding quality of the advice our travel centre provides is regularly affirmed in hotline tests – most recently in the Chip Hotline-Test 2017 where it earned a grade of „very good".

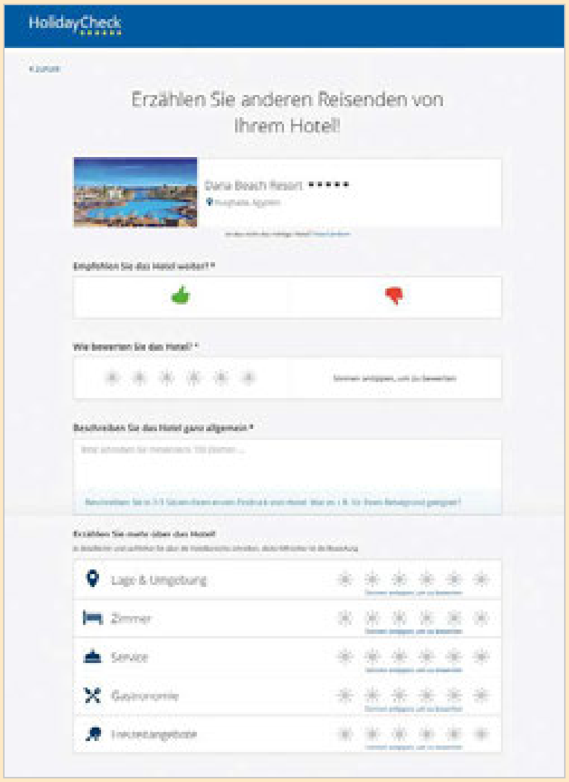
Once the perfect holiday has been found and booked, holidaymakers can lean back and relax while they count the days until their long-desired travel date arrives. In order to further increase the holidaymaker's anticipation ahead of the upcoming holiday, we will help bridge the time before their departure with newsletters that contain helpful tips on everything from interesting trips to the perfect packing list.

Back to the roots

Once they return, many of our holidaymakers have made it a habit to share their own holiday experiences in a hotel rating with other users – supplemented with expressive photos and videos of rooms, restaurants, pools and beaches. By the way, in most cases, the main motivation for submitting a rating is to help other holidaymakers with planning their holidays and, at the same time, as a way to thank hotels and their staffs for a great holiday.

SHARE YOUR EXPERIENCES

The DNA of HolidayCheck has always been to connect holidaymakers with holidaymakers



HOW OUR REVIEW PROCESS WORKS:
HTTPS://AWAY.HOLIDAYCHECK.DE/SO-FUNKTIONIERT-UNSER-PRUFPROZESS

Our travel experts Daniela Meßmer and Franziska Krebs in a short interview about their favorite travel experiences in ‚Away.de', the online travel magazine of HolidayCheck.

That is why it is not surprising that thousands of ratings are submitted to HolidayCheck each day. Overall, 1.01 million ratings were published in 2017. The all-time favourite is the Dana Beach Resort in Egypt with currently 20,290 ratings. In the 2017 country ranking, Turkey, Germany and Spain have the highest number of submitted ratings.

But how do the ratings make it onto the site and are they checked before being published? The authenticity of the ratings is fundamental for the success of HolidayCheck. That is why comprehensive steps are taken to prevent any type of manipulation. First, using an algorithm with about 60 filters, among them language and IP address, the submitted ratings are automatically checked. Comments are also searched for „bad words" such as insults or sexist and racist terms. The system also sounds an alert when a rating is much more positive (or negative) than the previous ratings for that hotel. If the automatic test doubts the authenticity, 45 HolidayCheckers spring into action. They thoroughly check the ratings once more manually and, if needed, request a so-called proof of booking from the holidaymaker. If they do not respond or cannot present this proof, the comment is deleted before it is ever published.

Full circle

One of our values is: „We love it when you want to improve each day!". Therefore, it goes without saying that we want to continuously improve and expand our offers and services as part of our goal of becoming the most holidaymaker-friendly company in the world. That is why we are very excited when we can offer our holidaymakers something new. In the past year, these innovations included the non-stop flight filter, which allows holidaymakers to get to their destination as quickly as possible at the time they want.

Bit by bit, our holiday circle is expanded with new ways of supporting our holidaymakers – so let's find your perfect dream holiday with HolidayCheck! ●

A small portion of the more than 100 travel experts.


Algarve,
Portugal
INSIDER TIP

THOMAS MAYER
NLP Data Scientist, Holiday-Check Solutions GmbH

This year our holiday took us to the beautiful **Algarve** in southern Portugal. During our 10-day stay at the Hotel Porto Bay Falésia in **Olhos d'Água**, we were able to fully enjoy the unique landscape of the Algarve with its steep cliffs and crystal clear water. Apart from our hotel, we particularly liked the **Praia dos Três Irmãos beach**, which was easily accessible with a rental car. Anybody who wants can take a day trip to the nearby port city of Lagos.

MY SPECIAL TIP: The restaurant **„The Garden"**, where you can enjoy a meal in a nice atmosphere in a cosy garden without spending a lot. I can recommend the trip to southern Portugal to anybody seeking relaxation, good food and beautiful beaches for long dips in the ocean.

Bucket List

PIG BEACH I BAHAMAS

I've always wanted to visit Pig Beach in the Bahamas. The combination of a divine Caribbean beach and cute pigs, which do not seem to fit into the picture, simply piques my desire to travel.

On the road with friends

2017 was a year of change for the rental car comparison portal MietwagenCheck. With the founding of Driveboo AG, the autonomy as subsidiary of the HolidayCheck Group was agreed to. As part of this move, processes were optimised and team structures and responsibilities reorganised. At the same time, the internationalisation of the rental car comparison portal under the additional brand name of Driveboo, which can be translated as „Driving with friends", was initiated.

New product categories „motorcycles" and „mobile homes"

At the start of 2018, Driveboo AG was available to successfully go live with its first international platform in English as well as one in Dutch. In addition, the intro-

duction of the new product categories “Motorcycles & Scooters” as well as “Mobile homes” are also imminent.

Expansion in Germany, Austria and Switzerland

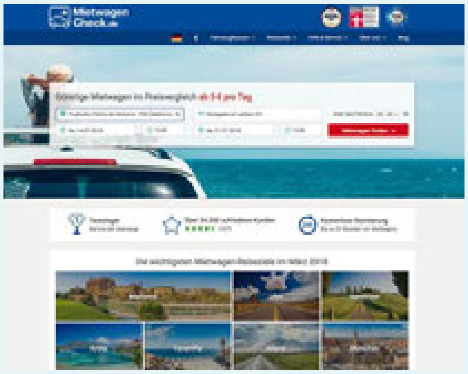
As part of the newly gained independence of Driveboo AG, the core brand MietwagenCheck, under which the company has successfully acted as a broker

The introduction of the new product categories „Motorcycles & Scooters“ as well as „Mobile homes“ is also imminent.

for rental cars in Germany, Austria and Switzerland, also underwent changes. The portal has a new look and now presents itself in the colours of the Driveboo sister portals. At the same time, the presence in the German-speaking area was further expanded through the launch of a Swiss and an Austrian platform with country-specific content and their own hotlines.

Blazing trails

In addition to the previously mentioned launch of additional international portals, the Driveboo AG team has big plans for this year. For example, the transparency for rental car bookings is increased further. Specifically, holidaymakers will be provided more information about the cost breakdown and the differences between the various insurances. The growing number



THE BEST SERVICE:
Among the evidence that Driveboo AG is on the right path toward becoming more holidaymaker-friendly all the time is the „German Service Award 2017“, which is awarded by the German news channel n-tv.

of short-term bookings and the increased demand for transporters and lorries is also taken into account.

True to the vision of the HolidayCheck Group, the goal of Driveboo AG is to continuously become more holidaymaker-friendly. Being awarded the „German Service Prize 2017“ from the German news channel n-tv is just one piece of evidence that the company is on the right track.

Dream holiday with zoover

THE LARGEST DUTCH RATING PORTAL BECOMES MORE HOLIDAYMAKER-FRIENDLY

gezelligheid! This Dutch term, which symbolically stands for a relaxed holiday with loved ones, can be seen as the symbol of the Dutch ratings portal Zoover. With its (as of now) 4.1 million ratings and tips from holidaymakers for holidaymakers, the portal has become the market leader in Benelux countries since it was founded in 2005.

No holiday without Zoover

Holidaymakers cannot only use Zoover to search for hotels and campsites but also to browse the 264,000 tips and reports on attractions and destinations. The Zoover blog features articles from the in-house editorial staff as well as experienced travel journalists. This mixture of transparent and, most of all, authentic ratings, the price comparison and the extensive inspiration and tips it offers have caused the Dutch Zoover website to be visited 60 million times annually.

With a new office in the heart of Amsterdam, the company was also able to attract many young, international talents. In the new, attractive and inspiring working environment, a total of 87 people from 17 countries now work for Zoover. “We now have an ambitious, committed team that is on the right path toward continuously improving our products for our users”, said Zoover CEO Philipp Goos.

Into the holidays with acclaim

The portal is also known for its Zoover Awards. Each year, they recognise the best Dutch hotels, campsites and tour operators. The Zoover Awards are on track to become the most important seal of quality of the

„Our claim is that searching for a dream holiday is just as much fun as the holiday itself!"

DR PHILIPP GOOS I CEO ZOOVER

Dutch tourism industry. By the way, an important category was added this year. For the first time, a jury recognised organisations that paid particular attention to the needs of disabled holidaymakers with regard to meeting their holiday wishes.

The journey continues

Obviously, the journey toward increased holidaymaker-friendliness will continue this year. The improvement of Zoover's search function, for example through the significantly improved filter options for accommodations as well as an improved data analysis. But it's not just the platform itself that has undergone improvements. Another key goal has been to attract more attention from holidaymakers using Google. To achieve that goal, content and specific pages are being created that combine holiday topics and regions, for example child-friendly glamping in Croatia.

In addition, the sales organisation is professionalised with the help of improved data viewing and control capabilities. At the same time, the company is working to better integrate business partners, tour operators and online travel agencies. This ensures that holidaymakers get to see even more relevant offers.

"Our claim is that searching for a dream holiday is just as much fun as the holiday itself!", said Philipp Goos.

ZOOVER FACTS

ZOOVER WAS FOUNDED IN 2005

87 EMPLOYEES FROM 17 COUNTRIES

The office in the heart of Amsterdam:

400,000

ACCOMMODATIONS, HOTELS, CAMPSITES AND CASTLES IN **45,000** DESTINATIONS

60 M

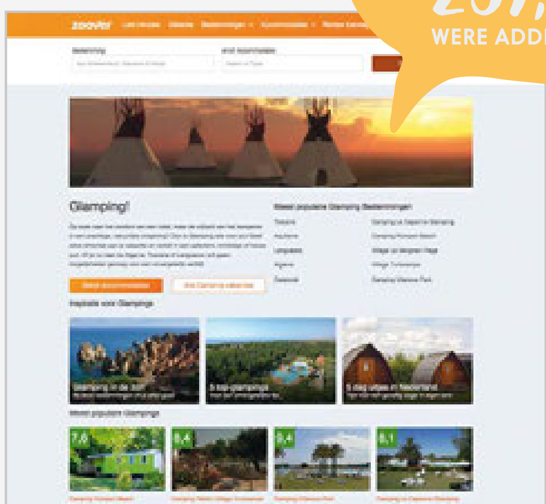
VISITS ANNUALLY TO ZOOVER.NL

4,1 M

RATINGS

297,166

WERE ADDED IN 2017



Ship ahoy

HOLIDAYCHECK SETS SAIL

HolidayCheck stands for recreational holidays. With more than eight million hotel reviews in German, the ratings and booking portal has been providing a valuable service for years when it comes to the selection of the right holiday hotel.

What not a lot of people know is that HolidayCheck, with more than 54,000 ship reviews and 130,000 photos of holidaymakers on a cruise, has been the starting point for many booked cruises away from the HolidayCheck website. That is why supplementing the existing package holiday and holiday booking offering with an integrated way of booking cruises was a logical next step and only a question of time. That time had come in January. Since then, HolidayCheck has offered its new platform for cruises at *www.holidaycheck.de/kreuzfahrten*.

Algorithm meets personal consultation

The offering from HolidayCheck combines the technical advantages of the Internet with the expertise and

„We are focusing on finding the ideal match between offered cruises and what holidaymakers want, and to provide them with the best possible advice as transparently as possible."

DAVID MERTIN | BUSINESS LEAD CRUISE HOLIDAYCHECK

personal touch of a travel agency. When searching for the right cruise, an algorithm puts ratings, costs and the services offered aboard in the proper context. As a result, holidaymakers get tailored recommendations on the basis of the information they provide. The aforementioned cruise ratings from other cruise participants are also part of the selection process. In addition, a personal consultation via a cruise hotline is also available to HolidayCheck users. For the launch of the platform, about 5,000 cruises from 75 shipping companies had already been integrated.

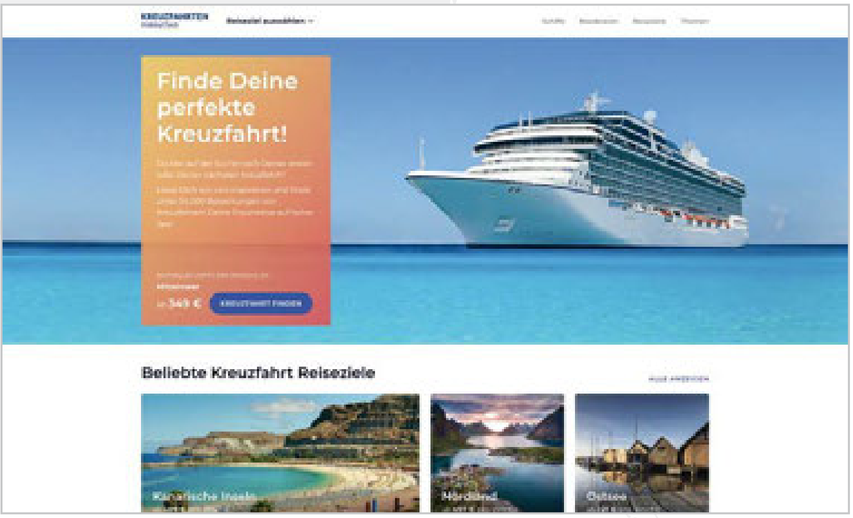
Ahoy future!

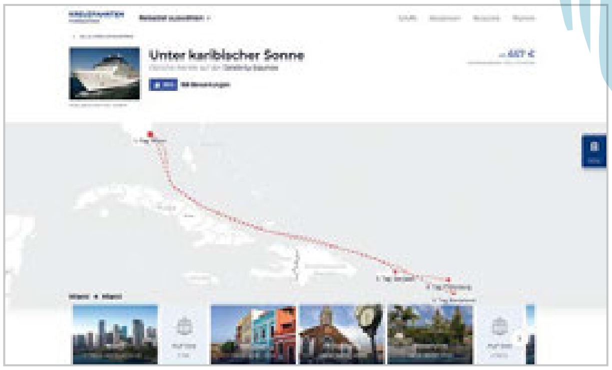
Currently, cruises are one of the fastest-growing sectors of the tourism industry. In each of the past years, the cruise industry experienced double digit growth. In 2017, about two million Germans participated in an ocean or river cruise and, according to company estimates, they spent approximately € 4 billion on them. And the trend continues to point upwards. The antiquated cliché has long been consigned to history. An ever-increasing number of young people are booking cruises online.

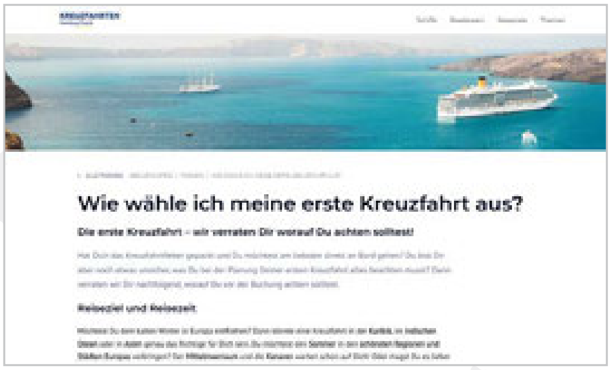
„The potential of a digital product geared toward novices is great in the current cruise market. We are focusing on finding the ideal match between offered cruises and what holidaymakers want, and to provide them with the best possible advice as transparently as possible. To achieve that goal we have conducted expert interviews with around 1,000 holidaymakers about their wishes and needs and integrated the results of the survey into our platform“, explained David Merten, Business Lead Kreuzfahrt (Cruises) at HolidayCheck.

And the new cruise pages of HolidayCheck show it. For example, holidaymakers can use an interactive map to learn more about routes and they can figure

out at a glance how much time they will spent at sea and how much time on land. The offering is rounded out with articles that were developed especially for the cruise segment. The new website, which has been optimised for mobile devices, does not just offer a mere list of holiday offers. It also contains useful information – and inspiration – on the subject of cruises.







FIND YOUR CRUISE

The new website does not just offer a mere list of holiday offers. It also contains useful information – and inspiration – on the subject of cruises.

A TREND TOWARD CRUISES

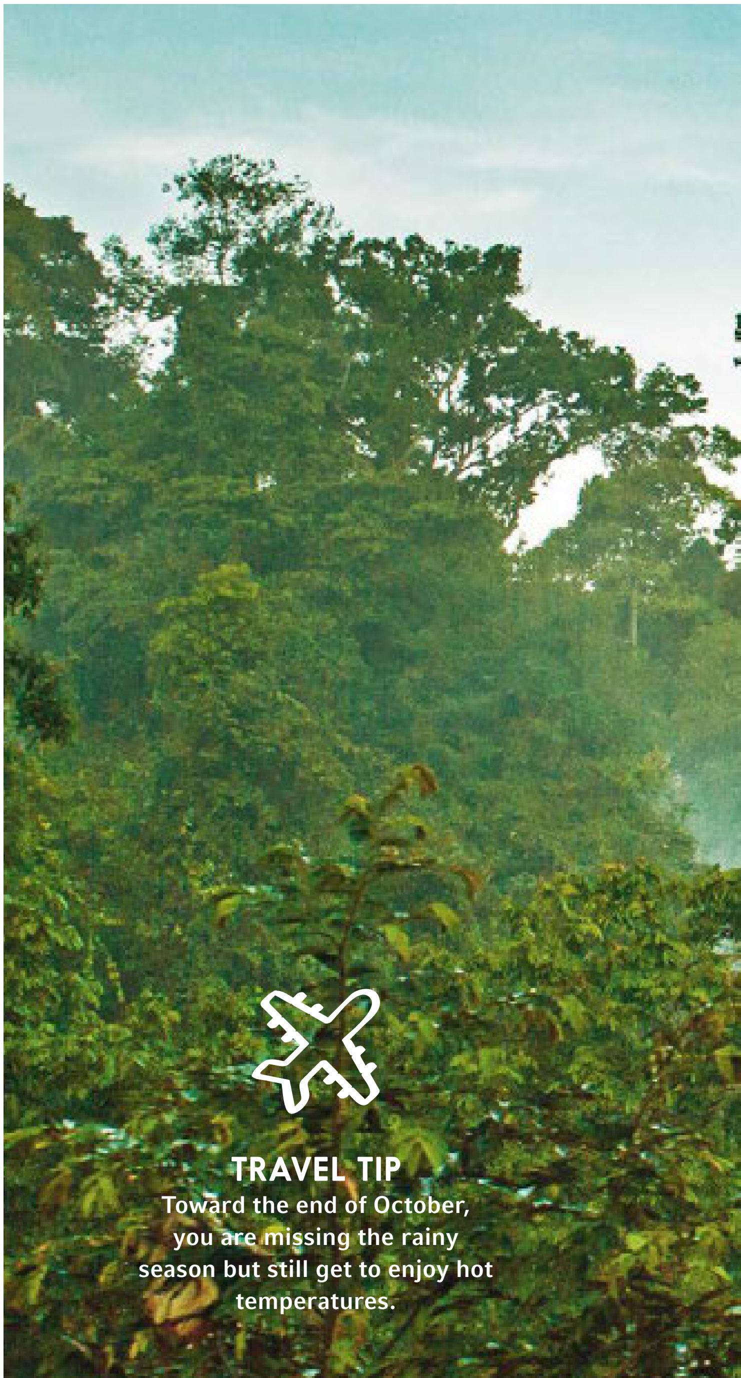
80 new ships are currently being built
25% of all Germans are thinking about taking a cruise
€3,350 is the average cost of a cruise
74% are still booking offline

** Source: DRV (2018): Der deutsche Reisemarkt. Zahlen und Fakten 2017. https://www.drv.de/pressecenter/wissenswertes-ueber-die-branche.html*
*** in the year 2016, rounded, Source: DRV*

CONSTANZE BÖTTCHER
Junior Campaign Manager,
HolidayCheck AG

During my 10-day trip through **Laos**, I did not just have cultural experiences but also those that were action-packed. Many temples in **Luang Prabang** are open to visitors. With their golden pointed roofs, they are not merely amazing sights, but also offer an opportunity for reflection. But this destination is not just interesting from a cultural perspective. Visitors should also not miss out on a tour to the **Kuang Si waterfall**. An additional highlight is the sunset at **Mount Phousi**. The view across the mountains is breathtaking. A small boat took me northwards from **Luang Prabang** to **Huay Xai**. It was the starting point for my three-day zip line tour during which I spent the night in a tree house in the middle of the Laotian jungle. It was an absolutely unique experience.

MY TIP for getting started in the morning: ordering banana pancakes! This tasty breakfast provides enough energy for the entire day.



TRAVEL TIP
Toward the end of October, you are missing the rainy season but still get to enjoy hot temperatures.

© Nou Song / The Gibbon Experience

Bucket List

HOBBITON I NEW ZEALAND

I have always wanted to visit New Zealand. As an avid nature lover, I would love to explore the landscape during a road trip with a VW transporter. And a visit to Hobbiton, the village from the Lord of the Rings, is obviously a must.


Laos

Financials

NOTES

LETTER TO SHAREHOLDERS

GEORG HESSE,
Chief Executive Officer (CEO)

NATE GLISSMEYER,
Chief Product Officer (CPO)

MARKUS SCHEUERMANN,
Chief Financial Officer (CFO)

Dear Shareholders and Holidaymakers,

Our vision is to become the most holidaymaker-friendly company in the world. With this goal firmly in mind, in every single area of our business we always start off by identifying the needs of our holidaymakers and work from there.

YEAR OF DELIVERY

We had already declared that 2017 was to be a Year of Delivery, and to help transform our vision into reality we had given our teams a clear mandate to put holidaymakers front and centre in all their decisions.

At the same time, we had decided on a series of dedicated investments in the further development of our products and services. We are delighted to report that the experience of users on HolidayCheck and Zoover has since shown a demonstrable improvement.

For example, it is now much easier to submit hotel ratings, and in 2017 our users wrote more of them than ever before.

The quality of individual hotel descriptions also improved tremendously.

One of the most visible achievements of our Data Science Team, which specialises in artificial intelligence, is our new 'Preferences' search function. This was created using our most valuable resource – the ratings shared by our users with other holidaymakers. We employ smart technology to evaluate and enhance this content so that we can offer visitors to the site precisely the information they need, helping them to choose the ideal holiday based on their individual preferences – whether yoga, scuba diving or vegan cuisine.

These developments mean that we can help more and more customers to find the perfect break through HolidayCheck and, most importantly of course, to go ahead and book it. While we are aware that we are still only at the beginning of our journey to make the whole business of finding and booking a holiday a piece of cake, we are nevertheless very satisfied with our first few steps.

Looking back over 2017 with our critical hat on, there were of course some areas in which we did not make quite as much progress as we had intended. Still, as a flexible and highly responsive company, the process of experimenting, making mistakes and learning from them is in our DNA. By way of example, we constantly review the way we organise ourselves around our targets. Looking ahead at 2018, we are therefore confident that we can improve the way we do things even more and make the whole experience for our holidaymakers even better.

SUBSTANTIAL INCREASE IN REVENUE

We are very satisfied with the revenue and earnings results achieved by the company in the last financial year. With revenue growth of 13.3 percent and a positive figure of EUR 1.6 million for operating EBITDA, we exceeded our original forecasts by a substantial margin.

In this context, together with the entire Central European travel industry, we were given a vital boost by the easing of geopolitical tensions in the most popular holiday destinations.

BOOK YOUR THING!

HolidayCheck AG's new branding campaign has been a complete success. Launched in June 2017, it appeared on TV, the internet and on billboards under the slogan Book your thing! The campaign stresses that our holidaymakers all have their own individual wishes. At the same time, it draws greater attention to our portal as a great way to make bookings. We are very satisfied with the feedback from our campaign and intend to maintain it with renewed vigour in 2018.

SHARES FOR OUR EMPLOYEES

If you want to offer the best customer service, you need the best team. For this reason, we aim to create a working environment in which the best team in the travel industry can flourish. To help make this happen, we decided to set up a share-based payment scheme so that our employees also benefit from the company's success. The old system of short-term bonuses has been replaced by a new scheme that encourages long-term employee loyalty. In our view this is the best way to encourage entrepreneurial thinking and behaviour. The corresponding share buyback programme involved repurchasing 1.5 million company shares and was successfully concluded in early June 2017 at an average share price of EUR 2.65.

The first tranche of around 100,000 shares was issued to our employees at the beginning of July in the form of a restricted stock plan. We look forward to welcoming many of our employees as shareholders at this year's annual general meeting.

Furthermore, our Leadership Essentials programme has established a clear set of objectives for our senior staff. It will help us give an even sharper edge to our unique leadership culture and provide even better development opportunities for our employees.

One highlight in this respect was the appointment of Christoph Ludmann, a long-standing and successful employee from our own ranks, to the position of Chief Executive Officer of HolidayCheck AG. Welcome to your new role, Christoph!

INVESTING IN USER EXPERIENCE

Booking holidays through the internet is becoming easier and more professional all the time. Having said that, most package holidays and cruises are still booked through high street travel agents. We believe this presents HolidayCheck with substantial growth opportunities, and we aim to harness that potential by offering an improved user experience on our site and even more tailored holiday advice. To this end, in 2017 we invested in data intelligence, i.e. the smart use of our data. We are now in a position to offer our customers advice based on the contents of our ratings on an even more individual and tailored basis. We also made several new appointments at our travel centre over the year so that we can advise even more customers over the phone.

SHIP AHOY!

We are particularly proud of HolidayCheck's new cruise platform, which was developed in 2017 and went live in January of this year at www.holidaycheck.de/kreuzfahrten (in German language). With over 54,000 cruise-ship ratings and 130,000 photographs of cruise holidaymakers, HolidayCheck was already a popular starting point for many cruise bookings.

We have always endeavoured to put people in contact with each other so that they can find their perfect holiday, and this approach is perfectly suited to the cruise sector. At present, most cruises are still booked through high-street travel agencies, partly because of the greater need for advice due to the sheer variety of options available. Nevertheless, the internet is establishing itself as a fast-growing sales channel thanks to advances in technology.

As such, the company's decision to expand its existing package holiday and hotel booking services to incorporate a dedicated cruise booking portal is not only logical but also very important to us from a strategic perspective. While benefiting from access to an attractive market segment with high growth potential, this move will also allow us to fulfil one of the biggest wishes which our holidaymakers have expressed to us in recent years.

FULL STEAM AHEAD IN 2018

The course we intend to steer in 2018 is again dictated by our vision of becoming the most holidaymaker-friendly company in the world. In specific terms, we aim to expand our portfolio of holiday services by investing in the further development of our existing products and services (with an emphasis on the core fields of package holidays, 'hotel only' bookings and cruises) and in the development of new products and services in adjoining areas. We are also planning additional investment to build up our technical capacity and our customised travel advice service.

In addition, as we have set out above, we intend to continue investing in marketing activities, especially with a view to permanently increasing our brand recognition.

The overall goal of these measures is to improve the holiday experience of our customers and consequently generate a sustained increase in our revenue and earnings.

We have a lot of plans for 2018 and look forward to working on them together with our team.

Whenever you plan to get away this year,
we hope you have a great holiday –
at Easter, Whitsun and in the summer!

Kind regards
The Management Board

INVESTOR RELATIONS REPORT FOR THE FINANCIAL YEAR 2017

Dear Shareholders

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

In our communications with investors, analysts and journalists we focused on explaining the potential long-term benefits of the substantial investments we made in financial 2017 to further develop our products and services and to expand and consolidate the Holiday-Check brand's market position.

Investors responded positively to our share buy-back programme, which reached the target of 1.5 million HolidayCheck Group AG shares by the beginning of June 2017, and to the use of those shares as a component of employee remuneration under a stock option plan introduced during the year.

Overall, 130,690 shares have since been awarded to employees of the HolidayCheck Group and its affiliated entities – most under the above stock option plan.

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

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

Yours sincerely

Armin Blohmann

Annual General Meeting 2017

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Financial 2017: HolidayCheck Group share price performance

Key HolidayCheck Group share data

Key HolidayCheck Group share data	
German securities code (WKN)	549532
ISIN	DE0005495329
Stock exchange symbol	HOC
Stock exchange segment	Prime Standard
Indices	CDAX, Technology All Share, Prime All Share
Designated sponsor	Oddo Seydler Bank AG
Number of shares at 31 Dec 2017	58,313,628 no-par value bearer shares
Number of treasury shares at 31 Dec 2017	1,369,310
Market capitalisation at 31 December 2017	EUR 162.7 million

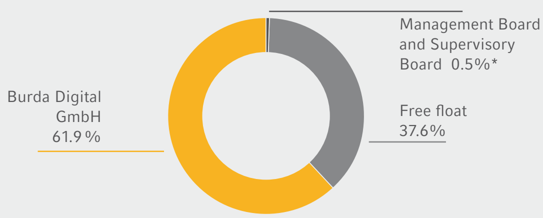
HolidayCheck Group share price performance on Xetra	
Opening price 2017	EUR 2.35
2017 low	EUR 2.30
2017 high	EUR 3.34
Closing price 2017	EUR 2.79
Share price performance 2017	+18.7%

Recent HolidayCheck Group share price ratings by analysts*

	recommendation	price target
HSBC Global Research	hold	EUR 2.70
Warburg Research	hold	EUR 3.30

* as at 31 December 2017; no guarantee is assumed for completeness of the information provided.

Shareholder structure (rounded figures)



* as at 31 December 2017; no guarantee is assumed for completeness of the information provided.

REPORT OF THE SUPERVISORY BOARD FOR THE FINANCIAL YEAR 2017

Dear Shareholders

In financial 2017, we took a big step towards our stated goal of becoming the most holidaymaker-friendly company in the world.

HolidayCheck AG's planned migration to a new IT platform as the basis for future product innovations was largely completed by the end of 2016. Thereafter, in financial 2017, the Group's focus was on a series of major investments to speed up the further development of our existing products and services, design a new cruise holiday platform and expand our customised travel advice service.

I am delighted that in 2017 we were able to attract Nate Glissmeyer and Markus Scheuermann, both highly experienced in their respective fields, to join the Management Board of HolidayCheck Group AG. We also recruited many new and highly qualified people to positions throughout the Group through our Talent 2020 initiative.

One of the main factors that has allowed us to attract the right people is the employee stock option plan, which was set up in 2017 and awards a number of shares in the company every year as part of an overall fixed remuneration package. That means employees are also co-owners.

On the marketing side, our Book Your Thing campaign – successfully launched in 2017 – was designed to boost the profile of the HolidayCheck brand. Our long-term goal is to reduce our dependence on performance-based marketing tools, especially advertising on Google, and to achieve a sustained improvement in terms of marketing efficiency.

From a broader industry perspective, the market environment in 2017 remained highly competitive. At the same time, however, there was a return to stability in the most popular Mediterranean holiday regions, and the HolidayCheck Group took full advantage of the resulting pick-up in holiday bookings.

Overall, despite the significant investments referred to above, we are very pleased to report that the Group clearly exceeded its initial 2017 forecast for both revenue and operating 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.

In my position as Chairperson of the Supervisory Board, I 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 me 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 23 March 2017, 29 May 2017, 26 July 2017, 29 September 2017, and 30 November 2017.

A further extraordinary Supervisory Board meeting was held on 9 February 2017 in the form of a telephone conference. The Supervisory Board also passed four resolutions by way of written circulation during the course of the 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.

At a meeting of the Supervisory Board held by means of a telephone conference on 9 February 2017, I up-

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

dated the Supervisory Board on the progress made in the company's search for a new Chief Financial Officer (CFO). After lengthy discussion of the shortlisted candidates, the Supervisory Board decided to offer the position of CFO to Markus Scheuermann.

On 10 February 2017, by way of written circulation, the Supervisory Board formally appointed Marcus Scheuermann to the Management Board of Holiday-Check Group AG with effect from 29 May 2017 through to 30 June 2020. It also approved the proposed terms of his service contract and authorised me to conclude the contract with the newly appointed CFO.

On 13 March 2017, again by way of written circulation, the Supervisory Board elected Holger Eckstein to the company's Audit Committee. He took over the vacant third place on the committee following Dr Andreas Rittstieg's departure from the Supervisory Board and therefore from the Audit Committee.

The Supervisory Board meeting on 23 March 2017 focused on the Audit Committee report, which included a detailed review of the audit of the consolidated financial statements for 2016. The Chairperson of the Audit Committee, Dr Dirk Altenbeck, reported on the results of the tender procedure to appoint a statutory auditor for the Group for the financial year 2017 and on its proposed candidates following a detailed examination of the tenders received. The Supervisory Board decided to maintain the current relationship with the Munich office of the accountancy firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, and to propose this candidate to the general meeting of shareholders.

At this meeting, the Supervisory Board also discussed the business performance in the financial year 2016 and the financial statements and management reports both of the company and the Group as at 31 December 2016.

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 adopted a resolution to amend the schedule of Management Board responsibilities as part of the Management Board's rules of procedure to reflect the personnel changes.

The Supervisory Board also adopted a resolution to establish a new Technology Committee. It then elected Alexander Fröstl as the Chairperson of the committee and Aliz Tepfenhart and me as the two other members. Next, the Supervisory Board discussed the agenda for the 2017 annual general meeting.

At its meeting directly after the annual general meeting on 29 May 2017, 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 and then provided a detailed report on the planned Book your thing campaign to promote the HolidayCheck brand. It also reported on current product and IT developments, focusing on the plans for HolidayCheck AG's new cruise holiday product. The Supervisory Board approved a resolution to grant general commercial power of attorney (Prokura under German law) to Armin Blohmann, Director Group Communications.

At the strategy meeting of the Supervisory Board held on 26 July 2017, the Management Board began with a detailed review of the progress made towards implementing the measures discussed at the previous year's strategy meeting. 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 and its subsidiaries.

The matters addressed by the Supervisory Board at the meeting held on 28 September 2017 included the reports of the Audit Committee and the Technology Committee, the Management Board's report on the current market situation and the business performance, including the first results of the HolidayCheck brand campaign and 'Forecast II' for the HolidayCheck Group. The Management Board also reported on current product and IT developments. Next, the Management Board and Supervisory Board discussed in detail the Management Board's proposed multi-year plan. The plan was then approved by the Supervisory Board. After lengthy discussion, the Supervisory Board also adopted a resolution to introduce a new long-term incentive plan (LTIP) for the Management Board for the financial years 2017 to 2020 based on a restricted stocks model. The structure of the LTI plan complies with the recommendations of the German Corporate Governance Code.

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.

On 25 October 2017, in light of the changes required to the existing service contracts of the Management Board members due to the newly adopted 2017-2020 LTI plan and the 2017 STI plan, the Supervisory Board approved the corresponding modification agreements and a clarification of the STI plan by means of written circulation.

The Supervisory Board meeting held on 30 November 2017 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 2018, including the projected liquidity situation. The Supervisory Board approved the business plan after detailed discussion.

On 20 December 2017, by way of written circulation, the Supervisory Board approved a new cash pool contract with Driveboo AG.

Composition of the Management Board

Timo Salzsieder, former Chief Technology Officer (CTO) of HolidayCheck Group AG, informed the Supervisory Board that he wished to step down early from his post in order to pursue a new career challenge. The Supervisory Board acceded to Timo Salzsieder's request to cancel his service contract early. Timo Salzsieder stepped down from the Management Board of the company with effect from the end of 28 February 2017.

On 20 December 2016, to succeed him, the Supervisory Board of HolidayCheck Group AG appointed Nate Glissmeyer (47) to the Management Board in the position of Chief Product Officer (CPO) and Senior Vice President Engineering. He joined the company on 1 January 2017.

The Supervisory Board expressed its satisfaction at the recruitment of Nate Glissmeyer to HolidayCheck Group AG given his background as an experienced product and IT expert.

Before joining HolidayCheck Group AG, Nate Glissmeyer was responsible for the 'Kids and Families, Digital' division at Amazon Inc., Seattle, USA, as Director of Product Management. He had previously held various management roles for Amazon since 2004.

Dr Dirk Schmelzer, former Chief Financial Officer (CFO) of HolidayCheck Group AG, informed the Supervisory Board that he wished to step down early from his post in order to pursue a new career challenge. The Supervisory Board acceded to Dr Schmelzer's request to cancel his service contract early. He stepped down from the Management Board of the company with effect from midnight on 31 March 2017.

In February 2017, to succeed Dr Dirk Schmelzer, the Supervisory Board of HolidayCheck Group AG appointed Markus Scheuermann (44) to the Management Board in the position of Chief Financial Officer (CFO). He joined the company on 29 May 2017.

Previously, he highly successfully served as Managing Director and Chief Financial Officer at Burda Forward GmbH, Munich, Germany, with responsibility for Finance, Controlling and Business Intelligence, as well as for the News and Magazine division of Chip. Before joining Burda Forward GmbH, he held a number of positions including a period of around nine years as Associate Principal with McKinsey & Company.

Composition of the Supervisory Board

Dr Andreas Rittstieg stepped down from the Supervisory Board with effect from 31 December 2016. On 19 January 2017, at the request of the Management Board and Supervisory Board, the District Court of Munich (Registry Court) appointed Holger Eckstein to the company's Supervisory Board up to the end of the annual general meeting on 30 May 2017.

At the annual general meeting of HolidayCheck Group AG on 30 May 2017, Holger Eckstein was elected to the Supervisory Board in order to fill a vacant position.
He is Chief Financial Officer (CFO) of Hubert Burda Media Holding Kommanditgesellschaft, based in Munich, Germany.

Committees

An Audit Committee was formed once again in the financial year 2017. Its members were Dr Dirk Altenbeck (Chairperson of the Audit Committee), Dr Thomas Döring and Holger Eckstein (since 13 March 2017).

At its meeting on 23 March 2017, the Supervisory Board also adopted a resolution to establish a new Technology Committee. The Chairperson of the Technology Committee is Alexander Fröstl. Aliz Tepfenhart and I are the two other members.

No other committees were formed in the financial year 2017.

Corporate governance

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

No conflicts of interest arose in 2017 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 30 November 2017.

The Management Board and Supervisory Board issued a joint declaration of conformity with the Corporate Governance Code on 30 November 2017 pursuant to section 161 of the German Stock Corporation Act. The declaration has been made permanently available to the public on the company's website. Reference is also made to the corporate governance report on the company's website.

Annual financial statements and consolidated financial statements

HolidayCheck Group AG prepared its annual financial statements and management report in accordance with the statutory requirements of the German Commercial Code (Handelsgesetzbuch, HGB). The consolidated financial statements and the Group management report were prepared in accordance with the International Financial Reporting Standards (IFRSs).

The Munich-based branch office of Pricewaterhouse-Coopers 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 2017 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 (IFRSs). 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 20 March 2018 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 20 March 2018. 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 20 March 2018, the Supervisory Board also examined the management report of HolidayCheck Group AG on the disclosure of related-party transactions in the financial year 2016 (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 20 March 2018 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 2017 and wish them every success in the financial year 2018.

Munich, Germany, March 2018

On behalf of the Supervisory Board

Stefan Winners
Chairperson

THE SUPERVISORY BOARD OF THE HOLIDAYCHECK GROUP AG

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

GROUP MANAGEMENT REPORT OF HOLIDAYCHECK GROUP AG, MUNICH, GERMANY, FOR THE FINANCIAL YEAR 2017

1. Group structure and business model

1.1 Organisational structure

HolidayCheck Group AG is a joint-stock company under German law (Aktiengesellschaft). Its registered office is in Munich, Germany. HolidayCheck Group AG is the parent company of the HolidayCheck Group, a digital group for Holidaymakers with operations in Central Europe. We have been an exchange-listed company for around eighteen years.

In financial 2017 the Group's average total workforce was 442 full-time equivalents (FTEs) based at five locations in Germany, the Netherlands, Poland and Switzerland.

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

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

The Chief Executive Officer (CEO) is Georg Hesse.

The Chief Product Officer (CPO) is Nathan Glissmeyer, who was appointed to the Management Board by the Supervisory Board with effect from 1 January 2017. He succeeds Timo Salzsieder, who stepped down from the Management Board on 28 February and thereafter left the company.

The Chief Financial Officer (CFO) is Markus Scheuermann, who was appointed to the Management Board by the Supervisory Board with effect from 29 May 2017. He succeeds Dr Dirk Schmelzer, who stepped down from the Management Board on 31 March 2017 and thereafter left the company.

In his position as Chief Executive Officer, Georg Hesse has Management Board responsibility (as at 1 January 2018) for the functions and areas shown below:

- information and consultation with the Supervisory Board;
- overall strategy and corporate development;
- HR senior management and junior staff;
- personnel development;
- Group communications;
- Group internal audit.

In his position as Chief Product Officer & Senior Vice President Engineering, Nathan Glissmeyer has Management Board responsibility (as at 1 January 2018) for the functions and areas shown below:

- product development and operation of all the brands owned by HolidayCheck Group AG;
- IT (development and operations);
- product and user experience (UX) including interaction/visual design.

In his position as Chief Financial Officer, Markus Scheuermann has Management Board responsibility (as at 1 January 2018) for the functions and areas shown below:

- financial, investment and personnel planning;
- controlling, reporting, risk management and internal control systems;
- inancial management of long-term equity investments;
- financing and bank relations;
- external financial reporting;
- investor relations;
- personnel administration;
- legal, contract and tax management;
- general administration and purchasing.

1.2 Segments

Since the beginning of financial 2016, the Management Board has steered the Group on the basis of key indicators (Group revenue, Group operating EBITDA and Group equity ratio) 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, Poland 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 in the form of commission for car hire bookings.

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

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

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

1.4 Financial control system with financial and non-financial indicators

HolidayCheck Group AG has developed a financial control system to control and develop each of its subsidiaries. The aim is for those companies to grow faster than the market average.

The financial control system defines a series of indicators for growth in sales revenue, profitability and capital efficiency and for the optimisation of our capital structure.

To this end, a number of key financial indicators are analysed either every month, as in the case of consolidated revenue and Group operating earnings before interest, tax, depreciation and amortisation (EBITDA), or every quarter, as in the case of the equity ratio. These indicators are then compared with the Group's annual forecast figures and the twice-yearly extrapolation forecast.

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

1.4.1 Growth and revenue

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

Growth in sales revenue*

Growth in sales revenue – FY 2017	13.3%
Growth in sales revenue – FY 2016	3.5%

Sales revenue for the reporting period / Sales revenue for the same period in the previous year) x 100 percent
* Revenue comparison based on revenue from continuing operations

1.4.2 Operating Group EBITDA

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

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

Group operating EBITDA*

	FY 2017 EUR million	FY 2016 EUR million
Group operating EBITDA*	1.6	2.7

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

1.4.3 Equity ratio

In order to manage our capital structure, it is essential that we retain broad access to a range of external financing sources on the capital markets to meet any future requirements.

In this context, the decisive indicator we use is the equity ratio (equity / total capital x 100 percent). Information on how the equity ratio is calculated can be found in section 2.2.2.2.1 of this Group management report under the heading 'Capital structure'.

Equity ratio

Equity ratio – financial year 2017	86.1%
Equity ratio – financial year 2016	86.1%

(equity / total capital) x 100 percent

1.4.4 Non-financial performance indicators

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

Sector know-how and employee satisfaction

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

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

In addition, employees and their line managers meet every year for 'Performance & Development' talks.

Employee satisfaction is measured on a weekly basis using an online tool. As at 31 December 2017, this feedback system produced a 'stable' assessment compared with the previous year. As such, our forecast of a 'positive' assessment was not achieved.

Product and service quality and customer satisfaction

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

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

We know that ongoing innovation, which allows us to keep improving our products and services, is vital to our long-term success. Up to now, one of the key indicators we have used to measure quality is the number of A/B tests. These involve showing different versions of a website to various user groups and measuring their responses in order to make ongoing improvements to our offer. Based on the company's own estimate, the number of A/B tests conducted in 2017 was significantly higher than in the previous year.

The 'positive' forecast for 2017 issued in the previous year was therefore achieved.

From financial 2018 onwards, rather than the number of A/B tests, we plan to use a direct year-on-year measure (December 2017 compared with December 2018) of customer satisfaction among users of HolidayCheck (by far the biggest and most important platform operated by the HolidayCheck Group) as our main indicator. Users will be asked how satisfied they are with the various areas of the HolidayCheck website.

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

1.5 Research and development activities

Development activities are conducted on a decentralised basis within the Group companies. To a large extent, HolidayCheck Group AG's subsidiaries draw on their own development resources. Where permitted under accounting rules, the work performed by employees in this field is capitalised as software developed in-house, while the remaining work is recognised as personnel expenses. Whenever subsidiaries make use of externally supplied development services, that work is also capitalised (again where permitted under accounting rules), while the remaining development costs are recognised under other expenses. In general, there are no research expenses. As at 31 December 2017, around 154 HolidayCheck Group employees were assigned to development roles (31 December 2016: 119).

Capitalised development costs for 2016 and 2017 are shown in the table below.

Own work capitalised

Own work capitalised – FY 2017	EUR 3,188 thousand
Own work capitalised – FY 2016	EUR 3,906 thousand

In financial 2017, amortisation charges for internally generated intangible assets were EUR 3.3 million (2016: EUR 2.5 million), while write-downs of own work capitalised came to EUR 0.0 million (2016: EUR 0.2 million).

2. Economic report

2.1 Macro-economic and industry situation

2.1.1 Macro-economic situation

According to a report by Deutsche Bank's Global Market Research unit issued on 15 December 2017, the overall picture of economic activity in the HolidayCheck Group's core sales markets in 2017 was as follows.

Inflation-adjusted gross domestic product (GDP) in the Netherlands rose by 3.0 percent (BIP 2016: 2.2 percent). The analysts put inflation-adjusted growth in Belgian BIP at 1.8 percent (BIP 2016: 1.2 percent). The corresponding figures for Germany, Austria and Switzerland were 2.3 percent (BIP 2016: 1.9 percent), 2.8 percent (BIP 2016: 1.6 percent) and 0.9 percent (BIP 2016: 1.3 percent) respectively.

2.1.2 Industry situation

According to an assessment by the Management Board, the revenue generated from package Holidays in financial 2017 in the core markets targeted by the Group's transaction-based travel portals showed a mid-single-digit increase in percentage terms compared with the previous year, partly due to a stabilisation of the geopolitical situation in popular Holiday destinations. Based on the 2017 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 6.4 percent over the year. In the view of the Management Board, growth among online travel agencies is likely to have been a little above this figure. In the previous year, we forecast moderate low single-digit percentage revenue growth for financial 2017.

As forecast in 2016, the Group's core sales markets were marked by strong competitive pressures.

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

2.2 Business development and performance

The results achieved by the HolidayCheck Group in financial 2017 were very gratifying. Both our revenue and operating result exceeded the Management Board's expectations. Consolidated revenue ended the year 13.3 percent higher at EUR 121.6 million compared with EUR 107.3 million in 2016, primarily as a result of positive industry-wide developments (see 2.1.2). Operating EBITDA amounted to EUR 1.6 million in financial 2017 compared to EUR 2.7 million in the previous year.

Accordingly, the Group's results for 2017 exceeded its forecasts for a year-on-year increase of between 5 and 10 percent in revenue and operating EBITDA between minus EUR 5.0 million and EUR 0.0 million.

The equity ratio as at 31 December 2017 was unchanged year on year at 86.1 percent. As such, the minimum equity ratio of 70.0 percent forecast by the Management Board for 2017 was reached.

2.2.1 Business development

Changes to the composition of the Management Board

Nathan Brent Glissmeyer appointed Chief Product Officer and Senior Vice President Engineering

In December 2016, the Supervisory Board of HolidayCheck Group AG appointed Nathan Glissmeyer (46) to the Management Board in the position of Chief Product Officer (CPO) and Senior Vice President Engineering. He joined the company on 1 January 2017.

Nathan Glissmeyer succeeds Timo Salzsieder, who stepped down from the Management Board on 28 February 2017 and thereafter left the company.

Markus Scheuermann appointed Chief Financial Officer

In February 2017, the Supervisory Board of HolidayCheck Group AG appointed Markus Scheuermann (44) to the Management Board in the position of Chief Financial Officer (CFO). He joined the company on 29 May 2017.

Markus Scheuermann succeeds Dr Dirk Schmelzer, who stepped down from the Management Board on 31 March 2017 and thereafter left the company.

Supervisory Board

By-election to Supervisory Board

At the 2017 annual general meeting (AGM) of HolidayCheck Group AG on 30 May 2017, the shareholders who attended the meeting appointed Holger Eckstein to the company's Supervisory Board in a by-election. He had already been appointed to the Supervisory Board by Munich District Court (Amtsgericht) in January, as proposed by the Boards, for the period up to the end of the general meeting of shareholders.

This followed the resignation of Dr Andreas Rittstieg from the Supervisory Board with effect from the end of the previous year. As Managing Director of Hubert Burda Media Holding, Holger Eckstein is responsible for financial affairs and is therefore an experienced financial expert.

Christoph Ludmann appointed new CEO at Group subsidiary HolidayCheck AG

The Board of Directors of HolidayCheck AG (Bottighofen, Switzerland) appointed Christoph Ludmann to the position of Chief Executive Officer (CEO) at the company with effect from 1 July 2017. He took over from Anja Keckeisen, who stepped down at her own request on 30 June 2017.

Formation of Driveboo AG

As part of a wider growth strategy and to provide greater control, the MietwagenCheck business of HolidayCheck AG was spun off under a demerger agreement and transferred to the newly formed legal entity Driveboo AG. Both companies are wholly owned by HolidayCheck Group AG.

Share buy-back programme successfully completed

Following approval by the Supervisory Board, the Management Board of HolidayCheck Group AG decided on 8 November 2016 to make use of the share buy-back authorisation granted by the annual general meeting on 16 June 2015 in accordance with section 71 paragraph 1 number 8 of the German Stock Corporation Act (Aktiengesetz, AktG). On 18 November 2016, the company began the process of repurchasing its own shares on the capital market. On 6 June 2017, we reached the limit of 1,500,000 HolidayCheck Group AG shares (2.6 percent of the company's share capital) allowed under the buy-back programme, and the offer was therefore closed earlier than anticipated. The shares were bought for a weighted average price of EUR 2.65 per share.

As at 31 December 2017, the company held a total of 1,369,310 treasury shares. This is equivalent to 2.3 percent of its share capital.

Share-based payment plans

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).

Long-term incentive plan 2011-2016

Between 2011 and 2016, phantom shares were issued to members of the Management Board and other staff of HolidayCheck Group AG (formerly Tomorrow Focus AG) and its subsidiaries under a long-term incentive plan (LTIP 2011-2016). The phantom shares entitle the holder to a cash payment based on the average share price over the last one hundred stock exchange trading days up to the payment date. There is no automatic entitlement to shares in HolidayCheck Group AG. The phantom shares were granted in annual tranches. There is no link between these tranches. The last tranche was granted in financial 2016. The revaluation of the tranches still outstanding in respect of 2015 and 2016 generated an expense of EUR 0.3 million.

Long-term incentive plan 2017-2020

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. In financial 2017, the total amount recorded as an expense in respect of the tranches for 2017-2020 was EUR 1.1 million.

Restricted stock plan

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. The aim of this plan is to give employees a stake in the long-term success of the company and therefore provide an incentive for sustained performance.

The plan is open to employees of HolidayCheck Group AG and its subsidiaries who were entitled to a variable salary component when the restricted stock plan was introduced and who agreed to their inclusion in the plan or to a corresponding provision in their employment contract. For employees covered by the restricted stock plan, the previous system of variable remuneration lapsed (subject to transitional rules) on 1 January 2017.

Under the restricted stock plan, employees receive shares in HolidayCheck Group AG. The shares are granted in annual tranches with no link between individual tranches. The first tranche under the restricted stock plan was granted in financial 2017. Employees received their first restricted-stock-plan shares in the third quarter of the year. Following the issue of 102,490 no-par value shares (each with an accounting par value of EUR 1), the total value of shares issued was increased by EUR 102,490. In addition, following the issue of 28,200 no-par value bonus shares, the total value of shares issued was increased by EUR 28,200. As at 31 December 2017, the total figure allocated to the capital and revenue reserves for the restricted stock plan and the bonus shares was EUR 0.3 million.

2.2.2 Performance

2.2.2.1 Income

2.2.2.1.1 Total operating income

At EUR 126.3 million, HolidayCheck Group's total operating income in financial 2017 was 11.5 percent higher compared with the figure of EUR 113.3 million in the previous year.

Revenue showed a year-on-year increase of 13.3 percent from EUR 107.3 million in 2016 to EUR 121.6 million in 2017, largely as a result of higher travel bookings in line with positive industry-wide developments. This figure exceeded the forecast, issued in the 2016 Group management report, of an increase of between 5.0 and 10.0 percent in revenue after adjusting for acquisitions and disposals of long-term equity investments.

At EUR 1.6 million, **other income** was down on the figure of EUR 2.1 million for 2016. This was mainly due to a fall in currency translation income.

The figure for **other own work capitalised** fell by 17.9 percent from EUR 3.9 million in 2016 to EUR 3.2 million in 2017. This decline was mainly due to the increased use of outside contractors, whose work was not included in the statement of income under 'other own work capitalised'.

2.2.2.1.2 EBITDA

Marketing expenses ended the year 12.4 percent higher at EUR 60.7 million compared with the 2016 figure of EUR 54.0 million. This was mainly due to production and placement costs for a long-term brand advertising campaign launched by HolidayCheck AG in June 2017 under the slogan Book your thing. Another factor was a rise in voucher costs, reflecting business growth at HolidayCheck AG.

Personnel expenses in 2017 rose by 17.3 percent to EUR 38.0 million compared with EUR 32.4 million in 2016. A 14.5 percent expansion of the total workforce, primarily in IT development and service centre staff, led to a planned increase in personnel expenses. The other main factors were the introduction of the LTIP 2017-2020 and a revaluation of the LTIP 2011-2016 following the appreciation in the HolidayCheck Group share price. Together with ongoing additions to the long-term incentive plan and other effects, these generated additional personnel expenses of EUR 1.1 million.

At EUR 27.4 million, **other expenses** rose by 13.2 percent in financial 2017 compared with EUR 24.2 million in the previous year. This was mainly due to increased distribution expenses (service centre costs) and higher valuation adjustments to trade receivables due to a case of bankruptcy.

At EUR 0.2 million, **EBITDA (earnings before interest, taxes, depreciation and amortisation)** was down 92.9 percent on the 2016 total of EUR 2.8 million.

2.2.2.1.3 Calculation of operating EBITDA from EBITDA

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

At EUR 1.6 million, **operating EBITDA (operating earnings before interest, tax, depreciation and amortisation)** was 40.7 percent down on the 2016 figure of EUR 2.7 million. As such, the company achieved the target established by the Management Board in 2017 of break-even or above for Group operating EBITDA.

2.2.2.1.4 Other items in the consolidated statement of income

At EUR 5.9 million, **depreciation, amortisation and impairment charges** for 2017 were 1.7 percent higher year on year (2016: EUR 5.8 million).

EBIT (earnings before interest and tax) stood at minus EUR 5.7 million in financial 2017 compared with minus EUR 3.0 million in the previous year.

At minus EUR 0.2 million, the HolidayCheck Group's **financial result** for 2017 was down from EUR 0.2 million in 2016. The main factor here was financial income of EUR 0.5 million received by the company in 2016 in the form of interest payments under a vendor loan repaid in the meantime.

EBT (earnings before taxes) totalled minus EUR 5.9 million at the end of the financial year 2017 and minus EUR 2.8 million in the prior year.

The **tax result** for financial 2017 stood at minus EUR 0.4 million compared with EUR 0.3 million in 2016. This decline was mainly due to deferred taxes on loss carryforwards that were corrected or not fully capitalised in 2017 because of a time limit on their use in the Netherlands. By contrast, a loss carryback in 2016 had produced actual tax income.

Consolidated net profit/(loss) from continuing operations was minus EUR 6.3 million in 2017 (2016: minus EUR 2.5 million).

Consolidated net profit/(loss) from discontinued operations was EUR 0.3 million in 2017 compared with minus EUR 0.4 million in 2016. The figure for financial

Calculation of operating EBITDA from EBITDA

	1 JAN TO 31 DEC 2017 EUR million	1 JAN TO 31 DEC 2016 EUR million
EBITDA	**+0.2**	**+2.8**
Minus: other income Plus: other expenses from revaluation of earn-out or put/call obligations	+0.1	-0.1
Plus: other expenses from personnel obligations linked to share-based payment plans and pension provisions	+1.3	+0.5
Minus: income from reversal of provisions for onerous contracts	0.0	-0.5
Group operating EBITDA	**+1.6**	**+2.7**

2017 includes income from the reversal of provisions in respect of a former business unit. The figure for financial 2016 mainly consists of ex post transaction and consultancy costs, a purchase price adjustment and the reversal of an earn-out receivable.

Consolidated net profit/(loss) was minus EUR 5.9 million in 2017 compared with minus EUR 2.9 million in 2016.

Consolidated comprehensive income for 2017 was minus EUR 5.9 million compared with minus EUR 3.0 million in 2016.

Basic and diluted earnings per share from continuing operations went down from minus EUR 0.04 in the previous year to minus EUR 0.11 in 2017.

Basic and diluted earnings per share from discontinued operations were EUR 0.01 in 2017 compared with minus EUR 0.04 in 2016.

Basic and diluted earnings per share were minus EUR 0.10 in 2017 compared with minus EUR 0.05 in 2016.

2.2.2.2 Asset and financial position

Financial management objectives

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

2.2.2.2.1 Capital structure

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

Capital structure

	31 DEC 2017 EUR million	31 DEC 2016 EUR million	CHANGE in %
Total equity	157.0	165.7	-5.2%
Total capital	182.3	192.5	-5.3%
Equity ratio	86.1	86.1	+/-0.0%

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

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

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

2.2.2.2.2 Investment

Additions to internally generated intangible assets (software) mainly concern HolidayCheck AG. This figure was reduced from EUR 5.7 million in financial 2016 to EUR 5.3 million in the year under review.

2.2.2.2.3 Liquidity

After the successful strategic realignment of the Group and the associated changes made to the consolidated statement of income in 2016, the Management Board decided to amend the structure of the consolidated statement of cash flows accordingly from 2017 onwards. The new structure is designed to offer a more meaningful picture of the Group's business and therefore provides readers with more information. Henceforth, as a result of this new management approach, the consolidated statement of cash flows will include a reconciliation with EBITDA. Further details can be found in section 2.3 of the Notes.

Cash flows

The following section contains an analysis of cash flows from operating, investing and financing activities in the financial years 2017 and 2016.

Net cash used in operating activities fell from minus EUR 1.0 million in 2016 to minus EUR 2.1 million in 2017. This was mainly due to the lower figure for EBITDA.

Net cash used in investing activities was made up of net cash outflows totalling EUR 7.6 million in 2017 compared with net cash outflows of EUR 2.8 million in 2016.

The lower figure for outflows in financial 2016 was mainly due to the effect of inflows totalling EUR 1.1 million from the disposal of intangible and tangible assets (mostly from the sale of organize.me).

In addition, in the financial year 2016, other cash inflows came from the disposal of financial assets totalling EUR 6.9 million (including interest), mainly due to the repayment of a vendor loan granted by HolidayCheck Group AG to Parship Elite Group GmbH on the sale of EliteMedianet GmbH.

Net cash used in financing activities stood at minus EUR 3.9 million in 2017 compared with minus EUR 19.9 million in 2016.

The figure for 2017 includes share buy-back payments of EUR 3.8 million (2016: EUR 0.2 million) and a payment of EUR 0.1 million (2016: EUR 2.1 million) to settle the company's earn-out liabilities following its purchase of the remaining shares in WebAssets B.V. The total for 2016 includes payments of EUR 3.1 million in settlement of cash-pool liabilities to jameda GmbH, which was sold in financial 2015, and cash outflows of EUR 14.5 million in repayment of loans.

As a result, cash and cash equivalents at the end of 2017 stood at EUR 26.2 million, down from EUR 40.1 million at the end of 2016.

Financial resources

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

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

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

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

In order to finance its acquisition of the remaining shares in WebAssets B.V. in 2014, HolidayCheck Group AG signed a new agreement stipulating a fixed purchase price and a variable earn-out obligation that was repaid in full in financial 2016, except for a security deposit of EUR 0.1 million. The security deposit was paid in 2017.

Contractual liabilities

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

Liabilities to banks

As in the prior year, in financial 2017, HolidayCheck Group AG had no liabilities to banks with the exception of the arrangement fee for the syndicated loan.

2.2.2.2.4 Asset position

On the assets side of the consolidated balance sheet, **non-current assets** were up by 0.7 percent from EUR 133.5 million in 2016 to EUR 134.5 million as at 31 December 2017. This was mainly due to an increase in the balance sheet item 'Internally generated intangible assets' by EUR 1.7 million.

At EUR 47.8 million, **current assets** as at 31 December 2017 were 18.8 percent lower compared with the figure of EUR 58.9 million as at 31 December 2016. This was mainly due to a fall of EUR 13.9 million in cash and cash equivalents to EUR 26.2 million as a result of cash outflows (see section 2.2.2.2.3 of this Group management report).

At the same time, trade receivables rose by EUR 4.3 million to EUR 19.5 million due to an increase in business activity. Income tax receivables fell, as the figure for 2016 contained income tax receivables (actually received in 2017) in respect of a tax loss carryback and VAT receivables (shown under 'Other miscellaneous assets'). In 2017, WebAssets B.V. established a VAT reporting entity together with parts of its subsidiaries. As a result, input tax receivables and VAT payables can now be netted off within the WebAssets Group.

On the liabilities side of the consolidated balance sheet, **equity** as at 31 December 2017 decreased by 5.2 percent to EUR 157.0 million from the 2016 year-end figure of EUR 165.7 million. This was due to the negative figure of minus EUR 5.9 million for consolidated comprehensive income and share buy-backs totalling EUR 3.8 million, partly offset by EUR 1.0 million in respect of the share-based payment plan.

As at 31 December 2017, the equity ratio was unchanged year on year at 86.1 percent, above the forecast minimum target of 70.0 percent.

At EUR 8.7 million, **non-current liabilities** were 11.5 percent higher as at 31 December 2017 compared with the year-end figure of EUR 7.8 million for 2016. This was mainly due to an increase in the figure for salaries shown under the balance sheet item 'non-current other miscellaneous liabilities' due to a revaluation of the LTIP 2011-2016 (tranches 2015 and 2016) and the first-time inclusion of the LTIP 2017-2020 (tranches 2018 to 2020).

As at 31 December 2017, **current liabilities** stood at EUR 16.7 million, a decrease of 12.1 percent compared with the 2016 year-end total of EUR 19.0 million. The main factor here was a reduction in current other miscellaneous liabilities on account of lower provisions for bonuses following the switch to a share-based payment plan for employees (restricted stock plan, RSP) in financial 2017.

The figure for **total liabilities** ended the financial year 2017 5.2 percent lower at EUR 25.4 million compared with the 2016 year-end figure of EUR 26.8 million.

Total assets fell by 5.3 percent from EUR 192.5 million at the end of 2016 to EUR 182.3 million as at 31 December 2017.

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

3. Events after the balance sheet date

In January 2018, HolidayCheck Group AG signed a subordination agreement with Driveboo AG in respect of all existing and all future receivables.

4. Report on expected developments, opportunities and risks

4.1 Report on expected developments

4.1.1 Expected macro-economic developments

Deutsche Bank's Global Market Research unit anticipates the following levels of economic growth in the HolidayCheck Group's core sales markets: Inflation-adjusted gross domestic product (GDP) in the Netherlands is expected to grow by 2.5 percent and in Belgium by 2.2 percent.

Inflation-adjusted gross domestic product (GDP) in Austria and Switzerland is expected to grow by 2.5 percent and 2.1 percent respectively. According to the Deutsche Bank experts, inflation-adjusted GDP in Germany is expected to rise by 2.3 percent.

The GDP figures quoted above are based on estimates published by Deutsche Bank AG's Global Market Research unit on 15 December 2017.

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 modest increase in 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 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 a moderate increase in personnel at HolidayCheck Group AG's subsidiaries, mainly in the areas of product and IT development and travel advice. This will entail a modest increase in staff 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. In 2018, we plan to vigorously pursue the brand marketing campaign successfully launched by HolidayCheck in June 2017.

As such, over the first six months of 2018, we will be investing much more heavily in brand advertising (e.g. TV advertising) than in the same period of 2017.

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

The Management Board's forecast for financial 2018 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 2017. Finally, the forecast is based on a generally stable political situation in the countries that represent our most important Mediterranean Holiday destinations.

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

4.1.3.1 Revenue and operating EBITDA

Based on the above assumptions, the Management Board anticipates a year-on-year increase of between 8.0 and 13.0 percent in the HolidayCheck Group's revenue in 2018, after adjusting for any acquisitions or disposals of long-term equity investments and the establishment of new companies.

In view of its plans to increase investment in personnel and marketing, the Management Board expects operating EBITDA in financial 2018 to lie between EUR 2.5 million and EUR 6.5 million.

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

4.1.3.2 Equity structure

With regard to its equity structure, the HolidayCheck Group has set itself the following goal for the financial year 2018:

An equity ratio (equity / total capital x 100 percent) of at least 70.0 percent should be reached in financial 2017. The figure for financial 2017 was 86.1 percent.

4.1.3.3 Non-financial performance indicators

Sector know-how and employee satisfaction

Employee satisfaction within the HolidayCheck Group is measured continuously using an online tool. Looking ahead to 31 December 2018, we expect this feedback system to deliver a 'positive' assessment compared with the baseline at the end of 2017.

Product and service quality and customer satisfaction

To measure the product and service quality and the level of customer satisfaction, HolidayCheck users will be asked how satisfied they are with the various services offered by HolidayCheck. An aggregate value will be calculated monthly, and the resulting body of data will help us to make continuous improvements in terms of user experience. We expect this feedback system to deliver a 'positive' assessment in December 2018, when compared with the same month of 2017.

Non-financial performance indicator

Non-financial performance indicator	Forecast for FY 2018
Sector know-how and employee satisfaction	Positive
Product and service quality and customer satisfaction	Positive

4.1.4 Overall assessment of likely developments

For 2018 as a whole, we expect to implement investments in products and marketing in line with our plans. We also anticipate a stabile economic environment and further intense competition at the same level as in the previous year. Finally, the forecast of the Management Board is based on the assumption that, on the whole, the political situation will be stable in the countries that represent our most important Mediterranean Holiday destinations.

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

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

4.2 Risk report

4.2.1 Risk management system

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

4.2.1.1 Risk policy guidelines

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

- Risk awareness should be consistently heightened at all levels of the Group and its subsidiaries.
- Risk exposure should be limited by taking appropriate measures to prevent potential damage.
- 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 classified using the following model:

Risk categories

INHERENT RISKS	ACTIVE RISKS		
STRATEGIC	OPERATIONAL	FINANCIAL	COMPLIANCE
Competition	Sales	Liquidity	Corporate compliance
Consumers	Personnel	Foreign currency	Data protection
Economy	Organisational structure	Other financial risks	Company and capital market legislation
Technology	Marketing		
Sales	Bookkeeping and accounting		
Other strategic risks			

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

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

Active risks are those which depend on internal factors that can be influenced by the decisions and actions of the HolidayCheck Group and/or its individual companies.

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

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

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.

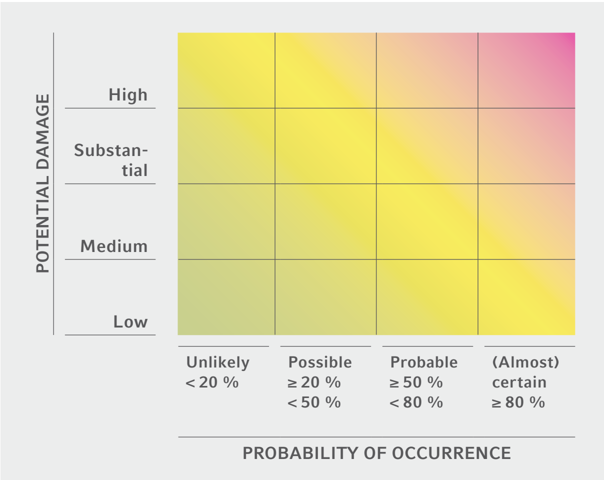
Risk assessment – potential damage

		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)

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 following risk matrix is based on the above classifications.

Risk matrix



4.2.1.3 Risk management structures

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

4.2.1.3.1 Information flow / Ad hoc reporting

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

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

4.2.1.3.2 Role of Management Board and Group Controlling

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

4.2.1.4 Responsibility for the risk management system

Responsibility for updating the risk management system lies with the Group's Management Board, Group Controlling and the senior management teams of the respective subsidiaries. This work may be delegated to a risk management officer who is not a member of a senior management team or the Management Board.

4.2.1.4.1 Establishing a risk management system

The subsidiaries of HolidayCheck Group AG have established their own risk management systems on this basis. These should be documented. Risk workshops should be held as required.

4.2.1.4.2 Maintaining risk management systems at subsidiaries

Responsibility for updating the risk management systems of subsidiaries lies with their respective senior management teams. All subsidiaries have designated a risk management officer as the point of contact for Group Controlling. These risk management officers are also responsible for the ad hoc reporting of specific risks of a critical nature or with the potential to jeopardise the existence of their company and any breaches of compliance rules.

4.2.1.5 System monitoring and documentation

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

The documentation kept by individual Group companies includes details of the organisational measures necessary to establish and operate an effective risk management system. Quarterly reports are also regarded as documentary evidence of the effectiveness of risk management systems.

Risk management officers at subsidiary level are responsible for documenting risks and measures and for implementing the latter on the basis of a uniform scheme.

This documentation provides evidence of the proper functioning of the system for internal and external audit purposes. Responsibility for correct documentation lies with risk officers at subsidiary level and with Group Controlling.

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.

4.2.1.6 Other elements of the risk management system

In addition to the dedicated risk management system outlined above in sections 4.2.1.1 to 4.2.1.5, 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.

4.2.1.7 Monitoring of the risk management system

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

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. They also present their own web services such as Google Hotel Finder. Experience has shown that links placed high up on the first page of search results are opened much more frequently than those on subsequent pages. A higher ranking generally means more traffic, and in turn this can have a positive impact on advertising and business revenue.

As a result, search engine optimisation (SEO) is now a very important tool. Its aim is to ensure that an organisation's web content is placed as high up as possible in the hit lists generated by search engines.

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. This would mean a serious reduction in traffic that could have a significant negative effect on the revenue and earnings position of the web portals affected and thus of the entire HolidayCheck Group group of companies.

In response, the HolidayCheck Group aims to reduce its dependency on search engines, especially Google. This involves boosting the traffic generated through social media platforms. At the same time, we aim to attract visitors directly to our sites, i.e. bypassing search engines, by expanding our mobile offer and presence and intensifying our brand advertising.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 – < 50 percent);
potential damage: high (single Group EBITDA risk ≥ EUR 10 million).

Existing and new competitors

Increased competition (for example due to more intensive marketing campaigns by existing competitors, the entry of new competitors into the market or the introduction of innovative new technology) can undermine website reach and usage and/or the purchase of products and services through the websites operated by HolidayCheck Group companies. In turn, this can lead to a significant decline in revenue and earnings and may even jeopardise the existence of the Group as a whole.

Companies such as Google and Facebook are of particular concern in this context. As described above, the hit lists presented by Google include its own services such as Google Flights, Google Hotel Finder and Google Shopping. This puts Google in direct competition for traffic with other websites, including those operated by the HolidayCheck Group. If high-reach providers with a correspondingly powerful market presence such as Google and Facebook were to introduce new services in the same fields as those covered by the HolidayCheck Group, this could have a similar impact to that of changes in search algorithms, i.e. a serious reduction in traffic and thus a significant downturn in revenue and earnings of those web portals and segments and of the HolidayCheck Group as a whole. The same applies to high-reach media companies (especially in the television industry) that advertise their own web content during broadcasts and may thus compete with the sites operated by the HolidayCheck Group; and to competing Internet groups (including multinationals) with the financial strength needed to invest heavily in marketing and IT in order to introduce their own products in the same sale markets as those targeted by the HolidayCheck Group's websites.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million).

4.2.2.1.1.2 Consumer-related risks

The HolidayCheck Group's travel portals concentrate on business operations in the Holiday sector, especially by facilitating package Holiday and hotel bookings by end users. Any changes in customer behaviour or travel preferences, e.g. greater use of the travel products and services of other providers, could have a negative impact on the future revenue and earnings of the HolidayCheck Group.

In anticipation of changing customer requirements, the HolidayCheck Group continuously develops new products and services and regularly updates its existing portfolio.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: unlikely (< 20 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million).

In light of the increase in our business activity, the potential damage level has been increased from 'medium' in the previous year's report to 'high'.

4.2.2.1.1.3 Economic risks

Subdued demand for travel products in general, e.g. as a result of economic, political, legal or social crises, could lead to a substantial decline in revenue and earnings and even jeopardise the continued existence of the Group.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: substantial (single Group EBITDA risk ≥ EUR 6 million).

4.2.2.1.1.4 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 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 (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).

4.2.2.1.1.5 Technology risks

Driven by the continuous introduction of innovative and in some cases disruptive technology, 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 the HolidayCheck Group's products and services cannot keep pace with these technological changes, it is likely that customers will find them less attractive. In turn, this could lead to a decline in revenue and earnings.

In anticipation of technological and product changes, the HolidayCheck Group continuously develops new products and services and regularly updates its existing portfolio.

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).

4.2.2.1.1.6 Other strategic risks

With regard to the travel portals operated by the HolidayCheck Group, events such as natural disasters, epidemics and terrorist attacks, especially in key Holiday areas but also in our customers' own countries, could lead to a temporary or even long-term downturn in Holiday travel, and therefore have a highly negative impact on the development of HolidayCheck Group's revenue and earnings situation.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 - < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million).

Compared with the previous year, the probability of occurrence has been reduced from 'probable' to 'possible', mainly due to an easing of political tensions in the Mediterranean region and to shifts in the most popular destinations among Holidaymakers.

4.2.2.2 Active risks of the HolidayCheck Group

4.2.2.2.1 Operational risks

4.2.2.2.1.1 General sales risks

From a sales perspective, the success of the HolidayCheck Group's travel portals depends crucially on continuous technical development, on their usability across every type of device and on fast and unrestricted access.

The usability and customer acceptance of our travel portals can be impaired significantly by various factors, especially a failure to keep up with new trends in technology, technical issues such as long page-loading times, inaccurate product and price information, software programming errors, the loss of key data and temporary disruption to individual systems, in particular the booking systems or the entire website. In turn, these problems can lead to substantial losses in revenue and earnings.

In order to limit these risks, we measure indicators such as the response of our customers to new features and products by comparing acceptance levels with those of the original versions in A/B tests. In addition, we monitor the operation of our portals continuously so that we can take appropriate and rapid action in the event of any disruption. To ensure that our systems remain secure and stable, they are connected to geographically separate and redundant data and computer centres. We also conduct regular penetration tests, which involve commissioning an external agency to attack our systems. The findings of these tests are fed directly 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 more 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 (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 - < 50 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million).

4.2.2.2.1.2 Sales risk from mobile shift

In the past, people tended to access the internet primarily from desktop computers. In recent years, however, there has been a growing shift towards mobile devices. This trend, known as 'mobile shift', has brought about fundamental changes in the way people use the internet and in their expectations of existing online services. Given that the conversion rate (the rate at which users are 'converted' into buyers) is currently lower on mobile devices compared with desktop computers, any faster-than-anticipated mobile shift would pose a challenge for the HolidayCheck Group and its online content. If we fail to adapt our web services as effectively as possible to meet the expectations and wishes of mobile users, or if we are slow in doing so, we risk a substantial decline in revenue and earnings.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: probable (≥ 50 - < 80 percent); potential damage: substantial (single Group EBITDA risk ≥ EUR 6 million).

This category of sales risk has been included for the first time in the risk report due to evidence of the growing use of mobile devices to research and book Holidays.

4.2.2.2.1.3 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. Business development could be impaired if a large number of these employees leave the company within a short time span and no adequate replacements can be found. In particular, in the event of increased competition in the labour market to recruit highly-qualified employees, especially people with IT and Internet expertise, there is no guarantee that the Group will be able to retain key personnel over the long term.

The HolidayCheck Group is determined to exploit all business opportunities that present themselves and at the same time counteract general personnel risks through a series of measures, in particular the provision of advanced training for further qualifications and the professional development for employees, rigorous succession planning and additional benefits such as performance-based remuneration systems. As a result of these measures, the company sees itself as an attractive employer and believes that it can draw on its employees' skills to make effective use of the available business opportunities.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: substantial (single Group EBITDA risk ≥ EUR 6 million).

At Group level, the potential damage assessment has been increased from 'medium' in the previous year's report to 'substantial' to reflect the expansion of our workforce and the greater importance of well-qualified employees, especially those with IT skills and travel agency experience.

4.2.2.2.1.4 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 strategic 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, including the cost of integrating newly acquired business activities. Portfolio measures may also result in additional financing requirements, which in turn can increase debt and 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.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: substantial (single Group EBITDA risk ≥ EUR 6 million).

4.2.2.2.1.5 Marketing risks

From a sales perspective, the sustained 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, vouchers and TV advertising, currently makes up the HolidayCheck Group’s largest single block of costs. Any misallocation of marketing tools and channels or lack of precision in the way we appeal to certain target groups can undermine the expected success of those sales activities and result in lower than anticipated revenue and earnings.

To limit these risks, we establish a marketing budget for each brand in our annual business plan. This budget specifies clearly how much can be spent on particular marketing tools and channels. The success of these activities is measured at regular intervals over the year in terms of quality and quantity, and the results are used to identify any adjustments that may be required to the budget and to individual marketing tools and channels.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: medium (single Group EBITDA risk ≥ EUR 1 million).

4.2.2.2.2 Financial risks

4.2.2.2.2.1 Liquidity risks

Various factors can limit the supply of liquidity available to the Group of companies. On the operational side, for example, a general recession in the economy can restrict the availability of credit from banks or at least make it more expensive to obtain finance.

In addition, there is a risk that negative developments on the capital markets could significantly reduce the supply of liquidity from this alternative source, which can be used for capital-raising measures such as cash capital increases and bond issues, or make such measures more expensive. If this occurs, the Group’s available liquid assets may not be sufficient to meet all its financial liabilities on time.

From a medium-term perspective, the Group’s liquidity position is secure. This is partly due to the cash inflows generated by the sale of long-term equity investments in financial 2015.

Looking further ahead, however, the possibility of constraints on the Group’s liquidity position cannot be ruled out entirely. In order to minimise the risk of an unexpected shortfall in liquidity or finance, we conduct regular simulations and scenario analyses relating to our liquidity and financing position.

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).

4.2.2.2.2.2 Foreign currency risks

HolidayCheck AG uses the euro as its functional currency, and liabilities towards it are therefore charged in euros. The income generated by HolidayCheck AG is also calculated in euros. This has reduced the currency risk, although certain risks remain. There is a risk that the company’s salary, rent, marketing and other costs could rise substantially in the event of an increase in the relative value of the Swiss franc against the euro, as was the case in January 2015, and this could have a negative impact on HolidayCheck AG’s earnings situation. For this reason, in 2015, the Management Board decided to invest a portion of its cash reserves in Swiss francs. Compared with 2016, when liquidity reserves were established in Swiss francs, in financial 2017 the company employed hedging transactions for this purpose.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: possible (≥ 20 – < 50 percent); potential damage: medium (single Group EBITDA risk ≥ EUR 1 million).

4.2.2.2.2.3 Other financial risks

Impairment

HolidayCheck Group AG performs annual impairment tests to assess whether there has been any impairment in the respective valuations of long-term equity investments in its separate 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 financial control. Any deviations from targets are reported to the Management Board promptly so that suitable countermeasures can be initiated.

Risk classification (see section 4.2.1.2 of this Group management report)
Probability of occurrence: probable (≥ 50 – < 80 percent); potential damage: high (single Group EBIT risk ≥ EUR 10 million).

4.2.2.2.3 Compliance risks

4.2.2.2.3.1 Corporate compliance risks

The HolidayCheck Group's compliance rules are designed to ensure that our employees behave lawfully, responsibly and sustainably. The aim is to identify potential infringements of these rules and systematically prevent them from occurring. In December 2017, HolidayCheck Group AG set up a new Compliance Board that will hold regular meetings. Its main duty is to establish an appropriate compliance management system (CMS) for the HolidayCheck Group and to ensure that this system is continuously developed. Even so, it is not possible to rule out serious breaches of the compliance rules entirely, whether they are committed negligently or culpably, and any such actions can lead to reputational damage and/or substantial financial damages.

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).

Compared with the previous year, the probability of occurrence has been reduced from 'possible' to 'unlikely', partly due to the introduction of more effective control processes.

4.2.2.2.3.2 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 (see section 4.2.1.2 of this Group management report)
Probability of occurrence: unlikely (< 20 percent); potential damage: high (single Group EBITDA risk ≥ EUR 10 million).

The potential damage level has been increased from 'medium' in the previous year's report to 'high' due to increased business activity.

4.2.2.2.3.3 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).

The potential damage level has been increased from 'low' in the previous year's report to 'medium' due to increased business activity.

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, assets and financial position of the HolidayCheck Group. The overall risk level of the HolidayCheck Group is slightly higher compared with the preceding year, mainly due to increased business activity.

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 facing the Group, 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 (≥ EUR 1 million).

4.3.1.1.2 Consumer-related opportunities

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. Above all, a growing preference among users for package Holidays could lead to increased use of the products and services offered by the travel portals of the HolidayCheck Group and therefore boost its revenue and earnings.

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

4.3.1.1.3 Economic opportunities

Increased demand for travel products in general, e.g. as a result of a strong economic upswing or tax policy incentives, could lead to an improvement in the HolidayCheck Group's revenue and earnings.

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

4.3.1.1.4 General sales opportunities

Expenditure on marketing activities, especially popular marketing tools such as search engine marketing, 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.

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

4.3.1.1.4.1 Opportunities created by mobile shift

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, e.g. through increased use of existing products and services and through the introduction of new products and services that appeal to new user groups.

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

This category of sales opportunity has been included for the first time in the opportunities report due to evidence of the growing use of mobile devices to research and book Holidays.

4.3.1.1.5 Technology opportunities

Driven by the continuous introduction of innovative and in some cases disruptive technology, 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. In turn, this could lead to an increase in revenue and earnings.

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

4.3.1.1.6 Other strategic opportunities

The absence of relevant negative events such as natural disasters, epidemics and especially major terrorist attacks (both in key Holiday areas and in our customers' own countries) could encourage more potential customers to make Holiday bookings and therefore boost the revenue and earnings of the HolidayCheck Group.

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

Compared with the previous year, the probability of occurrence has been increased from 'unlikely' to 'possible', mainly due to an easing of political tensions in the Mediterranean region and to shifts in the most popular destinations among Holidaymakers.

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. In turn, this could boost the 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. The HolidayCheck Group has established various measures designed to foster its employees' long-term loyalty to the company and recruit new, highly-qualified employees. These include a comprehensive programme of staff training and development. In addition, we regularly measure the level of employee satisfaction.

The HolidayCheck Group sees itself as an attractive employer and believes that it can draw on its employees' skills to make effective use of the available business opportunities.

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. In turn, this could boost the revenue and earnings of the HolidayCheck Group.

Our main strategic 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 the Group's 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, 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 boost 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 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. With regard to salary, rent, marketing and other costs payable in Swiss francs, however, there is a chance of currency translation gains if the euro appreciates against the Swiss franc. In turn, this would positively influence the earnings of HolidayCheck AG.

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

Compared with the previous year, the probability of occurrence has been increased from 'unlikely' to 'possible' due to a modest appreciation of the euro against the Swiss franc.

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 Group in 2018 is slightly improved. 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, 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 separate 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 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 and plausibility 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 and evaluated 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 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 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 and 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 to Group companies from key contacts at the Finance and Controlling departments in Munich.
- Any particularly technical or complex matters are clarified on a case-by-case basis with the help of external experts and 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, assets 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 (see section 4.2.2.2.2.2 of this Group management report).

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

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

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

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

7. Takeover-related disclosures and notes pursuant to section 289a, paragraph 4 and section 315a, paragraph 4 German Commercial Code

Share capital structure

As at 31 December 2017, 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 2017, the company held a total of 1,369,310 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 2017, the company received the following notifications in respect of voting rights:

On 2 March 2017, Allianz Global Investors GmbH, Frankfurt am Main, Germany, notified the company pursuant to section 21, paragraph 1 of the German Securities Trading Act that its share of the voting rights in HolidayCheck Group AG, Munich, Germany, on 28 February 2017 had fallen below the 3 percent threshold and on that date had stood at 2.97 percent (equals 1,733,885 voting rights).

On 9 May 2017, Deutsche Asset Management GmbH, Frankfurt am Main, Germany, notified the company pursuant to section 21, paragraph 1 of the German Securities Trading Act that its share of the voting rights in HolidayCheck Group AG, Munich, Germany, on 4 May 2017 had fallen below the 5.00 percent threshold and on that date had stood at 4.99 percent (equals 2,912,283 voting rights).

On 22 September 2017, Deutsche Asset Management GmbH, Frankfurt am Main, Germany, notified the company pursuant to section 21, paragraph 1 of the German Securities Trading Act that its share of the voting rights in HolidayCheck Group AG, Munich, Germany, on 19 September 2017 had fallen below the 3.00 percent threshold and on that date had stood at 2.70 percent (equals 1,572,894 voting rights).

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 11 June 2018 up to a maximum of EUR 14,578,407 by issuing 14,578,407 new no-par value shares in exchange for cash or non-cash contributions (authorised capital 2013). 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 annual shareholders' meeting of 16 June 2015, the Management Board is authorised to purchase the company's own shares subject to the following conditions.

This authorisation is limited to the purchase of the company's own shares worth up to 10.0 percent of its share capital, based on the accounting par value. It may be exercised in full or in partial amounts, on one or more occasions, by the company or by third parties acting on its behalf. The authorisation expires on 15 June 2020.

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

aa) If the shares are purchased on the stock exchange, the consideration per share paid by the company (excluding ancillary purchase costs) may not be more than 10.0 percent higher or 10.0 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 10.0 percent higher or 10.0 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 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 2017, the company held a total of 1,369,310 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

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 in accordance with section 3.10 of the German Corporate Governance Code and section 289f, paragraph 1 of the German Commercial Code. This declaration was 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.*

Commitment to measures promoting the equal participation of women and men in leadership positions in accordance with section 76, paragraph 4 and section 111, paragraph 5 of the German Stock Corporation Act

With regard to the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector (*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst, FührposGleichberG*) version of May 2015, a decision was taken in financial 2015 to implement the required measures at HolidayCheck Group AG by 30 June 2017.

The target of 1/6 female representation on the Supervisory Board of HolidayCheck Group AG was reached. The target set by the Supervisory Board of zero percent for female representation on the Management Board was reached.

The target of 25.0 percent female representation for the next level of management below the Management Board (in the case of HolidayCheck Group AG the only other level of management) was reached exactly.

The targets for female representation were updated in spring 2017. The following targets are to be met by 31 December 2021: Supervisory Board (target 1/6, as at 31 December 2017: 1/6); Management Board (target zero percent, as at 31 December 2017: zero percent); management positions below the Management Board (target 30.0 percent, as at 31 December 2017: 40.0 percent).

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 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, 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. In 2016, the short-term performance-related element of Management Board remuneration was made up of a variable component based on profit targets (34 percent), a component based on revenue targets (33 percent) and a further component based on a mixture of non-financial indicators (employee know-how and satisfaction) and other financial indicators such as capital expenditure and the share price (between 11 and 33 percent). 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. 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 2017 was EUR 3,571,564 (EUR 1,864 thousand in 2016).

In accordance with the recommendations of the German Corporate Governance Code and the requirements of the German Commercial Code (HGB), the following information is provided in respect of the remuneration of individual members of the Management Board who were in office in financial 2017.

Total remuneration of members of the Management Board in office during the FY 2017

TOTAL REMUNERATION	Georg Hesse		Nathan Glissmeyer		Markus Scheuermann		Dr Dirk Schmelzer		Timo Salzsieder	
POSITION	Chief Executive Officer (CEO) since 1 JAN 2016		Chief Product Officer (CPO) since 1 JAN 2017		Chief Financial Officer (CFO) since 29 MAY 2017		Chief Financial Officer (CFO) left the company on 31 MAR 2017		Chief Product & IT Officer (COO) left the company on 28 FEB 2017	
in EUR ,000	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Non-performance-related remuneration	366	366	0	397	0	161	386	97	295	57
Performance-related remuneration [1)]	160	160	0	130	0	60	140	73	100	50
Remuneration based on long-term incentives [2)]	178	800	0	790	0	431	133	0	106	0
TOTAL REMUNERATION	**704**	**1,326**	**0**	**1,317**	**0**	**652**	**659**	**170**	**501**	**107**

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

2) For 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 IFRS2 and on the basis of 100 percent achievement. The 2016 figure contains the 2016 tranche of the LTIP 2011 - 2016.

Benefits granted to members of the Management Board in office during FY 2017

MANAGEMENT BOARD REMUNERATION	Georg Hesse				Nathan Glissmeyer				Markus Scheuermann			
POSITION	Chief Executive Officer (CEO) since 1 JAN 2016				Chief Financial Officer (CFO) since 29 MAY 2017				Chief Financial Officer (CFO) since 29 MAY 2017			
in EUR ,000	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)
Fixed remuneration	340	340	340	340	0	320	320	320	0	149	149	149
Additional benefits [4]	26	26	26	26	0	77	77	77	0	12	12	12
	366	**366**	**366**	**366**	**0**	**397**	**397**	**397**	**0**	**161**	**161**	**161**
Single-year variable remuneration [1]	160	160	0	192	0	130	0	156	0	60	0	71
Special payment	0	0	0	100	0	0	0	100	0	0	0	100
Settlement for LTIP tranche 2017 [2]	0	0	0	0	0	0	0	0	0	0	0	0
Multi-year variable remuneration [3]	**178**	**200**	**0**	**288**	**0**	**175**	**0**	**252**	**0**	**71**	**0**	**103**
of which: LTIP tranche 2017 [5]	0	200	0	288	0	175	0	252	0	71	0	103
of which: LTIP tranche 2016 [5]	178	0			0	0			0	0		
TOTAL	**704**	**726**	**366**	**946**	**0**	**702**	**397**	**905**	**0**	**292**	**161**	**435**
Pension-related expenses	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REMUNERATION	**704**	**726**	**366**	**946**	**0**	**702**	**397**	**905**	**0**	**292**	**161**	**435**

MANAGEMENT BOARD REMUNERATION	Dr Dirk Schmelzer				Timo Salzsieder			
POSITION	Chief Financial Officer (CFO) left the company on 31 MAR 2017				Chief Product & IT Officer (COO) left the company on 28 FEB 2017			
in EUR ,000	2016	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)
Fixed remuneration	360	90	90	90	300	53	53	53
Additional benefits [4]	26	7	7	7	23	4	4	4
	386	**97**	**97**	**97**	**323**	**57**	**57**	**57**
Single-year variable remuneration [1]	140	35	35	35	100	25	25	25
Special payment	0	0	0	100	0	0	0	100
Settlement for LTIP tranche 2017 [2]	0	38	38	38	0	25	25	25
Multi-year variable remuneration [3]	**133**	**0**	**0**	**0**	**106**	**0**	**0**	**0**
of which: LTIP tranche 2017 [5]								
of which: LTIP tranche 2016 [5]	133	0			106	0		
TOTAL	**659**	**170**	**170**	**270**	**529**	**107**	**107**	**207**
Pension-related expenses	0	0	0	0	0	0	0	0
TOTAL REMUNERATION	**659**	**170**	**170**	**270**	**529**	**107**	**107**	**207**

1) The single-year variable remuneration is shown in the case of 100 percent achievement. Pro rata figures are shown for those members of the Management Board who left the company in 2017.
2) Those members of the Management Board who left the company in 2017 also received a pro rata lump-sum settlement in lieu of inclusion in the LTIP tranche 2017.
3) The 2017 figures for multi-year variable remuneration contain four LTIP tranches under the LTIP 2017 - 2020. These are shown at their fair value on the grant date in accordance with IFRS2 and on the basis of 100 percent achievement.. The 2016 figure contains the 2016 tranche of the LTIP 2011 - 2016.
4) The additional benefits for Nathan Glissmeyer in 2017 include non-recurring amounts in respect of rental allowances and removal expenses.
5) 4 year term

In addition, the total remuneration of members of the Management Board in respect of financial 2017 as shown on page 99 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 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.

In financial 2016, the total remuneration of members of the Management Board was capped as follows:

- the overall remuneration payable to Georg Hesse, including the fixed element, the single-year variable element, special payments and multi-year variable components was capped at EUR 1,200 thousand;
- the overall remuneration payable to Dr Dirk Schmelzer, including the fixed element, the single-year variable element, special payments and multi-year variable components was capped at EUR 1,154 thousand;
- the overall remuneration payable to Timo Salzsieder, including the fixed element, single-year variable element, special payments and multi-year variable components was capped at EUR 860 thousand.

The revaluation of the LTIP 2011-2016 for the tranches from 2013 to 2016 created an expense of EUR 226 thousand in financial 2017. This figure includes EUR 55 thousand for Georg Hesse, EUR 80 thousand for Dirk Schmelzer and EUR 36 thousand for Timo Salzsieder. It also includes EUR 55 thousand in respect of members of the Management Board who left the company before 2017 (EUR 39 thousand for Christoph Schuh and EUR 16 thousand for Antonius Bouten).

Benefits received by members of the Management Board in office during financial 2017

BENEFITS RECEIVE	Georg Hesse		Nathan Glissmeyer		Markus Scheuermann		Dr Dirk Schmelzer		Timo Salzsieder	
POSITION	Chief Executive Officer (CEO) since 1 JAN 2016		Chief Product Officer (CPO) since 1 JAN 2017		Chief Financial Officer (CFO) since 29 MAY 2017		Chief Financial Officer (CFO) left the company on 31 MAR 2017		Chief Product & IT Officer (COO) left the company on 28 FEB 2017	
in EUR ,000	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Fixed remuneration	340	340	0	320	0	149	360	90	272	53
Additional benefits	26	26	0	77	0	12	26	7	23	4
	366	**366**	**0**	**397**	**0**	**161**	**386**	**97**	**295**	**57**
Single-year variable remuneration for 2016	0	160	0	0	0	0	86	140	23	100
Single-year variable remuneration for 2017	0	0	0	0	0	0	0	35	0	25
Special payment	0	14	0	0	0	0	0	20	0	25
Settlement for LTIP tranche 2017	0	0	0	0	0	0	0	38	0	25
Multi-year variable remuneration	**0**	**0**	**0**	**0**	**0**	**0**	**96**	**89**	**0**	**0**
of which: LTIP tranche 2013*	0	0	0	0	0	0	0	89	0	0
of which: LTIP tranche 2012*	0	0	0	0	0	0	96	0	0	0
	366	**540**	**0**	**397**	**0**	**161**	**568**	**419**	**318**	**232**
Pension-related expenses	0	0	0	0	0	0	0	0	0	0
Total remuneration	**366**	**540**	**0**	**397**	**0**	**161**	**568**	**419**	**318**	**232**

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

- bonus payments for 2017: EUR 0 thousand (2016: EUR 273 thousand, of which EUR 187 thousand to Antonius Bouten and EUR 86 thousand to Christoph Schuh);
- LTIP payments 2017: EUR 244 thousand, of which EUR 89 thousand to Christoph Schuh and EUR 155 thousand to Antonius Bouten (2016: EUR 193 thousand, of which EUR 96 thousand to Christoph Schuh and EUR 96 thousand to Stefan Winners);
- severance and release payments 2017: EUR 0 thousand (2016: EUR 885 thousand, of which EUR 782 thousand to Christoph Schuh and EUR 103 thousand to Antonius Bouten).

The figure shown for Timo Salzsieder's basic salary in 2016 includes a correction for an incorrect calculation in 2015.

Liabilities to members of the Management Board total EUR 2,424,304.54 (2016: EUR 1,591 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 179 thousand (2016: EUR 239 thousand) to members of the Management Board who left the company before financial 2017. There were no amounts receivable from members of the Management Board.

Shareholdings of Management Board members

Georg Hesse (CEO) held a total of 135,000 HolidayCheck Group shares as at 31 December 2017. This corresponds to approximately 0.23 percent of the company's shares.

Markus Scheuermann (CFO) held a total of 50,000 HolidayCheck Group shares as at 31 December 2017. This corresponds to approximately 0.09 percent of the company's shares.

In financial 2017, HolidayCheck Group AG received the following disclosures of securities transactions involving members of the Management Board pursuant to section 15a of the German Securities Trading Act (see table below):

Transactions involving members of the Management Board

PERSON/ENTITY SUBJECT TO DISCLOSURE REQUIREMENTS	TRANSACTION DATE	TRANSACTION	STOCK MARKET	QUANTITY	SHARE PRICE PER UNIT
Georg Hesse	17 February 2017	Purchase	Xetra	135,000	EUR 2.566
Markus Scheuermann	8 August 2017	Purchase	Xetra	30,000	EUR 3.10127

Share-based remuneration granted in the financial year of 2017 (real shares)

		Georg Hesse	Nathan Glissmeyer	Markus Scheuermann	Total
LTIP Tranche 2017	Fair value on grant date (in EUR '000)	200	175	71	446
	Notional number of shares	38,869	34,011	13,876	86,756
	Personnel expense (in EUR '000)	200	175	71	446
LTIP Tranche 2018	Fair value on grant date (in EUR '000)	200	195	120	515
	Notional number of shares	38,869	37,898	23,322	100,089
	Personnel expense (in EUR '000)	100	98	60	258
LTIP Tranche 2019	Fair value on grant date (in EUR '000)	200	210	120	530
	Notional number of shares	38,869	40,813	23,322	103,004
	Personnel expense (in EUR '000)	67	70	40	177
LTIP Tranche 2020	Fair value on grant date (in EUR '000)	200	210	120	530
	Notional number of shares	38,869	40,813	23,322	103,004
	Personnel expense (in EUR '000)	50	53	30	133

Share-based remuneration granted in the financial year of 2017

		Georg Hesse	Nathan Glissmeyer	Markus Scheuermann	Total
LTIP (2017-2020)	Fair value on grant date (in EUR '000)	800	790	431	2,021
	Notional number of shares	155,476	153,535	83,842	392,853
	Personnel expense (in EUR '000)	417	396	201	1,014

Share-based remuneration granted in the financial year of 2016

		Georg Hesse	Dr Dirk Schmelzer	Timo Salzsieder	Total
LTIP Tranche 2016	Fair value on grant date (in EUR '000)	178	133	106	417
	Notional number of shares	76,655	57,491	45,993	180,139
	Personnel expense (in EUR '000)	178	133	106	417

The number of shares is an estimate based on the XETRA closing price of EUR 2.83 for HolidayCheck Group AG shares on 25 October 2017. The actual reference share price cannot be determined until the year in which the consolidated financial statements for the financial year in which the shares were granted are presented to the annual general meeting. In addition, the total for each tranche from 2017 to 2020 depends on the anticipated level of performance in relation to the specified EBT and revenue targets for the shares granted in financial 2017. As well as the direct expense for the shares, the figure for personnel expenses includes the corresponding income tax at 45.0 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 270,278.55 (2016: EUR 254 thousand). Liabilities towards members of the Supervisory Board totalled EUR 296,369.49 (2016: EUR 234 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 2017:

Remuneration of the members of the Supervisory Board in the financial year of 2017

NAME	FUNCTION	REMUNERATION (EUR '000)
Stefan Winners	Chairperson of the Supervisory Board; Member of the Technology Committee	70
Dr Dirk Altenbeck	Deputy Chairperson of the Supervisory Board; Chairperson of the Audit Committee	69
Aliz Tepfenhart	Member of the Supervisory Board; Member of the Technology Committee	30
Holger Eckstein	Member of the Supervisory Board; Member of the Audit Committee	33
Dr Thomas Döring	Member of the Supervisory Board; Member of the Audit Committee	36
Alexander Fröstl	Member of the Supervisory Board; Chairperson of the Technology Committee	30

Transactions of Supervisory Board members in HolidayCheck Group shares

PERSON/ENTITY SUBJECT TO DISCLOSURE REQUIREMENTS	TRANSACTION DATE	TRANSACTION	STOCK MARKET	QUANTITY	SHARE PRICE PER UNIT
Dr Dirk Altenbeck	12 January 2017	Purchase	Xetra	5,000	EUR 2.52
Dr Dirk Altenbeck	2 May 2017	Purchase	Xetra	5,000	EUR 2.499

Shareholdings of Supervisory Board members

At the end of the financial year 2017, the total number of shares in HolidayCheck Group AG held directly or indirectly by all members of the Supervisory Board stood at 90,671 shares (see table above).

10. Employees

The average headcount of the HolidayCheck Group in 2017 was 442 full-time equivalents (FTEs). The corresponding figure for the Group in 2016 was 386 FTEs.

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 consolidated financial statements as at 31 December 2017 give a true and fair view of the assets and liabilities, financial position and earnings position of the HolidayCheck Group and the Group management report includes a fair review of the development and performance of the business and the position of the HolidayCheck Group, together with a description of the principal opportunities and risks associated with the expected development of the HolidayCheck Group.

13. Final combined declaration

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

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

Munich, Germany, 20 March 2018

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)

Consolidated balance sheet

AS AT 31 DECEMBER 2017

ASSETS	NOTES	31 DEC 2017 € ,000	31 DEC 2016 € ,000
NON-CURRENT ASSETS			
Intangible assets	**10.1.**		
Intangible assets acquired for valuable consideration		17,403	18,136
Internally generated intangible assets		12,517	10,831
Goodwill		100,182	100,182
		130,102	**129,149**
Property, plant and equipment (tangible assets)	**10.2.**		
Land, land rights and buildings		25	18
Other equipment, operating and office equipment		2,934	2,746
		2,959	**2,764**
Receivables and other assets			
Other miscellaneous assets	10.5.	869	868
		869	**868**
Deferred taxes	**10.14.**	**585**	**759**
TOTAL non-current assets		**134,515**	**133,540**
CURRENT ASSETS			
Receivables and other assets			
Trade receivables	10.3.	19,464	15,172
Receivables from affiliated entities	10.4.	174	238
Income tax receivables		150	694
Other miscellaneous assets	10.5.	1,890	2,746
		21,678	**18,850**
Cash and cash equivalents	**10.6.**	**26,155**	**40,085**
TOTAL current assets		**47,833**	**58,935**
TOTAL ASSETS		**182,348**	**192,475**

EQUITY AND LIABILITIES	NOTES	31 DEC 2017 € ,000	31 DEC 2016 € ,000
EQUITY			
Shares issued	10.7./10.8.	56,945	58,247
Capital reserves	10.7.	84,899	84,720
Revenue reserves	10.7.	1,373	0
Other reserves	10.10.	-1,808	-1,822
Consolidated retained earnings		15,575	24,515
TOTAL equity		**156,984**	**165,660**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions for pensions	10.11.	1,298	1,371
Deferred taxes	10.14.	5,458	5,307
Other miscellaneous liabilities	10.18.	1,910	1,127
Total non-current liabilities		**8,666**	**7,805**
CURRENT LIABILITIES			
Other provisions	10.15.	154	390
Liabilities to banks	10.16.	40	40
Trade payables	10.17.	11,682	11,966
Liabilities to affiliated entities	10.4.	44	35
Income tax liabilities		45	160
Other miscellaneous liabilities	10.18.	4,733	6,419
Total current liabilities		**16,698**	**19,010**
TOTAL liabilities		**25,364**	**26,815**
TOTAL EQUITY AND LIABILITIES		**182,348**	**192,475**

Consolidated statement of income

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017

	NOTES	1 JAN - 31 DEC 2017 € ,000	1 JAN - 31 DEC 2016 € ,000
Revenue	11.1.	121,571	107,310
Other income	11.2.	1,572	2,122
Other own work capitalised	11.3.	3,188	3,906
Total operating income		**126,331**	**113,338**
Marketing expenses	11.4.	-60,744	-53,968
Personnel expenses	11.6.	-38,024	-32,394
thereof current benefits		*-36,651*	*-31,934*
thereof long-term incentive plans and pensions	*10.11./10.12./10.13.*	*-1,373*	*-460*
Other expenses	11.7.	-27,366	-24,152
EBITDA		**197**	**2,824**
Depreciation, amortisation and write-downs	10.1./10.2.	-5,945	-5,783
EBIT		**-5,748**	**-2,959**
Financial income	11.8.	4	543
Financial expenses	11.9.	-183	-359
Financial result		**-179**	**184**
EBT		**-5,927**	**-2,775**
Actual taxes	10.14.	-25	782
Deferred taxes	10.14.	-331	-527
Tax result		**-356**	**255**
Consolidated net profit/(loss) from continuing operations		**-6,283**	**-2,520**
Consolidated net profit/(loss) from discontinued operations	**9.2.**	**343**	**-388**
Consolidated net profit/(loss)		**-5,940**	**-2,908**
Consolidated net profit/(loss) attributable to			
equity holders of the parent		-5,940	-2,908
		-5,940	**-2,908**
		in EUR	in EUR
Basic and diluted earnings per share from continuing operations		**-0.11**	**-0.04**
Basic and diluted earnings per share from discontinued operations		**0.01**	**-0.01**
Basic and diluted earnings per share	**10.9.**	**-0.10**	**-0.05**
Average number of shares outstanding		**57,239,925**	**58,311,261**

Consolidated statement of comprehensive income

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017

	NOTES	1 JAN - 31 DEC 2017 € ,000	1 JAN - 31 DEC 2016 € ,000
Consolidated net profit/(loss)		**-5,940**	**-2,908**
Items not subject to reclassification to the statement of income		**-16**	**-184**
Revaluation of defined-benefit plans	10,10,	-16	-184
Change due to revaluation		*-20*	*-224*
Deferred tax effect		*4*	*40*
Items subject to possible reclassification to the statement of income in the future		**30**	**46**
Currency translation differences	10,10,	30	-12
Cash flow hedges		0	58
Changes in fair value recognised in equity		*0*	*-39*
Recognised in the statement of income		*0*	*110*
Deferred taxes on cash flow hedges		*0*	*-13*
Other comprehensive income		**14**	**-138**
Consolidated comprehensive income		**-5,926**	**-3,046**
Consolidated comprehensive income attributable to			
equity holders of the parent		-5,926	-3,046
		-5,926	**-3,046**

Consolidated statement of changes in equity

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017

	Equity attributable to equity holders of the parent company			
	Issued shares			Capital reserves
	Subscribed capital € ,000	Treasury shares € ,000	TOTAL € ,000	€ ,000
NOTES	10.7.	10.7./10.8.		10.7.
1 JANUARY 2016	**58,314**	**0**	**58,314**	**84,808**
Acquisition of own shares	0	-67	-67	-88
Consolidated comprehensive income	0	0	0	0
Net profit/(loss) after taxes according to consolidated statement of income	*0*	*0*	*0*	*0*
Other comprehensive income according to consolidated statement of comprehensive income	*0*	*0*	*0*	*0*
31 DECEMBER 2016	**58,314**	**-67**	**58,247**	**84,720**
1 JANUARY 2017	**58,314**	**-67**	**58,247**	**84,720**
Acquisition of own shares	0	-1,433	-1,433	-15
Addition to revenue reserves	0	0	0	0
Reclassification of purchase of own shares to revenue reserves	0	0	0	0
Effects of share-base payment plans	0	131	131	194
Consolidated comprehensive income	0	0	0	0
Net profit/(loss) after taxes according to consolidated statement of income	*0*	*0*	*0*	*0*
Other comprehensive income according to consolidated statement of comprehensive income	*0*	*0*	*0*	*0*
31 DECEMBER 2017	**58,314**	**-1,369**	**56,945**	**84,899**

Equity attributable to equity holders of the parent company						
Revenue reserves	Other reserves					
€ ,000	for the revaluation of defined-benefit pension plans € ,000	for currency translation differences € ,000	for cash flow hedges € ,000	TOTAL € ,000	Consolidated retained earnings € ,000	TOTAL EQUITY € ,000
10.7.	10.10.	10.10.	10.10.			
0	**482**	**-2,108**	**-58**	**-1,684**	**27,423**	**168,861**
0	0	0	0	0	0	-155
0	-184	-12	58	-138	-2,908	-3,046
0	*0*	*0*	*0*	*0*	*-2,908*	*-2,908*
0	*-184*	*-12*	*58*	*-138*	*0*	*-138*
0	**298**	**-2,120**	**0**	**-1,822**	**24,515**	**165,660**
0	**298**	**-2,120**	**0**	**-1,822**	**24,515**	**165,660**
0	0	0	0	0	-2,367	-3,815
3,000	0	0	0	0	-3,000	0
-2,367	0	0	0	0	2,367	0
740	0	0	0	0	0	1,065
0	-16	30	0	14	-5,940	-5,926
0	*0*	*0*	*0*	*0*	*-5,940*	*-5,940*
0	*-16*	*30*	*0*	*14*	*0*	*14*
1,373	**282**	**-2,090**	**0**	**-1,808**	**15,575**	**156,984**

Consolidated statement of cash flows

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017

	NOTES	1 JAN - 31 DEC 2017 € ,000	1 JAN - 31 DEC 2016 [1] € ,000
CASH FLOW FROM OPERATING ACTIVITIES			
Consolidated net profit/(loss)		-5,940	-2,908
Amortisation, depreciation and write-downs [2]		5,945	5,783
Financial result	11.8./11.9.	179	-184
Taxes	10.14.	356	-255
Consolidated net profit/(loss) from discontinued operations	9.2.	-343	388
EBITDA		**197**	**2,824**
Other non-cash expenses/income [3]		923	-571
Increase/decrease in assets not attributable to investing or financing activities		-3,400	-716
Increase/decrease in liabilities not attributable to investing or financing activities		-26	-1,325
Interest expenses		-164	-999
Income taxes		400	-236
Net cash from operating activities		**-2,070**	**-1,023**
CASH FLOW FROM INVESTING ACTIVITIES			
Cash outflow for internally generated intangible assets		-5,292	-5,695
Cash outflow for investment in tangible and intangible assets		-2,277	-2,322
Cash inflow from disposal of tangible and intangible assets		2	1,062
Cash inflow from disposal of financial assets		0	6,413
Cash inflow from disposal of previously consolidated entities [4]		0	373
Cash outflow for transaction costs arising from disposal of previously consolidated entities [5]		0	-3,195
Cash inflow from interest		2	536
Net cash used in investing activities		**-7,565**	**-2,828**
CASH FLOW FROM FINANCING ACTIVITIES			
Cash outflow for acquisition of treasury shares	10.8./10.9.	-3,815	-155
Cash outflow for repayment of loans to banks		0	-14,500
Cash outflow for payment of cash pool liabilities to deconsolidated entities [6]		0	-3,149
Cash outflows for out-of-period purchase price payments relating to the aquisition of already consolidated entities [7]		-100	-2,100
Net cash used in financing activities		**-3,915**	**-19,904**
Net increase/decrease in cash		**-13,550**	**-23,755**
Cash and cash equivalents at the beginning of the financial year		**40,085**	**63,707**
Valuation-related changes in cash		-380	133
Cash at the end of period		**26,155**	**40,085**

Note

1) Adjustement according to IAS 1 (see notes, section 2.3)

2) In the previous year, EUR 1 thousand from discontinued operations were included in the figure shown for amortisation, depreciation and write-downs.

3) In the financial year, the figure essentially shows exchange rate-related devaluations of currency holdings and asset disposal losses. In the previous year, the item mainly included non-cash income resulting from the settlement with TIE Kinetix GmbH.

4) This item includes a subsequent purchase price payment of EUR 26 thousand relating to the sale of shares in jameda GmbH in financial 2015. Furthermore, the amount comprises earn-out payments of EUR 670 thousand relating to the sale of shares in Cellular GmbH in 2014. In addition the item includes a cash outflow of EUR 323 thousand resulting from a subsequent adjustment of the purchase price for the disposal of shares in EliteMedianet GmbH in 2015.

5) The amount shown for 2016 refers mainly to transaction costs paid in connection with the sale of shares in jameda GmbH.

6) In the current financial year, there was a cash outflow to balance cash pool obligations towards jameda GmbH.

7) Earn-out obligations towards the pre-takeover shareholders of WebAssets B.V. were paid out in 2016 and in 2017.

Consolidated statement of changes in non-current assets

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017 I Part of the notes to the consolidated financial statements

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

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

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

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

Consolidated statement of changes in non-current assets

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2016 I Part of the notes to the consolidated financial statements

	NET CARRYING AMOUNTS	
	31 DEC 2016 € '000	31 DEC 2015 € '000
INTANGIBLE ASSETS		
Intangible assets acquired for valuable consideration	18,136	18,638
Internally generated intangible assets	10,831	7,801
Goodwill	100,182	100,182
	129,149	**126,621**
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS)		
Land, land rights and buildings	18	20
Other plant, furniture and fixtures	2,746	3,164
	2,764	**3,184**
FINANCIAL ASSETS		
Shares in affiliated entities	0	4
Loans	0	6,713
	0	**6,717**

INTANGIBLE ASSETS
Intangible assets acquired for valuable consideration
Internally generated intangible assets
Goodwill
PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS)
Land, land rights and buildings
Other plant, furniture and fixtures
FINANCIAL ASSETS
Shares in affiliated entities
Loans

ACQUISITION AND PRODUCTION COSTS				
1 JAN 2016 € '000	ADDITIONS € '000	DISPOSALS € '000	CURRENCY RESERVES € '000	31 DEC 2016 € '000
32,920	1,330	476	1	33,775
16,878	5,695	1,323	0	21,250
105,261	0	0	0	105,261
155,059	**7,025**	**1,799**	**1**	**160,286**
22	0	0	-1	21
6,950	992	528	-4	7,410
6,972	**992**	**528**	**-5**	**7,431**
4	0	4	0	0
7,232	0	7,213	0	19
7,236	**0**	**7,217**	**0**	**19**

AMORTISATION, DEPRECIATION AND WRITE-DOWNS					
1 JAN 2016 € '000	ADDITIONS[1], AMORTISATION AND DEPRECIATION € '000	ADDITIONS[1] WRITE-DOWNS € '000	DISPOSALS, AMORTISATION AND DEPRECIATION € '000	CURRENCY RESERVES € '000	31 DEC 2016 € '000
14,282	1,783	22	449	1	15,639
9,077	2,471	194	1,323	0	10,419
5,079	0	0	0	0	5,079
28,438	**4,254**	**216**	**1,772**	**1**	**31,137**
2	2	0	0	-1	3
3,786	1,193	118	431	-2	4,664
3,788	**1,195**	**118**	**431**	**-3**	**4,667**
0	0	0	0	0	0
519	0	0	500	0	19
519	**0**	**0**	**500**	**0**	**19**

Note
1) Includes additions of EUR 1 thousand to depreciation on intangible assets of discontinued operations.

HOLIDAYCHECK GROUP AG, MUNICH, GERMANY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017

1. General disclosures

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

In financial 2017, the Group's average total workforce was 442 full-time equivalents (FTEs) based at five locations in Germany, the Netherlands, Poland and Switzerland.

The company is listed in the Prime Standard segment of Deutsche Börse AG, and a total of 58,313,628 shares (ISIN: DE0005495329; 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.

HCG can be contacted at the following addresses:

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

The present and former companies of the HolidayCheck Group AG ('HCG Group') are mentioned in the notes as follows:

- Driveboo AG, Bottighofen, Switzerland ('Driveboo')
- HolidayCheck AG, Bottighofen, Switzerland ('HC')
- HolidayCheck Polska sp. z o.o., Warsaw, Poland ('HCPL')
- HolidayCheck Solutions GmbH, Munich, Germany ('HCS')
- jameda GmbH, Munich, Germany ('jameda')
- MeteoVista B.V., Amsterdam, Netherlands ('MeteoVista')
- TF Digital GmbH, Munich, Germany ('TFD')
- Tomorrow Travel B.V., Amsterdam, Netherlands ('Tomorrow Travel' or 'Tjingo')
- WebAssets B.V., Amsterdam, Netherlands ('WebAssets' or 'WA')

2. Preparation of the annual report – accounting basis and standards

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

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

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

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

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

The consolidated financial statements are prepared on the basis of the single-entity financial statements as at 31 December 2017 of those companies included in the consolidated financial statements.

All International Financial Reporting Standards (IFRSs) that were mandatory and endorsed by the European Union as at 31 December 2017 were applied. This also includes the International Accounting Standards (IASs), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The companies included in the consolidated financial statements all apply the same accounting and valuation policies. There has generally been no change from the accounting and valuation policies applied in HCG's consolidated financial statements for 2016.

Revised IASB standards in the financial year 2017

	Applicable from[1]	Endorsed by EU
Amendments to IAS 7 Disclosure Initiative	1 January 2017	Yes
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	Yes
Annual Improvements to International Reporting Standards (2014-2016 cycle)	1 January 2017/ 1 January 2018	Yes

1) Date first applicable in EU

2.1 Effect of new or revised standards

In addition, the standards shown in the table below were revised or newly issued by the IASB and became mandatory for the financial year commencing on 1 January 2017:

As part of its disclosure initiative, the International Accounting Standards Board (IASB) published amendments to **IAS 7** Statement of Cash Flows. The main amendments involve specifications for additional disclosures in the notes to the financial statements that are intended to allow readers of the financial statements to evaluate changes in the liabilities created by the company's financing activities.

In January 2016, the IASB published amendments to **IAS 12** Recognition of Deferred Tax Assets for Unrealised Losses. These amendments specify the procedure for the recognition and measurement of deferred tax assets in relation to debt instruments recognised at fair value.

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

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

New or revised IASB or IFRIC standards and interpretations – not applied

	Applicable from[1]	Endorsed by EU
IFRS 9 Financial Instruments	1 January 2018	Yes
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Yes
IFRS 16 Leases	1 January 2019	Yes
IFRS 17 Insurance Contracts	1 January 2021	No
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019	No
Amendments to IAS 28 relating to Investments in Associates and Joint Ventures	1 January 2019	No
Amendments to IAS 40: Transfers of Investment Property	1 January 2018	No
Amendments to IFRS 2: Classification and Measurement of Share-based Payments	1 January 2018	No
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	Yes
Amendments to IFRS 9 Financial instruments: Prepayment Features with Negative Compensation	1 January 2019	No
IFRS 15 clarifications	1 January 2018	Yes
IFRIC 22: Foreign Currency Transactions and Advance Consideration	1 January 2018	No
IFRIC 23: Uncertainty over Income Tax Treatment	1 January 2019	No
Annual Improvements to International Reporting Standards (2015-2017 cycle)	1 January 2019	No

1) Date first applicable in EU

2.1. New or revised standards and interpretations – not applied

The IASB has adopted the following new or revised standards that are relevant in principle to HCG from our current perspective. However, as these standards are not yet mandatory or have not yet been formally endorsed by the European Union, they have not been applied to the consolidated financial statements as at 31 December 2017. New standards or amendments to existing standards must be applied to financial years that begin on or after the standards take effect. HCG does not generally apply standards before they become mandatory even though certain standards provide for this option (see table above).

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

The potential impacts were examined as part of a Group-wide project to implement the new standard. Based on the current assessment of senior management, the initial and ongoing application of this standard will have no significant impact on the consolidated financial statements of HCG.

Since HCG's balance sheet contains neither equity instruments nor hedging relationships, and its financial assets and liabilities contain either no or only minor financing components, our analysis focused on the following point:

In light of the new rules on impairment (especially with regard to trade receivables), any expected losses will be recognised earlier in the statement of income. Due to the specific nature of our business model (trade receivables can be created up to several months before they fall due), we already have experience of performing valuation write-downs.

Given that we have previously written down the value of receivables and constantly monitor the probability of default, we do not anticipate any significant changes as a result of the expected losses model. Furthermore, at present HCG has no non-current trade receivables, and based on our current assessment we will have no significant contract assets in the future. It is possible, however, that changes may arise from the introduction of new business models.

In nearly all cases, the HCG Group recognises financial assets and liabilities in the category 'amortised cost' in accordance with IFRS 7. At present, therefore, we expect that IFRS 9 will entail no or only minor changes in valuation and recognition.

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

HCG intends to exercise the option of applying the modified retrospective method. This means that contracts which were not fulfilled completely as at 1 January 2018 will be shown as though they had been recognised from the beginning in accordance with IFRS 15. The cumulative effect of this switch will be shown in equity with no impact on income. Comparative figures for the same periods in the previous year will not be adjusted. Instead, notes will be added to explain changes in items in the balance sheet and statement of income for the current period that result from the first-time application of IFRS 15.

The potential impacts were examined as part of a Group-wide project to implement the new standard. Based on the current assessment of senior management, HCG does not anticipate any impact from the switch on the presentation of the revenue reserves.

The Group-wide project produced the following assessments of matters with potential impacts:

- no contract assets are anticipated;
- there is not expected to be any significant impact on the level of revenue; the stipulation concerning the subsequent recognition of revenue in the event that significant rights are granted, e.g. with respect to future discounts, is currently irrelevant to HCG as no such contractual components are in place;
- our existing agreements are not affected by an assessment of whether HCG products are sold for own account (principal = gross revenue) or for account of a third party (agent = net revenue);
- there are currently no expenses for sales commissions (customer acquisition costs) that would in future need to be capitalised and spread over the estimated customer retention period;
- contract liabilities (previously shown under liabilities as deferred income) are shown separately for the first time.

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

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

IFRS 16 is to be applied to annual reporting periods beginning on or after 1 January, 2019. Early adoption is permitted if IFRS 15 is already being applied. It is likely that the HCG Group will apply IFRS 16 for the first time for the financial year beginning on 1 January 2019. A decision has not yet been taken on the alternatives provided by the standard for the transition to IFRS 16 (i.e. full or partially retrospective implementation). The potential impact of IFRS 16 on the consolidated financial statements is currently being assessed. As things stand, the HCG Group anticipates a small increase in total assets (around 2 percent) when IFRS 16 is first applied because of an increase in leasing liabilities and a similarly high increase in property, plant and equipment (tangible assets) due to the requirement to capitalise rights of use. In future, write-downs and interest expenses will be shown in the statement of income instead of leasing expenses. This will produce a small improvement in EBITDA (approximately EUR 2 to EUR 3 million). With regard to the options and exemptions available under IFRS 16, the HCG Group is likely to apply the following approach:

- rights of use and leasing liabilities will be shown separately in the balance sheet;
- the recognition, valuation and presentation rules of IFRS 16 will probably not be applied to current leasing relationships and leasing relationships in which the asset in question is of minimal value;
- in the case of contracts which contain both leasing and non-leasing components, there will be no separation; each leasing component will be presented with the other associated contractual components as a leasing relationship.

IFRIC 22 clarifies which rate of exchange is to be used when first recognising a foreign currency transaction in the company's functional currency in cases where the company has made or received advance payment before the corresponding asset, expense or income has been recognised. The main factor in determining the exchange rate to be used for the underlying asset, income or expense is the date on which the non-monetary asset or non- monetary liability created by the advance payment is first recognised.

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

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

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

The HCG Group currently takes the view that the potential impact of the remaining published standards and interpretations that have not yet been adopted by the EU is of less or no importance to the Group's income, asset and financial position.

2.3 IAS 1/ IAS 8 disclosures

Changes to the structure of the consolidated statement of cash flows

After the successful strategic realignment of the Group and the associated changes made to the consolidated statement of income in the previous year, the Management Board decided to amend the structure of the consolidated statement of cash flows accordingly from 2017 onwards. The new structure is designed to provide a clearer and more informative picture of the Group's business activities.

Henceforth, as a result of this new management approach, the consolidated statement of cash flows will include a reconciliation with EBITDA.

To facilitate a year-on-year comparison, the following adjustments have been made to the consolidated statement of income for the financial year 2016.

New structure of chashflow statement

		Prior-year figure € ,000	Reclassification € ,000	New classification € ,000
CASH FLOW FROM OPERATING ACTIVITIES				
Consolidated net profit/(loss)		-2,908		-2,908
Adjustments for translation of net profit/(loss) after taxes to inflows/outflows				
–	Financial income	-543	543 [1)]	0
+	Financial expenses	359	-359 [1)]	0
	Financial result		-184 [1)]	-184
+	Depreciation, amortisation and write-downs	5,783		5,783
	Taxes		-255 [2)]	-255
+/–	Disposal gains/losses from discontinued operations	144	-144 [3)]	0
	Consolidated net profit/(loss) after taxes of discontinued operations		388 [3)]	388
+/–	Personnel expenses resulting from incentive and stock option plans	495	-495 [4)]	0
–/+	Unrealised price gains and losses on financial assets	-27	27 [5)]	0
–/+	Change in deferred taxes	527	-527 [2)]	0
+/–	Change in provision for pensions	146	-146 [6)]	0
=	**Operating result before changes in net working capital**	**3,976**		
	EBITDA			**2,824**
–/+	Gains/losses from disposal of non-current assets	-2	2 [5)]	0
–/+	Increase/decrease in assets not attributable to investing or financing activities	-1,208	492 [2) 7)]	-716
+/–	Increase/decrease in liabilities not attributable to investing or financing activities	-2,198	873 [2) 3) 4) 6) 7)]	-1,325
–/+	Changes in receivables from/liabilities to affiliated entities	-50	50 [7)]	0
+/–	Other non-cash expenses/income	-542	-29 [5)]	-571
=	**Changes in net working capital**	**-4,000**		
=	**Cash from current operations**	**-24**		
–	Interest expenses	-999		-999
	Income tax payments/refunds		-236 [2)]	-236
=	**Net cash used in operating activities**	**-1,023**	**0**	**-1,023**
CASH FLOW FROM INVESTING ACTIVITIES				
+	Cash inflow from disposal of tangible and intangible assets	1,062		1,062
	Cash outflow for internally-generated intangible assets		-5,695 [8)]	-5,695
–	Cash outflow for investment in tangible and intangible assets	-8,017	5,695 [8)]	-2,322
+	Cash inflow from interest	536		536
+	Cash inflow from disposal of financial assets	6,413		6,413
+/–	Cash inflow from disposal of previously consolidated entities	373		373
–	Cash outflow for transaction costs arising from disposal of previously consolidated entities	-3,195		-3,195
=	**Net cash used in investing activities**	**-2,828**	**0**	**-2,828**

		Prior-year figure € ,000	Reclassification € ,000	New classification € ,000
CASH FLOW FROM FINANCING ACTIVITIES				
–	Cash outflow for acquisition of treasury shares	-155		-155
–	Cash outflow for the repayment of loans to banks	-14,500		-14,500
–	Cash outflow for payment of cash pool liabilities to deconsolidated entities	-3,149		-3,149
–	Cash outflow for purchase price payments relating to the acquisition of already consolidated entities	-2,100		-2,100
=	**Net cash used in financing activities**	**-19,904**	**0**	**-19,904**
VALUATION-RELATED CHANGES IN CASH				
+/–	Change in value of cash due to closing rate changes	-6	6[9)]	0
+/–	Exchange rate-related revaluation or devaluation of currency holdings	139	-139[9)]	0
=	**Valuation-related changes in cash**	**133**		**0**
=	**Net increase/decrease in cash**	**-23,622**		**-23,755**
	Cash and cash equivalents at the beginning of the financial year		**63,707[9)]**	**63,707**
	Valuation-related changes in cash		133[9)]	133
+	Cash and cash equivalents at the beginning of the financial year	63,707	-63,707[9)]	0
=	**Cash at the end of period**	**40,085**	**0**	**40,085**

Legend:

Cashflow Statement old structure

Cashflow Statement new structure

Footnotes:

1) Financial income and financial expenses are combined into a single financial result in the restructured statement.
2) Tax credit inflows and income tax payments were previously shown separately below the consolidated statement of cash flows. Changes in deferred taxes were reconciled separately and changes in income tax receivables and liabilities were allocated to the items 'Increase/decrease in assets/liabilities not attributable to investing or financing activities'. The restructured statement includes reconciliations with the management indicator EBITDA, thus adjusting the tax result, and income tax payments/refunds (the last item under the heading 'Cash flow from operating activities') are shown after netting off.
3) In the restructured statement, consolidated net profit/(loss) from discontinued operations is completely recalculated to allow for translation to EBITDA. Previously, the statement only showed results from disposals of discontinued operations and the relevant increase/decrease in liabilities not attributable to investing or financing activities.
4) Personnel expenses for incentive and stock option plans were previously shown separately. In the restructured statement, they are shown under the increase/decrease in liabilities not attributable to investing or financing activities.
5) 'Unrealised price gains and losses on financial assets' and 'Gains/losses from disposal of non-current assets' were previously shown separately. In the restructured statement, they are shown under 'Other non-cash expenses/income'.
6) Changes in provisions for pensions are now shown under 'Increase/decrease in liabilities not attributable to investing or financing activities'.
7) Changes in receivables from/liabilities to affiliated entities were previously shown separately. In the restructured statement, they are shown under the increase/decrease in assets/liabilities not attributable to investing or financing activities.
8) In the restructured statement, cash outflows for self-generated intangible assets are shown separately under the heading 'Cash flow from investing activities' rather than (as previously) under 'Cash outflow for investment in tangible and intangible assets'.
9) In the restructured statement, value-related changes in cash are no longer included in the calculation of the net increase/decrease in cash. Instead, they are inserted afterward this sub-total.

3. Principles of consolidation

The consolidated financial statements comprise the annual accounts of HolidayCheck Group AG and its subsidiaries as at 31 December 2017, which is the balance sheet date for all Group entities. Subsidiaries are companies that are controlled by HolidayCheck Group AG, i.e. if the company is exposed to risk, or has rights to variable returns, from its involvement with the long-term equity investment, and the Group is in a position to use its power over the equity investment to affect the returns of the latter.

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

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

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

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

Business combinations

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

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

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

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

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

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

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

4. Segment reporting

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

Over the course of financial 2015, as part of a strategy of realignment, HCG sold all its operating companies outside the Travel segment with the exception of MeteoVista and organize.me. The assets of organize.me were sold in February 2016, and the company itself was then amalgamated into HCG with retrospective effect from 1 January 2016.

Starting in financial 2016, the Management Board will therefore manage the Group on the basis of key indicators for the travel group's entire business rather than on a segment basis. The previous business segments have either been wound up or combined. The non-operating parent company is not managed separately and is therefore no longer shown as a separate segment. Accordingly, the Group's activities are not broken down by business segment in the consolidated financial statements.

5. Reporting currency and currency translation

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

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

In the financial year 2017, with the exception of HolidayCheck Polska, whose functional currency is the zloty (PLN), all entities within the Group adopted the euro (EUR) as their functional currency.

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

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

6. Accounting and valuation principles

The companies included in the consolidated financial statements all apply the same accounting and valuation principles. The following section describes the main accounting and valuation principles applied in the preparation of these consolidated financial statements.

Accounting and valuation principles

BALANCE SHEET ITEMS	VALUATION BASIS
ASSETS	
Intangible assets (excluding goodwill):	
with specified useful life	Amortised acquisition/production cost
with unspecified useful life	Lower of cost and recoverable amount
Goodwill	Lower of cost and recoverable amount
Property, plant and equipment (tangible assets)	Amortised acquisition/production cost
Financial assets	Fair value/Amortised cost
Trade receivables	Fair value/Amortised cost
Other assets (current and non-current):	
Other miscellaneous assets	Amortised acquisition cost
Cash and cash equivalents	Nominal value
LIABILITIES	
Provisions	Present value of future settlement value
Pensions	Projected unit credit method
Liabilities to banks	Fair value/Amortised cost
Trade payables	Fair value/Amortised cost
Other miscellaneous liabilities	Fair value/Amortised cost

Intangible assets

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

Intangible assets acquired from third parties in return for payment are recognised at cost. Where there is a definite normal useful life, this figure is reduced by amortisation according to the straight-line method over the intangible assets' normal useful lives.

They are recognised only if it is sufficiently probable that a future benefit will thus accrue to the enterprise and the acquisition costs of the asset can be reliably determined.

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

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

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

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

1. technical feasibility of the completion of the asset so that it is available for internal use and/or sale;
2. the intention to complete the intangible asset and to either use or sell it;

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

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

Expenses for general development that do not meet the above criteria are recognised immediately as expense in accordance with IAS 38.

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

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

Amortisation of intangible assets

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

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

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

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

Depreciation of property, plant and equipment

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

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

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

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

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

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

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

All goodwill and all intangible assets with an unspecified useful life and intangible assets that are not yet in use are not subject to amortisation. Up to and including the financial year 2016, they were tested for impairment on the balance sheet date, or whenever there were particular grounds for doing so, in order to determine whether they had kept their value. In financial 2017 and subsequent financial years, this impairment test was/will be brought forward to 31 October for organisational reasons. The company has brought forward the multi-annual planning process to the third quarter, and the plan is now drawn up directly after the annual strategy meetings.

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

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

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

Financial investments are valued at the costs of acquisition. If there are grounds to believe that a financial investment shown in the balance sheet at the cost of acquisition may need to be impaired, an impairment test is conducted. Any impairment is then recognised in profit or loss.

Financial instruments

The accounting treatment and valuation of financial assets and liabilities (financial instruments) are based on the rules laid out in IAS 39.

They are allocated by management to one of the following categories:

- loans granted by the company and receivables;
- financial instruments measured at fair value and recognised in profit or loss;
- financial assets available for sale;
- financial assets held to maturity;
- borrowings by the company and financial liabilities.

On initial recognition of financial instruments these are measured at cost, corresponding to the fair value of the consideration given on acquiring them. Transaction costs are included in as far as the financial instrument is not recognised at fair value through profit or loss.

Financial assets and liabilities measured at fair value and recognised in profit or loss refers to financial assets held for trading purposes and financial assets that were classed on initial recognition as being measured at fair value and recognised in profit or loss. Financial assets are classed as held for trading purposes if they have been acquired with the intention of selling them in the near future. Derivatives that are not held for hedging purposes are allocated to the category of 'financial instruments measured at fair value and recognised in profit or loss'.

Financial assets and liabilities held for trading purposes are measured at fair value. This category mainly includes derivative financial instruments which are not linked to an effective hedging relationship as described in IAS 39 and which must therefore be classified as held for trading purposes. Any profit or loss from subsequent valuations is shown in the statement of income.

The HCG Group uses derivative financial instruments as a hedge against currency risks linked to its operating activities. It does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at fair value. The fair value is also taken into consideration in subsequent valuations, and the fair value of traded derivative financial instruments corresponds to their market value. This value can be positive or negative. If a market value cannot be determined, the fair value must be calculated using recognised actuarial models.

Financial instruments measured at fair value and recognised in profit or loss are recognised at their value on the settlement date, taking account of fluctuations in value between the trade date and the settlement date. They are measured at their market values on the balance sheet date. The resulting income or expense is immediately recognised in the statement of income.

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

Financial instruments such as **cash and cash equivalents, receivables and payables** are measured at their nominal value. Because of their maturity, this is also their fair value.

Loans and receivables are non-derivative financial liabilities or assets with fixed or identifiable payments that are not listed on an active market. After initial recognition, they are measured at amortised cost using the effective interest rate method less any impairment. If they are derecognised or written down or their value reduced by amortisation, any profits and losses are recognised in profit and loss in the same period.

Valuation adjustments are made in response to identifiable risks of default in the case of loans and receivables. The value of available-for-sale financial assets is adjusted as soon as there is objective information pointing to a permanent loss of value. On subsequent measurement, such impairment charges may be wholly or partly reversed if there are objective indications that the fair value of the assets in question has risen back up.

Financial instruments are derecognised when the underlying rights and obligations expire or are transferred.

As a general rule, financial assets and financial liabilities are not netted in the financial statements. They are only netted if there is at the time a legally enforceable right to offset the amounts in question and the Group intends to arrange for settlement on a net basis.

As at 31 December 2017, no financial instruments were allocated to the category 'financial assets available for sale' or 'financial assets held to maturity'.

Derivative financial instruments

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

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

Profits or losses from changes to the fair value of derivative financial instruments during the financial year that do not meet the criteria for recognition as hedging relationships are immediately shown in profit or loss together with the ineffective portion of an effective hedging instrument.

Share-based payments

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

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

Share-based payments with cash settlement form part of a long-term incentive plan (LTIP 2011-2016) for senior staff and members of the Management Board. In accordance with IFRS 2, these payments are recognised as personnel expenses and as a corresponding increase in other liabilities. See 10.12. 'Employee stock option plans of the company'.

The share-based payments with settlement in the form of company shares are granted under a long-term incentive plan (LTIP 2017-2020) for members of the Management Board and a stock option plan (RSP) for employees and managers. In accordance with IFRS 2, these payments are recognised as personnel expenses and as a corresponding increase in other liabilities or equity. See 10.12 'Employee stock option plans of the company'.

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

In addition to the long-term incentive plan for senior staff and members of the Management Board, a share-based payment programme is also in place for the managing director of a subsidiary. See 10.13. 'Stock options for a managing director at WebAssets B.V.'

Cash and cash equivalents

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

Other non-financial assets

Other non-financial assets are measured at amortised cost. Any risks associated with these assets are taken into account by means of valuation adjustments.

Equity

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

Treasury shares

Items shown under **equity** are recognised at their nominal value. The company's **purchases of its own shares (treasury shares)** were offset against the total for shares issued and its free reserves (capital reserve as per section 272 paragraph 2 no. 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 – must be returned to those reserves. If the income from their sale exceeds the original purchase price of the treasury shares, the difference must be placed in the capital reserve in accordance with section 272, paragraph 2, no. 1 German Commercial Code.

Provisions

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

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

Current and deferred income tax

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

Deferred tax assets and liabilities are generally formed for all temporary differences between the amounts recognised for tax purposes and the amounts recognised according to IFRSs approaches. This is done according to the liability method, which reflects the Group's expectations at the balance sheet date. The deferred tax assets also include unused tax credits resulting from the expected utilisation of existing tax loss carryforwards in subsequent years and whose realisation is sufficiently certain. Deferred taxes are determined on the basis of the tax rates that apply under current tax legislation in the individual countries at the time of realisation or the rates that are expected to apply when a deferred tax asset is realised or a deferred tax liability settled. Deferred taxes based on events that are recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

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

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

Other miscellaneous liabilities and other financial liabilities

Other miscellaneous liabilities are recognised if it is expected that there will be an outflow of resources that embody an economic benefit in order to settle a liability and this amount can be reliably determined. Liabilities are measured at amortised cost using the effective interest method.

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

Realisation of income and expenses

Revenue is recognised in application of IAS 18. Revenue is shown less value-added tax (VAT), income deductions and credits, after the elimination of intragroup sales.

Commission revenue generated as an online travel agency from the brokerage of package holidays and hotel bookings is realised once the contractual obligation to the tour operator has been fulfilled.

Advertising revenue is included in profit in the month in which the advertisement is placed.

Revenue for services is recognised when the service has been provided. Services are also provided within the framework of offsetting transactions. Unless these are of the same type, in which case they have to be eliminated in accordance with SIC-31, services provided are shown gross in revenue and services received in the corresponding expense items.

Interest income is calculated using the effective interest rate method.

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

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

7. Determining fair value

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

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

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

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

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

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

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

- level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than the quoted market prices included within level 1 that are directly observable for the asset or liability or that can be derived indirectly from other prices;
- level 3 inputs are unobservable inputs for the asset or liability.

8. Estimates, assumptions and judgments

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

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

Impairment of goodwill and of intangible assets with unspecified useful lives

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

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

As at 31 December 2017, the carrying amount of goodwill stood at EUR 100,182 thousand (31 December 2016: EUR 100,182 thousand). Details of intangible assets and the assumptions on which impairment tests are based can be found in section 10.1 of these notes under the heading ‘Intangible assets’.

Loss carryforwards

HCG and its subsidiaries recognise deferred tax assets for tax loss carryforwards, in as far as it is sufficiently certain that the loss carryforwards will be utilised in tax planning. For tax planning purposes, HCG and its subsidiaries have to make estimates of the tax results to be achieved in the future. As at 31 December 2017 the deferred tax assets for loss carryforwards amounted to EUR 323 thousand (EUR 543 thousand in 2016) (see also section 10.14. ‘Deferred taxes’).

Provisions

HCG recognises provisions at the amount necessary, according to the best possible estimates, to cover all legal or de facto liabilities that the Group has on the balance sheet date. Future events that could affect the amount needed to meet a liability are reflected in the size of the provision, providing they can be predicted with sufficient objective certainty. The amount recognised is that which is most likely on an objective assessment of the facts. In the case of large volumes, calculation is based on the anticipated figure. As at 31 December 2017, other provisions amounted to EUR 154 thousand (EUR 390 thousand in 2016) (see also section 10.15. ‘Other provisions’).

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

Share-based payments

Costs that arise from the granting of equity instruments and from share-based payments to staff and members of the Management Board with cash settlement are measured within the Group at the fair value of the equity instruments at the time when they are granted. The most suitable valuation method has to be identified in order to estimate the fair value of share-based payments; the choice of method will depend on the conditions under which the entitlements were granted. When producing this estimate, the Group also has to determine suitable input parameters for the chosen method (in particular the anticipated term of the option, volatility and dividend yield) and make corresponding assumptions. The assumptions and methods applied when estimating the fair value of share-based payments are described in section 10.12 ‘Employee stock option plans of the company’.

Scope of consolidation as at 31 December 2017

COMPANY	PRINCIPAL PLACE OF BUSINESS	Shareholding in percent in percent	Equity as at 31 Dec 2017 € ,000	Income in 2017 € ,000
HolidayCheck Group AG	Munich, Germany	-	-	-
HolidayCheck AG	Bottighofen, Switzerland	100.00	96,342	1,581
HolidayCheck Polska Sp. z o.o. 1)	Warschau, Poland	100.00	675	224
HolidayCheck Solutions GmbH	Munich, Germany	100.00	69	0
Driveboo AG	Bottighofen, Switzerland	100.00	-607	-660
Tomorrow Travel B.V.	Amsterdam, Netherlands	100.00	-1,596	-59
WebAssets B.V.	Amsterdam,Netherlands	100.00	31,417	-1,365
Zoover Media B.V. 2)	Amsterdam, Netherlands	100.00	3,276	-2,764
Zoover International B.V. 2)	Amsterdam, Netherlands	100.00	3,953	1,170
Zoover GmbH 2)	Munich, Germany	100.00	-115	-11
Meteovista B.V. 2)	Amsterdam, Netherlands	100.00	16,848	1,130
SARL Zoover France 2) 3)	Paris, France	100.00	88	1
Zoover Travel B.V. 2)	Amsterdam, Netherlands	100.00	-171	-1

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

9. Disclosures relating to subsidiaries

9.1. Composition of the Group

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

As at 31 December 2017, HCG held shares in the entities shown in the table above.

9.2. Discontinued operations and sale of subsidiaries

The annual report of HolidayCheck Group AG for the financial year 2016 contains detailed information about its withdrawal from the Publishing, Subscription and B2B businesses. This information is also included in the following notes and disclosures.

Derecognition of a liability from the former Publishing segment

In financial 2017 HCG derecognised a liability of EUR 343 thousand in respect of the former Publishing segment.

In financial 2016, a settlement agreement was concluded with Parship Elite Group GmbH

In 2016 an agreement was concluded on 30 August 2016 to settle definitively all the outstanding claims of both parties. The agreement led to purchase price adjustments (subsequent payments) of EUR 463 thousand and ex post selling costs of EUR 156 thousand.

In financial 2016, HolidayCheck Group AG sold part of the assets of its subsidiary organize.me GmbH (Munich, Germany) in an asset deal

On 1 February 2016, HolidayCheck Group AG sold all the main assets of organize.me GmbH in an asset deal for a total of EUR 1,000 thousand. The company's business-to-business (B2B) activities and assets were sold to a third party, whereas parts of its business-to-customer (B2C) operations are being reused within the Group. The B2C online storage services and app were closed down on 29 February 2016.

As at 31 December 2015, these assets were classed as held for sale. Following the sale, however, this classification was no longer applicable.

Under the terms of an amalgamation agreement dated 25 July 2016, organize.me GmbH was merged into HolidayCheck Group AG with effect from 1 January 2016.

In financial 2016, HolidayCheck Group AG concluded an agreement on the early settlement of earn-out receivables from the sale of shares in Cellular GmbH

In April 2016 HolidayCheck Group AG concluded a settlement agreement with the buyers of Cellular GmbH in respect of possible earn-out receivables. Under the terms of the agreement, the buyers settled all their obligations through a payment of EUR 670 thousand. This receivable had been recognised for the first time at the repayment value as at 31 March 2016. The deal generated income of EUR 670 thousand.

Impact on the consolidated financial statements

Given their importance to the earnings, assets and financial position of HolidayCheck Group AG, the above-mentioned sold subsidiaries and Group business units that have been sold constitute discontinued operations within the meaning of IFRS 5.

No assets or liabilities were allocated to the Group's discontinued operations in the financial year under review or in the previous year.

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

In financial 2016, the main impact on the Group's discontinued operations was from ex post transaction and consulting expenses, a purchase price adjustment and the settlement of an earn-out receivable.

The consolidated net profit/(loss) after taxes is shown in the table on the top of the next page.

In financial 2017, consolidated net profit/(loss) from continuing operations (i.e. including other comprehensive income of EUR 14 thousand) stood at minus EUR 6,269 thousand. Comprehensive income from discontinued operations amounted to EUR 343 thousand.

In financial 2016, net profit/(loss) from continuing operations (i.e. including other comprehensive income of minus EUR 138 thousand) stood at minus EUR 2,658

Consolidated net profit/(loss) after taxes for the period 1 January to 31 December 2016

	B2B activities € ,000	Publishing € ,000	Subscription € ,000	TOTAL € ,000
Revenue	0	0	4	4
Other income	0	0	73	73
Other own work capitalised	0	0	0	**0**
Expenses	0	0	-113	**-113**
Operating result (EBIT)	**0**	**0**	**-36**	**-36**
Financial result	0	0	0	**0**
Attributable income tax expense	0	0	0	**0**
Income/loss after taxes	**0**	**0**	**-36**	**-36**
Gains/(losses) on disposal of discontinued operations	670	-343	-679	-352
Attributable income tax expense	0	0	0	0
Net profit/(loss) from discontinued operations	**670**	**-343**	**-715**	**-388**
Earnings per share (EUR)	0.01	-0.01	-0.01	-0.01

thousand. Comprehensive income from discontinued operations amounted to minus EUR 388 thousand.

There is no change in the presentation of cash flows attributable to the operating, investing or financing activities of discontinued operations. These are shown in the consolidated statement of cash flows for both 2017 and the previous comparison year 2016. As required, cash flows from discontinued operations are also presented in detail in the notes to the financial statements.

The following table contains a breakdown of cash flows from discontinued operations:

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

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

Cash flow from discontinued operations for the period 1 January to 31 December 2016

	B2B activities € ,000	Publishing € ,000	Subscription € ,000	TOTAL € ,000
Net cash flow from operating activities	0	0	-101	**-101**
Net cash flow from investing activities	670	0	-2,492	**-1,822**
Net cash flow from financing activities	0	0	-3,149	**-3,149**
Net cash flow from discontinued operations	**670**	**0**	**-5,742**	**-5,072**

In the financial year 2016, the impact of the purchase price adjustment on cash flow and profit and loss in the Subscription segment was EUR 323 thousand.

9.3. Other changes

Restructuring of HolidayCheck AG

As part of a wider growth strategy, the Mietwagen-Check section of HolidayCheck AG was spun off under a demerger plan and transferred to the newly formed legal entity Driveboo AG with effect from 1 January 2017. Both companies are wholly owned by Holiday-Check Group AG.

Zoover Internet Teknolojileri Tuzim Ticaret Ltd. wound up

Zoover Internet Teknolojileri Tuzim Ticaret Ltd., based in Kusadasi, Turkey, was wound up.

HolidayCheck Group AG pays off remaining earn-out obligation from the purchase of additional shares in WebAssets B.V.

In February 2016, HolidayCheck Group AG concluded a settlement agreement with the pre-takeover shareholders of WebAssets B.V. in respect of its remaining earn-out obligations. The EUR 100 thousand retained as security was paid in financial 2017.

10. Notes to the consolidated balance sheet

10.1. Intangible assets

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

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

This item also includes the customer bases acquired as a result of the business combinations with WebAssets EUR 1.575 thousand (2016: EUR 2.329 thousand) as well as acquired software.

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

Impairment losses totalled EUR 0 thousand (2016: EUR 0 thousand) for brand names and other Internet domains with an undefined useful life.

The **internally generated intangible assets** of EUR 12,517 thousand (2016: EUR 10,831 thousand) entirely concern software developed in-house, e.g. website programming and mobile applications.

If additional software that has been developed and produced in-house is complete and ready to use, the capitalised development costs are written down over the normal useful life of the software. The company has set the normal useful life of software development costs capitalised within the HCG Group at 5 years.

With regard to the development of acquisition/production costs and the amortisation of intangible assets, reference is made to the consolidated statement of changes in non-current assets for the financial years 2017 and 2016.

The year-end carrying amount of intangible assets under development was EUR 335 thousand (2016: EUR 649 thousand).

The total figure for **goodwill** in 2017 stood at EUR 100,182 thousand (2016: EUR 100,182 thousand) and derives from the following acquisitions:

Goodwill from acquisitions

	31 DEC 2017 € '000	31 DEC 2016 € '000
HolidayCheck AG	69,091	69,091
WebAssets B.V.	31,091	31,091
Goodwill	**100,182**	**100,182**

As required by IAS 36, all goodwill is subjected to an annual impairment test based on value in use following the procedure outlined in section 6 entitled 'Accounting and valuation principles'. In each case, the company concerned acts as the cash-generating unit.

Goodwill and intangible assets with an unspecified useful life as at 31 December 2017

	Allocated goodwill and intangible assets with an unspecified useful life		Valuation parameters				
	Goodwill € '000	Brand names and Internet domains € '000	Average revenue growth	Average EBITDA margin	Growth rate of perpetuity	Discounting rate before tax	Detailed planning period (years)
HolidayCheck AG	69,091	3,895	11.4% (2016: 9.7%)	12.7% (2016: 6.3%)	1.1% (2016: 1.1%)	7.8% (2016: 7.8%)	5 (2016: 5)
WebAssets B.V.	31,091	9,146	11.4% (2016: 8.5%)	20.4% (2016: 22.7%)	1.1% (2016: 1.1%)	7.7% (2016: 7.8%)	5 (2016: 5)

With regard to all other Group companies, the mandatory annual impairment tests confirmed that there had been no impairment of capitalised goodwill.

The mandatory annual impairment tests for goodwill and for intangible assets with an unspecified useful life were based on the assumptions as at 31 October 2017 shown in the table above.

Goodwill and intangible assets with an unspecified useful life were written down on the basis of impairment testing. With regard to the goodwill for HolidayCheck AG, a 12 percent higher WACC and an 8 percent reduction in the average EBITDA margin would have led to the carrying value falling below its recoverable value. Turning to the goodwill for WebAssets B.V., a 1.5 percent rise in the WACC and a 4 percent decrease in the average EBITDA margin would have led to the carrying value falling below its recoverable value.

When determining value in use for the cash-generating units, HCG takes the view that changes in the main assumptions classed as 'possible' will not lead to a situation where the carrying amounts of those units exceed their recoverable amounts.

10.2. Property, plant and equipment (tangible assets)

Property, plant and equipment relates primarily to 'Other equipment, operating and office equipment' with a value of EUR 2,934 thousand (2016: EUR 2,746 thousand).

With regard to the development of acquisition/production costs and the depreciation and impairment of property, plant and equipment (tangible assets), reference is made to the consolidated statements of changes in non-current assets for financial years 2017 and 2016.

The changes in non-current assets are presented in the relevant tables on pages 112 to 115.

Trade receivables

TRADE RECEIVABLES € ,000	CARRYING AMOUNT	THEREOF NOT IMPAIRED OR OVERDUE ON THE REPORTING DATE	NOT IMPAIRED ON REPORTING DATE AND PAST DUE IN THE FOLLOWIG PERIODS				
			less than 30 days	between 31 and 60 days	between 61 and 120 days	between 121 and 360 days	more than 360 days
as at 31 December 2017	19,464	18,615	487	251	94	17	0
as at 31 December 2016	15,172	13,581	697	515	182	197	0

10.3. Trade receivables

The company constantly monitors trade receivables. All receivables have been tested for impairment to determine whether their fair value is lower than their amortised cost. Default risks are taken into account through appropriate valuation adjustments.

The table above shows the due dates of trade receivables.

As at 31 December 2017, there were individual allowances for bad debts of EUR 1,409 thousand (2016: EUR 1,093 thousand). In 2017, the individual allowances for bad debts included additions of EUR 464 thousand (2016: EUR 241 thousand) and allowances used of EUR 148 thousand (2016: EUR 39 thousand). There are no indications that the creditors of the receivables for which an allowance has not been made or which are not overdue will not meet their payment obligations within the stipulated period. In addition, there were general allowances totalling EUR 925 thousand (2016: EUR 524 thousand) in respect of uninsured but not yet due receivables for travel agency services.

10.4. Receivables from and liabilities to affiliated entities

Receivables and payables in relation to affiliated entities are mainly due to trade relationships. All receivables and payables are measured at fair value. Their value has not been adjusted due to impairment, and they are not past due.

10.5. Other miscellaneous assets

Other miscellaneous assets mainly consist of tax receivables (including future value-added tax refund entitlements, i.e. German input tax, deductible in the following month), interest receivables, items in transit, claims against insurance companies, creditors with debit balances, prepaid expenses and prepayments received. Other miscellaneous current assets fell by EUR 856 thousand compared with the previous year. This was primarily due to the decline in VAT receivables. WebAssets B.V. established a VAT reporting entity together with parts of its subsidiaries. As a result, input tax receivables and VAT payables can now be netted off within the WebAssets Group.

10.6. Cash and cash equivalents

Cash and cash equivalents are made up of cash on hand amounting to EUR 4 thousand (2016: EUR 7 thousand) and cash at banks of EUR 26,151 thousand (2016: EUR 40,078 thousand). Further details of the changes in the Group's cash position can be found in the consolidated statement of cash flows.

10.7. Equity

Shares issued

The year-end figure for shares issued by the company stood at EUR 58,313,628. This total is divided into 58,313,628 no-par value shares, each with an accounting par value of EUR 1. All shares in the company are fully paid up.

The buyback programme covering 1.5 million no-par value shares and the issue of 130,690 no-par value shares under an employee stock option plan had the combined effect of reducing the figure for total shares issued by EUR 1,369,310 (see also 10.8 below).

As at 31 December 2017, the company held a total of 1,369,310 treasury shares, equivalent to around 2.3 percent of its share capital.

Capital reserves

As at 31 December 2017, the capital reserves of HCG were EUR 84,899 thousand. This reduction of EUR 15 thousand compared with the figure for 2016 was due to the buy-back of own shares. There was an increase of EUR 194 thousand because of the issue of no-par value shares under the employee stock option plan.

Purchase of own shares 2017

MONTH	NUMBER OF SHARES	PORTION OF SHARE CAPITAL in percent	VOLUME-WEIGHTED AVERAGE PRICE (€)	TOTAL PRICE (€)
January 2017	199,285	0.3%	2.51599	501,398.93
February 2017	171,905	0.3%	2.50570	430,742.67
March 2017	293,467	0.5%	2.58396	758,307.81
April 2017	205,523	0.4%	2.53394	520,783.75
May 2017	441,487	0.8%	2.80212	1,237,100.89
June 2017	121,386	0.2%	3.01935	366,506.82
TOTAL	**1,433,053**	**2.5%**	**2.66204**	**3,814,840.87**

The capital reserves are made up of payments into the reserve from capital increases. They may only be utilised as provided for by German stock corporation law.

According to section 150 of the German Stock Corporation Act, the statutory reserve and the capital reserves prescribed by section 272, paragraph 2, numbers 1 to 3 of the German Commercial Code must together exceed a tenth of the share capital, so that they can be used to offset losses or for a capital increase out of company funds. As long as the total of statutory reserve and capital reserve does not exceed a tenth of the share capital, they may only be used to make up for losses in as far as the loss cannot be covered by carrying forward profits or by the net income for the year and cannot be balanced by releasing other revenue reserves.

Revenue reserves

The annual general meeting held on 30 May 2017 adopted a resolution to appropriate EUR 3,000 thousand to the revenue reserves. As at 31 December 2017, EUR 2,367 thousand, the amount by which the repurchased shares exceeded their nominal value, was offset against the revenue reserves. In addition, an amount of EUR 740 thousand was recognised as the increase in the revenue reserves in connection with the share-based payment plan. The 2017 year-end total for the HCG Group's revenue reserves was EUR 1,373 thousand.

In financial 2017, the company bought back 1,433,053 shares on the stock exchange for a total purchase price (excluding incidental costs) of EUR 3,815 thousand. The difference between the total purchase price paid for the treasury shares and the amount to be deducted from the company's share capital was EUR 2,381 thousand. Of this amount, EUR 15 thousand was transferred to the capital reserve as required under section 272 paragraph 2 no. 4 of the German Commercial Code and EUR 2,367 thousand to the other revenue reserves.

Authorised capital

At the general meeting of shareholders held on 12 June 2013, it was decided to nullify authorised capital 2010, last valued at EUR 21,204,957 and at the same time to authorise the Management Board, subject to Supervisory Board approval, to undertake one or more increases in the company's share capital until 11 June 2018 of up to EUR 14,578,407 in exchange for cash and/or non-cash contributions (authorised capital 2013). The Management Board is authorised to exclude shareholders' statutory subscription rights.

Contingent capital

The general meeting of shareholders held on 16 June 2015 adopted a resolution to create new contingent capital of **EUR 11,600,000 (contingent capital 2015)**. This contingent capital is used to grant shares to the holders of convertible bonds and/or bonds with warrants. The authorisation is valid up to 15 June 2020.

Purchase of own shares

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

10.8. Treasury shares

From 30 November 2016 up to and including June 2017, the company acquired a total of 1,500,000 of its own shares at an average price of around EUR 2.65 per share on the capital market. By 31 December 2016 it had already repurchased 66,947 no-par value shares at an average weighted price of EUR 2.31.

In June, August and December of financial 2017, the company transferred 130,690 no-par value shares, each representing EUR 1 of its total share capital, to employees of the HolidayCheck Group under a restricted stock plan (RSP) and in the form of bonus shares. The buying and selling prices for each tranche of shares granted is shown in the following table.

Buying and selling prices of shares issued

NUMBER OF NO-PAR VALUE SHARES	PORTION OF SHARE CAPITAL in percent	AVERAGE STOCK EXCHANGE PRICE AT PURCHASE (€)	BUYING PRICE (€)	STOCK EXCHANGE PRICE AT ISSUE (€)	SELLING PRICE (€)	PURPOSE
25,000	0.04%	2.30	57,403.41	3.18	79,525.00	Bonus shares
102,490	0.18%	2.39	244,692.31	3.06	313,526.73	RSP
3,200	0.01%	2.53	8,098.56	2.74	8,765.60	Bonus shares
130,690	**0.22%**		**310,194.28**		**401,817.33**	

Changes in equity are shown in the consolidated schedule of changes in equity on pages 108 to 109.

10.9. Earnings per share

Earnings per share in the reporting period, in relation to the shares issued or assumed as issued were as shown in the following table below.

Earnings per share

		2017	2016
Consolidated net profit/(loss) accruing to shareholders of HCG	(EUR ,000)	-5,940	-2,908
of which from continuing operations	(EUR ,000)	-6,283	-2,520
of which from discontinued operations	(EUR ,000)	343	-388
Weighted average of issued shares	**(units)**	**57,239,925**	**58,311,261**
Earnings per share			
of which from continuing operations	(EUR)	-0.11	-0.04
of which from discontinued operations	(EUR)	0.01	-0.01

Development of other reserves in the financial year

	Reserves for the revaluation of defined-benefit pension plans € '000	Reserves for currency translation differences € '000	TOTAL € '000
Initial level as at 1 January 2017	**298**	**-2,120**	**-1,822**
Revaluation of defined-benefit pension plans	**-16**		**-16**
Change due to revaluation	-20		-20
Deferred tax effect	4		4
Currency translation differences		**30**	**30**
Final level as at 31 December 2017	**282**	**-2,090**	**-1,808**

10.10. Other reserves

The item 'other reserves' relates to currency reserves for currency differences arising from the translation of the results of companies whose functional currency is not the same as that of the Group. It also includes a reserve for the revaluation of defined-benefit pension plans as shown in the table above.

10.11. Provisions for pensions

As at 31 December 2017, the provision for pensions amounted to EUR 1,298 thousand (EUR 1,371 thousand in 2016). This figure relates to the entitlements of HolidayCheck AG and Driveboo AG employees.

In order to deliver its own occupational pension scheme, HolidayCheck AG and Driveboo AG have joined a number of collective foundations. At present, the companies maintain three employee pension schemes that pay out on retirement or invalidity, with benefits for the dependents of deceased employees. As a minimum, the benefits provided under these schemes comply with the statutory requirements as prescribed in the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans - LOB - (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge, BVG). The level of death and invalidity benefit depends on the underlying salary, while the retirement benefit is based on the credits accumulated by employees when they retire. In accordance with IAS 19 (revised), these plans should be classed as defined-benefit plans.

The expense of EUR 524 thousand in the financial year 2017 (2016: EUR 573 thousand) was recognised in the statement of income as shown in the table below.

Development of pension obligations in the financial year

	2017 € '000	2016 € '000
Present value of pension obligations at 1 January	4,633	3,735
Expenses for additional pension entitlements acquired in the financial year	540	567
Employee contributions	502	444
Interest expenses for existing entitlements	29	29
Pensions payments in the financial year	-568	-596
Gains/(losses) resulting from change in demographic assumptions	0	25
Gains/(losses) resulting from changes in financial assumptions	-36	87
Gains/(losses) resulting from experience adjustments	339	300
Exchange rate changes in the case of plans in a currency other than EUR	-419	42
Past service costs and settlements	-25	0
Present value of pension obligations at 31 December	**4,995**	**4,633**

Out of these obligations, plan assets are in place covering EUR 4,995 thousand (2016: EUR 4,633 thousand).

Development of plan assets in the financial year

	2017 € '000	2016 € '000
Present value of plan assets at 1 January	-3,262	-2,734
Interest income	-21	-23
Employer contributions	-502	-440
Employee contributions	-502	-444
Pension payments in financial year	568	596
Return on plan assets excluding amounts recognised as interest income	-284	-189
Exchange rate changes in case of plans in a currency other than EUR	305	-28
Present value of plan assets at 31 December	**-3,698**	**-3,262**

The plan assets do not include any financial instruments belonging to the company or property used by the company. The actual income from the plan assets amounts to EUR 305 thousand (2016: EUR 212 thousand).

Breakdown of plan assets

	2017 in percent	2016 in percent
Equity instruments	23.5	21.0
quoted	*20.8*	*18.7*
not-quoted	*2.7*	*2.3*
Debt instruments	20.6	21.8
quoted	*19.7*	*21.6*
not-quoted	*0.9*	*0.2*
Property	17.3	17.5
quoted	*2.5*	*2.6*
not-quoted	*14.8*	*14.9*
Alternative instruments [1]	0.0	0.0
quoted	*0.0*	*0.0*
not-quoted	*0.0*	*0.0*
Cash	3.8	4.9
Assets from insurance policies	0.0	0.0
Other	34.8	34.8
quoted	*0.0*	*0.0*
not-quoted	*34.8*	*34.8*
TOTAL	**100**	**100**

1) Private equity and hedge funds

Derivation of pension provisions in the year under review

	2017 € '000	2016 € '000
Present value of plan assets at 31 December	-3,698	-3,262
Present value of pension obligations at 31 December	4,996	4,633
Benefit obligations in excess of assets	1,298	1,371
Net defined benefit liability at 31 December	**1,298**	**1,371**

Derivation of pension expenses in the year under review

	2017 € '000	2016 € '000
Expenses for additional pension entitlements acquired in the financial year	-541	-567
Interest expenses for existing entitlements	-29	-29
Interest income	21	23
Past service costs and settlements	25	0
Expense recognised in the statement of income	**-524**	**-573**

Actuarial assumptions

	2017 in percent	2016 in percent
Interest rate	0.70	0.65
Rate of salary progression	1.00	1.00
Rate of pension progression	0.00	0.00

The assumptions made with regard to future mortality rates are based on death statistics published in Switzerland (LOB 2010). The length of this pension commitment is based on an assumed period of 17.5 years (2016: 17.4 years) for HolidayCheck AG and a period of 14.8 years for Driveboo AG.

In 2018, the company expects to make contributions to the plan of EUR 543 thousand (contributions in 2017: EUR 502 thousand).

Sensitivity analysis

	Change in the assumption	2017 Increase in the assumption	2017 Decrease in the assumption	2016 Increase in the assumption	2016 Decrease in the assumption
		Effects on obligations (EUR ,000)			
Discount rate	0.50%	-399	471	-370	437
Salary progression in the future	0.50%	110	-125	152	-168
Increase in pensions in the future	0.50%	181	-160	172	-152
Life expectancy	1 year	70	-61	66	-57

There are a number of risks associated with HC's and Driveboo's own pension plans. The collective foundations joined by HolidayCheck AG and Driveboo AG could change their financing systems (contributions and future benefits) at any time. They may cancel agreements provided that they observe the contractual and statutory notice periods. They may also ask the employer and employees to pay higher risk and cost premiums. In the case of ASGA (a Swiss pension fund for small and medium-sized companies) it may even levy remedial contributions from the employer and employees to rectify any lack of cover if other measures fail to do so.

10.12. Employee stock option plans of the company

HolidayCheck Group AG currently maintains three share-based payment plans: the restricted stock plan (RSP) for employees of HolidayCheck Group AG and its subsidiaries and the long-term incentive plan 2017-2020 (LTIP 2017-2020) for members of the Management Board of HolidayCheck Group AG, which replaced the long-term incentive plan 2011-2016 (LTIP 2011-2016). Under IFRS 2 rules, all the above plans are classed as share-based payment agreements.

Plan description: LTIP 2011-2016

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

Vesting of the phantom shares conferred under the LTIP is subject to meeting individually negotiated EBTA targets or corridors for each financial year. Depending on the extent to which targets are met in the financial year in which the tranche was granted, the original number of phantom shares is increased or reduced. If a specified minimum target is not achieved or if the company's liabilities exceed a certain threshold, entitlement to the granted phantom shares may be forfeited completely. After this point, the 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 minimum 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.

Plan description: LTIP 2017-2020

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

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

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

After deducting all the corresponding taxes payable, the resulting figure (in EUR) is divided by the 'reference price' for HolidayCheck Group AG shares in order to calculate the number of shares to be awarded for that tranche. The reference price is defined as the average closing price of HolidayCheck Group AG shares on the XETRA trading system over the last one hundred stock exchange trading days up to the 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. 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.

Plan description: Restricted stock plan

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.

The plan is open to employees of HolidayCheck Group AG and its subsidiaries who were entitled to a variable salary component when the restricted stock plan was introduced and who agreed to their inclusion in the plan or to a corresponding provision in their employment contract. For employees covered by the restricted stock plan, the previous system of variable remuneration lapsed without replacement on 1 January 2017.

Under the restricted stock plan, employees receive shares in HolidayCheck Group AG. The shares are granted in annual tranches with no link between individual tranches. The first tranche under the restricted stock plan was granted in financial 2017. Under the terms of the plan, employees are entitled to a specific, individually agreed target amount in EUR (the 'grant value'). The target amount is generally equal to the employee's previous variable remuneration based on 100 percent target achievement, or it may be specified in the employee's contract.

For each RSP tranche, the individual grant value is converted into shares (restricted stocks) on the basis of the price of HolidayCheck Group AG shares on the grant date. The grant date for the restricted stocks is 1 June of each year. The applicable share price is the price of HolidayCheck Group AG shares at the point when they are taken out of the HolidayCheck Group AG treasury holding. If the total of all the shares granted exceeds the total number of treasury shares held by HolidayCheck Group AG in the grant year, HolidayCheck Group AG is entitled to fulfil the RSP entitlement of employees in cash. At present, HolidayCheck Group AG does not plan to use this option.

Once they have been granted, the shares must generally be held for two years. After this period, the holder is free to choose when to sell them, i.e. there are no further restrictions on shares granted under the RSP.

Transitional rules have been established to cover the introduction of the new variable remuneration system, i.e. for the 2017 tranche of the RSP. Employees whose contracts commenced before 31 December 2017 may – depending on the level and structure of their 'total target remuneration', i.e. their basic salary and their previous 'target bonus' (previous variable remuneration based on 100 percent achievement of targets) – transfer their target bonus to the RSP in specified proportions of 0, 50, 75 or 100 percent. This option will not be available from financial 2018, when the RSP will be used as the variable remuneration mechanism for all qualifying employees.

There is also a special holding period rule for shares granted in the 2017 tranche. The holding period for half of the shares granted ends after just one year and for the other half after two years. Employees who are granted shares in the 2017 tranche also qualify for a 'share match'. After the shares have been granted and held for one year, employees receive matching shares. The matching ratio is 1:2 or 1:3 depending on the employee's individual total target remuneration, i.e. employees will receive one additional bonus share for every two or three shares in the 2017 tranche held at the end of the one-year holding period.

LTIP 2011-2016

Outstanding phantom shares at 1 January 2017	729,930*
Phantom shares granted	0
Phantom shares forfeited	0
Phantom shares paid out	226,001
Outstanding phantom shares at 31 December 2017	503,929

*Estimated number of shares - The actual number of shares depends on the initial reference price which could not be determined until the annual general meeting for the financial year 2016.

Granted shares: LTIP 2011-2016

The last tranche of LTIP 2011-2016 shares was granted in financial 2016. No further virtual LTIP 2011-2016 shares were granted in financial 2017.

Granted shares: LTIP 2017-2020

The LTIP 2017-2020 was set up in financial 2017, when 392,852 shares* were granted. On the grant date, these had a total allocation value of EUR 2,021 thousand.

Granted shares: restricted stock plan

The restricted stock plan was set up in financial 2017, when 126,891 shares were granted. On the grant date, these had a total allocation value of EUR 388 thousand.

LTIP 2017-2020

	TRANCHE 2017	TRANCHE 2018	TRANCHE 2019	TRANCHE 2020	TOTAL
Outstanding shares at 1 January 2017	0	0	0	0	0
Shares granted	86,756*	100,088**	103,004**	103,004**	392,852*
Shares earned	86,756*	0	0	0	86,756*
Shares forfeited	0	0	0	0	0
Shares transferred	0	0	0	0	0
Outstanding shares at 31 December 2017	86,756*	100,088**	103,004**	103,004**	392,852*

*Estimate based on the XETRA closing price of EUR 2.83 for HolidayCheck Group AG share on 25 October 2017. The actual reference share price cannot be determined until the year in which the consolidated financial statements for the financial year in which the shares were granted are presented to the annual general meeting.
** In addition to *, the total for each tranche from 2018 to 2020 depends on the anticipated level of performance in relation to the specified EBT and revenue targets for the shares granted in financial 2017.

Restricted stock plan

	TRANCHE 2017
Outstanding shares at 1 January 2017	0
Shares granted	126,891*
Shares earned	126,891*
Shares forfeited	0
Shares transferred	102,490**
Outstanding shares at 31 December 2017	24,401***

* This figure includes additional 'matching shares'. The underlying average HolidayCheck Group AG share price on the grant date was EUR 3.06.
** The underlying average HolidayCheck Group AG share price on transfer was EUR 3.06.
*** This figure includes additional 'matching shares'.

Once the shares vested in a given financial year have been placed in a securities account, they must be held for a specified period (see above for details of the transitional rules).

Valuation parameters: LTIP 2011-2016

The phantom shares granted under the LTIP 2011-2016 are classed and valued as share-based payments with cash settlement. The fair value of the corresponding balance sheet liabilities was calculated using the Black-Scholes formula while taking account of the specific conditions on which the LTIP 2011-2016 is based. The valuation as at 31 December 2017 is based on the following parameters.

The volatility estimate is based on historic volatilities. This assumes that future trends can be determined on the basis of past volatilities over a similar period to the anticipated term of the phantom shares. Actual volatility may vary from these assumptions.

Valuation parameters: LTIP 2017-2020

The shares granted under the LTIP 2017-2020 are classed and valued as share-based payments with equity settlement. The fair value of the equity instruments granted under the plan was estimated from the basic amounts granted to members of the Management Board under the LTIP 2017-2020 for each of the tranches from 2017 to 2020 and then adjusted to take account of the expected degree of target fulfilment as at 31 December 2017. The XETRA closing price for HolidayCheck Group AG shares on the grant date was used to calculate the number of shares. The number of shares granted will be adjusted if there is any change in the actual degree of target fulfilment. As at 31 December 2017, the weighted average fair value of the shares granted under the LTIP 2017-2020 was EUR 2.79 per share. This was the HolidayCheck Group AG share price on the XETRA trading platform on the last exchange trading day in the calendar year 2017 (i.e. 29 December 2017).

LTIP 2011-2016

	TRANCHE 2015	TRANCHE 2016
End of vesting period	May 2019	June 2020
(Residual) term of phantom shares	515 days	883 days
Share price on valuation date	EUR 2.79	EUR 2.79
Initial reference price	EUR 2.80	EUR 2.58
Projected dividend yield	0.00 %	0.00 %
Risk-free interest rate for the (remaining) term	-0.68 %	-0.57 %
Projected volatility for 100 days price	3.74 %	4.13 %
Cap	EUR 8.41	EUR 7.74
Fair value per phantom share	EUR 2.79	EUR 2.79

Other miscellaneous liabilities from share-based payments

	2017 EUR '000	2016 EUR '000
Plans with cash settlement (LTIP 2011-2016)	1,404	1,644
Plans with cash settlement (LTIP 2017-2020)	451	0
Total	**1,855**	**1,644**

Valuation parameters: restricted stock plan
The shares granted under the restricted stock plan are classed and valued as share-based payments with equity settlement. The fair value of the equity instruments granted under the plan was estimated on the basis of the 2017 year-end HolidayCheck Group AG share price for the shares granted under the RSP. As at 31 December 2017, the weighted average fair value of the shares granted under the RSP was EUR 2.79 per share. This was the HolidayCheck Group AG share price on the XETRA trading platform on the last exchange trading day in the calendar year 2017 (i.e. 29 December 2017).

The table above shows the amounts recognised in the consolidated financial statements for financial 2017 in respect of liabilities from share-based payment transactions.

The holding period for the phantom shares vested in the 2013 tranche of LTIP 2011-2016 ended in the financial year under review. Accordingly, the beneficiaries were paid a total of EUR 597 thousand in respect of 226,001 phantom shares from that tranche.

In financial 2017, under the LTIP 2017-2020 and the RSP a total of 519,743 treasury shares, subject to the conditions applicable to share-based payment plans, were transferred into employees' securities accounts. The figure for the LTIP 2017-2020 is an estimate based on the XETRA closing price of EUR 2.83 for HolidayCheck Group AG shares on 25 October 2017. The actual reference share price cannot be determined until the year in which the consolidated financial statements for the financial year in which the shares were granted are presented to the annual general meeting.

The total expense created by the two LTIPs and the RSP is shown in the following table.

Personnel expenses of share-based payments

	2017 EUR '000	2016 EUR '000
Of which from plans with settlement in cash (LTIP 2011-2016)	337	70
Of which from plans with settlement in equity instruments (LTIP 2017-2020)	1,069*	0
Of which from plans with settlement in equity instruments (RSP)	388**	0
TOTAL	**1,794**	**70**

* Including pro rata personnel expenses for the tranches from 2018 to 2020
** Including personnel expenses created by the share matching offer

10.13. Stock options for a managing director at WebAssets B.V.

The managing director of WebAssets B.V. acquired a 2 percent stake in the company in financial 2014. This share-based payment plan ended in financial 2017 as the managing director sold the shares back to HCG. The purchase price on the exercise date is based on an adjusted Group EBIT figure for WebAssets B.V. The purchase price on the exercise date was EUR 540 thousand.

10.14. Deferred taxes

Deferred taxes are formed on loss carryforwards and temporary differences between IFRSs and the tax balance sheet. Within the tax group, an average tax rate of 32.98 percent (2016: 32.98 percent) was taken as a basis for calculating the deferred taxes. The tax rate is calculated on the basis of an average trade tax rate of 17.15 percent (2016: 17.15 percent) and a corporation tax rate of 15.83 percent (2016: 15.83 percent) plus the solidarity surcharge of 5.5 percent (2016: 5.5 percent) of the corporation tax.

Individual tax rates have been used to calculate deferred taxes for each German company outside the reporting entity and for all non-German companies in the Group. These tax rates lie between around 17.84 percent for HolidayCheck AG and Driveboo AG, 25.00 percent for WebAssets B.V. and 20.00 percent for Tjingo.

There are trade tax loss carryforwards of EUR 120,387 thousand (EUR 114,419 thousand in 2016), corporation tax loss carryforwards of EUR 125,423 thousand (EUR 119,347 thousand in 2016) and foreign loss carryforwards of EUR 5,898 thousand (EUR 4,980 thousand in 2016) within the HCG Group.

No deferred tax assets were recognised on trade tax loss carryforwards of EUR 120,387 thousand (EUR 114,419 thousand in 2016), corporation tax loss carryforwards of EUR 125,423 thousand (EUR 119,265 thousand in 2016) and foreign loss carryforwards of EUR 4,081 thousand (EUR 3,074 thousand in 2016) within the Group, as it is currently thought unlikely that they will be utilised.

At present, losses in the Netherlands must be used within nine years of the date on which they arise and in Switzerland within seven years, whereas losses incurred in Germany can be carried forward indefinitely. However, both German and foreign tax loss carryforwards and their previous offsetting are subject to final scrutiny by the responsible taxation authorities. Several financial years of HCG have not yet been definitively assessed by the taxation authorities. It is therefore possible that changes will have to be made to the tax loss carryforwards and to the assessed taxes as a result of external fiscal audits.

In the year under review, deferred taxes of EUR 0 thousand (2016: EUR 46 thousand) were recognised as tax liabilities in respect of planned dividend payments by subsidiaries. By contrast, deferred taxes of approximately EUR 301 thousand (2016: EUR 290 thousand) in respect of temporary differences in the retained earnings of subsidiaries were not recognised as liabilities, as the Group is in a position to control the time of reversal, and the temporary differences will not reverse in the foreseeable future.

The following tables show a breakdown of the deferred tax assets and liabilities in the balance sheet and statement of income. The first table is carried forward to deferred tax assets and the second table to deferred tax liabilities in the balance sheet.

Deferred tax assets

	1 January 2017 € ,000	Recognised in other comprehensive income € ,000	Currency translation effects € ,000	Income (+)/ Expenses (-) € ,000	31 December 2017 € ,000
Resulting from temporary differences					
Provisions for pensions	245	4	0	-17	232
Other balance sheet items	33	0	2	7	42
	278	**4**	**2**	**-10**	**274**
Resulting from loss carryforwards	**543**	**0**	**0**	**-220**	**323**
	821	**4**	**2**	**-230**	**597**
Less deferred tax liabilities resulting from offsetting					
Resulting from temporary differences					
Intangible assets	16	0	0	-4	12
Other current assets	46	0	0	-46	0
	62	**0**	**0**	**-50**	**12**
Balance of deferred tax assets	**759**	**4**	**2**	**-180**	**585**

Deferred tax liabilities

	1 January 2017 € ,000	Recognised in other comprehensive income € ,000	Currency translation effects € ,000	Income (+)/ Expenses (-) € ,000	31 December 2017 € ,000
Resulting from temporary differences					
Intangible assets	5,307	0	0	47	5,354
Other balance sheet items	0	0	0	104	104
Balance of deferred tax liabilities	**5,307**	**0**	**0**	**151**	**5,458**
Effects on the statement of income				-331	
thereof recognised as deferred tax expenses				*-331*	

Deferred tax assets of EUR 28 thousand (2016: EUR 89 thousand) and deferred tax liabilities of EUR 909 thousand (2016: EUR 306 thousand) had less than one year remaining.

The revaluation of defined-benefit pension plans (recognised as other comprehensive income) led to an increase of EUR 4 thousand (2016: increase of EUR 40 thousand) in equity on account of their deferred tax effect. For the same reason, changes in the fair value of derivatives used for hedging purposes (recognised as other comprehensive income) led to a reduction of EUR 0 thousand (2016: reduction of EUR 13 thousand) in equity.

The table on the next page shows the translation of the fictitious tax expense and tax income into the actual tax expense and tax income:

Tax reconciliation at HolidayCheck Group

Tax effects	2017 € ,000	2016 € ,000
Earnings from continuing operations before taxes	**-5,927**	**-2,775**
Fictitious tax expense/income (32,98 %, 2016: 32,98 %)	1,955	915
Adjustments to fictitious tax expenses/income		
Deferred taxes not capitalised on tax losses in reporting year	-1,917	-1,429
Valuation adjustment to deferred taxes capitalised on tax losses in previous years	-312	0
Initial recognition of previously not capitalised deferred taxes on tax loss carryforwards	0	57
Write-down on temporary differences (2016: write-up)	-113	168
Tax-free income	0	181
Tax reduction due to different tax rates in other countries	154	230
Non-deductible expenses	-140	-145
Tax effects due to additions and reductions for local taxes	-18	-19
Recognition of deferred taxes in respect of planned dividend payments	0	-46
Tax income and expenses relating to other periods	48	324
Other differences	-13	19
Tax expenses/income according to consolidated statement of income	**-356**	**255**

10.15. Other provisions

The following table shows the changes in other provisions during the year under review:

Other current provisions

	At 1 Jan 2017 € ,000	Used € ,000	Reversed € ,000	Added € ,000	At 31 Dec 2017 € ,000
Provisions for anniversary payments	61	-3	0	36	94
Onerous contracts	312	-286	-26	0	0
Litigation costs	17	0	0	43	60
Total other current provisions	**390**	**-289**	**-26**	**79**	**154**

The provisions for **onerous contracts** mainly related to future rental expenses for unused premises.

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

Liabilities to banks

	31 December 2017 EUR '000		31 December 2016 EUR '000	
	Current	Non-current	Current	Non-current
Other liabilities to banks	40	0	40	0
	40	**0**	**40**	**0**

10.16. Liabilities to banks

Liabilities to banks amount to EUR 40 thousand (2016: EUR 40 thousand) as shown in the table above.

In June 2014, as part of a wider plan to restructure the way the HCG Group finances its activities, the company entered into a syndicated loan agreement repayable in 2019. Under the terms of this agreement, it can borrow individual tranches of up to EUR 50,000 thousand on a flexible basis. Existing borrowings from this syndicated loan were fully repaid in 2015.

Other liabilities to banks mainly consist of the loan arrangement fee of EUR 40 thousand (2016: EUR 40 thousand) for the above-mentioned syndicated loan. As at 31 December 2017, the Group also had unused credit lines totalling EUR 49,000 thousand (2016: EUR 49,000 thousand).

The interest rate payable on the syndicated loan is set for each interest period. The most recent figure was 0.9 percent.

All loans are unsecured.

10.17. Trade payables

Liabilities in relation to outstanding invoices amounted to EUR 1,346 thousand (2016: EUR 1,403 thousand) and are recognised under trade payables.

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

10.18. Other miscellaneous liabilities

(See table below)

The total figure for **earn-out obligations** is made up of EUR 0 thousand (2016: EUR 100 thousand) in respect of earn-out obligations towards the pre-takeover share-holders of WebAssets B.V.

The total for **other non-current personnel liabilities** mainly comprises EUR 1,885 thousand (2016: EUR 1,127 thousand) in respect of the non-current portion of obligations from share-based payment transactions for HCG.

The total for **other current personnel liabilities** mainly comprises EUR 1,527 thousand (2016: EUR 2,302

Other miscellaneous liabilities

	31 December 2017 EUR '000		31 December 2016 EUR '000	
	Current	Non-current	Current	Non-current
Earn-out obligations	0	0	100	0
Deferred income	146	0	391	0
Other personnel liabilities	1,631	1,885	3,585	1,127
Wage and church tax liabilities	248	0	228	0
Derivative financial instruments	117	0	0	0
Holiday pay obligations	913	0	779	0
Social security liabilities	538	0	23	0
Transit item	439	0	412	0
Other miscellaneous liabilities	701	25	901	0
	4,733	**1,910**	**6,419**	**1,127**

thousand) in respect of provisions for bonuses, EUR 0 thousand (2016: EUR 537 thousand) for personnel liabilities under the LTIP 2011-2016, EUR 0 thousand (2016: EUR 396 thousand) for stock options granted to the managing director of WebAssets B.V. and EUR 0 thousand (2016: EUR 350 thousand) for other miscellaneous personnel liabilities.

Other miscellaneous liabilities as at 31 December 2017 mainly relate to other tax liabilities.

10.19. Derivative financial instruments

As part of the risk management system, derivative financial instruments may be used to hedge the risks to which the company is exposed. These are primarily a result of exchange rate and interest rate fluctuations. Their use is essentially intended to hedge existing or planned underlying transactions and to reduce foreign currency and interest rate risks. They are not used for trading or speculative purposes.

The Group has previously employed currency forwards to hedge cash flows denominated in Swiss francs (CHF) against possible exchange rate risks. The future transactions covered by these hedges will be realised at different points over the financial year 2018.

Since these transactions did not meet the conditions for recognition as cash-flow hedges, the changes in the fair value of the hedging transactions were recognised in the statement of income.

As at 31 December 2017, the currency forward transactions produced a negative fair value of EUR 117 thousand in respect of derivative financial instruments. This figure was shown in the consolidated balance sheet under 'Other miscellaneous liabilities' and in the consolidated statement of income as currency translation losses under 'Other expenses'.

10.20. Additional disclosures on financial instruments

The carrying amounts, amounts recognised and fair values by valuation category as at 31 December 2017 and 31 December 2016 are shown in the tables in section 10.21 'Financial instruments by category'.

Cash and cash equivalents, trade receivables, receivables from affiliated entities and other miscellaneous assets mostly have short remaining terms. For this reason, their carrying amounts on the reporting date were approximately the same as their fair values.

In the absence of an exchange or market price, it was not possible to derive a fair value for the corresponding period on the basis of similar transactions. A valuation based on the discounting of anticipated cash flows was not undertaken as the cash flows could not be reliably determined. Recognition was therefore based on amortised cost.

Most of the other loans shown for 2016 had a residual period of more than one year and were settled early. As the rate of interest is more or less equivalent to the normal market rate, the carrying amount and the fair value were approximately the same.

On account of their short terms, the carrying amount and the fair value of liabilities to banks are the same. The only items in this category are loan arrangement fees (see section 10.16).

The majority of trade payables, payables to affiliated entities and other miscellaneous financial liabilities not created by purchase price liabilities have short remaining terms. Their carrying amounts on the reporting date were therefore approximately the same as their fair values.

The fair value of derivative financial instruments is measured by applying appropriate valuation methods. The corresponding assumptions are very largely based on market conditions on the balance sheet date.

10.21. Financial instruments by category

The table below contains a breakdown of the Group's financial assets and liabilities according to their valuation category and asset class.

Classification of the different categories of financial instruments

ASSETS	Measurement category according to IAS 39	Carrying amount 31 Dec 2017 EUR '000
Cash and cash equivalents	LaR	26,155
Trade receivables	LaR	19,464
Receivables from affiliated entities	LaR	174
Other miscellaneous assets		
Other miscellaneous financial assets	LaR	1,171
Other miscellaneous non-financial assets	n.a.	1,588

LIABILITIES	Measurement category according to IAS 39	Carrying amount 31 Dec 2017 EUR '000
Liabilities to banks		
Liabilities to banks	FLAC	40
Trade payables	FLAC	11,682
Liabilities to affiliated entities	FLAC	44
Other miscellaneous liabilities		
Derivatives without a hedging relationship	FLHfT	117
Other miscellaneous financial liabilities (IFRS 3 2008)	none	0
Other miscellaneous financial liabilities	FLAC	4,056
Other miscellaneous financial liabilities outside scope of IFRS 7 (IFRS 2)	n.a.	1,885
Other miscellaneous non-financial liabilities	n.a.	585
of which aggregated by measurement category as per IAS 39		
Loans and receivables	LaR	46,964
Financial liabilities measured at amortised cost	FLAC	15,822
Financial liabilities held for trading	FLHfT	117
Available for sale	AfS	0

Amount recognised						
Amortised cost EUR '000	**Acquisition cost** EUR '000	**Fair value not recognised in income** EUR '000	**Fair value recognised in income** **EUR '000**	**Valuation according to IAS 17** EUR '000	**Carrying amount 31 Dec 2017** EUR '000	**FAIR VALUE** EUR '000
26,155					26,155	26,155
19,464					19,464	19,464
174					174	174
1,171					1,171	1,171

Amount recognised						
Amortised cost EUR '000	**Acquisition cost** EUR '000	**Fair value not recognised in income** EUR '000	**Fair value recognised in income** **EUR '000**	**Valuation according to IAS 17** EUR '000	**Carrying amount 31 Dec 2017** EUR '000	**FAIR VALUE** EUR '000
40					40	40
11,682					11,682	11,682
44					44	44
			117		117	117
					0	0
4,056					4,056	4,056
46,964					46,964	46,964
15,822					15,822	15,822
			117		117	117
					0	0

Classification of the different categories of financial instruments

ASSETS	Measurement category according to IAS 39	Carrying amount 31 Dec 2016 EUR '000
Cash and cash equivalents	LaR	40,085
Trade receivables	LaR	15,172
Receivables from affiliated entities	LaR	238
Other miscellaneous assets		
Other miscellaneous financial assets	LaR	2,111
Other miscellaneous non-financial assets	n.a.	1,503

LIABILITIES	Measurement category according to IAS 39	Carrying amount 31 Dec 2016 EUR '000
Liabilities to banks	FLAC	40
Derivatives without a hedging relationship	FLHfT	0
Trade payables	FLAC	11,966
Liabilities to affiliated entities	FLAC	35
Other miscellaneous liabilities		
Other miscellaneous financial liabilities (IFRS 3 2008)	no category	100
Other miscellaneous financial liabilities	FLAC	4,645
Other miscellaneous financial liabilities outside scope of IFRS 7 (IFRS 2)	n.a.	2,410
Other miscellaneous non-financial liabilities	n.a.	391
Of which aggregated by measurement category as per IAS 39		
Loans and receivables	LaR	57,606
Financial liabilities measured at amortised cost	FLAC	16,686
Financial Liabilities Held for Trading	FLHfT	0
Available for Sale	AfS	0

Amount recognised						
Amortised cost EUR '000	Acquisition cost EUR '000	Fair value not recognised in income EUR '000	Fair value recognised in income EUR '000	Valuation according to IAS 17 EUR '000	Carrying amount 31 Dec 2016 EUR '000	FAIR VALUE EUR '000
40,085					40,085	40,085
15,172					15,172	15,172
238					238	238
2,111					2,111	2,111

Amount recognised						
Amortised cost EUR '000	Acquisition cost EUR '000	Fair value not recognised in income EUR '000	Fair value recognised in income EUR '000	Valuation according to IAS 17 EUR '000	Carrying amount 31 Dec 2016 EUR '000	FAIR VALUE EUR '000
40					40	40
			0		0	0
11,966					11,966	11,966
35					35	35
			100		100	100
4,645					4,645	4,645
57,606					57,606	57,606
16,686					16,686	16,686
			0		0	0
	0				0	0

Financial liabilities

	CARRYING AMOUNT EUR '000		FAIR VALUE EUR '000	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Financial liabilities				
Derivative financial instruments	117	0	117	0
Contingent consideration	0	100	0	100

10.22. Financial instruments – fair values

The table above shows the carrying amounts and fair values of financial liabilities. It contains no information on financial liabilities that were not measured at fair value if the carrying amount constitutes a reasonable approximation of the fair value.

The fair values of current financial assets and liabilities are approximately the same as their carrying amounts.

Financial liabilities measured at fair value are allocated to the following levels in the fair value hierarchy (see section 7 'Determining fair value').

Derivative financial instruments totalling EUR 117 thousand (2016: EUR 0 thousand) are allocated to level 1 of the fair value hierarchy. Contingent consideration totalling EUR 0 thousand (2016: EUR 100 thousand) is allocated to level 3 of the fair value hierarchy.

There were no transfers between levels in the year under review.

In accordance with IFRS 13, the fair value from contingent consideration has to be allocated to level 3 and is calculated using suitable measurement techniques in the form of recognised actuarial valuation models (mark-to-market) based on market prices. The valuation factors (e.g. exchange rates) can be observed directly or indirectly on active markets.

Derivative financial instruments were measured at fair value using recognised actuarial valuation models (market-to-market method).

The following table shows the initial and closing figures for fair value measurement in level 3 of the fair value hierarchy (see table below).

Figures for fair value measurement in level 3 of the fair value hierarchy

	2017 EUR '000	2016 EUR '000
As at 1 January	100	2.200
Resulting from payment of earn-out obligations	-100	-2.100
As at 31 December	**0**	**100**

The change in fair value of the financial liabilities allocated to level 3 results from the settlement of an earn-out obligation towards the pre-takeover shareholders of WebAssets B.V. in 2016 and in 2017.

As the acquired companies were not listed on the stock exchange, price quotations were not available. The fair value calculations were therefore allocated to level 3 of the fair value hierarchy. In the last case shown in the records on 31 December 2016 (earn-out obligation towards the pre-takeover shareholders of WebAssets B.V.) agreement was reached on a contractually fixed payment. It was therefore not necessary to calculate the fair value of the shares using discounted cash payment flows based on a probability-weighted average of the range of possible results.

10.23. Financial risk management

A comprehensive risk management system for HCG Group companies has been adopted and implemented by the Management Board. The risk management system and financial risks are discussed in section 4.2 of the Group management report.

The company's strategy can be characterised as risk-averse. The company avoids entering into contracts and business relationships that at the time of signing could identifiably jeopardise its future, pose a threat to its liquidity or hamper its further development.

Credit risk

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

The credit quality of financial assets that are neither past due nor impaired is determined by reference to external credit ratings (where available) or to past experience of the default ratios of the business partners concerned. The creditworthiness of financial assets that are neither past due 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.

Investment strategy

If attractive terms are available, cash that is not needed in the short term is partly invested in fixed-term deposits and in cash holdings denominated in Swiss francs.

Currency risk

The currency risks to which the HCG Group is exposed arise from its operating activities. Currency risks are partly hedged in as far as they affect the Group's cash flows. Risks resulting from the translation of assets and liabilities of entities domiciled outside Germany into the Group's presentation currency, on the other hand, are not generally hedged.

The operating activities of the individual companies in the Group are mainly conducted in the functional currency, i.e. the euro. However, some Group companies are exposed to foreign currency risks in relation to planned expenditure outside their functional currency. This primarily concerns the ongoing expenditure of HC in Swiss francs (CHF). HCG makes regular use of currency forwards to hedge these payments in advance.

Assuming all other variables remained constant, if there had been a 10 percent change in the EUR/CHF exchange rate as at 31 December 2017, net income/(loss) for the year as a whole would have been EUR 1,185 thousand (2016: EUR 1,384 thousand) higher or EUR 1,449 thousand lower (2016: EUR 1,692 thousand).

Assuming all other variables remained constant, if there had been a 10 percent change in the EUR/PLN exchange rate as at 31 December 2017, net income/(loss) for the year as a whole would have been EUR 25 thousand higher (2016: EUR 17 thousand) or EUR 21 thousand lower (2016: EUR 14 thousand).

Liquidity risk

The aim of HCG's business policy is to continue to achieve a positive cash flow in the future. In order to retain sufficient flexibility, financing instruments are selected that offer the most suitable maturities and corresponding liquidity. The risk of a shortfall in cash is monitored by holding periodic cash planning meetings.

As at 31 December 2017, liabilities to banks amounted to EUR 40 thousand (2016: EUR 40 thousand).

The table below shows the maturity dates for the Group's liabilities. The figures are based on contractual, undiscounted payments.

Maturities of liabilities as at 31 December 2017

	2018 EUR '000	2019-2021 EUR '000	from 2022 EUR '000
Liabilities to banks	40	0	0
Trade payables and liabilities to affiliated entities	11,726	0	0
Other miscellaneous financial liabilities	4,733	25	0
Other miscellaneous financial liabilities outside the scope of IFRS 7	0	1,885	0

Maturities of liabilities as at 31 December 2016

	2017 EUR '000	2018-2020 EUR '000	from 2021 EUR '000
Liabilities to banks	40	0	0
Trade payables and liabilities to affiliated entities	12,001	0	0
Other miscellaneous financial liabilities	4,745	0	0
Other miscellaneous financial liabilities outside the scope of IFRS 7	1,283	1,127	0

In addition to the mandatory disclosures, both tables contain other miscellaneous financial liabilities that fall outside the scope of IFRS 7 (in respect of other miscellaneous financial liabilities from employee stock option plans disclosed under IFRS 2).

Performance indicators including discontinued operations

INDICATOR	METHOD OF CALCULATION	31 DEC 2017	31 DEC 2016
Equity ratio	Equity / total assets	86.1%	86.1%
Return on equity	Consolidated net profit/(loss) after taxes / equity	-3.8%	-1.8%
Return on assets	Consolidated net profit/(loss) after taxes / total capital	-3.3%	-1.5%
Debt ratio	Net debt / equity	16.2%	16.2%

Performance indicators of continuing operations

INDICATOR	METHOD OF CALCULATION	31 DEC 2017	31 DEC 2016
Return on equity	Consolidated net profit/(loss) after taxes / equity	-4.0%	-1.5%

10.24. Additional disclosures on capital management

The capital management policy at HCG is primarily geared towards ensuring that adequate financing is available for the Group's long-term growth.

Reflecting common practice within the industry, the Group monitors its capital on the basis of its debt ratio (the ratio between net debt and total capital). Net debt is made up of total debt (including financial liabilities, trade payables and other liabilities as per the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated by adding the consolidated balance sheet figures for equity and net debt.

Equity fell by 5.2 percent in the financial year 2017, mainly as a result of the negative figure for consolidated net profit/(loss) after taxes.

There were no changes in the ratio of equity to total capital.

In terms of capital management, the Group's aims are to safeguard the continued existence of the company, and thus continue to generate income for shareholders and provide other stakeholders with the payments to which they are entitled. A further target is to maintain the most efficient capital structure possible in order to reduce capital costs.

The equity ratio helps the Group to monitor its capital, i.e. the equity shown in the consolidated balance sheet.

11. Notes to the consolidated statement of income

11.1. Revenue

The table shows the sources of revenue of the Group:

Revenue of the Group

	2017 EUR '000	2016 EUR '000
Commission revenue	106,810	91,695
Online advertising revenue	14,227	13,659
Other revenue	534	1,956
TOTAL	**121,571**	**107,310**

A geographical breakdown of revenue can be found in section 12.

Commission revenue is generated from the brokerage of travel and hotel bookings. The increase in commission revenue is largely due to a rise in volume of travel booking brokerage achieved by HC.

Online advertising revenue is generated from internet advertising.

Other revenue is mainly derived from subscriptions for the display of weather information.

11.2. Other income

Other operating income recognised in the financial statements for 2017 stood at EUR 1,572 thousand (2016: EUR 2,122 thousand).

Income of EUR 123 thousand (2016: EUR 159 thousand) from the reversal of provisions for which there are no corresponding expenses (e.g. reversal of the provision for onerous contracts) is also shown under other operating income. Income from currency translation was EUR 293 thousand (2016: EUR 584 thousand), while income from subletting came to EUR 133 thousand (2016: EUR 424 thousand). This item also includes income of EUR 336 thousand (2016: EUR 0 thousand) from a government grant in the Netherlands and out-of-period income of EUR 180 thousand (2016: EUR 103 thousand). The figure for 2016 included income of EUR 303 thousand from the derecognition of liabilities.

11.3. Other own work capitalised

Other own work capitalised amounting to EUR 3,188 thousand (2016: EUR 3,906 thousand) mainly concerns the capitalisation of software developed in-house by HC and WA. This decline was mainly due to the increased use of outside contractors, whose work was not included in the statement of income under 'other own work capitalised'.

11.4. Marketing expenses

Marketing expenses are mainly incurred by HC and WA. This item covers the redemption of vouchers, online and offline marketing campaigns and advertising.

11.5. Research and development expenses

At HC, WA, HCPL, Driveboo and HCS, development activities are decentralised and conducted within the companies themselves. Development costs that can be capitalised are shown in the balance sheet as software developed in-house (see also section 11.3 'Other own work capitalised').

Research expenses do not apply as each development project is linked to the goal of introducing specific functionality.

11.6. Number of employees and personnel expenses

On average, the HCG Group's continuing operations employed 442 full-time equivalents (FTEs) over the financial year 2017. The corresponding figure for 2016 was 386 FTEs.

Average headcount over the financial year (including Management Board members) for the Group's continuing operations was as follows:

Overview of positions

	2017 FTEs	2016 FTEs
Management Board members of the parent company	3	3
Managing directors and chief executives of the subsidiaries	3	2
Holders of general commercial power of attorney (Prokurist under German law)	10	2
Staff	426	379
TOTAL	**442**	**386**

In the financial year 2017, **personnel expenses** amounted to EUR 38,024 thousand (2016: EUR 32,394 thousand). Out of this total, EUR 1,166 thousand was attributable to defined-contribution pension plans (2016: EUR 817 thousand) and EUR 541 thousand to defined-benefit pension plans (2016: EUR 567 thousand).

The figure for personnel expenses includes severance payments of EUR 123 thousand (2016: EUR 0 thousand) in connection with the termination of employment contracts. For disclosures regarding the share-based payment plans see 10.12.

11.7. Other expenses

Most of the Group's **distribution expenses** are generated by HC and relate primarily to the telephone-based customer centre. **IT expenses** are incurred for server hosting, external IT services and IT product licences. **Freelancer fees** are mainly generated by WA and HC for IT work.

In the reporting period, EUR 2,645 thousand was spent on rent and building costs (2016: EUR 2,761 thousand). These costs relate mainly to rent for office space and servers. As regards the binding force of the tenancy, rental and leasing agreements, reference is made to section 15.2. 'Other liabilities'.

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

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

Valuation adjustments mainly affect HC and also include customer goodwill.

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

11.8. Financial income

Total financial income of EUR 4 thousand (2016: EUR 543 thousand) was made up of interest and similar income.

In future, the success of the company's investment strategy will be largely determined by interest rate movements on the capital and money markets.

11.9. Financial expenses

The financial expenses of EUR 183 thousand (2016: EUR 359 thousand) result mainly from interest expenses of EUR 183 thousand (2016: EUR 359 thousand). Interest expenses also include expenses from compounding in the sum of EUR 0 thousand (2016: EUR 6 thousand) and financing-related interest expenses of EUR 183 thousand (2016: EUR 353 thousand).

Other expenses

	2017 EUR '000	2016 EUR '000
Distribution and marketing expenses	8,310	6,439
IT expenses	4,341	4,267
Freelancer fees	2,467	3,272
Rent and building costs	2,645	2,761
Product expenses	1,872	1,549
Legal, consulting and audit expenses	1,603	1,625
Valuation adjustments	1,004	383
Travel costs and entertainment	883	911
Currency translation losses	739	447
Expenses for external content	705	514
Insurance and charges	421	362
Expenses relating to previous years	211	141
Other miscellaneous expenses	2,165	1,481
TOTAL	**27,366**	**24,152**

Net results of valuation categories

	2017 EUR '000	2016 EUR '000
Loans and receivables (LaR)	-1,002	160
Financial liabilities measured at amortised cost (FLAC)	-183	-353
Financial liabilities held for trading (FLHfT)	-117	0
Available for sale (AfS)	0	0
TOTAL	**-1,302**	**193**

11.10. Net results by valuation category

Valuation adjustments to trade receivables (2017: minus EUR 1,004 thousand; 2016: EUR 383 thousand) which fall into the loans and receivables category and the fair value measurement of derivatives without a hedging relationship (2017: EUR 117 thousand; 2016: EUR 0 thousand) are recognised under other operating expenses. Interest on liabilities to banks (2017: minus EUR 183 thousand; 2016: minus EUR 353 thousand) which has been allocated to the valuation category 'financial liabilities measured at amortised cost (FLAC)' and interest of EUR 2 thousand (2016: EUR 543 thousand) allocated to loans and receivables is recognised in full under financial expenses.

12. IFRS 8 notes

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

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

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

WebAssets B.V. also operates advertising-based weather portals. The main source of revenue is online advertising, and the core sales markets are Belgium, Germany and the Netherlands.

The above information was produced using the Group's accounting and valuation methods.

For non-current assets, the geographical information is based on the location of the company's registered office. For revenue, we have taken the registered office of the customer.

None of the HCG Group's customers generated more than 10 percent of the Group's total consolidated revenue.

External revenue

	2017 EUR ,000	2016 EUR ,000
Germany	103,239	88,336
Outside Germany	18,332	18,974
of which in Switzerland	3,532	2,455
of which in the Netherlands	6,507	10,901
of which in other countries	8,293	5,618
TOTAL	**121,571**	**107,310**

Non-current assets

	2017 EUR '000	2016 EUR '000
Germany	1,040	867
Outside Germany	133,475	132,673
of which in Switzerland	88,106	86,948
of which in the Netherlands	45,255	45,636
of which in other countries	114	89
TOTAL	**134,515**	**133,540**

13. Notes to the consolidated statement of cash flows

The statement of cash flows shows how the Group's cash and cash equivalents changed during the course of the reporting period through inflows and outflows of cash. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between operating activities, investing activities and financing activities. The Group applies the indirect method for cash flows from operating activities and the direct method for cash flows from financing and investing activities. The liquidity shown in the financial statement includes cash on hand and cash at banks.

Non-cash changes in the consolidated statement of cashflows. The figure for 'liabilities to banks' is made up of deferred arrangement fees for the syndicated loan. These are shown as cash outflows for interest expenses in the consolidated statement of cash flows under the heading 'Cash flow from operating activities'.

Cash changes from the share buy-back programme are shown under the heading 'Cash flow from financing activities'. In financial 2017, the company repurchased 1,433,053 own shares through the exchange. The purchase price (excluding incidental acquisition costs) was EUR 3,815 thousand. Issues of treasury shares under the employee stock option plan had no effect on cash flow (see section 10.8).

Cash and non-cash changes in liabilities from financing activities

		Cash changes	Non-cash changes			
	As at 31 December 2016 EUR ,000	EUR ,000	Purchases EUR ,000	Exchange rate-related changes EUR ,000	Changes in fair valuet EUR ,000	As at 31 December 2017 EUR ,000
Liabilities to banks	40	0	0	0	0	40
Other miscellaneous liabilities						
Derivative financial instruments without hedging relationship	0	0	0	0	117	117
Other miscellaneous financial liabilities (IFRS 3 2008)	100	-100	0	0	0	0
Total liabilities from financing activities	**140**	**-100**	**0**	**0**	**117**	**157**

14. Events after the balance sheet date

The Supervisory Board of HCG approved the release of these consolidated financial statements on 20 March 2018. At that point, with the following exceptions, no significant events had occurred after the balance sheet date.

In January 2018, HCG and HC signed a subordination agreement with Driveboo AG in respect of all existing and all future receivables.

15. Other disclosures

15.1. Related parties

The Group is controlled by Burda Digital GmbH. The consolidated financial statements of HCG are therefore included in the sub-group financial statements of Burda GmbH, Offenburg, Germany (which holds the shares in Burda Digital GmbH) and in the group financial statements of Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, Germany. The consolidated financial statements are submitted to the operator of Germany’s electronic Federal Gazette (Bundesanzeiger) for publication.

In addition to the entities included in the consolidated financial statements of HCG, the entities making up the Hubert Burda Media Group are closely related to HolidayCheck Group AG, as are persons and entities in the management structure of HCG and in the Hubert Burda Media Group that exert a significant influence on financial and business policies, including close family members and intermediate entities.

All transactions with related entities primarily concern services as defined by IAS 24.21c. Any transactions between related persons were concluded on arm’s length basis at the conditions that apply to transactions between third parties.

Balances and transactions between HCG and its subsidiaries, which constitute related parties, were eliminated in full as part of the consolidation process and are not included in these notes. The table on the next page shows a list of the transactions entered into with related parties:

Revenue and other income

	2017 EUR '000	2016 EUR '000
Burda GmbH, Offenburg, Germany	251	517
Subsidiaries of Hubert Burda Media Holding KG	10	132
Burda Digital GmbH, Munich, Germany	0	1
TOTAL	**261**	**650**

Marketing, personnel and other operating expenses

	2017 EUR '000	2016 EUR '000
Subsidiaries of Hubert Burda Media Holding KG	838	714
Hubert Burda Media Holding KG, Offenburg, Germany	100	155
Burda Digital GmbH, Munich, Germany	22	1
Burda GmbH, Offenburg, Germany	4	16
TOTAL	**964**	**886**

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

Receivables

	As at 31 Dec 2017 EUR '000	As at 31 Dec 2016 EUR '000
Subsidiaries of Hubert Burda Media Holding KG	174	139
Burda GmbH, Offenburg, Germany	0	99
TOTAL	**174**	**238**

Liabilities

	As at 31 Dec 2017 EUR '000	As at 31 Dec 2016 EUR '000
Subsidiaries of Hubert Burda Media Holding KG	34	24
Hubert Burda Media Holding KG, Offenburg, Germany	5	11
Burda GmbH, Offenburg, Germany	5	0
TOTAL	**44**	**35**

The outstanding balances at the end of the reporting period are unsecured and do not bear interest. They are settled by cash payment. There are no guarantees in place in respect of receivables from and payables to related parties. There were no adjustments to the value of receivables from related parties in financial 2017 (2016: EUR 0 thousand).

Liabilities to related parties

Liabilities to related parties mainly include obligations in respect of rent and leasing agreements and agency agreements for services provided by various entities in the Burda Group. See also section 15.2 of the notes relating to 'Other liabilities'. There were no liabilities towards related persons as at the balance sheet dates.

Remuneration of persons in key Group positions

The following remuneration was paid to members of the Supervisory Board as consideration for their work:

- The emoluments paid to the members of the **Supervisory Board** in the reporting period totalled EUR 248 thousand (2016: EUR 250 thousand) and consisted entirely of short-term benefits. In addition, the company incurred expenses of EUR 22 thousand (2016: EUR 4 thousand) in respect of travel expenses for members of the Supervisory Board.
- Liabilities to members of the Supervisory Board totalled EUR 296 thousand (2016: EUR 254 thousand).
- As at the balance sheet date, the total number of shares in the company held directly or indirectly by members of the Supervisory Board in accordance with section 15a paragraph 3 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) was 90,671 (2016: 130,671 shares).

Remuneration of the Management Board

A description of the remuneration system for members of the Management Board is provided, together with the mandatory disclosures required by section 314, paragraph 1, no. 6a, sentences 5-8 of the German Commercial Code, in the consolidated management report.

The total remuneration of the members of the Management Board in the financial year 2017 was EUR 3,572 thousand (2016: EUR 1,864 thousand). Of this total, EUR 1,551 thousand (2016: EUR 1,447 thousand) is attributable to short-term benefits and EUR 2,021 thousand (2016: EUR 417 thousand) to share-based payments.

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

- Bonus payments for 2017: EUR 0 thousand (2016: EUR 273 thousand)
- LTIP payments 2017: EUR 244 thousand (2016: EUR 193 thousand)
- Severance and release payments 2017: EUR 0 thousand (2016: EUR 885 thousand)

As regards the presentation of HCG's Management Board and the Supervisory Board, we refer to our comments in section 15.5 of the notes relating to the 'Management Board' and in section 15.6 relating to the 'Supervisory Board'.

Granted share-based payments

Granted share-based payment in 2017		Georg Hesse	Nathan Glissmeyer	Markus Scheuermann	Total
LTIP (2017-2020)	Grant date FV (€ '000)	800	790	431	**2,021**
	Calculated number of shares	155,476	153,535	83,842	**392,853**
	Personnel expenses (€ '000)	417	396	201	**1,014**

Granted share-based payment in 2016		Georg Hesse	Dr Dirk Schmelzer	Timo Salzsieder	Total
LTIP Tranche 2016	Grant date FV (€ '000)	178	133	106	**417**
	Calculated number of shares	76,655	57,491	45,993	**180,139**
	Personnel expenses (€ '000)	178	133	106	**417**

Other financial liabilities in 2017

	Total EUR '000	of which affiliated entities EUR '000
1. Under rental and leasing agreements (temporary)		
Due in 2018	2,347	0
Due between 2019 and 2022	2,960	0
Due after 2022	0	0
	5,307	**0**
2. Liabilities under other contracts (temporary)		
Due in 2018	190	142
Due between 2019 and 2022	36	0
Due after 2022	399	0
	625	**142**

Other financial liabilities in 2016

	Total EUR '000	of which affiliated entities EUR '000
1. Under rental and leasing agreements (temporary)		
Due in 2017	2,421	0
Due between 2018 and 2021	4,762	0
Due after 2021	0	0
	7,183	**0**
2. Liabilities under other contracts (temporary)		
Due in 2017	1,054	149
Due between 2018 and 2021	0	0
Due after 2021	0	0
	1,054	**149**

15.2. Other liabilities

As part of its business activities, HCG assumed other liabilities in relation to a large number of underlying events. These are shown in the following table.

HCG issued a going concern forecast on behalf of one subsidiary. This obliges HCG to provide enough financing to ensure the continued operation of the subsidiary.

According to the information available, the companies in question are in a position to meet the underlying obligations in all cases. It is not expected that the guarantees will need to be exercised.

The tables above show the Group's other financial liabilities as at the balance sheet date:

The liabilities primarily arise from **rental and leasing contracts** for buildings, IT systems and office machinery. These contracts usually run for 12 to 60 months and more than 60 months in exceptional cases. The economic risks and rewards remain with the owner due to obligations to return the items and rights to require purchase.

The **other contracts** mainly relate to service contracts with various entities in the Burda Group (business management) and other third parties.

Rental payments received under subletting agreements totalled EUR 115 thousand (2016: EUR 729 thousand).

As at 31 December 2017, there were no contingent liabilities.

15.3. Long-term equity investments in the company as defined by section 21 paragraph 1 sentence 1 of the German Securities Trading Act in conjunction with section 160 paragraph 1 number 8 of German Stock Corporation Act

The table below 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.

Acquisitions or disposals in financial 2017

Shareholder	Last reported share of voting rights	Date of notification
Allianz Global Investors GmbH, Frankfurt am Main, Germany	2.97%	2 March 2017
Deutsche Asset Management Investment GmbH, Frankfurt am Main, Germany	2.70%	19 September 2017
Burda Digital GmbH, Munich, Germany (subsidiary of Burda GmbH)	63.61%	20 October 2010[1)]
Burda GmbH, Offenburg, Germany	63.61% [2)]	20 October 2010

1) Three notifications contained the same share of voting rights.
2) of which 63.61 percent held indirectly

15.4. Corporate governance

The company has made the declaration required under section 161 of the German Stock Corporation Act for this financial year and published it on its website *(https://www.holidaycheckgroup.com/investor-relations/corporate-governance/?lang=en)* in November 2016 for perusal by the shareholders.

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

Management Board

	Position	Supervisory board mandates
Georg Hesse	Chairperson of the Management Board (CEO)	
Nathan Brent Glissmeyer (since 1 January 2017)	Member of the Management Board (CPO)	
Markus Scheuermann (since 29 May 2017)	Member of the Management Board (CFO)	
Dr Dirk Schmelzer (until 31 March 2017)	Member of the Management Board (CFO)	Chairperson of the Board of Directors, HolidayCheck AG, Bottighofen, Switzerland; Member of the Advisory Board, Munich Business School, Munich, Germany
Timo Salzsieder (until 28 February 2017)	Member of the Management Board (COO)	

15.5. Management Board

In the financial year 2017, the following persons held positions as Management Board members of the company with rights of representation, either jointly with another member of the Management Board or together with a holder of general commercial power of attorney (Prokurist under German law):

The business division of HolidayCheck Group AG's Chairperson of the Management Board, Georg Hesse includes the functions and areas listed below:

- information and consultation with the Supervisory Board;
- overall strategy and corporate development;
- HR senior management and junior staff;
- personnel development;
- Group communications;
- Group internal audit.

In his business division, the Management Board member Nathan Brent Glissmeyer is responsible for the functions and areas shown below:

- product development and operation of all the brands owned by HolidayCheck Group AG;
- IT units (development and operations);
- product and user experience (UX) including interaction/visual design.

In his business division, the Management Board member Markus Scheuermann is responsible for the functions and areas shown below:

- financial, investment and personnel planning;
- controlling, reporting, risk management and internal control systems;
- financial management of long-term equity investments;
- financing and bank relations;
- external financial reporting;
- investor relations;
- personnel administration;
- legal, contract and tax management;
- general administration and purchasing.

According to its articles of association, the company is represented by two members of the Management Board or by one member of the Management Board jointly with one holder of general commercial power of attorney (Prokurist under German law). If only one Management Board member has been appointed, this member represents the company alone. The members of the Management Board represent the company as set out in the articles of association.

Supervisory Board

	Position	Occupation / other supervisory board 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; • Chairperson of the Supervisory Board, XING AG, 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 consultan ts), 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
Aliz Tepfenhart	Member of the Supervisory Board	• Managing Director, Burda Digital GmbH, 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 (since 19 January 2017)	Member of the Supervisory Board	• Managing Director, Hubert Burda Media Holding Geschäftsführungs-GmbH; and Managing Director, Burda GmbH, Munich, Germany; • President of the Board of Directors, Burda Service AG, Basel, Switzerland

15.6. Supervisory Board

See table above.

15.7. Auditor's fees

The fees paid to the accountants were recognised as expenses in the financial year and amounted to EUR 140 thousand (2016: EUR 60 thousand) for audit services. Of this figure, EUR 30 thousand relates to the previous year. The fees paid and recognised as expenses totalled EUR 0 thousand for other assurance services (2016: EUR 0 thousand), EUR 18 thousand for tax consultancy services (2016: EUR 79 thousand) and EUR 21 thousand for other services (2016: EUR 14 thousand). The total fees paid in respect of tax consultancy services mainly consist of fees for advice received on value-added tax and insurance tax matters. The total fees paid in respect of other (assurance) services mainly consist of fees for covenant attestations and audits under insurance supervision law. The previous year's figures were adjusted for the purposes of the consolidated financial statements for financial 2017.

15.8. Exemption from the requirement to prepare annual financial statements in accordance with section 264 paragraph 3 of the German Commercial Code

The following subsidiaries of HolidayCheck Group AG, which were included in the consolidated financial statements and meet all other preconditions, have opted to make use of the exemption pursuant to section 264 paragraph 3 of the German Commercial Code:

a. HolidayCheck Solutions GmbH

15.9. Authorisation to publish the annual financial statements

On 20 March 2018, the Management Board released HCG's consolidated financial statements and consolidated management report for presentation to the Supervisory Board. The Supervisory Board is expected to approve the consolidated financial statements and release them for publication on 20 March 2018.

Munich, Germany, 20 March 2018

Georg Hesse
Chairperson of the
Management Board (CEO)

Nathan Brent Glissmeyer
Member of the
Management Board (CPO)

Markus Scheuermann
Member of the
Management Board (CFO)

INDEPENDENT AUDITOR'S REPORT TO HOLIDAYCHECK GROUP AG, MUNICH, GERMANY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of HolidayCheck Group AG, Munich, Germany, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of income, other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of HolidayCheck Group AG for the financial year from 1 January to 31 December 2017. In accordance with German law, we have not audited the content of the declaration on corporate governance required under sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch, HGB).

In our opinion, based on our audit findings:

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and the supplementary requirements of German commercial law pursuant to Section 315e paragraph 1 of the German Commercial Code and, with due regard for these requirements, give a true and fair view of the assets and financial situation of the Group as at 31 December 2017 and of its earnings position for the financial year from 1 January to 31 December 2017; and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. With respect to the Group management report, our audit opinion does not extend to the contents of those parts of the Group management report referred to below in the section entitled 'Other information'.

Pursuant to Section 322 paragraph 3 sentence 1 German Commercial Code, we declare that our audit has not led to any reservations concerning the legal regularity of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 German Commercial Code and EU Audit Regulation No. 537/2014 on specific requirements regarding statutory audit of public-interest entities (referred to below as 'EU Audit Regulation') and in compliance with the German Generally Accepted Standards on Auditing (Grundsätze ordnungsgemäßer Abschlussprüfung) as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) governing the conduct of an audit of financial statements. Our responsibilities under these requirements and principles are detailed in the 'Auditor's responsibilities for the audit of the consolidated financial statements and Group management report' section of our audit report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 paragraph 2 letter f of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 paragraph 1 of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the basis for our audit opinions on the consolidated financial statements and Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those which, in our professional judgment, were the most significant matters in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were duly considered in the context of our audit of the consolidated financial statements as a whole and when reaching our opinion. We have not provided a separate opinion on these matters.

In our view, the most important matters in our audit were as follows:

❶ **Impairment of goodwill;**
❷ **Share-based payments settled in the form of equity instruments.**

Our comments on this particularly important audit matter are broken down into three sections.

① Audit matter and explanation of potential issues
② Audit procedures and findings
③ References to further information

The key audit matters are set out below.

❶ **Impairment of goodwill**

① The company's consolidated financial statements contain a figure of EUR 100,182 thousand (54.94 percent of total assets and 63.82 percent of equity) in respect of goodwill under the balance-sheet heading 'Intangible assets'. Goodwill is tested by the company for impairment once a year or on an ad hoc basis to identify any write-downs that may be required. Impairment tests are conducted at Group level for all cash-generating units to which the goodwill in question has been allocated. When performing an impairment test, the carrying value of the cash-generating unit (including its goodwill) is measured against the corresponding recoverable amount. The recoverable amount is generally calculated on the basis of value in use. In turn, this figure is regularly based on the present value of future cash flows from the group of cash-generating units. Present values are calculated using discounted cash flow models. The starting point for this calculation is the Group's medium-term plan. The figures in this plan are then extrapolated on the basis of assumed growth rates, factoring in expectations of future growth in the wider market and anticipated macroeconomic developments. Discounting is based on the average weighted cost of capital for the group of cash-generating units in question. The impairment test did not identify any need to write down the value of goodwill. The result of this valuation is very much dependent on the assessment made by the company's legal representatives of future cash inflows from the group of cash-generating units in question, on the discounting rate used, on the assumed growth rate and on other assumptions and is therefore subject to a high degree of uncertainty. Against this background and given the complexity involved in the valuation processes, this matter was held to be particularly important in our audit.

② As part of our audit, we retraced the company's impairment testing methodology. We reconciled the future cash inflows used in the calculation with the Group's medium-term plan. We then assessed whether the calculation was reasonable, in particular with reference to general and industry-specific market expectations. We also assessed whether the associated Group function costs had been properly factored in to the calculation. Since even relatively small changes in the discounting rate and growth rate can have a significant impact on company valuations produced using this method, we subjected the parameters used in determining the discounting rate to close scrutiny and retraced the method of calculation. In light of the forecasting uncertainties involved, we retraced the sensitivity analyses produced by the company and conducted our own sensitivity analyses. In this respect, based on the available information, we found that the carrying values of the cash-generating units, including the goodwill attributed to those units, are adequately covered by discounted future cash surpluses. The valuation parameters and assumptions used by the legal representatives are generally in line with our own expectations and lie within what we judge to be appropriate ranges.

② The company's disclosures on goodwill are contained in section 10.1 of the Notes to the Consolidated Financial Statements under the heading 'Intangible assets'.

❷ Share-based payments settled in the form of equity instruments

① Within the company's consolidated financial statements, the item 'Personnel expenses' in the consolidated statement of income contains expenses totalling EUR 1,457 thousand in respect of commitments to members of the Management Board and employees which are fulfilled in the form of company shares and therefore treated in line with IFRS 2 as share-based payments with settlement in the form of equity instruments. Performance is measured with reference to the fair value of the equity instruments granted by the company. The resulting measurements are therefore subject to estimating uncertainties. The long-term incentive plan (2017 to 2020) for the Management Board is a multi-annual remuneration plan set up by the company. The corresponding expenses are distributed and recognised over the four-year vesting period. At present, the total expenses for the long-term incentive plan (2017 to 2020) over its lifetime are expected to be EUR 2,077 thousand. On the assumption that the targets are achieved in full, the fair value of the long-term incentive plan (2017 to 2020) on the grant date was EUR 2,021 thousand for all four tranches. In addition, under the terms of a restricted stock plan, employees were granted share-based payments totalling EUR 388 thousand. These were settled in the current financial year through the issue of company shares. We believe that this matter is particularly important in the context of our audit as the process of assigning balance-sheet valuations for both share-based payment plans under IFRS 2 rules is complex and as the valuation is based to a large extent on assessments and assumptions made by the company's legal representatives.

② As part of our audit, we first established a clear picture of the processes used by the company in the area of share-based payments and assessed whether they were appropriate. On this basis, we then assessed the method used to calculate the fair values of the commitments and whether they had been attributed to the correct accounting periods. In particular, we duly examined the assumptions made by the legal representatives concerning the individually agreed target figures and target corridors for members of the Management Board in respect of each financial year and concerning the degree of target achievement. At the same time, we reconciled the allocation of payments with the target achievement factors approved by the Supervisory Board and specified in the long-term incentive plan.
Since estimations lead to an increased risk of incorrect disclosures in the company's reporting and since the valuation assumptions made by the legal representatives have a direct impact on the figure for consolidated net profit/(loss), we assessed whether the valuations given in the financial statements were consistent with the available information, including the underlying contractual data, and we duly examined the calculation used to value the shared-based payment plans and their balance-sheet presentation in the consolidated financial statements. We were satisfied that as a whole the estimates and assumptions made by the legal representatives were adequately documented and founded and therefore justified the accounting treatment and valuations of the shared-based payment plans.

③ The company's disclosures on the accounting treatment and valuations of its shared-based payment plans are contained in section 6 of the Notes to the Consolidated Financial Statements. The disclosures on personnel expenses are contained in section 10.12.

Other Information

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

The other information also consists of the remaining parts of the annual report (excluding any references to external information) with the exception of the audited consolidated financial statements and Group management report and our auditor's report.

Our opinions on the consolidated financial statements and Group management report do not cover the other information. Consequently, we have not expressed an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to duly examine whether the other information:

- is materially inconsistent with the consolidated financial statements, with the Group management report or other knowledge we obtained during our audit; or
- otherwise appears to be materially misstated.

Responsibilities of the legal representatives and the supervisory board for the consolidated financial statements and Group management report

The legal representatives are responsible for ensuring that the consolidated financial statements are prepared in such a way that they comply, in all material respects, with the IFRS as adopted by the European Union and with the additional requirements of German commercial law pursuant to Section 315e paragraph 1 German Commercial Code and for ensuring, with due regard for these requirements, that the consolidated financial statements give a true and fair view of the assets, financial and earnings situation of the Group. In addition, the legal representatives are responsible for the internal controls they have deemed necessary in order to ensure that the consolidated financial statements are free from any incorrect misstatements, whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue to operate as a going concern. They are also responsible for disclosing, where applicable, any matters that may affect the Group's situation as a going concern. In addition, they are responsible for drawing up financial reports based on the going concern principle of accounting unless there is an intention to liquidate the Group or cease operations or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for ensuring that the Group management report is prepared in such a way that it provides, as a whole, an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for all the arrangements and measures (systems) they have deemed necessary in order to ensure that the Group management report complies with the applicable German legal requirements and to ensure that sufficient appropriate evidence is provided for the assertions made in the Group management report.

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

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

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, intentional or unintentional, and whether the Group management report as a whole gives an appropriate picture of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge we obtained during our audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that contains our opinions on the consolidated financial statements and Group management report.

Reasonable assurance provides a high degree of assurance but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code and the EU Audit Regulation and in in compliance with the German Generally Accepted Standards on Auditing (Grundsätze ordnungsgemäßer Abschlussprüfung) as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) governing the conduct of an audit of financial statements will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in combination, they could reasonably be expected to influence economic decisions taken by the intended readers of the financial reports on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain a questioning approach throughout the audit. Additionally we:

- identify and assess the risks of material misstatements in the consolidated financial statements and the Group management report, whether intentional or unintentional, plan and conduct audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate as the basis for our opinions; the risk of not detecting a material misstatement caused by fraud is higher than for one caused by error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the deliberate suppression of internal controls;

- obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the arrangements and measures (systems) relevant to the audit of the Group management report in order to plan audit procedures appropriate to the circumstances but not with a view to expressing an opinion on the effectiveness of these systems;
- evaluate whether the accounting policies employed by the legal representatives are appropriate and whether the estimates made by the legal representatives and the associated disclosures are reasonable.
- conclude whether the legal representatives' use of the going concern principle of accounting is appropriate and, based on the audit evidence obtained, whether there is any material uncertainty in relation to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern; if we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report; it remains possible, however, that the Group may at some point no longer be able to continue operating as a going concern due to future events or circumstances.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair picture of the assets, financial and earnings situation of the Group in compliance with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315e paragraph 1 German Commercial Code;
- obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Group to enable us to express opinions on the consolidated financial statements and Group management report. We are responsible for the direction, supervision and conduct of the group audit. We bear sole responsibility for our audit opinions.
- evaluate whether the Group management report is consistent with the consolidated financial statements, complies with legislation and provides an appropriate picture of the Group's position.
- perform audit procedures on forward-looking statements made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions made by the legal representatives as the basis for such forward-looking statements and assess whether the forward-looking statements are objectively derived from those assumptions. We have not expressed a separate opinion on the forward-looking statements or on the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from such forward-looking statements.

We hold discussions with the persons responsible for the supervision of the company. These discussions cover, for example, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify in the course of our audit.

We also provide the persons responsible for the supervision of the company with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, the associated safeguards.

From the matters discussed with the persons responsible for the supervision of the company, we determine which matters were of the greatest significance in the audit of the consolidated financial statements for the current 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 30 May 2017. We were engaged by the Supervisory Board on 30 November 2017. 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 AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Munich, Germany, 20 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Alexander Fiedler
Wirtschaftsprüfer
(Public auditor)

ppa. Ulrich Warning
Wirtschaftsprüfer
(Public auditor)

INFORMATION ABOUT THE AUDITOR

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, Munich branch office, Bernhard-Wicki-Strasse 8, 80636 München, Germany, has acted as auditor and Group auditor for HolidayCheck Group AG (formerly TOMORROW FOCUS AG) since 2007. The responsible lead auditors are Alexander Fiedler (since financial 2014) and Ulrich Warning (since 2016, involved since 2015). The fees paid to the accountants were recognised as expenses in the financial year and amounted to EUR 140 thousand (2016: EUR 60 thousand) for audit services. Of this figure, EUR 30 thousand relates to the previous year. The fees paid and recognised as expenses totalled EUR 0 thousand for other assurance services (2016: EUR 0 thousand), EUR 18 thousand for tax consultancy services (2016: EUR 79 thousand) and EUR 21 thousand for other services (2016: EUR 14 thousand). The total fees paid in respect of tax consultancy services mainly consist of fees for advice received on value-added tax and insurance tax matters. The total fees paid in respect of other (assurance) services mainly consist of fees for covenant attestations and audits under insurance supervision law.

FINANCIAL CALENDAR 2018*

12 April 2018
Solventis Aktienforum 2018 in Frankfurt, Germany

20 April 2018
Bankhaus Lampe Deutschlandkonferenz 2018 in Baden-Baden, Germany

8 May 2018
Publication of the Q1 2018 Interim Statement

15 May 2018
DVFA Frühjahrskonferenz 2018 in Frankfurt, Germany

20 June 2018
Annual General Meeting at Haus der Bayerischen Wirtschaft, Max-Joseph-Str. 5, 80333 Munich, Germany

8 August 2018
Publication of the HY1 2018 Interim Report

8 November 2018
Publication of the nine months 2018 Interim Statement

November 2018
Analysts' meeting at the German Equity Forum 2018 in Frankfurt am Main, Germany

*provisional dates

LEGAL NOTICE

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Art Direction
Art Direction, layout & illustration: Ute Pfeuffer

Photography
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Picture credits: Aleksandar Nakic, USO, Joakimbkk, Ben1183, Kavram, Pius99, Visualspace, Shalamov, Samael334, Troyana, Choreograph, Zolotinka-tm, Sloth Astronaut, In8finity, Wundervisuals, Imgorthand, 4FR, Soft Light, Courtney Keating, Anyaberkut, swissmediavision, Danilo Andjus, Mike Powell, Daviles, Michiko Design, Gogosvm, Cinoby, Fotonio, Roman Slavik, ultraforma, Predrag Vuckovic, Golf3530, Khalus, Olga Gavrilova, Jasmina007, Cookelma, Gappino, Rawpixel, Doodahstock, Luca Santilli, DarrenTierney, Pawel Gaul, Jan-Otto, thedafkish, Pixelliebe, FangXiaNuo, Bubaone, CreativePhotoCorner, Rolandtopor, Momnoi, Benzoix, Frank Ramspott, Darren Tierney, Frimages, Marcus Lindstrom, no limit pictures, Jacek Sopotnicki, Meinzahn

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

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Junior adviser Group Communications & Investor Relations at HolidayCheck Group AG, on Padar Island in the Komodo National Park, Indonesia.

KATHARINA MEYER-ENDRESZ
Adviser Group Accounting at HolidayCheck Group AG, on Es Trenc Beach on Mallorca.

KERSTIN TROTTNOW
Commercial Manager at HolidayCheck Group AG, in the Maldives.

URSZULA JASIULEWICZ
Financial Controller at HolidayCheck Group AG, in Cairns, Australia.

Key figures

REVENUE AND EARNINGS		Financial year 2017	Financial year 2016	Change in %
Consolidated revenue	in EUR million	121.6	107.3	13.3%
EBITDA	in EUR million	0.2	2.8	-92.9%
Operating EBITDA	in EUR million	1.6	2.7	-40.7%
EBIT	in EUR million	-5.7	-3.0	90.0%
Financial result	in EUR million	-0.2	0.2	–
EBT	in EUR million	-5.9	-2.8	>100%
Consolidated net profit/loss from continuing operations	in EUR million	-6.3	-2.5	>100%
Consolidated net profit/loss from discontinued operations	in EUR million	0.3	-0.4	–
Consolidated net profit/loss	in EUR million	-5.9	-2.9	>100%
Earnings per share from continuing operations	in EUR	-0.11	-0.04	>100%
Earnings per share from discontinued operations	in EUR	0.01	-0.01	–
Earnings per share	in EUR	-0.10	-0.05	100.0%

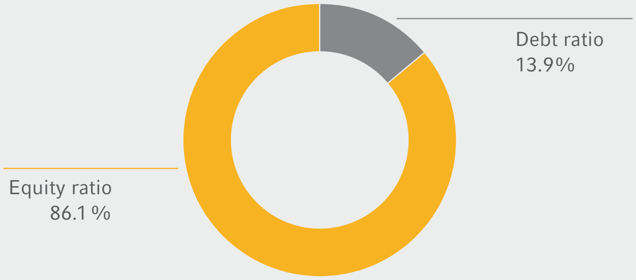
CASHFLOW		Financial year 2017	Financial year 2016	Change in %
Cash flow from operating activities	in EUR million	-2.1	-1.0	>100%
Cash flow from investing activities	in EUR million	-7.6	-2.8	>100%
Cash flow from financing activities	in EUR million	-3.9	-19.9	-80.4%

EMPLOYEES (from continuing operations)		Financial year 2017	Financial year 2016	Change in %
Average number of employees (FTEs)		442	386	14.5%

KEY CAPITAL MARKET DATA		31 Dec 2017	31 Dec 2016	Change in %
Equity ratio	in percent	86.1%	86.1%	+/-0%
Debt ratio	in percent	13.9%	13.9%	+/-0%

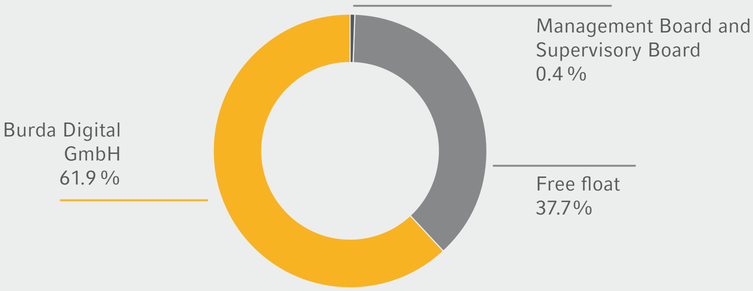
		31 Dec 2017	31 Dec 2016	Change in %
ASSETS AND CAPITAL STRUCTURE				
Total assets	in EUR million	182.3	192.5	-5.3%
Non-current assets	in EUR million	134.5	133.5	0.7%
Current assets	in EUR million	47.8	58.9	-18.8%
thereof cash	in EUR million	26.2	40.1	-34.7%
Equity	in EUR million	157.0	165.7	-5.3%
Debt	in EUR million	25.4	26.8	-5.2%

Development of Equity ratio and Debt ratio



AS AT 31 DEC 2017

Shareholder structure as at 31 December 2017* (rounded)



* no guarantee of completeness

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