home24

ANNUAL FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT 2019

CONTENT

REPORT OF THE SUPERVISORY BOARD OF HOME24 SE

THE SUPERVISORY BOARD OF THE HOME24 SE

From left to right:

Lothar Lanz, Verena Mohaupt, Magnus Agervald, Franco Danesi

The following report outlines the activities of the Supervisory Board of home24 SE during the 2019 financial year and reports on the audit of the Annual and Consolidated Financial Statements in accordance with Section 171 (2) of the German Stock Corporation Act (AktG).

COMPOSITION OF THE SUPERVISORY BOARD

At the start of the 2019 financial year, the Supervisory Board consisted of Lothar Lanz (Chairman), Magnus Agervald (Deputy Chairman), Verena Mohaupt, Alexander Samwer, Christian Senitz and Franco Danesi.

Effective at the end of January 28, 2019, Christian Senitz resigned his post on the Supervisory Board in agreement with the Supervisory Board because he wants to pursue a different career.

On June 19, 2019, the Annual General Meeting of the Company adopted a resolution to amend Article 9 (1) of the Articles of Association and reduce the number of Supervisory Board members from six to four. Previous Supervisory Board members Lothar Lanz, Magnus Agervald, Verena Mohaupt and Franco Danesi were reelected by the Annual General Meeting. All Supervisory Board members were elected until the end of the Annual General Meeting that passes a resolution concerning the ratification of their acts for the financial year ending on December 31, 2020.

The members of the Supervisory Board have been members of the Company's Supervisory Board since the following dates:

- Lothar Lanz since July 22, 2015
- Magnus Agervald since June 13, 2018
- Verena Mohaupt since May 13, 2015
- Franco Danesi since May 14, 2018

Lothar Lanz was elected Chairman of the Supervisory Board and Magnus Agervald Deputy Chairman on June 19, 2019.

ACTIVITIES OF THE SUPERVISORY BOARD

During the year under review, the Supervisory Board performed the duties required of it by law and by the Articles of Association of home24 SE. The Supervisory Board worked continuously with and regularly advised the Management Board, and monitored the management of the Company. The Management Board directly involved the Supervisory Board in all fundamental company decisions at all times. The strategic direction of the Group was closely coordinated by the Management Board and Supervisory Board.

During the reporting period, the Supervisory Board held a total of four meetings (on February 11, April 23, August 28, and November 25, 2019). All of these meetings were attended by all Supervisory Board members. The Supervisory Board dealt in detail with the economic position and operational and strategic development of the Company and its business units at these meetings. In 2019, the Supervisory Board also passed numerous resolutions by written circular outside of these meetings. The Supervisory Board also dealt intensively with the strategic direction, operating activities and compliance issues of the Company in this respect. Where necessary, the Supervisory Board held its meeting without Management Board members being present.

Discussions in the regular plenary sessions held by the Supervisory Board of home24 SE focused on the development of revenue and earnings, cash flows and investments as well as employment trends within home24 SE, its subsidiaries and locations. The strategic orientation towards profitable growth for the Group played a particularly significant role in this regard.

The Supervisory Board also regularly took note of the Group's risk position and risk management system, deviations from plans and targets and measures taken to counteract these deviations. The Supervisory Board voted on the reports and draft resolutions of the Management Board after in-depth discussion and consultation where required to do so in accordance with statutory provisions and those in the Articles of Association as well as the provisions of the Rules of Procedure of the Supervisory Board.

Between its regular meetings, the Management Board provided the Supervisory Board with regular, timely and comprehensive information, both in writing and orally, about events of material significance in assessing the situation, development and management of the Company. For such purpose, the Management Board and the Supervisory Board held regular telephone conferences where the Management Board reported on all key issues relating to the Group's position, short-term planning and strategic development.The Management Board discussed key business transactions for home24 SE and its subsidiaries with the Supervisory Board based on detailed reports. Transactions requiring approval by the Supervisory Board were submitted and explained by the Management Board in a timely manner. Mr. Lanz, in his role as Chairman of the Supervisory Board, and the other Supervisory Board members remained in regular close personal contact with the Management Board outside of their regular meetings and kept themselves informed about the current course of business and key business transactions.

The Supervisory Board's work also focused on carrying out its task of appointing Management Board members. At the start of 2019, the appointment of Management Board member Johannes Schaback was prematurely extended by a further two years. Dr. Philipp Kreibohm stepped down from the Company's Management Board effective March 31, 2019 with the agreement of the Supervisory Board. Following the departure of Christoph Cordes from the Management Board at the end of 2019, the Company ensured the Management Board could again be set up for the long term. The Company appointed Brigitte Wittekind as Christoph Cordes' successor. As Senior Vice President, Ms. Wittekind has been responsible for several strategically significant investment projects in the Operations unit since 2014. At the same time, the appointment of Marc Appelhoff as a member of the Management Board was prematurely extended by three years to the end of 2022. Mr. Appelhoff was also appointed Chairman of the Management Board (CEO) effective January 1, 2020. To take into account the changes in circumstances since the IPO and to continue to ensure appropriate and sustainable remuneration for the Management Board, the Company's Supervisory Board also adjusted the remuneration system for the Management Board.

In addition, the Supervisory Board conducted a self-evaluation in November 2019. Based on this self-evaluation, the Supervisory Board decided to amend its Rules of Procedure effective January 1, 2020 and, in particular, to introduce an age limit of 75 years for its members in accordance with the recommendations of the German Corporate Governance Code (GCGC).

SUPERVISORY BOARD COMMITTEES

During the reporting period, the Supervisory Board set up three committees as specified in its Rules of Procedure (Audit Committee, Remuneration Committee and Nomination Committee) in order to exercise its duties efficiently.

In accordance with its Rules of Procedure, the Supervisory Board transferred certain powers to the committees as set out in statutory provisions. Where duties are not transferred to them to be dealt with conclusively, the committees undertake preparatory work on the issues and resolutions that concern them to be dealt with at plenary meetings. After committee meetings, the chairs of each committee regularly reported on the work of the committees at the Supervisory Board's plenary meetings.

At the start of the 2019 financial year, the committees were composed as follows:

Audit Committee	Remuneration Committee	Nomination Committee
Verena Mohaupt*	Verena Mohaupt*	Alexander Samwer*
Lothar Lanz	Alexander Samwer	Verena Mohaupt
Christian Senitz	Franco Danesi	Franco Danesi
Franco Danesi		

* Chair

After the Supervisory Board members were reappointed by the Annual General Meeting on June 19, 2019, the Supervisory Board passed a resolution to compose the committees as follows:

Audit Committee	Remuneration Committee	Nomination Committee
Verena Mohaupt*	Verena Mohaupt*	Lothar Lanz*
Lothar Lanz	Lothar Lanz	Verena Mohaupt
Franco Danesi	Franco Danesi	Franco Danesi

* Chair

The Audit Committee held a total of four meetings during the year under review (February 11, April 23, August 28 and November 25, 2019), all of which were attended by all committee members.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, were appointed as auditors of the Annual and Consolidated Financial Statements for the 2019 financial year by the Annual General Meeting on June 19, 2019.

The auditors audited the Annual Financial Statements for 2019 and the Consolidated Financial Statements for 2019 as well as the Company's combined management report and issued an unqualified auditors' report.

A testable version of the Annual and Consolidated Financial Statements and Combined Management Report for home24 SE and the Group for the 2019 financial year were reviewed and extensively discussed at the virtual Audit Committee meeting on April 3, 2020 which took place via video conference. Management Board member Marc Appelhoff presented the financial statements of home24 SE and the home24 Group at this meeting. Audit firm's partners took part in the Audit Committee meetings, reported on the main findings of their audit, and discussed its scope and focal points. The Supervisory Board members have received and reviewed the draft audit reports in advance.

The draft audit reports were then discussed at the virtual Supervisory Board's plenary meeting on April 3, 2020 which took place via video conference; the draft audit reports were available to all Supervisory Board members. At this meeting, Audit Committee chair Verena Mohaupt reported on the Audit Committee's previous meeting and on the audit of the statements by the Audit Committee. The financial statements and the Combined Management Report were discussed within the Supervisory Board. The Audit Committee chair further explained that basis for the discussions in the Audit Committee were testable versions of the financial statemens, but the formal audit opinions were still missing due to logistical challenges because of COVID-19 related restrictions such as impossibility of physical meetings and few outstanding formal audit activities. The Audit Committee suggested to approve the financial statements after receipt of the final audit opinions. For such purpose the Audit Committee proposed to have another virtual meeting on April 6, 2020 where the auditor shall confirm the audit opinion on the basis of the discussed financial statements.

The Supervisory Board approved the result of the audit and agreed to the suggested procedure. No objections were raised as a result of the reviews carried out by the Audit Committee and the Supervisory Board. In the virtual Supervisory Board meeting on April 6, 2020 which took place via video conference, the auditor confirmed that the financial statements and presented audit reports have not been amended. On such basis, the Supervisory Board approved the Annual and Consolidated Financial Statements for the 2019 financial year in accordance with the recommendation of the Audit Committee, and the Annual Financial Statements of the Company for the 2019 financial year were thus adopted.

Berlin, April 6, 2020

For the Supervisory Board

LOTHAR LANZ

Chairman of the Supervisory Board

ANNUAL FINANCIAL STATEMENTS

(prepared in accordance with the German Commercial Code – HGB)

BALANCE SHEET

Assets

In EURk	December 31, 2019	December 31, 2018
A. Fixed assets		
I. Intangible assets		
Purchased industrial and similar rights and assets, and licenses in such rights and assets	19,583	21,334
	19,583	**21,334**
II. Tangible fixed assets		
1. Other equipment, operating and office equipment	477	489
2. Advance payments made and assets under construction	0	21
	477	**510**
III. Long-term financial assets		
1. Shares in affiliated companies	27,049	27,049
2. Loans to affiliated companies	27,200	14,120
3. Other loans	8,819	8,769
	63,068	**49,938**
	83,128	**71,782**
B. Current assets		
I. Inventories		
1. Goods	25,604	25,617
2. Advance payments on inventories	540	616
	26,144	**26,233**
II. Receivables and other assets		
1. Trade receivables	8,513	11,949
2. Receivables from affiliated companies	12,505	6,129
3. Other assets	2,856	1,786
	23,874	**19,864**
III. Cash on hand and bank balances	41,738	106,519
	91,756	**152,616**
C. Prepaid expenses	1,025	1,192
	175,909	**225,590**

Equity and Liabilities

In EURk	December 31, 2019	December 31, 2018
A. Equity		
I. Subscribed capital	26,409	26,060
less par value of treasury shares	– 27	– 33
Conditional capital EUR 10,155k (2018: EUR 9,238k)		
	26,382	**26,027**
II. Capital reserves	88,244	132,718
	114,626	**158,745**
B. Provisions		
Other provisions	10,669	17,336
C. Liabilities		
1. Liabilities to banks	1,536	0
2. Payments received on account of orders	8,673	10,429
3. Trade payables	17,968	21,165
4. Liabilities to affiliated companies	18,567	15,153
5. Other liabilities	3,396	2,001
thereof taxes EUR 2,638k (2018: EUR 1,132k)		
thereof social security EUR 3k (2018: EUR 9k)		
	50,140	**48,748**
D. Deferred income	474	761
	175,909	**225,590**

INCOME STATEMENT

In EURk	2019	2018
1. Revenue	287,474	244,071
2. Other operating income	2,153	3,442
thereof currency translation gains EUR 1,158k (2018: EUR 1,293k)		
3. Cost of materials		
a) Cost of purchased goods	– 154,246	– 132,777
b) Cost of purchased services	– 65,491	– 58,970
4. Personnel expenses		
a) Wages and salaries	– 17,416	– 15,767
b) Social security and pension expenses	– 3,508	– 3,469
thereof pension expenses EUR 56k (2018: EUR 58k)		
5. Amortization of intangible assets and depreciation of tangible fixed assets	– 3,300	– 879
6. Other operating expenses	– 83,114	– 92,687
thereof for currency translation losses EUR 777k (2018: EUR 1,064k)		
7. Income from investments	0	64
8. Other interest and similar income	488	473
thereof from affiliated companies EUR 421k (2018: EUR 286k)		
9. Write-downs of long-term financial assets	– 112	– 606
10. Interest and similar expenses	– 583	– 632
thereof to affiliated companies EUR 41k (2018: EUR 42k)		
11. Expenses from loss absorption	– 8,138	– 4,044
12. Taxes on income	– 7	– 23
13. Loss for the period	**– 45,800**	**– 61,804**
14. Withdrawals from capital reserves	45,800	61,804
15. Net retained profits	**0**	**0**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2019

The Company is registered in the commercial register of Charlottenburg local court under no. HRB 196337 B under the name home24 SE, with headquarters in Berlin.

1. GENERAL DISCLOSURES ON THE ANNUAL FINANCIAL STATEMENTS

home24 SE (the "Company") is a listed European stock corporation. Shares in home24 SE were admitted for trading on the Frankfurt Stock Exchange (Prime Standard) on June 15, 2018. The Company's registered address is Greifswalder Straße 212- 213, 10405 Berlin, Germany.

In the reporting period, the Company was a large corporation within the meaning of Section 267 (3) in conjunction with Section 264d of the German Commercial Code (HGB). The Company's Annual Financial Statements as of December 31, 2019 were therefore prepared in accordance with the provisions of the German Commercial Code applicable to large corporations and German accepted accounting principles, as well as the relevant provisions of the German Stock Corporation Act (AktG) in conjunction with Article 61 Council Regulation (EC) No 2157/2001.

The income statement was prepared using the total cost (nature of expense) method in accordance with Section 275 (2) HGB.

2. ACCOUNTING POLICIES

The following accounting policies were applied in preparing the Annual Financial Statements.

Intangible assets purchased from third parties are carried at cost and, if subject to wear and tear, reduced by amortization. The assets are amortized on a straight-line basis over their economic life of three to seven years.

Items of tangible fixed assets are carried at cost and, if subject to wear and tear, reduced by depreciation on a straight-line basis over their average useful life. The average useful life of tangible fixed assets is as follows:

	Useful life in years
Operating and office equipment	2 – 23
Hardware	3 – 8

Legislators raised the threshold for low-value assets for investments after December 31, 2017. To harmonize tax law and commercial law regulations, items of fixed assets that fulfill the tax regulations governing low-value assets with individual acquisition costs of between EUR 250 and EUR 800 are written down in full in the year of acquisition.

Under long-term financial assets, ownership interests are carried at the lower of cost or fair value. In accordance with IDW RS HFA 10, the income value of the equity interest in question was used as a basis for calculating the fair values. Interest-bearing loans are carried at their principal amount.

Inventories are measured at cost including incidental acquisition costs and carried at their weighted average value in accordance with Section 240 (4) HGB. Lower net realizable values that exist at the balance sheet date are recognized. Appropriate write-downs are charged to make allowance for inventory risks resulting from reduced usability. Except for customary retention of title, the inventories are free of third-party rights. Prepayments are carried at their nominal amount.

Receivables and other assets are recognized at their nominal amount. Impairments of trade receivables from mail order customers are recognized on the basis of collective specific valuation allowances, which are determined on the basis of past due dates and other factors impacting their value using country-specific valuation allowances.

Other uncollectible receivables are written off in full.

Cash on hand and bank balances are carried at their principal or nominal amount. Bank balances also include short-term deposits that can be converted into specified cash amounts at any time with notice of three months.

Prepaid expenses are recognized for expenses that will be incurred for a specified period of time after the reporting date.

Deferred taxes are calculated on the basis of temporary or quasi-permanent differences between the carrying amounts of assets, liabilities and prepaid expenses under commercial law and their tax base, or on the basis of tax loss carryforwards, using the tax rate applicable to the individual company at the time the differences are reduced, without discounting the resulting tax charge or relief. The tax rate of 30.18% (2018: 30.18%) comprises corporation tax, trade tax and the solidarity surcharge. Deferred tax assets and deferred tax liabilities are offset. A surplus of deferred tax assets is not recognized if the option to recognize deferred tax assets is exercised.

Share capital is recognized at the theoretical par value and is fully paid in.

Purchased treasury shares are openly deducted from subscribed capital at their par value. The difference between the par value and the purchase price of the treasury shares is offset against the capital reserves.

Equity-settled share-based payments to employees are treated as not effecting net income. The granting of the options has the effect of a loss of assets for the existing shareholders in the form of a dilution of the value of the existing shares, which in accordance with the separation principle under stock corporation law does not affect the Company's financial position and financial performance. When the options are exercised, the exercise price to be paid by the employee is allocated to subscribed capital up to the amount of the notional value of the shares issued.

Share-based payments for the purchase of media services are recognized as an expense in the performance period. In the case of equity-settled agreements, the expense is measured at the fair value of the media volume when the service is performed. The fair value is the list price of the media services less agreed discounts.

All identifiable, recognizable risks and uncertain liabilities relating to the past financial year are taken into account in the measurement of other provisions. These are each measured at the settlement value deemed necessary according to prudent business judgment to cover future payment obligations. Provisions with a remaining term of more than one year are discounted at the average interest rate for the last seven years announced by the Deutsche Bundesbank.

The Company generally grants its customers the right to return purchased products. The recognition of revenue is adjusted by means of an appropriate provision in the amount of the expected returns. Provisions are recognized using the gross method with revenue and the cost of materials as well as expected logistics costs of the expected returns reducing earnings.

Liabilities are carried at their settlement value.

Deferred income is recognized for income that will be accrued for a specified period of time after the reporting date.

Receivables, bank balances and liabilities denominated in foreign currencies are translated at the middle spot rate at the balance sheet date, with the realization and imparity principles being applied in the case of remaining maturities of more than one year. In the case of maturities of up to one year, the realization and cost principles do not apply to measurement in accordance with Section 256a HGB.

The exchange rate from a foreign currency to EUR for items in the Annual Financial Statements based on foreign currency amounts as of December 31, 2019 was:

(EUR-USD, middle spot rate)	1.12340
(EUR-CHF, middle spot rate)	1.08540
(EUR-HKD, middle spot rate)	8.74730
(EUR-PLN, middle spot rate)	4.25680
(EUR-CNY, middle spot rate)	7.82050

The Company takes strategic measures to manage foreign currency risk by hedging foreign currency risks arising from future purchases in USD. The Company uses portfolio hedges to hedge the pending transactions for procurement of merchandise. These derivative financial instruments are measured at fair value through profit or loss.

The Company considers the available liquidity to be sufficient to finance its ongoing growth plans. In the event of significant unforeseeable changes that involve an additional unplanned outflow of liquidity, the Company has options at its disposal. Besides cost savings these include also borrowing outside capital, the (partial) sale of a business segment or carrying out a capital increase. Existing planning assumptions could change depending on how the options are used specifically. Additional opportunities to participate in the positive trend in the home&living market as effectively as possible, particularly those relating to company growth, could also arise. The Company currently does not see any going-concern risks when taking an overall look at the opportunities and risks together with potential countermeasures. These Financial Statements have therefore been prepared on a going-concern basis. Reference is made to the fundamental statements on risks and opportunities in the Combined Management Report.

3. BALANCE SHEET DISCLOSURES

3.1. Fixed Assets

The composition of and changes in fixed assets are shown in the appendix to the Notes (Statement of Changes in Assets).

Other loans include rental deposits or bank balances that have been pledged as collateral to owners of leased storage facilities, show-rooms, outlets and office buildings and withdrawn from access by the Company for periods of more than one year.

An overview of the shareholdings at the balance sheet date is listed in the appendix to the notes (List of Shareholdings).

3.2. Current Assets

Receivables from affiliated companies rose by EUR 6,376k to EUR 12,505k and are comprised of trade receivables of EUR 9,673k (2018: EUR 5,427k) and other receivables of EUR 2,832k (2018: EUR 702k).

All receivables and other assets are due in less than one year.

Trade receivables are continuously sold to finance the operating business. At the reporting date, receivables with a nominal amount of EUR 1,616k were sold that are presented under other assets as a claim against the factoring company.

3.3. Deferred Taxes

Deferred tax liabilities resulting primarily from the recognition of intangible fixed assets and different measurement of current foreign currency receivables and liabilities were offset against deferred tax assets on the different carrying amounts under commercial and tax law of investments in subsidiaries, loans to affiliated companies, and goodwill, as well as the different measurement of provisions.

In accordance with the option contained in Section 274 (1) Sentence 2 HGB, deferred tax assets were not recognized beyond the net-ted deferred tax assets and liabilities.

In addition, there is a further factoring agreement under which the criteria for derecognition of the transferred trade receivables are not met, as a result of which the Company reports liabilities to banks in the amount of the purchase price received.

3.4. Equity

The change in equity is shown in the following table:

In EURk	Subscribed capital	Treasury shares	Capital reserves	Net retained profits	Equity, total
As of January 1, 2018	**429**	**0**	**47,486**	**0**	**47,915**
Proceeds from shares issued	7,500	0	165,439	0	172,939
Proceeds from shares issued under stock option plans	83	0	0	0	83
Share split	18,048	– 33	– 18,015	0	0
Share buyback	0	0	– 388	0	– 388
Withdrawal from reserves	0	0	– 61,804	61,804	0
Loss for the period	0	0	0	– 61,804	– 61,804
As of December 31, 2018	**26,060**	**– 33**	**132,718**	**0**	**158,745**

In EURk	Subscribed capital	Treasury shares	Capital reserves	Net retained profits	Equity, total
As of January 1, 2019	**26,060**	**– 33**	**132,718**	**0**	**158,745**
Proceeds from shares issued under stock option plans	349	6	1,326	0	1,681
Withdrawal from reserves	0	0	– 45,800	45,800	0
Loss for the period	0	0	0	– 45,800	– 45,800
As of December 31, 2019	**26,409**	**– 27**	**88,244**	**0**	**114,626**

Equity decreased by EUR 44,119k overall to EUR 114,626k, mainly due to the loss for the period in the financial year.

In the context of drawing up the balance sheet as of December 31, 2019, an amount of EUR 45,800k was reversed from the free capital reserves (2018: EUR 61,804k) and offset against the net loss for the year of home24 SE.

As of January 1, 2019, the subscribed capital amounted to EUR 26,060,010 and was fully paid-in. The registered share capital was divided into 26,060,010 bearer shares.

As of January 1, 2019, the Company held 33,282 treasury shares. The notional value of the treasury shares amounted to EUR 33,282, equivalent to 0.13% of the share capital.

Effective June 26, 2019, the Company transferred a total of 6,375 treasury shares on the basis of the authorization granted by the Annual General Meeting on May 24, 2018.

On June 19, 2019, the Management Board adopted a resolution, approved by the Supervisory Board on June 19, 2019, to increase the Company's share capital by EUR 210,786 from EUR 26,060,010 to EUR 26,270,796 by issuing 210,786 new bearer shares with a notional value of EUR 1 per share and disapplying shareholders' preemptive rights, in return for cash contributions utilizing Authorized Capital 2015/II (Article 4 (3) of the Company's Articles of Association). The capital increase took effect upon being entered in the commercial register of Charlottenburg local court, Berlin, Germany, on August 14, 2019.

On August 14, 2019, the Management Board adopted a resolution, approved by the Supervisory Board on August 14, 2019, to increase the Company's share capital by EUR 80,769 from EUR 26,270,796 to EUR 26,351,565 by issuing 80,769 new bearer shares with a notional value of EUR 1 per share and disapplying shareholders' preemptive rights, in return for in-kind contributions utilizing Authorized Capital 2015/III (Article 4 (3) of the Company's Articles of Association). The capital increase took effect upon being entered in the commercial register of Charlottenburg local court, Berlin, Germany, on August 20, 2019.

On August 15, 2019, the Management Board adopted a resolution, approved by the Supervisory Board on August 15, 2019, to increase the Company's share capital by EUR 57,621 from EUR 26,351,565 to EUR 26,409,186 by issuing 57,621 new bearer shares with a notional value of EUR 1 per share and disapplying shareholders' preemptive rights, in return for cash contributions utilizing Authorized Capital 2017 (Article 4 (6) of the Company's Articles of Association). The capital increase took effect upon being entered in the commercial register of Charlottenburg local court, Berlin, Germany, on August 21, 2019.

On June 19, 2019, the Annual General Meeting of the Company adopted a resolution to adjust the previous Contingent Capital 2017 contained in Article 4 (5) of the Articles of Association as follows: "Contingent Capital 2017" is renamed "Contingent Capital 2019". The share capital of the Company is conditionally increased by up to EUR 2,096,972 (Conditional Capital 2019). Conditional Capital 2019 is exclusively used to service the preemptive rights issued to subscription rights holders on the basis of the authorization given by the General Meeting on March 10, 2017, amended by resolutions of the Annual General Meetings on July 28, 2017 and May 24, 2018 and June 19, 2019 as part of the LTIP 2019 (or its previous name, LTIP 2017). This conditional capital increase is only carried out to the extent that performance shares have been issued in accordance with the resolution of the Annual General Meeting on March 10, 2017, amended by resolutions of the General Meetings on July 28, 2017, May 24, 2018 and June 19, 2019, the preemptive rights holders exercise their rights in accordance with the agreement, and the Company fulfills the preemptive rights neither with its own shares nor by cash payment. For details and the complete wording, please refer to the resolution proposal of the Management Board and Supervisory Board regarding agenda item 7 of the Annual General Meeting, which was published in the Federal Gazette on 10 May, 2019. Conditional Capital 2019 became effective upon entry of the amendment of Article 4 (5) of the Articles of Association in the commercial register of the Charlottenburg (Berlin) local court on October 1, 2019.

The share capital entered in the commercial register as of December 31, 2019, therefore amounts to EUR 26,409,186. The share capital is divided into 26,409,186 bearer shares each with a notional value of EUR 1 per share.

As of December 31, 2019, the Company held 26,907 treasury shares. The notional value of the treasury shares amounted to EUR 26,907.00, equivalent to 0.10% of the share capital.

Authorized and conditional capital were comprised as follows as of the reporting date:

	Number of no-par value shares	Amount (in EUR)
Authorized Capital 2015/II	70,864	70,864
Authorized Capital 2015/III	113,328	113,328
Authorized Capital 2017	117,690	117,690
Authorized Capital 2018	7,525,804	7,525,804
Conditional Capital 2018	8,058,025	8,058,025
Conditional Capital 2019	2,096,972	2,096,972

3.5. Provisions

Other provisions mainly include provisions for outstanding invoices of EUR 5,628k (2018: EUR 11,483k), provisions for expected returns, goodwill payments and exchange of goods of EUR 1,318k (2018: EUR 1,745k), provisions for personnel expenses of EUR 888k (2018: EUR 981k) and provisions for restoration obligations of EUR 1,013 k (2018: EUR 735k).

3.6. Liabilities

Liabilities to affiliated companies comprise loan liabilities of EUR 8,252k (2018: EUR 8,257k), trade payables of EUR 1,351k (2018: EUR 2,138k) and other liabilities of EUR 8,964k (2018: EUR 4,758k). Liabilities are comprised as follows and have the following remaining lives:

	12/31/2019			
In EURk	**Total**	**Up to 1 year**	**Secured by liens or similar rights**	**Type, form of security**
Liabilities to banks	1,536	1,536	0	
Payments received on account of orders	8,673	8,673	0	
Trade payables	17,968	17,968	2,437	Assignment as security
Liabilities to affiliated companies	18,567	18,567	0	
Other liabilities	3,396	3,396	0	
Total	**50,140**	**50,140**	**2,437**	

	12/31/2018			
In EURk	**Total**	**Up to 1 year**	**Secured by liens or similar rights**	**Type, form of security**
Liabilities to banks	0	0	0	
Payments received on account of orders	10,429	10,429	0	
Trade payables	21,165	21,165	5,388	Assignment as security
Liabilities to affiliated companies	15,153	15,153	0	
Other liabilities	2,001	2,001	0	
Total	**48,748**	**48,748**	**5,388**	

home24 SE takes strategic measures to manage foreign currency risk by using derivatives to hedge foreign currency risks arising from future purchases in USD. As of the balance sheet date, forward exchange contracts exist in the amount of EUR 9,756 thousand. The negative market value as of the balance sheet date was TEUR 9,652. These derivative financial liabilities of EUR 104k have been recognized at fair value through profit or loss.

4. CONTINGENT LIABILITIES

The Company is required to ensure that it will make sufficient funds available to its subsidiary home24 eLogistics GmbH & Co. KG so that the latter is able to meet its financial obligations at all times. Customary letters of comfort have been issued for this purpose under leases and forwarding contracts. Risks of being issued under letters of comfort could arise from the contract term if the subsidiary does not fulfill its financial obligations, although there are no indications at the present time that this might happen.

Six customer complaints related to breaches of data protection requirements are currently pending before the Berlin Commissioner for Data Protection. It is possible that the Berlin Data Protection Authority will use the proceedings as an opportunity to impose a fine on the Company. If a fine is imposed, it must be assumed that it will be of a high six-figure amount due to the calculation model currently applied by the data protection authorities. Owing to the lack of relevant decisions, it is impossible at the present time to predict how courts will view the authorities' fining practice and fine determination.

There were no other contingencies in the reporting period.

5. OTHER FINANCIAL OBLIGATIONS

Other financial obligations of EUR 87,534k (2018: EUR 80,028k) were as follows as of December 31, 2019:

In EURk	Total	Up to 1 year	Between 1 and 5 years	More than 5 years
Order for goods	29,131	29,131	0	0
Marketing services	7,900	6,577	1,323	0
Leases	46,594	8,623	29,937	8,034
Software, licenses, equipment, communication	3,828	2,806	1,022	0
Other	81	38	43	0
	87,534	**47,175**	**32,325**	**8,034**

6. OFF-BALANCE-SHEET TRANSACTIONS

6.1. Operating Lease

Purpose	Investment risk is minimized by using capital goods temporarily, with the lessor retaining ownership and the associated risk.
Capital goods	Warehouses, showrooms, outlets, office buildings.
Risks	Being bound to the contract for its duration.
Advantages	Duration limited as required and steady cash flow.

6.2. Financial Instruments

Purpose	The Company takes strategic measures to manage foreign currency risk by hedging foreign currency risks arising from future purchases in USD.
Risks	Negative market values possible.
Advantages	Protection against exchange rate fluctuations and greater planning reliability.

7. INCOME STATEMENT DISCLOSURES

7.1. Revenue

Revenue comprises the following:

In EURk	2019	2018
Revenue		
from the sale of furniture and related services		
for the German market	194,694	168,625
in other European countries (France, Belgium, Netherlands, Austria, Switzerland and Italy)	87,848	71,423
from charges passed on to subsidiaries	2,934	3,251
from rental income, warehouse services and other	1,998	772
	287,474	**244,071**

7.2. Other Operating Income

Other operating income includes income of EUR 424k relating to prior periods (2018: EUR 1,600k). Prior-period income in financial year 2019 resulted primarily from the reversal of provisions.

7.3. Other Operating Expenses

Other operating expenses includes expenses of EUR 40k relating to prior periods (2018: EUR 0).

7.4. Write-downs of Long-term Financial Assets

Due to expected permanent impairment, write-downs of EUR 112k were recognized on loans to affiliated companies in financial year 2019.

7.5. Interest and Similar Expenses

Interest and similar expenses include expenses from the accumulation of provisions in the amount of EUR 10k (2018: EUR 9k).

8. OTHER DISCLOSURES

8.1. Breakdown of the Number of Employees by Gender

The average number of employees in financial year 2019 was as follows:

	2019	2018
Male	191	204
Female	167	195
	358	**399**

8.2. Management Board and Supervisory Board

The Management Board and Supervisory Board were represented by the following members in financial year 2019:

MANAGEMENT BOARD

Dr. Philipp Kreibohm, Berlin (until March 31, 2019)
Lawyer

Christoph Cordes, Berlin (until December 31, 2019)
Business graduate

Marc Appelhoff, Berlin
Business graduate

Johannes Schaback, Berlin
Graduate engineer

Brigitte Wittekind, Potsdam (from January 01, 2020)
Business graduate

Two members of the Management Board and one member of the Management Board in conjunction with an authorized signatory (Prokurist) are authorized to represent the Company jointly and have the authority to enter into transactions as representatives of the Company.

The members of the Management Board serve on the Board on a full-time basis.

CURRENT MANDATES

Name of the Management Board member	Mandates in accordance with Section 285 No. 10 German Commercial Code (HGB) in conjunction with Section 125 (1) sentence 5 German Stock Corporation Act (AktG)
Dr. Philipp Kreibohm	Heaven HR GmbH (Advisory Board)
Christoph Cordes	—
Marc Appelhoff	Avenso GmbH (Advisory Board; until end of June 2019)
Johannes Schaback	—
Brigitte Wittekind	D-Level GmbH (Advisory Board)

SUPERVISORY BOARD

Lothar Lanz (Chairman of the Supervisory Board), Munich
Member of several supervisory boards

Magnus Agervald (Deputy Chairman of the Supervisory Board), Stockholm
Entrepreneur and member of several supervisory boards

Franco Danesi, London
Investment Director at Kinnevik Capital Ltd. Co.

Verena Mohaupt (Chairwoman of the Audit Committee), Munich
Partner at Findos Investor GmbH

Alexander Samwer, Munich (until June 19, 2019)
Entrepreneur

Christian Senitz, Berlin (until January 28, 2019)
Senior Vice President Finance International at Rocket Internet SE

CURRENT MANDATES

The following overview shows all current appointments in statutory supervisory boards or comparable supervisory bodies of companies in and outside Germany that were held by members of the Supervisory Board of home24 SE.

Name of the Supervisory Board member	Mandates in accordance with Section 125 (1) sentence 5 AktG
Lothar Lanz	BAUWERT Aktiengesellschaft (member of the Supervisory Board) Dermapharm Holding SE (member of the Supervisory Board) TAG Immobilien AG (member of the Supervisory Board) Zalando SE (Chairman of the Supervisory Board; until May 22, 2019) Axel Springer SE (member of the Supervisory Board; until April 17, 2019)
Magnus Agervald	FH Gruppen AS (member of the Board of Directors) AGE Advisory AB (deputy member of the Board of Directors until December 2019, full member of the Board of Directors since December 2019) Flaivy Nation AB (Chairman of the Board of Directors) Panprices AB (member of the Board of Directors)
Franco Danesi	Bayport Management Limited (member of the Board of Directors) Monese Ltd (member of the Board of Directors) Black Earth Farming Limited (member of the Board of Directors; until December 20, 2019) E-Motion Advertising Limited (member of the Board; until November 10, 2019) Metro International S.A. (member of the Board of Directors; until September 11, 2019)
Verena Mohaupt	Mos Mosh A/S (member of the Advisory Board) Reinhold Fleckenstein Jeanswear GmbH (member of the Advisory Board) Rhenoflex GmbH (member of the Advisory Board)
Alexander Samwer	Zalando SE (member of the Supervisory Board)
Christian Senitz	Africa Internet GmbH / Jumia Technologies AG (member of the Advisory Board) Global Fashion Group S.A. (member of the Board of Directors)

REMUNERATION

As part of their remuneration, members of the Management Board were granted shares or share options of home24 SE under equity-settled share-based payment plans.

The following table shows the remuneration paid or payable to the members of the Management Board for their services:

In EURk	2019	2018
Salaries	892	962
Fringe benefits	97	111
Fair value of shares or share options issued during the financial year	561	1,419
	1,550	**2,492**

In the financial year, 842,876 (2018: 93,224) shares or share options were issued to members of the Management Board under share-based payment programs. The issue was not recognized through profit or loss.

The remuneration of the Supervisory Board in the financial year amounted to EUR 262k (2018: EUR 264k).

The determination of the remuneration of the Management Board and Supervisory Board of home24 SE is presented in the Remuneration Report on page 58ff.

8.3. Share-based Payment

The Company granted share-based payment to members of the Management Board and employees. As of December 31, 2019, the Company granted a total of 4,714,021 options.

8.4. Group Relationships

In accordance with Section 290 (1) HGB, home24 SE prepares Consolidated Financial Statements for the largest and smallest group of companies. The Consolidated Financial Statements of home24 SE, Berlin, are published in the electronic Federal Gazette under No. HRB 196337 B.

8.5. Auditor’s Fee

In accordance with Section 285 (17) HGB, the auditor’s fee is not disclosed here. This information is provided in the Consolidated Financial Statements of home24 SE.

8.6. Related Party Transactions

Related parties are legal entities or natural persons that are able to exert influence on home24 SE or over which home24 SE exercises control or has a significant influence.

Related party transactions have been entered into with subsidiaries of home24 SE in particular. Transactions with related parties are entered into at arm’s length.

9. DISCLOSURES IN ACCORDANCE WITH SECTION 160 (1) NO. 8 AKTG

There are equity investments in the Company of which the Company was notified in accordance with Section 33 (1) or (2) of the German Securities Trading Act (WpHG) and that were published in accordance with Section 40 (1) WpHG.

Rocket Internet SE, Berlin, Germany, notified the Company pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE amounted to 10.91% on August 28, 2019, of which Rocket Internet SE directly holds 10.59% (2,797,750 voting rights) pursuant to Section 33 WpHG and 0.31% (83,033 voting rights) is attributable to it pursuant to Section 34 WpHG. The full chain of subsidiaries, starting with the ultimate controlling person or entity, was disclosed as follows: Rocket Internet SE, Bambino 53. V V GmbH (haftungsbeschränkt).

Baillie Gifford & Co., Edinburgh, United Kingdom, notified us pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE amounted to 7.80% (2,060,115 voting rights) on October 1, 2019, which are attributable to Baillie Gifford & Co. pursuant to Section 34 WpHG. It was further announced that voting rights of the following shareholder whose share of voting rights in home24 SE amounts to 3% or more, were attributed in accordance with Section 34 WpHG: Vanguard World Fund.

MainFirst SICAV, Senningerberg, Luxembourg, notified the Company pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE amounted to 8.08% on June 19, 2018, of which MainFirst SICAV directly holds 8.08% (2,019,882 voting rights) pursuant to Section 33 WpHG.

Scottish Mortgage Investment Trust PLC, Edinburgh, United King21jdom, notified the Company pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE amounted to 1.47% (382,323 voting rights) on June 26, 2019, which are held directly by Scottish Mortgage Investment Trust PLC pursuant to Section 33 WpHG.

Kinnevik AB (publ), Stockholm, Sweden, notified the Company pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE amounted to 11.94% (3,111,953 voting rights) on January 30, 2019, which are attributable to Kinnevik AB (publ) pursuant to Section 34 WpHG. The full chain of subsidiaries, starting with the ultimate controlling person or entity, was disclosed as follows: Kinnevik AB (publ), Kinnevik Internet Lux S.à r.l. (11.94% of the voting rights).

Ari Zweiman notified the Company pursuant to Section 33 (1) WpHG that his share of voting rights in home24 SE on October 11, 2018 amounted to 18.99%, of which 14.64% (3,865,637 voting rights) is attributable to Ari Zweiman pursuant to Section 34 WpHG. According to the voting rights notification, the proportion of voting rights based on instruments pursuant to Section 38 (1) no. 2 WpHG amounted to 4.35% (1,150,000 voting rights). The full chain of subsidiaries, starting with the ultimate controlling person or entity, was disclosed as follows: Ari Zweiman, 683 Capital GP, LLC, 683 Capital Partners LP (18.99% of the voting rights) / Ari Zweiman, 683 Capital Management LLC (18.99% of the voting rights).

AMIRAL GESTION, Paris, France, notified the Company pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE amounted to 3.17% on March 29, 2019, with AMIRAL GESTION holding this equity interest of 3.17% (826,990 voting rights) directly pursuant to Section 33 WpHG.

10. CORPORATE GOVERNANCE STATEMENT

In accordance with Section 161 of the German Stock Corporation Act (AktG), the Declaration of Conformity is available on the Company's website at http://irpages 2.eqs.com/download/companies/homevierundzwanzig/CorporateGovernance/181218_home24_SE_declaration_of_conformity_DCGK_English.pdf.

11. RESOLUTION ON THE APPROPRIATION OF EARNINGS

The Supervisory Board and Management Board adopted a resolution to set off home24 SE's net loss for the period of EUR 45,800k in full against the capital reserves.

12. REPORT ON POST-BALANCE SHEET DATE EVENTS

Brigitte Wittekind has been a member of the Management Board since January 1, 2020. She succeeds Christoph Cordes, who stepped down from the Management Board with effect from the end of December 31, 2019. Marc Appelhoff has held the role of Chairman of the Management Board (CEO) since January 1, 2020.

The entity related to Management Board member Johannes Schaback, whiletrue GmbH, acquired shares in the Company for an average price of EUR 5.90 for a total of EUR 10,030 on January 7, 2020, and for an average price of EUR 5.81 for a total of EUR 98,843 on January 8, 2020.

Supervisory Board member Verena Mohaupt disposed of shares in the Company for an average price of EUR 5.72 for a total of EUR 24,124 on January 9, 2020, and acquired shares in the Company for an average price of EUR 5.88 for a total of EUR 26,403 on the same day.

In the first quarter of 2020, the spread of the COVID-19 pandemic has created an element of uncertainty for further business development in 2020. At the time this report was prepared, home24 was directly affected. The majority of home24's employees outside of logistics processes and retail trade are working from home. Supply chains of suppliers in Europe, Brazil and China are affected. The Company's bricks-and-mortar retail stores are temporarily closed. Customer demand is more difficult to forecast and more volatile. However, the overall negative financial impact of the COVID-19 pandemic is, as of today (April 3, 2020), still within margins of control, so that only limited adjustments to the financial planning approved by the Management Board and the Supervisory Board for 2020 in November 2019 are required.

No other events of material significance occurred after the closing date.

Berlin, April 3, 2020

Marc Appelhoff   Johannes Schaback   Brigitte Wittekind

CHANGES IN ASSETS

(GROSS PRESENTATION)

	Cost				
In EURk	1/1/2019	Additions	Reclassi-fication	Disposals	12/31/2019
I. Intangible assets					
Purchased industrial and similar rights and assets, and licenses in such rights and assets	30,556	1,350	0	0	31,906
Subtotal	**30,556**	**1,350**	**0**	**0**	**31,906**
II. Tangible fixed assets					
1. Other equipment, operating and office equipment	2,430	172	15	0	2,617
2. Advance payments made and assets under construction	21	0	– 15	– 6	0
Subtotal	**2,451**	**172**	**0**	**– 6**	**2,617**
III. Long-term financial assets					
1. Shares in affiliated companies	62,576	0	0	– 105	62,471
2. Loans to affiliated companies	64,870	98,004	0	– 84,812	78,062
3. Other loans	8,769	80	0	– 30	8,819
Subtotal	**136,215**	**98,084**	**0**	**– 84,947**	**149,352**
Total	**169,222**	**99,606**	**0**	**– 84,953**	**183,875**

Accumulated depreciation, amortization and write-downs				Carrying amounts	
1/1/2019	Additions	Disposals	12/31/2019	12/31/2019	12/31/2018
9,222	3,101	0	12,323	19,583	21,334
9,222	**3,101**	**0**	**12,323**	**19,583**	**21,334**
1,941	199	0	2,140	477	489
0	0	0	0	0	21
1,941	**199**	**0**	**2,140**	**477**	**510**
35,527	0	– 105	35,422	27,049	27,049
50,750	112	0	50,862	27,200	14,120
0	0	0	0	8,819	8,769
86,277	**112**	**– 105**	**86,284**	**63,068**	**49,938**
97,440	**3,412**	**– 105**	**100,747**	**83,128**	**71,782**

LIST OF SHAREHOLDINGS

	Shareholdings	Annual Financial Statements[1]	
In EURk	Financial year in %	Net income/ loss for the year	Equity
Material long-term equity investments			
1. home24 eCustomers GmbH & Co. KG, Berlin, Germany	100.00[2]	0	13
2. home24 eLogistics GmbH & Co. KG, Berlin, Germany	100.00[2]	0	111
3. Home24 Polska S.A., Wroclaw, Poland	100.00[2]	– 166	– 118
4. Home24 Polska Sp. z o.o., Wroclaw, Poland	100.00	– 175	– 417
5. home24 Outlet GmbH, Berlin, Germany	100.00[2]	0	– 81
6. Mobly Comercio Varejista Ltda., São Paulo, Brazil	82.83	– 4,613	– 714
7. Club of Style (Shenzen) Ltd., Shenzen, China	100.00	11	21

[1] Based on the Annual Financial Statements as of December 31, 2018
[2] Direct equity investment

In accordance with Section 285 no. 11 HGB, shareholdings, net income/loss for the year and equity of equity investments with a shareholding of less than 20% are not disclosed.

In accordance with Section 286 (3) sentence 1 no. 1 HGB, the Company also does not disclose equity investments if these are of minor importance for the presentation of its net assets, financial position and results of operations.

COMBINED MANAGEMENT REPORT

1. GENERAL INFORMATION

1.1. Business Model

home24 is a platform for home&living online shopping in continental Europe, where it operates in seven countries predominantly under the "home24" brand, and in Brazil, where the Group operates under the "Mobly" brand.

In order to serve different tastes, styles and budgets, home24 has compiled an online offering with more than 100,000 stock-keeping units (SKUs) of home&living products, including a wide portfolio ranging from large items of furniture (such as living and dining room furniture, upholstered furniture and bedroom furniture) to accessories and lamps. home24 sources these products from more than 500 suppliers in over 30 countries, including direct sourcing from individual manufacturers for the private label range.

home24's products are marketed via an online platform that combines two distinct business models.

Third-party and white label products: a broad selection of home&living products marketed under third party and white label brands, which the Group usually does not keep in stock.

Private label products: Bestsellers marketed under own private labels, which the Group sources directly from selected manufacturers and other suppliers. These items are usually kept in stock.

1.2. Group Structure and Internal Steering System

home24 SE was founded in 2009 in Berlin, Germany. The Consolidated Financial Statements of home24 SE (the "Company") and its subsidiaries (collectively also referred to as "home24" or the "Group") are prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU. The principle business activity of the Group is online retail, focusing on the marketing, fulfillment and sale of home&living products in continental Europe and Brazil.

The Group's two most important entities are home24 SE, registered in Berlin, Germany, and Mobly Comércio Varejista Ltda., registered in São Paulo, Brazil. The Management Board controls all activities at Group level, subdivided into the Europe and Latin America (LatAm) segments, with reporting of financial figures and non-financial key performance indicators playing a central role. The most important financial and non-financial key performance indicators for managing the Group are: revenue growth at constant currency, adjusted EBIDTA margin, cash flow from investing activities, cash flow from changes in net working capital, number of orders, number of active customers and average order value.

The position of the Group in the Europe segment essentially corresponds to that of home24 SE.

2. REPORT ON ECONOMIC POSITION

2.1. Market Development

The gross domestic product of the EU economies increased by 1.2% in 2019 (source: Statista, January 2020). The positive economic trend of recent years, low unemployment, particularly in Germany, Austria and Switzerland, and rising gross wages have generated a favorable climate for consumers. Low interest rates in European markets are supporting an expansive real estate and housing market, which is also impacting positively on the home&living market (source: PWC, 2019). The Brazilian economy increased by 1.2% in the current financial year (source: Statista, January 2020).

The home&living segment is one of the largest consumer markets. The overall market volume in the markets served by home24 – Germany, France, Austria, the Netherlands, Switzerland, Belgium, Italy and Brazil – is more than EUR 115bn (source: Euromonitor, 2018). The online share of home&living in home24's target markets is still relatively low compared with other sectors such as consumer electronics, household appliances and clothes. home24 expects that the relatively low online share in this market points to significant upside potential. The segment is receiving additional support from bricks-and-mortar furniture retailers expanding their sales online and thus further increasing acceptance of online shopping among customers. In the German market, for example, sales of furniture ordered online are likely to almost double by 2023 based on figures from financial year 2018. The underlying trend remained much the same during financial year 2019 (source: "Branchenfokus Möbel", IFH Cologne/BBE).

home24 has significantly built up its brand awareness by making investments in recent years. As a result, home24 has achieved sustained brand awareness of more than 50% in its most important market, Germany. In comparison with the competition, this figure confirms the Company's position as a leading pure-play home&living e-commerce platform in continental Europe and Brazil (source: DCMN Insights, Q3 2019).

2.2. Business Development

In financial year 2019, home24 focused on breaking even on an adjusted EBITDA basis by the end of 2019 while simultaneously expanding its market position through sustainable growth. The milestones required to achieve this were communicated at the start of the year and were gradually reached.

To make sure that buying furniture becomes a positive shopping experience for the customer and that the resulting order is processed as quickly and smoothly as possible, home24 particularly focused on fundamental logistics and processes during financial year 2019 and, according to our estimates, was able to lay a vital foundation for sustainable and profitable growth. In particular, the milestones on the way to break-even included bringing new warehouses in Europe and Brazil into operation and optimizing customer support and utilization of returns.

The Group made additional technological improvements by taking a personalized approach to customer acquisition and conversion as well as focusing on users of mobile devices.

home24 also invested further in its range of private label products as well as third-party and white label products. New private label collections were developed for relevant styles, additional third-party brands were integrated into the platform and ranges of accessories and occasional furniture were significantly expanded.

According to our estimates, these investments will enable home24 to continue consistently pursuing its growth path in order to harness economies of scale to steadily improve profitability and expand the Group's competitive position.

2.3. Research and Development

The Group develops core elements of its internal software in-house. Thereby the Group wants to ensure that the software as best as possible satisfies rapid growth and scaling requirements, and the individual challenges posed by the online furniture sector. If the criteria for capitalization were met, all development costs were capitalized in the financial year ended. Accordingly, investments in internally generated intangible assets totaled EUR 8.0m (2018: EUR 7.6m). Amortization of internally generated intangible assets totaled EUR 4.7m (2018: EUR 4.9m).

2.4. Financial Position, Cash Flows and Financial Performance

In financial year 2019, home24 continued to focus on sustainable growth in order to build on its competitive position. At the same time, significant investments were made in process optimization, warehouse capacity and IT infrastructure to enhance profitability. This is reflected in the development of the financial position, cash flows and financial performance of the Group.

2.4.1. FINANCIAL PERFORMANCE

Simplified income Statement

In EURm	2019	2018	Change	Change in%
Revenue	371.6	312.7	58.9	19%
Cost of sales	–207.8	–176.2	–31.6	18%
Gross profit	**163.8**	**136.5**	**27.3**	**20%**
Gross profit margin	**44%**	**44%**	**0pp**	
Selling and distribution costs	–185.9	–160.0	–25.9	16%
Impairment losses on financial assets	–1.3	–1.3	0.0	0%
Administrative expenses	–42.2	–45.2	3.0	–7%
Other operating income	3.7	2.0	1.7	85%
Other operating expenses	–1.9	–1.6	–0.3	19%
Operating result (EBIT)	**–63.8**	**–69.6**	**5.8**	**–8%**

Non-Financial Key Performance Indicators

	Unit	2019	2018	Change in %
Number of orders	In k	2,196	1,907	15%
Average order value	In EUR	255	258	–1%
Number of active customers (as of December 31)	In k	1,506	1,299	16%

Revenue

In financial year 2019, consolidated revenue came to EUR 371.6m, up 19% y-o-y. Revenue at constant currency grew 20% y-o-y. All major product categories and both segments of the Group contributed to the increase in revenue. The acceleration in revenue growth is primarily due to a rising number of active customers and an increasing number of orders placed, whereas the average order value remained virtually unchanged. As of December 31, 2019, home24 had a total of 1.5m active customers, compared to 1.3m as of December 31, 2018. The number of orders placed during the 2019 financial year increased by 15% to 2.2m compared to the prior-year period. The Group achieved the revenue targets for financial year 2019 set out in the Combined Management Report for 2018 with accelerated revenue growth compared to the previous year. Non-financial key performance indicators developed in line with the previous year's management forecast in financial year 2019.

Cost of Sales

Cost of sales consists of the purchase price of consumer products plus inbound shipping and handling charges. In 2019, cost of sales increased by 18% from EUR 176.2m to EUR 207.8m. The increase is generally in line with the growth in revenue. Revenue less cost of sales results in gross profit. In financial year 2019, the Group posted a gross profit of EUR 163.8m, up 20% from EUR 136.5m in the previous year. The gross profit margin of 44% is at the same level as in the previous year.

Selling and Distribution Costs

In 2019, selling and distribution costs amounted to EUR 185.9m, up by 16% compared to EUR 160.0m in the corresponding period in 2018. The disproportionately low increase in selling and distribution costs compared to revenue growth was due in particular to a reduction in marketing expenses.

Selling and distribution costs comprise the following:

In EURm	2019	2018	Change	Change in %
Fulfillment expenses	–71.3	–60.2	–11.1	18%
Marketing expenses	–64.8	–66.1	1.3	–2%
Other selling and distribution costs	–49.8	–33.7	–16.1	48%
Total selling and distribution costs	**–185.9**	**–160.0**	**–25.9**	**16%**
as % of revenue				
Fulfillment expenses ratio	–19%	–19%	0pp	
Marketing expenses ratio	–17%	–21%	–4pp	

Fulfillment Expenses

Fulfillment expenses consist of expenses from distribution, handling and packaging, warehouse employee benefits, warehouse freelancers and payment processing. Fulfillment expenses rose 18% in financial year 2019, increasing from EUR 60.2m to EUR 71.3m. This means that fulfillment costs as a percentage of revenue remained at 19% y-o-y.

Marketing Expenses

Marketing expenses include performance marketing and TV marketing expenses excluding share-based payment marketing expenses. In the 2019 financial year, marketing efficiency was significantly enhanced compared with the previous year. As a result, marketing expenses in the reporting year decreased from EUR 66.1m to EUR 64.8m and the marketing expenses ratio as a percentage of revenue fell from 21% to 17% y-o-y.

Other Selling and Distribution Costs

Other selling and distribution costs contain rent and ancillary costs or depreciation of right-of-use-assets for leased warehouses, outlets and showrooms, share-based payment marketing expenses, other logistics and marketing expenses, employee benefits and freelancer expenses for central fulfillment, retail and marketing activities including customer service, and other sales-related expenses and depreciation related to sales and distribution. In financial year 2019, other selling and distribution costs increased from EUR 33.7m to EUR 49.8m. The increase is mainly attributable to higher depreciation on the "fashion for home" brand, capitalized right-of-use assets and property, plant and equipment, as well as additional expenses for logistics in connection with the expansion of warehouse capacity.

Administrative Expenses

Administrative expenses are composed of overhead expenses including employee benefit expenses and employee share-based payment expenses, depreciation and amortization, IT and other overhead costs, as well as costs related to the Company's IPO in financial year 2018. In financial year 2019, administrative expenses fell by EUR 3.0m or 7% y-o-y, from EUR 45.2m to EUR 42.2m. Under administrative expenses, higher amortization of intangible assets was more than offset by lower employee share-based payment expenses and the elimination of expenses incurred in connection with the IPO.

Adjusted EBITDA

home24 measures profitability also based on adjusted EBITDA in order to assess the operating performance of the business. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted amounts include share-based payment expenses for employees and media services received and, in the previous year, costs incurred in connection with the listing of existing shares and other one-off expenses, mainly service fees for legal and other consulting services associated with the IPO. The adjusted EBITDA margin reflects the ratio of adjusted EBITDA to revenue.

In EURm	2019	2018	Change	Change in %
Operating result (EBIT)	**–63.8**	**–69.6**	**5.8**	**–8%**
Amortization of intangible assets and depreciation of property and equipment and right-of-use assets	32.1	17.9	14.2	79%
Share-based payment	3.5	10.2	–6.7	–66%
Costs related to the IPO	0.0	1.5	–1.5	–100%
Adjusted EBITDA	**–28.2**	**–40.0**	**11.8**	**–30%**
Adjusted EBITDA margin	**–8%**	**–13%**	**5pp**	

The positive development of adjusted EBITDA and the adjusted EBITDA margin is due in particular to the results of the investments made since the IPO in June 2018.

Overall, the Group's negative operating result (EBIT) improved compared to the prior-year period from EUR 69.6m to EUR 63.8m.

Other financial Key Performance Indicator

Profit contribution comprises gross profit less fulfillment costs and impairment losses on financial assets. The profit contribution margin reflects the ratio of profit contribution to revenue.

In EURm	2019	2018	Change	Change in %
Gross profit	163.8	136.5	27.3	20%
Fulfillment expenses	–71.3	–60.2	–11.1	18%
Impairment losses on financial assets	–1.3	–1.3	0.0	0%
Profit contribution	**91.2**	**75.0**	**16.2**	**22%**
Profit contribution margin	25%	24%	1pp	

In the 2018 Consolidated Financial Statements, the impairment losses on financial assets were not included in the profit contribution. Excluding the impairment losses on financial assets, the profit contribution for financial year 2019 would have been EUR 92.5m (2018: EUR 76.3m).

The increase in the profit contribution margin in the reporting period was primarily caused by the improved gross profit.

2.4.2. FINANCIAL PERFORMANCE OF THE SEGMENTS

Revenue

In financial year 2019, revenue in the Europe segment rose by 16% y-o-y to EUR 278.3m, representing 75% of Group revenue. Compared with the previous year, home24 significantly increased both the number of orders (+6%) as well as the average order value (+3%) and the number of active customers (+7%). Shorter delivery times also had a positive impact on revenue recognition. As a result, the Europe segment once again made a considerably greater contribution to Group growth in financial year 2019 than it did in the previous year due to negative one-off effects in 2018.

In financial year 2019, revenue in the LatAm segment rose by 27% y-o-y to EUR 93.3m, representing 25% of Group revenue. At constant currency, revenue grew significantly 31% y-o-y. This positive trend was mainly driven by the increased number of orders (+28%) and active customers (+29%), while the average order value remained at the previous year's level.

Adjusted EBITDA

The Europe segment generated negative adjusted EBITDA of EUR 27.3m after EUR 40.3m in the prior-year period. The adjusted EBITDA margin came in at – 10% compared to – 17% in the prior-year period. This development is mainly due to the positive effects of the investments made since the IPO

The LatAm segment was almost able to repeat the prior year's positive adjusted EBITDA. The LatAm segment generated an adjusted EBITDA of EUR –0.8m in 2019 after EUR 0.3m in the prior-year period. The adjusted EBITDA margin came in at –1% compared to 0% in the prior-year period.

Non-Financial Key Performance Indicators

Europe	Unit	2019	2018	Change in %
Number of orders	In k	1,218	1,145	6%
Average order value	In EUR	346	335	3%
Number of active customers (as of December 31)	In k	844	787	7%

LatAm	Unit	2019	2018	Change in %
Number of orders	In k	978	762	28%
Average order value	In EUR	142	142	0%
Number of active customers (as of December 31)	In k	662	512	29%

2.4.3. CASH FLOWS

In EURm	2019	2018	Change	Change in %
Cash flow from operating activities	– 39.2	– 47.9	8.7	– 18%
thereof from change in net working capital	– 6.3	– 2.5	– 3.8	>100%
Cash flow from investing activities	– 21.8	– 24.0	2.2	– 9%
Cash flow from financing activities	– 1.9	160.8	– 162.7	>– 100%
Net change in cash and cash equivalents	**– 62.9**	**88.9**	**– 151.8**	**>– 100%**
Cash and cash equivalents at the beginning of the period	108.6	19.9	88.7	>100%
Effect of exchange rate changes on cash and cash equivalents	– 0.1	– 0.2	0.1	– 50%
Cash and cash equivalents at the end of the period	**45.6**	**108.6**	**– 63.0**	**– 58%**

In financial year 2019, the Group's negative cash flow from operating activities amounted to EUR 39.2m compared to EUR 47.9m in the previous year. In 2019, the cash flow from operating activities were negatively impacted by the loss from operating activities and the change in working capital. Contrary to the Combined Management Report for 2018, the negative change in net working capital is primarily due to the increase in inventories while expanding warehouse capacity as well as a factoring facility that was not fully utilized.

Cash outflows from investing activities improved slightly in line with the previous year's forecast and primarily continued to relate to investments in internally generated software as well as the expansion of warehouse capacity in both segments. As a result, home24 invested EUR 10.9m in property and equipment and EUR 10.7m in intangible assets during the current financial year. The change in restricted cash and long-term security deposits also led to cash outflows of EUR 0.3m.

Cash flow from financing activities was primarily impacted by repayments of the principal portion of lease liabilities (EUR 7.5m less lease incentives received) as well as the net increase in bank loans (EUR 5.9m). The majority of this net bank loan increase (EUR 5.6m) is attributable to a new credit line with Itau Unibanco S.A in the LatAm segment during financial year 2019 that is being used to finance the short-term demand for liquidity associated with liabilities to suppliers.

Driven by the high level of investments and the associated operating start-up costs, the Group's cash and cash equivalents fell by EUR 63.0m in financial year 2019 and totaled EUR 45.6m as of the reporting date.

The new credit facility agreed between the Brazilian subsidiary Mobly Comercio Varejista Ltda. and Itau Unibanco S.A. in the current financial year includes several tranches with a total credit line of BRL 25.8m that was almost completely drawn down as of the reporting date (amount equivalent to EUR 5.6m). The loan tranches have provisional maturities until June and September 2020. The Brazilian subsidiary also took out amortizing loans for a total of BRL 4.5m with Money Plus SCMEPP Ltda., which were reported with a remaining balance of BRL 2.5m (amount equivalent to EUR 0.6m) as of the reporting date. The amortizing loans will be fully paid back by September 2020. As in the previous year, Mobly Comercio Varejista Ltda. has a credit line of BRL 10.0m with Itau Unibanco S.A., which was fully drawn down (amount equivalent to EUR 2.2m) as of the reporting date. The credit line with Itau Unibanco S.A. is being extended by one month at a time at the end of the month until cancellation. The Group also has a EUR 10.0m factoring facility, of which EUR 1.5m was drawn down as of the reporting date. The factoring facility expires on September 30, 2020. Assumption is that the existing facility will be replaced by a different service provider.

The Group considers the available liquidity to be sufficient to finance its ongoing growth plans. In the event of significant unforeseeable changes that involve an additional unplanned outflow of liquidity, the Group has options at its disposal. Besides cost savings these include also borrowing outside capital, the (partial) sale of a business segment or carrying out a capital increase. Existing planning assumptions could change depending on how the options are used specifically. Additional opportunities to participate in the positive trend in the market as effectively as possible, particularly those relating to company growth, could also arise. The Group does currently not see any going-concern risks when taking an overall look at the opportunities and risks together with potential countermeasures. These Consolidated Financial Statements have therefore been prepared on a going-concern basis.

2.4.4 FINANCIAL POSITION

In EURm	December 31, 2019	December 31, 2018	Change	Change in %
Non-current assets	120.5	107.2	13.3	12%
Current assets	109.7	167.9	– 58.2	– 35%
Total assets	**230.2**	**275.1**	**– 44.9**	**– 16%**

The assets of the Group changed compared to December 31, 2018, primarily because of the following items:

Property and equipment rose by EUR 9.1m to EUR 19.8m in the current financial year, primarily due to investments in the new warehouse in Halle (Saale).

Intangible assets fell from EUR 48.9m to EUR 38.9m in financial year 2019. Additions totaling EUR 8.5m, primarily for internally generated and acquired software products, were offset by amortization of EUR 18.4m. The decline in intangible assets is particularly due to amortization of trademark rights.

The Group recognizes right-of-use assets for the right granted to use a leased asset during the lease term. As of December 31, 2019, the right-of-use assets amounted to EUR 47.6m compared to EUR 37.6m in the previous year. This increase mainly resulted from newly signed leases for the new warehouse in Halle (Saale) and additional warehouse capacity in the LatAm segment.

Inventory stock grew by EUR 6.1m to EUR 38.7m in the reporting period. This was primarily due to additional warehouse capacity available in the Europe and LatAm segments.

Cash and cash equivalents fell by EUR 63.0m to EUR 45.6m. Changes in cash and cash equivalents are discussed in section 2.4.3.

In EURm	December 31, 2019	December 31, 2018	Change	Change in %
Equity	85.9	150.2	– 64.3	– 43%
Non-current liabilities	45.1	34.9	10.2	29%
Current liabilities	99.2	90.0	9.2	10%
Total equity and liabilities	**230.2**	**275.1**	**– 44.9**	**– 16%**

Equity and liabilities of the Group changed compared to December 31, 2018, primarily because of the following items:

Equity decreased by EUR 64.3m overall to EUR 85.9m, mainly due to the operating result.

The Group recognizes a liability for the obligations to make lease payments to the lessor during the lease term. As of December 31, 2019, non-current lease liabilities increased by EUR 9.6m and current lease liabilities by EUR 3.2m, primarily due to newly signed leases for the new warehouse in Halle (Saale) and additional warehouse capacity in the LatAm segment. The EUR 6.8m rise in non-current and current liabilities to a total of EUR 10.1m in financial year 2019 is mainly attributable to new credit lines in the LatAm segment.

Overall, total assets decreased by EUR 44.9m from EUR 275.1m to EUR 230.2m.

2.4.5. FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

home24 uses different financial and non-financial key performance indicators to manage the Group.

Key criteria for assessing operating performance are the sustained increase in revenue at constant currency, adjusted EBITDA margin, cash flow from investing activities and cash flow from changes in working capital.

In addition to these financial key performance indicators, the Management Board also measures non-financial key performance indicators for the purposes of managing the Group. The focus is on the number of orders, the number of active customers and the average order value.

The number of orders is an important driver of growth for the Group and is monitored independently of the value of the goods. In the financial year ended, a total of 2.2m orders were placed (2018: 1.9m).

home24 also measures its success based on the number of active customers. Active customers are all customers who have placed at least one order in the twelve months preceding the reporting date. In financial year 2019, there were 1.5m active customers (2018: 1.3m).

The average order value includes the value added tax charged in the country in question. The average order value affects the Group's revenue and fell slightly in financial year 2019 from EUR 258 to EUR 255 because the LatAm segment has grown faster than the European segment while having a lower order value compared to the European segment.

2.5. Overall Assessment

home24 can look back on a successful financial year 2019, which ended with the first-ever positive adjusted EBITDA in the fourth quarter. A large number of investment projects started since the IPO in 2018 were concluded.

The Group grew by 20% year-on-year at constant currency in financial year 2019. The revenue growth was driven in particular by a higher order intake attributable to the larger number of active customers and improved cancellation rates. As a result, the Group achieved the targets of revenue growth at constant currency at or slightly above the growth rate for 2018 (18% at constant currency) communicated in the prior-year financial statements. As announced, the LatAm segment made a disproportionate contribution to growth (+31% at constant currency). However, the Group also recorded strong growth (+16%) in the Europe segment. The development of the adjusted EBITDA margin also met the Management Board's expectations. Although there were start-up costs associated with investment projects in the first half of the year, the Group was able to realize anticipated cost savings resulting from process optimizations, efficiency enhancements and economies of scale as planned, particularly in the second half of the year. The adjusted EBITDA margin came to – 8% for 2019 as a whole, thus lying within the range of – 4% to – 9% communicated in the 2018 Annual Report. In addition, home24 exceeded break-even in the fourth quarter based on adjusted EBITDA at the end of the year (+2%). Adjusted EBITDA developed as follows in financial year 2019:

In EURm	Q1	Q2	Q3	Q4	Total
Adjusted EBITDA	– 14.9*	– 8.6*	– 7.3*	2.6*	– 28.2

* unaudited

3. REPORT ON RISKS AND OPPORTUNITIES

3.1. Risk Management System

The Management Board of home24 SE bears overall responsibility for establishing and maintaining an effective risk management system for the Group.

Risks are defined as potential future events assessed for their probability of occurrence and impact that would cause actual figures to negatively deviate from planned figures if they occurred. Group-wide standards for dealing with risks form the basis of a successful risk management system. The Governance, Risk and Compliance (GRC) department responsible for this area continuously develops and implements risk management instruments, guidelines and methods based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). With its standardized procedures for identifying, assessing, monitoring, documenting and reporting risks and measures, the COSO framework supports decision-making by providing consistent, comparable and transparent information. This standard was coordinated with the Management Board and defined in the Risk Management Policy.

All home24 employees are called upon to act in a risk-aware manner and properly communicate knowledge of new and existing risks. The Governance, Risk and Compliance (GRC) department reported to the Management Board and the Audit Committee of the Supervisory Board on the Group's general risk situation in the first and fourth quarter of financial year 2019. This regular reporting process is supplemented by ad-hoc notifications to the Management Board and the Audit Committee in the event of relevant risks. More information about the risk methodology and risk reporting can be found on the following pages of this report.

COUNTERMEASURES AND INTERNAL CONTROL SYSTEM

The risk management and internal control systems are continuously being expanded and improved. In the first and fourth quarter of the 2019 financial year, home24 carried out the process defined in the risk management policy for recording, assessing and communicating identified risks. The risks, responsibilities and countermeasures were compiled in a risk register. Audits by an Internal Audit department are scheduled for the 2020 financial year.

INTERNAL CONTROL SYSTEM RELEVANT FOR THE CONSOLIDATED FINANCIAL REPORTING PROCESS

The aim of the internal control system relevant for the financial reporting process is to ensure proper and effective accounting and financial reporting. The key characteristics of this system are outlined below in accordance with Section 315 (4) of the German Commercial Code (HGB).

The internal control system includes principles and procedures as well as preventative and detective controls. The basis for the system is an analysis of significant accounting and financial reporting risks associated with the Group's main business processes. The necessary controls, some of which currently are formally documented, are then defined.

A function and role concept shall ensure the separation of duties between departments and within processes. Regulations on transactions requiring approval are in place.

General IT controls monitor system access and changes that could have an effect on accounting. Implementation and documentation of these controls has essentially been completed in the current financial year.

The effects of new or changed financial reporting standards, laws and other regulations on the Financial Statements are analyzed. The Group accounting policy contains a description of applicable accounting methods. The process of preparing the Consolidated Financial Statements is supported by consolidation software. The consolidation processes are semi-automated and the system is monitored. A role concept is used to regulate access to the software. Preparation of the Financial Statements is supported by a formalized process that defines the relevant activities, schedule and responsibilities.

The Management Board and the Audit Committee of the Supervisory Board are regularly informed about significant control weaknesses. However, the internal control system for the accounting process cannot provide absolute certainty that material misstatements are avoided in accounting.

3.2. Risk Methodology and Reporting

The identification, assessment and regular monitoring of risks are key drivers in enabling home24 to achieve its objectives. In its risk strategy, the Group takes into account significant risks as well as risks that represent a threat when aggregated at Group level.

The following risks could have a significant adverse impact on the business, financial situation, liquidity, operating results, and outlook of home24, either alone or in conjunction with other risks and uncertainties. The risks identified by the risk owners in internal risk surveys and workshops are quantified based on the probability of their occurrence, as well as their potential financial effects on adjusted EBITDA, and documented in a risk matrix. The risk assessment reporting period is 12 months from the assessment date. The probability of occurrence and financial impact on adjusted EBITDA are both divided into five categories.

Presentation – Five categories for probability of occurrence

Probability of occurrence	Assessment
almost certain	75% – 100%
likely	50% – 74.9%
possible	25% – 49.9%
unlikely	5% – 24.9%
rarely	0% – 4.9%

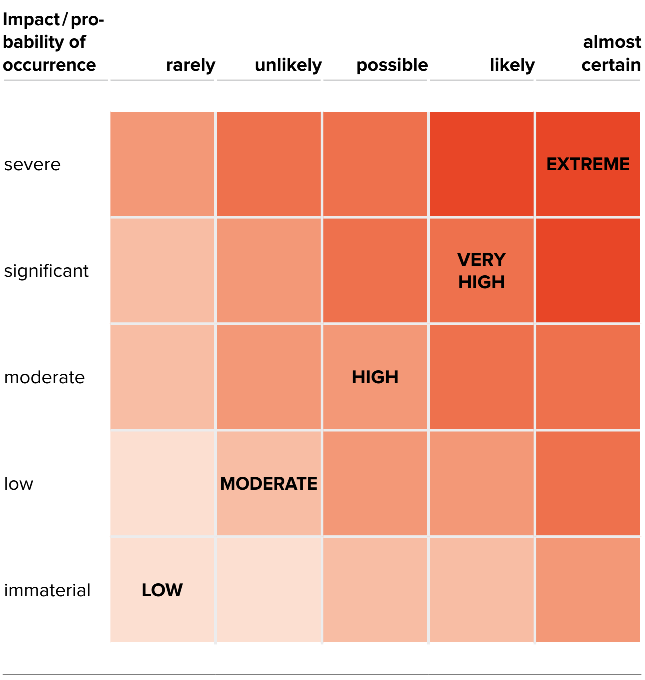
Presentation – Five categories for financial impact on adjusted EBITDA

Impact	Quantitative assessment (preferred)	Qualitative assessment (alternative)		
		Financial impact	Criminal relevance	Impact on reputation
severe	> EUR 9.2m	Strong negative impact on business activities, financial performance and cash flows	Violations of the law threatening the Group's existence Severe legal consequences for the liability of top management Impact on operations threatening the Group's existence	Broad, international coverage in the media Long-term reputation loss of the company Strong negative impact on financial position, cash flows and financial performance (e.g. loss of sales)
significant	> EUR 3.7m	Significant negative impact on business activities, financial performance and cash flows	Severe violations of the law Criminal proceedings Material consequences for individual managers Strong impact on operations	Negative coverage in the media with medium-term reach Medium-term reputation damage Difficult to achieve corrections, long-term PR measures required
moderate	> EUR 1.8m	Some negative impact on business activities, financial performance and cash flows	Significant violation of rules of procedure / laws / contractual obligations Significant penalties Consequences under labor law	Negative coverage in the media with minor reach Corrections achieved through medium-term PR measures
low	> EUR 185k	Limited negative impact on business activities, financial performance and cash flows	Violation of internal rules / laws / agreements without strong impact ("trivial") Minor penalties Limited disciplinary action for individuals	Short-term negative impact on reputation / image Posts in blogs / on Facebook / on Twitter etc. No further coverage by other media
immaterial	< EUR 185k	Minor negative impact on business activities, financial performance and cash flows	No criminal prosecution	Very short-term negative impact on reputation / image

Each gross risk is assigned relevant countermeasures and control measures as well as responsibilities. All risks are reassessed on a gross basis after taking into account the countermeasures and control measures implemented (net risk = gross risk less countermeasures). Net risks are also divided into five classes. The risk matrix enables net risks to be compared to the presentation of the relative risk assessment and increases the transparency of material key risks.

The risk assessment in this report reflects the net risk assessment.

Presentation – Five categories for net risk assessment



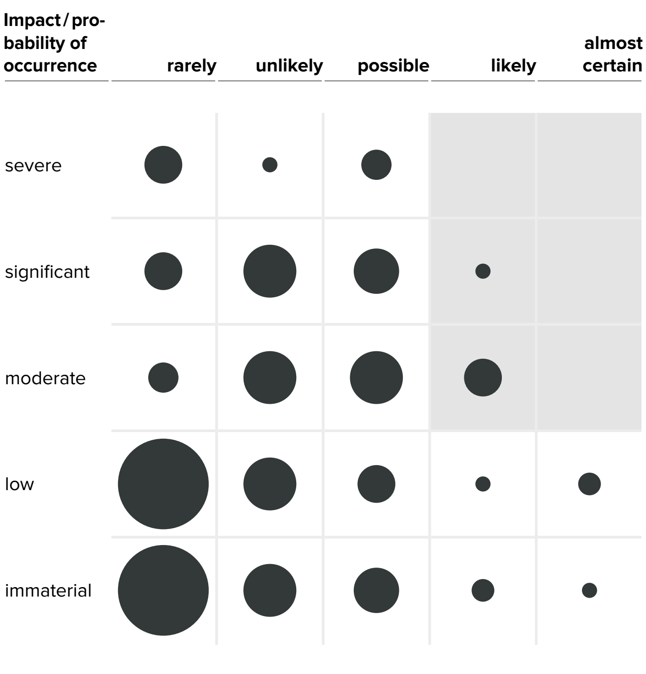
home24 assesses risks as significant in the risk report if they threaten the continued existence of the Group or are deemed to constitute key material risks.

The continued existence of the Group is deemed to be threatened if the financial impact is three to four times more severe than the "severe risk" category. A material key risk is one that exceeds the critical combination of a probability of occurrence in excess of 50% and potential losses of EUR 1.8m. Risk reporting is based on risks categorized as significant risks.

3.3. Risks

The risks recorded in accordance with the aforementioned system are summarized below. According to this, there are currently no apparent going-concern risks, i.e. risks that could threaten the continued existence of home24. Overall, the risks are considered typical for an online retail company. The most relevant risks (known as 'key risks') based on the potential probability of occurrence and impact are shown separately.

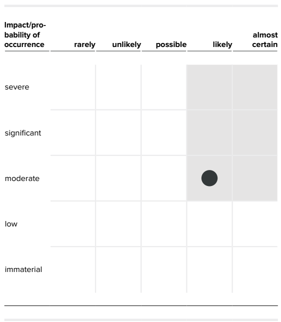
Presentation – Distribution of the number of net risks in the risk matrix



The material key risks outlined below generally relate to the Europe segment and the LatAm segment. If the risk only relates to one segment, this is explicitly stated. To improve the presentation, financial risks (credit risk, currency and interest rate risk as well as liquidity risk) are not presented separately in the report on risks and opportunities but in the Notes to the Consolidated Financial Statements, section 6.

Regardless of the processes implemented to enable the identification of risks and any countermeasures taken to manage the identified risks, residual risks that cannot be completely eliminated, even by a comprehensive risk management system, are present in all commercial activities. It therefore cannot be ruled out that currently unknown potential risks or those currently deemed to be immaterial could have a negative impact on business performance.

LEGAL REQUIREMENTS RELATING TO THE PROTECTION OF PERSONAL INFORMATION

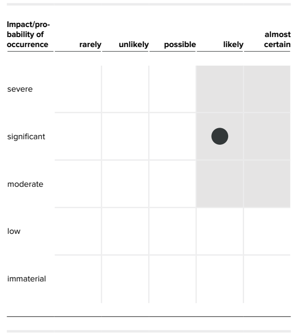


As an e-commerce company, home24 collects and processes personal information in order to process orders, receive payments, communicate with customers, manage marketing activities, carry out payroll activities, etc. In this context, home24 is subject to laws and regulations regarding the protection of personal information; for home24 SE, this particularly includes the EU General Data Protection Regulation (GDPR) and the German Federal Data Protection Act (BDSG).

To limit possible damages arising from non-compliance with data protection requirements, the Company appointed an external data protection officer back in 2018. Internal data protection lawyers and other employees in the Legal department work to raise awareness of this issue, offer compulsory online training sessions, monitor and communicate legal requirements, update and develop relevant guidelines and other relevant documents and support specialist departments, together with the individual responsible for IT security and/or the Human Resources department, when implementing these requirements.

The risk impact was reduced compared to the previous year, according to the Group's estimates, due to the fact that relevant data protection processes were modeled, rolled out and permanently improved, internal documentation was constantly improved and internal promotion of the issue increased. In addition, enhanced close cooperation on the part of the Legal department with the IT department among others ensured the implementation of additional technical and organizational measures to reduce the risk of non-compliance with data protection requirements.

CYBER SECURITY

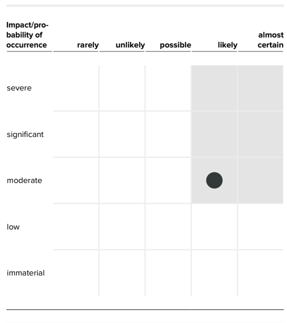


Cyber security risks associated with external and internal attacks and/or internal control weaknesses could manipulate or deactivate the webshop, relevant fulfillment IT systems and applications, payment systems and other internal IT systems and applications. These risks include among others ransomware attacks, DDOS attacks, data loss caused by security breaches and operational disruptions as well as inaccurate notifications caused by breaches of integrity.

To address these cyber security threats, the Company began to align its IT security requirements with those set out in the ISO/IEC 27001 security standard. Those responsible for IT security at home24 constantly monitor relevant risk areas and maintain processes and controls aiming to ensure the security of data and operations.

The general risk assessment remains unchanged compared to the previous year.

PREDICTABILITY OF INVENTORY LEVELS

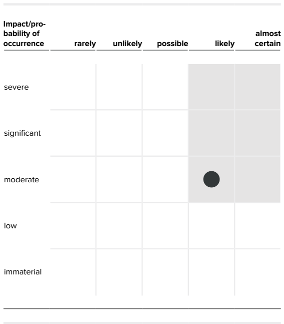


The smooth processing and fulfillment of customer orders is of material significance for the business. The inability to predict the required inventory levels could lead to excess stock and/or unavailability of goods and thus to long delivery times and dissatisfied customers.

To address this risk, home24 has developed and introduced a forecast model. Forecasts for procured goods are continuously updated before orders are placed. They are based on knowledge about the product lifecycle, customer demand, planned sales campaigns, warehouse availability and manufacturer lead times.

Although there is always uncertainty about the purchasing behavior of customers, which can be influenced by external factors such as climate change, for example, the risk impact situation, according to the Group's estimates, improved compared to the previous year, which is attributable to an improvement in the inventory forecasting model.

PRODUCT QUALITY



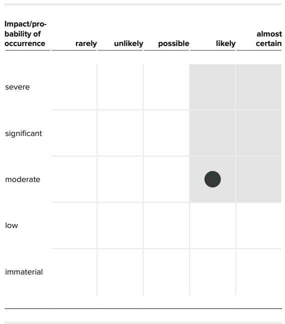
As many of home24's products are produced by manufacturers from developing and emerging countries in Asia and Brazil, among others, as well as in several Eastern European countries, the Group faces the challenge of continually developing and implementing its legal and compliance requirements relating to the security and quality of its products.

Due to its limited control over the manufacturing process and/or limited internal quality controls, home24 could unintentionally sell defective and/or harmful products that would either force the Group to recall these products or lead to product liability claims and/or may result in fines or criminal charges against home24. It is difficult to legally implement claims for recourse in many of these countries, while negative headlines associated with recalls or the assertion of claims could also have an adverse effect on the home24 brand.

To counter this risk, manufacturers are carefully selected as part of a supplier evaluation process that includes aspects such as site visits and product inspections. Existing suppliers are assessed on the basis of their reliability, product quality and product performance, among other factors. To protect our customers, the Group's contracts require our manufacturers to refrain from using potentially harmful substances. The Group's relevant departments carry out various checks aiming to ensure the security and quality of products.

By placing a greater focus on customer complaints statistics relating to product quality and taking appropriate follow-up action, home24 succeeded in reducing existing risks compared to the previous year.

CAPACITY CONSTRAINTS FOR LOGISTICS SERVICE PROVIDERS



The customer experience essentially depends on the speed and reliability of deliveries to customers. In this context, the delivery capability of home24's logistics partners is of major importance. An increase in deliveries combined with a limited number and capacity of logistics service providers could lead to delays in deliveries of goods, which could result in dissatisfied customers and hamper the growth of home24.

To counteract this risk, the Group maintains long-standing relationships with its logistics services providers. Forecasting functions enable home24 to make the estimates required to plan volumes and capacity with its service providers. The Group is also expanding the number of additional service providers and evaluating the internalization of critical logistics processes to reduce the existing risk.

According to the Group's estimates, the improvement in the risk situation compared to the previous year is attributable to the strengthening of long-term business relationships with logistics service providers and the ability to issue logistics forecasts that enable home24 to better assess estimated demand.

In financial year 2019, the number of material key risks fell from seven in the previous financial year to five, as the corresponding measures implemented to reduce the risks of potentially unreliable supply and inefficient processes as a result of the SAP implementation proved to be effective, according to the Group's estimates. Even though these risks are no longer part of this Annual Report, they continue to be monitored accordingly by the risk owners.

	2019		2018	
Material Key Risks	**Impact**	**Probability**	**Impact**	**Probability**
Legal requirements relating to the protection of personal information	moderate	likely	significant	likely
Cyber security	significant	likely	significant	likely
Predictability of inventory levels	moderate	likely	severe	likely
Product quality	moderate	likely	significant	likely
Capacity constraints for logistics service providers	moderate	likely	severe	likely
Delivery reliability	moderate	possible	significant	likely
Process inefficiency due to new ERP implementation	severe	possible	severe	likely

RISKS FROM THE OUTBREAK OF THE COVID-19 PANDEMIC

The outbreak of the COVID-19 pandemic in the first quarter of 2020 is expected to have a temporary negative impact on the Group's supply chains, customer demand and internal operational process efficiency during the remainder of the year. Government interventions resulting from the pandemic are already impacting operations in the Group's bricks-and-mortar retail stores, warehouses and offices as well as in the factories of suppliers or the work of service providers, especially logistics service providers. Current restrictions are mostly valid until mid-April. The Group does not expect a return to normality before the end of May. For a prolonged period, unforeseeable risks to business development remain, including further supply chain restrictions and a possible recession. The Group has already introduced measures at an early stage of the pandemic to counteract such risks and adjusts them regularly and promptly to the latest developments. Opportunities are also arising from the current situation, especially as long as bricks-and-mortar retail stores are closed.

A final assessment of the financial and operational effects of the COVID-19 crisis cannot be made at present, as it is unclear how long the phase of uncertainty will last and to what extent the adverse effects could influence the business. Due to the uncertainties, it is also not possible to conclusively exclude that corresponding risks threatening the Group could potentially extend to severe financial effects that threaten its existence, for example if no or only limited sales can be realized over a longer period of time than currently foreseeable. In such a scenario, additional measures would be taken to avoid potential risks to the company's continued existence, such as a reduction of the cost base, a decrease in planned cash flow from investing activities or additional cash flow from changes in working capital, especially inventories.

3.4. Opportunities

The home&living sector in the markets served by home24 has a volume of over EUR 115bn (source: Euromonitor). Online penetration in the home&living sector in these markets is lower than in other markets such as the USA and UK. home24 is confident that this creates the potential for catch-up effects triggering attractive market growth rates.

By making investments in recent years, including in a new ERP system, the opening of mega-outlets as well as additional warehouse locations, home24 has created a basis that enables the scaling of business volumes.

The home&living sector is highly fragmented in terms of both suppliers and retailers. This fragmented supply base puts every market participant in a strong negotiating position that can reach a critical mass, while the customer so far pays hardly any attention to individual brands, choosing instead to focus on the quality and price of individual products and the effectiveness and comfort of the relevant retailer's platform. home24 believes that these characteristics give the Group the opportunity to become an online market leader in the home&living segment and establish its own strong home&living brand.

The wide range of products enables home24 to offer its customers a wide selection of relevant products for the broader market. This is, according to the Group's estimates, critical for serving the heterogeneous customer base in relevant markets where consumer brands are less important and a broad selection and diversity in the product range are key factors. This offering also delivers important data on customer preferences and behavior that is used for making decisions about investing in new private labels. When marketing bestsellers as private label products, the Group can use its sound knowledge of customer preferences in terms of styles, materials or anchor prices to improve gross margin and offer bestsellers at attractive prices and with relatively short delivery times. This foundation of its business model, with its combination of a broad product range and high-margin private labels, gives home24 the opportunity to position itself perfectly in the area of online marketing in order to participate in the rising interest in online shopping in a cost-efficient way.

3.5. Overall Assessment of Risks and Opportunities

The statements on future developments contained in this Annual Report are based on Management Board estimates and were issued to the best of their knowledge and belief when the Consolidated and Individual Financial Statements of home24 SE were prepared. Nevertheless, the Management Board's assessments are subject to risks and uncertainties. As a result, actual developments can deviate from the assessment if the aforementioned risks and opportunities occur or if the underlying assumptions prove to be inaccurate or incorrect. The overall assessment for the Group does currently not suggest the existence of any going-concern threats to the Group as a result of individual risks or aggregated risk positions. Furthermore, no significant opportunities were identified that could lead to the Group significantly exceeding its targets.

4. EVENTS AFTER THE REPORTING PERIOD

Brigitte Wittekind has been a member of the Management Board since January 1, 2020. She succeeds Christoph Cordes, who stepped down from the Management Board with effect from the end of December 31, 2019. Marc Appelhoff has held the role of Chairman of the Management Board (CEO) since January 1, 2020.

The entity related to Management Board member Johannes Schaback, whiletrue GmbH, acquired shares in the Company for an average price of EUR 5.90 for a total of EUR 10,030 on January 7, 2020, and for an average price of EUR 5.81 for a total of EUR 98,843 on January 8, 2020.Supervisory Board member Verena Mohaupt disposed of shares in the Company for an average price of EUR 5.72 for a total of EUR 24,124 on January 9, 2020, and acquired shares in the Company for an average price of EUR 5.87 for a total of EUR 26,403 on the same day.

In the first quarter of 2020, the spread of the COVID-19 pandemic has created an element of uncertainty for further business development in 2020. At the time this report was prepared, home24 was directly affected. The majority of home24's employees outside of logistics processes and retail trade are working from home. Supply chains of suppliers in Europe, Brazil and China are affected. The Company's bricks-and-mortar retail stores are temporarily closed. Customer demand is more difficult to forecast and more volatile. However, the overall negative financial impact of the COVID-19 pandemic is, as of today (April 3, 2020), still within margins of control, so that only limited adjustments to the financial planning approved by the Management Board and the Supervisory Board for 2020 in November 2019 are required.

No other events of material significance occurred after the closing date.

5. FUTURE PERFORMANCE AND OUTLOOK

As a result of the COVID-19 pandemic, specific statements regarding the development of global economic output and economic changes for 2020 are not currently available from the usual sources. In the present volatile environment, the latest estimates are only snapshots that are subject to a great deal of uncertainty with regard to future developments.

The same is true of the home&living sector. Demand has generally remained relatively constant over the past few years. Potential effects on market developments triggered by the temporary closure of offline retail spaces on the one hand, and the threat of a global recession on the other hand, are far more difficult to predict than has been the case in the past. However, the development of private consumption in this crisis is unlikely to be comparable with past crises, as private households have already significantly reduced travel spending.

home24 sees the potential for e-commerce in the home&living sector to emerge stronger from current developments and for an acceleration of customer demand migration to online. The online penetration in the markets relevant for home24 is still low compared to the online penetration for other verticals like toys, electronic goods or fashion. Even before the COVID-19 pandemic, growth rates for furniture e-commerce growth of around 10% was expected for the next two years in the German market, for example (source: PWC, 2019). The expected increase in e-commerce may be fuelled or accelerated by the temporary closures of offline retail in the industry. Due to the scalability of the home24 business model and its unique selling propositions, the Group intends not only to participate in this development, but has the ambition to lead it.

For the coming financial year, home24 will focus on profitable growth, strengthening its service offerings to customers and securing the required financial liquidity, especially in the uncertain times caused by the COVID-19 crisis. The completion of investment projects in financial year 2019 have created the basis for long-term sustainable growth. After achieving the milestone of profitability on the basis of adjusted EBITDA in the fourth quarter of 2019, the focus in 2020 will increasingly be on communicating the customer benefits of the home24 model. One factor to highlight here is the value proposition of a curated product range offering superior value for money and risk-free ordering. home24 relies on its model of making furniture shopping an individual and inspirational experience. In 2020, the Group aims to further expand its shopping experience tailored specifically to home&living requirements by leveraging its large and relevant product range, excellent service and reliable delivery options.

The Group will continue to consistently pursue its growth strategy. However, it will do so with a defensive risk profile amid the uncertainty of the COVID-19 crisis while at the same time focusing strongly on achieving its profitability targets and ensuring liquidity.

In view of the volatile market situation, home24 is planning for the 2020 financial year with revenue growth rates at constant currency in the range of +10% to +20%. In addition, the Group is aiming for an adjusted EBITDA margin in the range of +2% to –2% for the financial year 2020. At present, this outlook does not take into account any significant future impact on revenues and adjusted EBITDA from the COVID-19 crisis. Such significant effects could arise, for example, as a result of a global recession or broad restrictions on the business activities of home24, which go beyond moderate delays in the supply chain and the anticipated closures of offline retail activities until the end of May. The Group also expects a significant improvement in cash flow from investing activities compared to previous years, as a result of the completion of investment projects in 2019. Cash flow from changes in net working capital is also expected to improve slightly compared to financial year 2019.

In terms of non-financial key performance indicators, the Management Board expects a further increase in orders and the number of active customers proportional to revenue growth in the coming year. No material change is likely in the value of the average order value.

At the time of approval for publication of this Annual Report (as of April 3, 2020), the business development of home24 is in line with the outlook for the financial year 2020. Foreseeable effects of the COVID-19 crisis have been considered in the outlook until the end of May 2020. However, there is substantial uncertainty in many dimensions of the business which limits forecasting to the current state of knowledge – in both a positive and negative sense. In addition to the adverse impact on supply chains already described, additional risks arise from possible wider government restrictions on operational work in warehouses, offices or at service providers as well as the effect of a possible severe global recession on customer demand. There is therefore a risk that these factors could lead to an unfavorable development of the business. In such a case, results in terms of both revenue and adjusted EBITDA margin would differ from the outlook presented.

6. CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement published in accordance with Sections 289f. and 315d of the German Commercial Code (HGB), together with the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG), is contained in the Corporate Governance Report and at the same time forms an integral unaudited part of the Combined Management Report. In accordance with Section 161 of the German Stock Corporation Act (AktG), the Declaration of Conformity is available on the parent company's website at http://irpages2.eqs.com/download/companies/homevierundzwanzig/CorporateGovernance/181218_home24_SE_declaration_of_conformity_DCGK_English.pdf.

7. NON-FINANCIAL REPORT

The Non-financial Report for the home24 Group is included in this Annual Report in accordance with Section 315b HGB.

8. REPORT ON THE REMUNERATION OF MEMBERS OF GOVERNING BODIES

The reporting on the remuneration of members of the governing bodies of home24 SE and the Group is included in the Remuneration Report. This Remuneration Report is a component of the Corporate Governance Report and the Combined Management Report.

9. TAKEOVER-RELATED DISCLOSURES

The takeover-related disclosures required pursuant to Sections 289a (1) and 315a (1) HGB and the explanatory report for home24 SE and the Group are part of the Combined Management Report and are presented in the Corporate Governance Report.

10. SUPPLEMENTARY MANAGEMENT REPORTING ON THE ANNUAL FINANCIAL STATEMENTS OF HOME24 SE

The Management Report of home24 SE and the Group Management Report have been combined. The following statements are based on the Annual Financial Statements of home24 SE, which have been prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act in conjunction with Art. 61 of Council Regulation (EC) No 2157/2001.

10.1. Business Activities

home24 SE is the parent company of the Group. The Company's registered office is located in Berlin, Germany. Its business activities principally comprise the development, care, procurement, marketing and sale of home&living products. Other activities are management of the online shops, human resources management, IT and financial and risk management. The country-specific home24 websites and the fashionforhome.de website are part of home24 SE.

As the Group parent, home24 SE is represented by its Management Board, which is responsible for the direction of the Group and the Company's strategy.

The Annual Financial Statements of home24 SE are prepared in accordance with the German Commercial Code (HGB). The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. This gives rise to differences in accounting policies. The differences mainly relate to the accounting for share-based payment, leases, provisions, internally generated intangible assets and deferred taxes and, in the previous year, IPO-related transaction costs.

home24 SE has extensive supply and service relationships with its subsidiaries. Purchased services primarily comprise logistics, sales and distribution, quality assurance and customer services. The services home24 SE provides for its subsidiaries are administrative and IT services. Supply relationships concern the sale of returns from customer orders.

10.2. Financial Position, Cash Flows and Financial Performance

The financial performance of home24 SE is presented in the Condensed Income Statement below, classified by types of expense, and shows revenue growth in the reporting period with rising costs for materials and declining other operating expenses in particular.

Net income / loss for the year is the key control parameter for the single-entity financial statements of home24 SE.

In EURm	2019	2018	Change	Change in %
Revenue	287.5	244.1	43.4	18%
Other operating income	2.1	3.4	– 1.3	– 38%
Cost of materials	– 219.7	– 191.7	– 28.0	15%
Personnel expenses	– 20.9	– 19.3	– 1.6	8%
Depreciation and amortization	– 3.3	– 0.9	– 2.4	>100%
Other operating expenses	– 83.1	– 92.7	9.6	– 10%
Operating result (EBIT)	**– 37.4**	**– 57.1**	**19.7**	**– 35%**
Financial result	– 0.3	– 0.7	0.4	– 57%
Expenses from loss absorption	– 8.1	– 4.0	– 4.1	>100%
Loss for the period	**– 45.8**	**– 61.8**	**16.0**	**– 26%**

In the reporting period, home24 SE lifted its revenue by EUR 43.4m to EUR 287.5m. The acceleration in revenue growth is primarily due to a rising number of active customers (+7%) and an increasing number of orders placed (+6%), with the average order value rising from EUR 335 to EUR 346. Overall, home24 SE's encouraging growth in the continental European sales markets is thus continuing.

Other operating income resulted primarily from currency translation gains and income from prior periods, including from the reversal of provisions.

The cost of materials rose by EUR 28.0m to EUR 219.7m in tandem with the Company's revenue growth. EUR 21.5m of this increase is attributable to expenses for goods purchased, while EUR 6.5m is attributable to the cost of services purchased from other companies in the Group.

The increase in depreciation and amortization is mainly attributable to amortization associated with the ERP system newly acquired in the previous year.

Other operating expenses fell by EUR 9.6m to EUR 83.1m in financial year 2019. This was primarily due to the discontinuation of one-off expenses associated with the Company's IPO (EUR –7.5m) that were required to be recognized in the income statement in the previous year in accordance with the provisions of the German Commercial Code, as well as lower advertising expenses (EUR –6.3m). These were offset by higher storage costs (EUR +2.4m), particularly as a result of higher rental expenses for additional warehouse capacity.

The cost of absorbing the loss incurred by home24 Outlet GmbH was EUR 8.1m in financial year 2019, up from EUR 4.0m in the previous year.

The target of a slight improvement in net income / loss for the year set in the 2018 Combined Management Report was achieved and/or exceeded.

The number of employees decreased in financial year 2019 from an average of 399 to 358.

The financial position of home24 SE is presented in the following Condensed Statement of Financial Position.

In EURm	December 31, 2019	December 31, 2018	Change	Change in %
Fixed assets	83.1	71.8	11.3	16%
Current assets	91.8	152.6	– 60.8	– 40%
Prepaid expenses	1.0	1.2	– 0.2	– 17%
Total assets	**175.9**	**225.6**	**– 49.7**	**– 22%**
Equity	114.6	158.7	– 44.1	– 28%
Provisions	10.7	17.3	– 6.6	– 38%
Liabilities	50.1	48.8	– 1.3	3%
Prepaid expenses	0.5	0.8	– 0.3	– 38%
Total capital	**175.9**	**225.6**	**– 49.7**	**– 22%**

Total assets of home24 SE fell by EUR 49.7m to EUR 175.9m. The Company's fixed assets primarily consist of financial assets and intangible assets. Current assets mainly consist of cash, trade receivables and inventories. The liabilities side of the Statement of Financial Position mainly comprises equity, provisions and current liabilities.

The assets and equity and liabilities of the Company changed compared to December 31, 2018, particularly because of the following items:

The financial assets included in fixed assets increased by EUR 13.2m to EUR 63.1m, primarily as a result of the issuance of new loans to affiliated companies to finance ongoing business activities.

The decline in current assets is primarily due to a lower level of cash. The change in cash is explained in more detail later in this section.

Equity decreased by EUR 44.1m overall to EUR 114.6m, mainly due to the losses incurred in the reporting period. The equity ratio stood at 65% as of December 31, 2019 (December 31, 2018: 70%).

Provisions fell by EUR 6.6m to EUR 10.7m, mainly as a result of lower provisions for outstanding purchase invoices.

For more information on the liquidity situation of home24 SE and its financial performance, please refer to the Statement of Cash Flows of the Group that essentially reflects the financial performance of home24 SE. Responsibility for the Group's liquidity management lies with home24 SE.

The negative cash flow from operating activities of the Group and also home24 SE is mainly attributable to the negative operating result and the change in working capital.

In financial year 2019, cash flow from investing activities primarily included capital injections to subsidiaries and payments for the acquisition of intangible assets.

home24 SE had no significant cash flow from financing activities in the current financial year.

Liquid assets of EUR 41.7m (2018: EUR 106.5m) include cash on hand and bank deposits as well as time deposits at banks that can be converted into specified cash amounts within no more than three months.

10.3. Report on Risks and Opportunities

The business performance of home24 SE is essentially subject to the same risks and opportunities as that of the Group. home24 SE participates fully in its subsidiaries' risks. The statements on the overall assessment of the risk situation in the Group by the Management Board are therefore also considered a summary of the risk situation of home24 SE. The description of the internal control system relevant for the financial reporting process and the risk management system for home24 SE as required by Section 289 (4) HGB is provided in the Group's risk report.

10.4. Future Performance and Outlook

The main part of the business in the Europe segment is carried out by home24 SE. Due to the close ties between home24 SE and the Group companies as well as the importance of home24 SE in the Group, please refer to the statements on the development of the markets and revenue relating to the Group. The statements also reflect the expectations for the parent company, home24 SE. The net profit/loss of home24 SE is expected to improve slightly in financial year 2020.

Berlin, April 3, 2020

Marc Appelhoff   Johannes Schaback   Brigitte Wittekind

RESPONSIBILITY STATEMENT PURSUANT TO SECTION 264 (2) HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Management Report, which is combined with the Group Management Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Berlin, April 3, 2020

The Management Board

Marc Appelhoff Johannes Schaback Brigitte Wittekind

CORPORATE GOVERNANCE REPORT

The Management Board and Supervisory Board report on the Company's corporate governance by submitting the Corporate Governance Statement below in accordance with Sections 289f and 315d of the German Commercial Code (HGB). The Corporate Governance Statement and the takeover-related disclosures in accordance with Sections 289a (1) and 315a (1) HGB are also part of the Combined Management Report*. Both the Management Board and Supervisory Board place a strong emphasis on good corporate governance and are thus guided by the recommendations of the German Corporate Governance Code (hereinafter referred to as the "GCGC").

1. DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 GERMAN STOCK CORPORATION ACT (AKTG)

In December 2019, the Management Board and the Supervisory Board issued the following annual Declaration of Conformity in accordance with section 161 German Stock Corporation Act (AktG):

The Management Board and the Supervisory Board of home24 SE declare that home24 SE (the **"Company"**) has since December 2018, the day on which the Company's Management Board and Supervisory Board issued their most recent Declaration, complied with and intends to comply in future with the recommendations of the German Corporate Governance Code as amended on February 7, 2017 (**"GCGC"**), subject to the following exceptions.

No. 4.2.1 sentence 1 GCGC

The GCGC recommends that the Management Board shall consist of several members and shall have a chair or spokesperson.

The Company's Management Board consists of three members. It does not yet have a chair or spokesperson. However, given the changes on the Management Board, Marc Appelhoff will take over as Chairman of the Management Board on January 1, 2020. The recommendation contained in No. 4.2.1 sentence 1 GCGC will therefore be followed from that date.

No. 4.2.3 (2) sentences 4, 6 and 7 GCGC

When determining the remuneration structure for the Management Board, the GCGC recommends that such remuneration shall take into account both positive and negative developments. The amount of remuneration shall be capped, both as regards variable components and in the aggregate and the variable remuneration components shall be based on demanding and relevant comparison parameters.

The variable remuneration provided to the Management Board on the basis of the Long Term Incentive Plan 2019 (**"LTIP"**) and the Virtual Stock Option Program 2013/2014 (**"VSOP"**) concerning shadow options are subject to certain performance targets and its economic value depends upon the development of the Company's share price. Apart from the link to the Company's share price, these schemes do, however, not contain explicit provisions accounting for negative developments. In addition, the VSOP does not contain comparison parameters and the parameters and targets set forth in the LTIP may not be demanding enough to fulfill the recommendations of the GCGC. However, the Supervisory Board is convinced that the variable remuneration of the Management Board is well balanced and appropriate. In the view of the Supervisory Board, the remuneration is sufficiently focused on the positive development of the Company in the long term given that the share based payment component is linked to the Company's share price and the long term nature of the defined targets.

As has been the case during entire reporting period, the total remuneration and the performance shares granted to Management Board members under the LTIP are capped. However, some Management Board members still have older claims under the VSOP and the LTIP, which are not capped.

No. 4.2.3 (4) sentences 1 and 3 GCGC

The GCGC recommends that contracts entered into with members of the Management Board shall ensure that payments, including fringe benefits, made to a member of the Management Board due to an early termination of such contracts do not exceed an amount equal to twice the annual remuneration of such member (severance cap) and do not exceed the remuneration for the remaining term of the contract. Such caps shall be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, shall take into account the expected total remuneration for the current financial year.

The current service contracts of the members of the Management Board do not contain any provisions for payments in case of an early termination and consequently do not include a severance cap.

No. 4.2.5 GCGC

The GCGC recommends that the Remuneration Report, which is part of the management report, shall describe in a generally comprehensible way the principal features of the Management Board remuneration system and include information on the nature of fringe benefits provided by the Company. In addition, the Remuneration Report shall present the following information for every Management Board member making use of model tables provided by the GCGC:

- the benefits granted for the reporting period, including fringe benefits, supplemented in the case of variable remuneration components by the maximum and minimum remuneration achievable,
- the benefits received for the reporting period, consisting of fixed remuneration, short-term variable remuneration and long-term variable remuneration, broken down by the relevant reference years,
- the service cost incurred in/for the reporting period for pension benefits and other commitments.

On May 24, 2018, the Company's Annual General Meeting passed a resolution to omit from the Company's annual and Consolidated Financial Statements the information required in accordance with Section 285 No. 9 Letter a) Sentences 5 to 8 (HGB) and Sections 315e (1) and 314 (1) No. 6 Letter a) Sentences 5 to 8 HGB with effect for financial year 2018. Therefore, for the financial year ending December 31, 2018, the Company – as previously announced and to the extent legally permissible – abstained from an individual disclosure of the remuneration of the members of the Management Board, divided into non-performance-related and performance-related components as well as components with long-term incentives. Nor were the model tables provided for in the GCGC used as the required information was provided in another suitable form in the Remuneration Report.

The Company intends to comply with the recommendations of No. 4.2.5 GCGC from now on.

No. 5.4.1 (2) sentence 2 GCGC

The GCGC recommends that within the company specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of no. 5.4.2 GCGC, a specified age limit and a specified regular limit to Supervisory Board members' term of office, as well as diversity.

In the reporting period, the Supervisory Board has neither specified an age limit nor a regular limit to Supervisory Board members' term of office. An age limit for members of the Supervisory Board will be introduced effective January 1, 2020. No regular limit for Supervisory Board members' term of office will be introduced, however, as also and in particular Supervisory Board members with many years of experience may excellently exercise their duties.

No. 7.1.2 sentence 3 GCGC

The GCGC recommends that the Consolidated Financial Statements and the Combined Management Report shall be made publicly accessible within 90 days from the end of the respective financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the respective reporting period.

The Company seeks to comply with this recommendation to the extent possible. It is, however, the intention of the Company to ensure a high quality of financial reporting. Therefore, the recommended publications may not be complied with in all cases.

2. CORPORATE GOVERNANCE

The Company's corporate governance is primarily determined by statutory requirements, the recommendations of the GCGC and internal Company guidelines. Good corporate governance in the sense of equipping management for long-term, sustainable commercial success is a key concern for the Management Board and Supervisory Board.

Ensuring that all employees and management work together as a team and are committed to satisfying customers is a decisive factor in lasting business success. In light of this, the Company's management worked together to create a catalog of corporate values and published it within the Company. These values provide a foundation for all commercial decisions and day-to-day interaction between all employees and management, and are publicly available on the career website at https://jobs.jobvite.com/home24/jobs/about.

In addition to these corporate values, the Company´s management has also jointly drawn up leadership principles. These principles have been communicated within the Company to ensure that all employees can see as transparently as possible what home24 means by good leadership. Mutual respect, trust and team spirit are at the core of these leadership principles.

The Company has also introduced a compliance management system that includes measures to comply with statutory requirements as well as internal company guidelines and codes of conduct. The compliance management system is based on an analysis of potential risks that may arise from legal requirements, structures and processes, a specific market situation, or in particular regions. Incidents can be reported internally via the compliance hotline. Employees are informed about the hotline on the intranet, in the anti-corruption guidelines, and as part of the onboarding process. They can also contact their line manager or the Governance, Risk and Compliance (GRC) department directly.

The Group's risk management system regulates the recording, evaluation, documentation and reporting of all risks (compliance, financial, operating and strategic) across the Company. The GRC department is responsible for compliance and risk management within the Group with independent reporting lines to the Management Board and Supervisory Board of the Company. In the 2019 financial year, the GRC department reported every six month to the Management Board and the Audit Committee of the Supervisory Board on the home24 Group's general risk situation.

3. WORKING PRACTICES AND COMPOSITION OF THE MANAGEMENT BOARD, SUPERVISORY BOARD AND THEIR COMMITTEES

As a European stock corporation (Societas Europaea – SE) with its registered seat in Berlin in accordance with the German Stock Corporation Act (AktG), the SE Act and the SE Regulation, the Company has a two-tier governance system consisting of the Management Board and Supervisory Board. Both corporate bodies work closely together in the best interests of the Company.

3.1. Working Practices of the Management Board

The Management Board has direct responsibility for managing the Company in its best interests, with the aim of creating sustainable added value in accordance with statutory provisions, the Company's Articles of Association and the Rules of Procedure for the Management Board. The Management Board develops the Company's strategic direction, agrees it with the Supervisory Board and ensures its implementation. The Management Board also ensures compliance with legal provisions and internal Company guidelines and works to ensure that these provisions and guidelines are observed across the Group (compliance). The Management Board ensures appropriate risk management and risk control in the Company. The Management Board provides the Supervisory Board with timely and comprehensive information about all issues of relevance to the Company concerning strategy, planning, business development, risk position, risk management and compliance.

The cooperation and responsibilities of Management Board members are set out in detail in the Rules of Procedure for the Management Board. Every member of the Management Board is fully responsible for their assigned business area within the framework of Management Board resolutions. The schedule of responsibilities as of December 31, 2019 was defined as follows:

Marc Appelhoff	Finance (including Investor Relations, Accounting, Taxes), Marketing, Showrooms, International (Brazil), Legal, Corporate Communications
Christoph Cordes	Purchasing, Assortment, Pricing, Product Quality and Safety, Outlets, Operations (including Warehousing, Logistics and Customer Service)
Johannes Schaback	Technology (including Information Technology, Data, Enterprise Resource Planning and Product), HR

On October 1, 2019, the Management Board adopted a resolution to transfer responsibility for Purchasing, Assortment and Pricing from Christoph Cordes to Marc Appelhoff at the start of 2020 after a transitional period. As part of the implementation of this resolution, the Rules of Procedure were amended effective January 1, 2020. At the same time, it was decided that Brigitte Wittekind, as a newly-appointed member of the Management Board, would assume responsibility for the areas previously supervised by Christoph Cordes as well as the internal control system from January 1, 2020.

Irrespective of this schedule of responsibilities, members of the Management Board are jointly accountable for overall management. They work closely together and keep each other informed of important measures and events in their business areas. The Management Board has not set up any committees. The entire Management Board jointly decides on all matters in which the Management Board is required to make a decision by law, the Articles of Association, or the Rules of Procedure, particularly with regard to company strategy and essential business policy issues. According to the Rules of Procedure, Management Board meetings should be held regularly. They must be held when required to ensure the wellbeing of the Company.

The Management Board maintains regular contact with the Supervisory Board, especially its Chairman, informs the Supervisory Board and its Chairman about the course of business and the situation of the Company and its subsidiaries, and discusses strategy, planning, business development, risk position, risk management, and compliance with the Supervisory Board and its Chairman. The Management Board informs the Supervisory Board and/or its Chairman immediately about important events and business matters that may significantly impact any assessments of the Company's situation and development as well as its management. Furthermore, the Management Board provides the Supervisory Board with comprehensive information and obtains the appropriate approvals for certain transactions of fundamental importance for which the Articles of Association or the Management Board's Rules of Procedure require the approval of the Supervisory Board or one of its committees.

Members of the Management Board are subject to an extensive non-competition clause and ban on secondary employment during their membership of the Management Board. The Supervisory Board decides on exceptions to this rule. Every member of the Management Board must immediately inform all other members of the Management Board of any conflicts of interest and disclose these to the Supervisory Board.

A collective D&O insurance policy has been taken out for members of the Management Board. For details, see the disclosures in the Remuneration Report, page 58 ff.

3.2. Composition of the Management Board

The Management Board consists of one or more members in accordance with the provisions of the Articles of Association. The Supervisory Board determines the number of Management Board members. The Supervisory Board appoints members of the Management Board for a maximum term of office of five years. The Supervisory Board can appoint a chairman of the Supervisory Board as well as a deputy chairman. In financial year 2019, the Management Board had the following members:

Marc Appelhoff	
Johannes Schaback	
Christoph Cordes	until December 31, 2019
Dr. Philipp Kreibohm	until March 31, 2019

On May 30, 2018, the Supervisory Board set a target of 25% for the proportion of women on the Management Board in accordance with Section 111 (5) AktG, with the aim of reaching this target within five years (by May 30, 2023). This target was not yet reached during financial year 2019. The Supervisory Board also decided to continue its successful collaboration with Johannes Schaback and extended his term of office by two further years in February 2019. Following the departure of Dr. Philipp Kreibohm as a member of the Management Board, the Supervisory Board adopted a resolution stating that the Management Board should consist of three people. There were no changes to the Management Board in this respect during the 2019 financial year allowing female board members to be appointed. Since January 1, 2020, the proportion of women on the Management Board has been 33.33%, as Brigitte Wittekind has been appointed to the Management Board to succeed Christoph Cordes.

Diversity should continue to be taken into account when making future changes to the Management Board, as diversity in management bodies can contribute to company success. Nevertheless, the Supervisory Board will continue to predominantly select Management Board members based on their professional and personal suitability regardless of their gender or background, for example. Although the age of an individual is also generally irrelevant when assessing their professional suitability for a position, the Supervisory Board has set an age limit of 66 years for members of the Company's Management Board.

3.3. Working Practices of the Supervisory Board

The Supervisory Board regularly advises and monitors the Management Board in its management of the Company. As stated in point 3.1, the Supervisory Board is involved in decisions of fundamental importance for the Company and works closely with the Company's other management bodies, particularly the Management Board. The Supervisory Board appoints and dismisses members of the Management Board and, together with the Management Board, is responsible for appropriate succession planning.

The rights and obligations of the Supervisory Board are specifically based on statutory provisions, the Articles of Association, and the Rules of Procedure for the Supervisory Board. The Supervisory Board carries out its work in both plenary meetings as well as in committees whose chairs provide the entire Supervisory Board with regular reports on their committees' activities.

The Rules of Procedure of May 30, 2018 were amended with effect from June 19, 2019 to reflect the reduced number of Supervisory Board members.

According to the Rules of Procedure of the Supervisory Board, the Supervisory Board must hold at least one meeting per quarter. Additional meetings must be convened as necessary. The Supervisory Board may also pass resolutions outside of its meetings, particularly by written circular. The Supervisory Board regularly reviews the efficiency of its activities. This efficiency review focuses on both the qualitative criteria established by the Supervisory Board and, in particular, procedures within the Supervisory Board, as well as the timely and sufficient supply of information to the Supervisory Board. Based on self-evaluation carried out in November 2019, the Supervisory Board decided to amend its Rules of Procedure effective January 1, 2020 and, in particular, to introduce an age limit of 75 years for its members in accordance with the recommendations of the GCGC and abolish the Remuneration Committee.

Supervisory Board members are obliged to act in the best interests of the Company and must disclose their conflicts of interest to the Supervisory Board, particularly those that may arise as a result of an advisory or governing body role with customers, suppliers, lenders, borrowers, or other third parties.

A collective D&O insurance policy has been taken out for members of the Supervisory Board. For details, see the disclosures in the Remuneration Report, page 58 ff.

3.4. Composition of the Supervisory Board

On June 19, 2019, the Annual General Meeting of the Company adopted a resolution to reduce the number of Supervisory Board members from six to four and amend the Articles of Association accordingly. This amendment to the Articles of Association became effective upon entry in the relevant commercial register of the Charlottenburg (Berlin) local court on October 1, 2019. Until October 1, 2019, the Articles of Association provided for the Supervisory Board to be composed of six members.

The Supervisory Board is not subject to employee representation. The Supervisory Board appoints a Chairman and Deputy Chairman from among its members. In the event that a Supervisory Board member has significant and non-temporary conflicts of interest, the affected Supervisory Board member shall resign from his or her post.

In financial year 2019, the Supervisory Board had the following members:

Lothar Lanz*	
Verena Mohaupt**	
Franco Danesi	
Magnus Agervald**	
Alexander Samwer	until June 19, 2019
Christian Senitz	until January 28, 2019

* Chairman of the Supervisory Board and independent member as defined by No. 5.4.2 GCGC
** Independent member as defined by No. 5.4.2 GCGC

On May 30, 2018, the Supervisory Board adopted a resolution to increase the proportion of women on the Supervisory Board to 25% within five years (by May 30, 2023). This ratio was achieved after the size of the Supervisory Board was reduced and its members were elected by the Annual General Meeting on June 19, 2019.

In resolutions adopted on May 30, 2018, the Supervisory Board set targets for its composition and defined a profile of skills. The profile of skills was amended effective June 19, 2019 to reflect the reduced number of Supervisory Board members. According to the currently applicable profile, members of the Supervisory Board must collectively possess the knowledge, skills and professional expertise required to successfully perform their duties. Each member of the Supervisory Board ensures that they have sufficient time available to carry out their duties. Diversity should be taken into account when selecting Supervisory Board members. In addition, at least two members of the Supervisory Board should possess international experience, and at least two Supervisory Board members should not have any board function, advisory role, or representation obligations towards the Company's major tenants, lenders or other business partners. At least two members of the Supervisory Board must be independent. At least one member of the Supervisory Board must have accounting or auditing expertise (Section 100 (5) AktG). Generally speaking, Supervisory Board members must not have any board function or advisory role with the Company's major competitors. In addition to their Supervisory Board mandate with the Company, members of the Supervisory Board who are members of the Management Board of a listed company should not hold any more than three further Supervisory Board mandates in listed non-group entities that make similar requirements. With the exception of the deviations listed above under point 1, the Company has conformed with the individual recommendations in No. 5.4.1 (2) GCGC, which deal with the setting of specific targets for the composition of the Supervisory Board, the criteria to be taken into account for the composition of the Supervisory Board, and the development of a profile of skills.

3.5. Working Practices and Composition of the Committees of the Supervisory Board

In financial year 2019, the Supervisory Board had three standing committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The committee Chairs report regularly to the Supervisory Board on the work of their committees.

AUDIT COMMITTEE

According to the Rules of Procedure valid until June 19, 2019, the Audit Committee consisted of four members; since June 19, 2019, the Rules of Procedure have stated that the Audit Committee consists of three members. At least one of these members must be independent and must have accounting or auditing expertise (Section 107 (4) AktG). Neither the Chairman of the Supervisory Board nor former members of the Company's Management Board should be appointed as Chairman of the Audit Committee.

In the reporting period, the Audit Committee had the following members:

Verena Mohaupt*	
Lothar Lanz	
Franco Danesi	
Christian Senitz	until January 28, 2019

* Chairwoman

The Chairwoman of the Audit Committee is independent and is not a former member of the Company's Management Board. She also has particular expertise and experience in the application of accounting principles and internal control procedures and thus fulfills the prerequisites of Section 100 (5) AktG.

The primary focus of the Audit Committee is to monitor the accounting process, the effectiveness of the internal risk management system and the internal control system, and to deal with compliance issues.

It also passes resolutions on placing the audit assignment with the auditor, identifying focal points for the audit and the remuneration of the auditor. In addition, the Audit Committee monitors the audit, particularly the independence required of the auditor and the additional services rendered by the auditor. The Audit Committee held a total of four meetings during the year under review (February 11, April 23, August 28 and November 25, 2019), all of which were attended by all committee members.

The Audit Committee also makes preparations for Supervisory Board negotiations and resolutions concerning the annual and Consolidated Financial Statements. For this purpose, the Audit Committee focuses strongly on the annual and Consolidated Financial Statements, and the Combined Management Report. The Audit Committee discusses the audit reports and findings with the auditor and makes recommendations to the Supervisory Board.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three members.

In the reporting period, the Remuneration Committee had the following members:

Verena Mohaupt*	
Lothar Lanz	since June 19, 2019
Franco Danesi	
Alexander Samwer	until June 19, 2019

* Chairwoman

In particular, the Remuneration Commitee reviews all aspects of remuneration and employment terms for the Management Board and makes recommendations and drafts resolutions for the Supervisory Board on this basis. The Remuneration Committee can also arrange for the remuneration policies and the remuneration paid to management to be independently reviewed. It also prepares information about Management Board remuneration for the Annual General Meeting. In addition, the Remuneration Committee reviews the remuneration and employment terms of Senior Vice President-level management and is authorized to issue the Management Board with recommendations in this regard. The Remuneration Committee helps the Supervisory Board to ensure that the Company complies with all relevant reporting obligations connected with the remuneration of the Management Board and senior management.

The entire Supervisory Board considers the performance of its remuneration function to be one of its most important roles and, as a result, has always collaborated closely on and agreed upon remuneration issues in the past. The small size of the Supervisory Board has also enabled this to be done effectively. As a result, the Supervisory Board adopted a resolution to abolish the Remuneration Committee effective January 1, 2020 until further notice to improve efficiency further.

NOMINATION COMMITTEE

Members of the Remuneration Committee form the Supervisory Board's Nomination Committee. Accordingly, the Nomination Committee was composed as follows in the reporting period:

Lothar Lanz*	since June 19, 2019
Verena Mohaupt	
Franco Danesi	
Alexander Samwer*	until June 19, 2019

* Chairman

The Nomination Committee prepares Supervisory Board proposals concerning the selection of Supervisory Board members for the Annual General Meeting. The Nomination Committee will be retained in its current composition even after the abolition of the Remuneration Committee.

4. TARGETS FOR WOMEN AT MANAGEMENT LEVEL

The Management Board also takes diversity into account when filling leadership roles and, in particular, strives to give due consideration to female candidates without straying from its overriding principle that an individual should be recommended, nominated, employed, or promoted solely because they are the best person for the role in question, both professionally and personally. On May 30, 2018, the Management Board set a target of 30% for the proportion of women in the top two levels of management below the Management Board in accordance with Section 76 (4) AktG, with the aim of reaching this target in five years (by May 30, 2023). The Management Board has developed a long-term plan to help it reach this target. By the end of financial year 2019, the proportion of women was 25% at the top level of management (e.g. at Senior Vice President level) and 50% at the second level of management (e.g. at Vice President level).

5. GENERAL MEETING AND SHAREHOLDERS

As at December 31, 2019, the share capital of the Company was divided into 26,409,186 non-securitized no-par value bearer shares. All of the shares are ordinary shares without preferential rights, which means that every share entitles its holder to one vote. The Company's shareholders exercise their rights within the framework of the opportunities provided by law and the Articles of Association by exercising their voting rights before or during the Company's Annual General Meeting. Every shareholder is entitled to participate in the Annual General Meeting, address the meeting in relation to items on the agenda, ask relevant questions and propose motions.

The Company's Annual General Meeting is held within the first six months of the financial year and is generally convened by the Management Board. When convening the Annual General Meeting, the Management Board decides whether the meeting will take place at the Company's headquarters, at the registered office of a German stock exchange, or in a German city with more than 100,000 residents.

The next Annual General Meeting will take place on June 3, 2020, in Berlin. The corresponding agenda and the reports and documents required for the Annual General Meeting are published on the Company's website. The Company gives its shareholders the opportunity to cast their vote by proxy to make it easier to exercise their individual voting rights. This proxy is obliged to follow the shareholders' voting instructions and is also available during the Annual General Meeting. The invitation to the Annual General Meeting includes further information about this proxy. Notwithstanding this, shareholders are free to be represented by a proxy of their choice at the Annual General Meeting.

The Management Board presents the annual and Consolidated Financial Statements and the Combined Management Report of the Company and the Group at the Annual General Meeting. The Annual General Meeting decides on the appropriation of profits as well as the discharge of the Management Board and Supervisory Board, and appoints the Company's Supervisory Board members and auditor. The Annual General Meeting also decides on the content of the Articles of Association.

In accordance with the provisions of the Articles of Association, resolutions of the Annual General Meeting are passed by a simple majority of votes cast and, if a capital majority is required, by a simple majority of the capital represented when passing the resolution, unless a higher majority is required by binding legal requirements.

6. REPORTABLE OWN-ACCOUNT TRANSACTIONS BY MANAGEMENT

Members of the Management Board and Supervisory Board as well as all parties closely linked to these individuals are obliged to notify the Company of own-account transactions in shares or related financial instruments in accordance with Article 19 of Regulation (EU) 596/2014 of the European Parliament and of the Council of April 16, 2014 on Market Abuse (Market Abuse Regulation) where these transactions exceed EUR 5,000 per year. These notifications must be made immediately but no later than within three business days after the date of the transaction. The Company publishes all of these notifications at https://www.home24.com/websites/homevierundzwanzig/%20English/4500/news.html.

7. FURTHER INFORMATION FOR THE CAPITAL MARKETS

All key dates for shareholders, investors and analysts are published at the start of the year for the duration of the applicable financial year in the Company's financial calendar at https://www.home24.com/websites/homevierundzwanzig/English/4550/finanzkalender.html.

The Company provides the capital markets – particularly shareholders, analysts and investors – with information based on standardized criteria. The information is transparent and consistent for all capital markets participants. Ad-hoc releases and press releases, as well as presentations from press and analyst conferences, are published immediately on the Company's website.

The Company discloses insider information, voting rights notifications, and own-account transactions by management in accordance with statutory provisions. This information is published on the Company's website at https://www.home24.com/websites/homevierundzwanzig/English/4500/news.html.

8. TAKEOVER-RELATED DISCLOSURES IN ACCORDANCE WITH SECTIONS 289A (1) AND 315A (1) HGB AND EXPLANATORY REPORT[1]

The disclosures required in accordance with Sections 289a (1) and 315a (1) HGB is listed and explained below.

8.1. Composition of Subscribed Capital

Information on the composition of subscribed capital can be found on page 107f. of the Notes to the Consolidated Financial Statements.

8.2. Restrictions Affecting Voting Rights or the Transfer of Shares

As at the end of financial year 2019, home24 SE held a total of 26,907 of its own shares, from which the Company does not derive any rights in accordance with Section 71b AktG.

As part of the Company's IPO, members of the Management Board entered into lock-up agreements with the syndicate banks that supported the IPO. In these lock-up agreements, Management Board members committed themselves for a period of 12 months after the first day on which the Company's shares traded on the Frankfurt Stock Exchange to obtain prior consent from the syndicate banks before offering, pledging, allocating, selling, committing to sell, issuing an option or purchase agreement, acquiring an option to sell, granting an option, right or warrant to buy, transferring, or otherwise disposing of the shares they held on the prospectus date, either directly or indirectly (lock-up requirement). The same lock-up requirement applies to shares granted to the respective Management Board members by the end of the lock-up period to service the options they hold. If a Management Board member's term of office ends before the end of the lock-up period, the lock-up period for that particular Management Board member is reduced by six months from the first day on which the Company's shares traded on the Frankfurt Stock Exchange.

8.3. Equity Interests in the Company that Exceed 10% of Voting Rights[1]

Based on the notification of voting rights pursuant to Section 33 WpHG available as of December 31, 2019, the following equity interests in the Company exceeded 10% of voting rights were held as of that date:

- Ari Zweiman, born April 15, 1972: 18.99% (attribution of 3,865,637 shares of 683 Capital Partners, LP/683 Capital Management, LLC, New York, pursuant to Section 34 WpHG and of 1,150,000 shares pursuant to Section 38 (1) No. 2 WpHG)
- Kinnevik AB (publ), Stockholm, Sweden: 11.78% (attribution of 3,111,953 shares of Kinnevik Internet Lux S.à r.l., Luxembourg, pursuant to Section 34 WpHG)
- Rocket Internet SE, Berlin, Germany: 10.91% (attribution of 83,033 shares of Bambino 53. V V GmbH, Berlin, pursuant to Section 34 WpHG).

The notifications of voting rights published by the Company are available at https://www.home24.com/websites/homevierundzwanzig/English/4500/news.html.

8.4. Statutory Provisions, Provisions of the Articles of Association Governing the Appointment and Dismissal of Members of the Management Board, and Amendments to the Articles of Association

The Management Board consists of several persons in accordance with Article 7 (1) of the Articles of Association. The Supervisory Board determines the number of Management Board members. The Supervisory Board appoints members of the Management Board on the basis of Article 9 (1), Article 39 (2), and Article 46 of the SE Regulation, Sections 84 and 85 AktG, and Article 7 (3) of the Articles of Association for a term of office lasting no longer than five years; reappointments are permitted. The Supervisory Board is entitled to revoke the appointment of a Management Board member for good cause (see Article 9 (1), Article 39 (2) of the SE Regulation, and Section 84 AktG).

The Annual General Meeting decides on changes to the Articles of Association. Unless a higher majority is required by binding legal requirements or the Articles of Association, resolutions of the Annual General Meeting are passed by a simple majority of votes cast in accordance with Article 20 of the Articles of Association and, if a capital majority is required, by a simple majority of the capital represented when passing the resolution. The majority requirement set out in Section 103 (1) Sentence 2 AktG is unaffected by this provision.

According to Section 11 (5) of the Articles of Association, the Supervisory Board is authorized to decide on changes and additions to the Articles of Association relating only to the wording. The Supervisory Board is also authorized to amend the wording of the Articles of Association accordingly after carrying out capital increases from Authorized Capital and/or Conditional Capital or after the expiry of the corresponding authorization, option, or conversion period (Section 4 (3), (4), (6), (7) and (8) of the Articles of Association).

8.5. Authority of the Management Board to Issue and Buy Back Shares

The Management Board is authorized to increase the share capital of the Company with the approval of the Supervisory Board on one or more occasions by a total of up to EUR 70,864 until May 17, 2023 by issuing up to 70,864 no-par value bearer shares against contributions in cash (Authorized Capital 2015 / II). The preemptive rights of shareholders are disapplied. Authorized Capital 2015 / II is used to fulfill purchase rights (option rights) granted or promised by the Company to its current or former directors before it became a stock corporation during the period between October 1, 2011, up to and including December 31, 2014; shares from Authorized Capital 2015 / II may only be issued for this purpose. The issue amount is EUR 1.00 per share for up to 43 new shares, and EUR 36.86 per share for up to a further 70,821 new shares. The Management Board is authorized to specify the additional content of the rights embodied in the shares and the conditions of the share issue with the approval of the Supervisory Board. The issuance of shares to members of the Company's Management Board also requires the approval of the Supervisory Board.

The Management Board is authorized to increase the share capital of the Company with the approval of the Supervisory Board on one or more occasions by a total of up to EUR 113,328 until May 17, 2023 by issuing up to 113,328 no-par value bearer shares against contributions in kind (Authorized Capital 2015 / III). The preemptive rights of shareholders are disapplied. Authorized Capital 2015 / III is exclusively used to issue new no-par value shares for the purposes of fulfilling present or future pecuniary claims of directors and employees of the Company or its affiliated companies arising from the "virtual" stock option programs in 2010 and 2013 / 2014 (concerning shadow options and collectively referred to as the virtual option program); shares from Authorized Capital 2015 / III may only be issued for this purpose. The issue amount is EUR 1.00 per share for up to 113,328 new shares. Contributions for the new shares are made by recovering the pecuniary claims that the option holders have against the Company as a result of the shadow option program. The Management Board is authorized to specify the additional content of the rights embodied in the shares and the conditions of the share issue with the approval of the Supervisory Board. The issuance of shares to members of the Company's Management Board also requires the approval of the Supervisory Board.

The share capital of the Company is conditionally increased by up to EUR 2,096,972 by issuing up to 2,096,972 no-par value bearer shares (Conditional Capital 2019). Conditional Capital 2019 is exclusively used to service the preemptive rights issued to subscription rights holders on the basis of the authorization given by the General Meeting on March 10, 2017, amended by resolutions of the Annual General Meetings on July 28, 2017 and May 24, 2018 and June 19, 2019 as part of the LTIP 2019 (or its previous name, LTIP 2017). The new shares are issued at the lowest issue amount of EUR 1.00 per share. Contributions for the new shares are made by recovering the remuneration claims of the subscription rights holders arising from the performance shares granted to them as a contribution in kind. This conditional capital increase is only carried out to the extent that performance shares have been issued in accordance with the resolution of the Annual General Meeting on March 10, 2017, amended by resolutions of the General Meetings on July 28, 2017, May 24, 2018 and June 19, 2019, the preemptive rights holders exercise their rights in accordance with the agreement, and the Company does not fulfill the preemptive rights with its own shares or by cash payment. The new shares participate in profits from the start of the financial year in which the share issue takes place; however, the new shares participate in profits from the start of the financial year preceding the one in which they are issued in the event that the Annual General Meeting does not pass a resolution on the appropriation of profits for the financial year preceding the one in which the new shares are issued.

The Management Board is authorized to increase the share capital of the Company with the approval of the Supervisory Board by a total of up to EUR 117,690 until May 17, 2023 by issuing new no-par value bearer shares against contributions in cash (Authorized Capital 2017). This authorization can be used in installments on one or more occasions, but only up to a total of EUR 175,311. The preemptive rights of shareholders are disapplied. The Authorized Capital 2017 is exclusively used to fulfill the purchase rights of GMPVC German Media Pool GmbH; shares utilizing the Authorized Capital 2017 may only be issued for this purpose. The issue amount corresponds to the lowest issue amount at the time the authorization is utilized (currently EUR 1.00). The Management Board is also authorized to specify the further content of the new shares and the conditions of the share issue with the approval of the Supervisory Board. The Supervisory Board is authorized to adjust the wording of the Articles of Association regarding the share capital and the Authorized Capital 2017 after fully or partially increasing the Company's share capital in accordance with the scope of the capital increase carried out using the Authorized Capital 2017 and after the expiry of the authorization period.

The Management Board is authorized to increase the share capital with the approval of the Supervisory Board on one or more occasions by a total of up to EUR 7,525,804 until May 17, 2023 by issuing up to 7,525,804 new no-par value bearer shares against contributions in cash and/or in kind (Authorized Capital 2018). Shareholders must be granted a preemptive right. The Management Board is authorized to disapply the shareholders' preemptive right in circumstances outlined in the authorization. The Management Board is also authorized to specify further details of the capital increase and its implementation with the approval of the Supervisory Board; this also includes specifying the dividend entitlement of the new shares which, contrary to Article 9 (1) Letter c) i) of the SE Regulation together with Section 60 (2) AktG, can also be specified for a financial year that has already ended.

The share capital of the Company is conditionally increased by up to EUR 8,058,025 by issuing up to 8,058,025 new no-par value bearer shares (ordinary shares) (Conditional Capital 2018). The Conditional Capital 2018 is used when exercising conversion or option rights and/or for fulfilling conversion or option obligations to grant shares to the holders and/or creditors of convertible bonds, bonds with warrants, profit participation rights, and/or income bonds (or combinations of these instruments) (hereinafter jointly referred to as bonds) that have been issued due to the authorization resolution adopted by the Annual General Meeting on June 13, 2018. These new shares are issued at the conversion or option price determined in accordance with the authorization resolution adopted by the Annual General Meeting on June 13, 2018. The conditional capital increase is only implemented to the extent that the holders and/or creditors of bonds issued and/or guaranteed until June 1, 2023 by the Company or by another company that is dependent on the Company or in its direct or indirect majority ownership based on the authorization resolution adopted by the Annual General Meeting on June 13, 2018 exercise their conversion or option rights and/or fulfill conversion or option obligations arising from such bonds or, insofar as the Company issues shares in the Company in place of payment of the amount of cash due, and insofar as the conversion or option rights and/or conversion or option rights are not serviced by the Company's own shares, shares from authorized capital or other methods of performance. The new shares participate in profit from the start of the financial year in which they are issued, as well as all subsequent financial years. The Management Board is also authorized to specify further details concerning the implementation of the conditional capital increase.

The Management Board is authorized by a resolution adopted by the Annual General Meeting on May 18, 2018 to acquire its own shares with the approval of the Supervisory Board and in accordance with the following provisions: The authorization is valid until June 30, 2022, and is restricted to the acquisition of 33,282 shares or up to 10% of existing share capital at the time the authorization is exercised, whichever is lower. These shares may only be acquired for an equivalent value of EUR 24.14 per share. The Management Board is also authorized to cancel its own shares without the need to obtain another Annual General Meeting resolution for this cancellation and the implementation thereof. In accordance with Section 237 (3) No. 3 AktG, the Management Board is authorized to adjust the number of shares in the Articles of Association accordingly. The cancellation can also be associated with a capital decrease; in this case, the Management Board is authorized to reduce the share capital by the pro-rata amount of share capital attributable to the canceled shares.

As a result of a resolution adopted by the Annual General Meeting on May 24, 2018, the Management Board is authorized – with the approval of the Supervisory Board by May 24, 2023 and in accordance with the principle of equal treatment (Article 9 (1) Letter c) ii) of the SE Regulation in conjunction with Section 53a AktG) – to acquire the Company's own shares up to a total of 10% of the Company's existing share capital on the date the resolution is passed or the Company's existing share capital at the time the authorization is exercised, whichever is lower. Under certain specific conditions, the Management Board is also entitled to use equity derivatives when acquiring the Company's own shares in this respect. Shares acquired based on this authorization may not at any time exceed 10% of the Company's share capital when taken together with the Company's own shares that it has already acquired and still holds or that are attributable to it in accordance with Article 5 of the SE Regulation in conjunction with Sections 71a et seq. AktG. This authorization can be exercised by the Company on one or more occasions, as a whole or in partial amounts, or in pursuit of one or more purposes, but can also be exercised on behalf of the Company or its subsidiaries by one of its subsidiaries or third parties. The Company may not use this authorization for the purposes of trading in its own shares.

The Management Board is authorized by a resolution adopted by the Annual General Meeting on May 24, 2018 to use the Company's own shares that it already holds (treasury shares) as well as those acquired based on the aforementioned authorization in the additional ways outlined in detail in the authorization, in addition to a sale via the stock exchange or via an offer to all shareholders. In doing so, the preemptive rights of the shareholders are disapplied in certain circumstances specified in the authorization.

8.6. Material Agreements Entered into by the Company Providing for a Change of Control upon a Takeover Bid

The media services agreement in place between home24 SE and SevenVentures GmbH provides for a termination option for SevenVentures GmbH for good cause if RTL Group S.A., and / or a company affiliated with it as defined in Section 15 AktG, or RTL2 Fernsehen GmbH & Co. KG directly or indirectly individually or jointly acquire(s) more than 50% of the share capital and / or voting rights in home24 SE.

The agreements on the use of Google Online Marketing products also contain provisions according to which a change of control needs to be reported and constitutes a right of termination. In addition, the agreements with the providers on credit card payments include obligations to disclose information in the event of a change of ownership at home24 SE.

8.7. Compensation Arrangements Agreed by the Company with the Members of the Management Board or Employees in the Event of a Takeover Bid

No compensation agreements of this kind are in place.

REMUNERATION REPORT*

1. MANAGEMENT BOARD REMUNERATION

1.1. Principles of the Remuneration System

The total remuneration of the Management Board consists of an annual fixed remuneration component, a short-term, performance-related remuneration component in the form of an annual variable cash remuneration, long-term incentive remuneration in the form of options, and additional fringe benefits. The Company's Annual General Meeting on June 19, 2019 approved the remuneration system for the members of the Management Board.

By way of a resolution adopted on October 28, 2019, the Company's Supervisory Board modified the remuneration system to comply with the new legal regulations imposed by the Act on the Implementation of the Second Shareholders' Rights Directive (ARUG II) and to reflect the restructuring of the Management Board, among other things. Further, the Supervisory Board consulted an external advisor on the appropriateness of the compensation system as well as for a market comparison of the total compensation. The components of total remuneration – annual fixed remuneration, short-term, performance-related remuneration, long-term incentive remuneration in the form of options, and additional fringe benefits – remained unchanged. However, the new remuneration system permits differentiation between the Chairman of the Management Board and the other members of the Board. In addition, the Supervisory Board can now agree on one-off payments with members of the Management Board. Total remuneration for an individual Board member is limited to a maximum of EUR 15 million per year.

All remuneration components are proportionate to the duties and performance of the Management Board. The criteria for the appropriateness of the remuneration include both the duties of the individual Management Board member, their personal performance, and the economic position, performance, and future prospects of the Company, as well as how customary the remuneration is in comparison to industry peers and the remuneration structure of the Company.

1.2. Non-performance-related Benefits

1.2.1. FIXED REMUNERATION

The annual fixed remuneration for a Management Board member is EUR 250 thousand. In the future, the Chairman of the Management Board will also regularly receive EUR 250 thousand. Different rules apply if the Company's share price in XETRA trading is above EUR 23 for three consecutive calendar months, in which case the Chairman of the Management Board will receive annual fixed remuneration of EUR 300k.

The salary for members of the Management Board is paid in monthly installments. In the 2019 financial year, Management Board members received a total of EUR 742 thousand (2018: EUR 812 thousand) in fixed remuneration.

1.2.2. FRINGE BENEFITS

Management Board members also received additional fringe benefits totaling EUR 97 thousand in the 2019 financial year (2018: EUR 111 thousand). These additional fringe benefits include the reimbursement of usual expenses, allowances for health insurance and monthly gross amounts representing the employer's contribution to statutory pension and unemployment insurance, as well as the assumption of costs of D&O insurance and accident/disability insurance with coverage totaling EUR 500 thousand in the event of death and EUR 800 thousand in the event of disability.

The D&O insurance covers financial damages arising from breaches of duty by members of the Management Board when carrying out their duties. In line with statutory requirements, the D&O insurance contains a deductible of 10% but a maximum of 150% of the annual fixed salary of each Management Board member. All members of the Management Board are included in the protection offered by the D&O insurance.

1.3. Performance-related Benefits

1.3.1. ANNUAL VARIABLE CASH REMUNERATION

Each Management Board member who is active as of December 31, 2019 receives additional variable cash remuneration of a maximum of EUR 50 thousand per year. The targets to be reached to receive the bonus payment are set by the Supervisory Board and the members of the Management Board for the financial year in question depending on the individual's specific circumstances. Once the specific amount of the bonus has been established, the additional variable cash remuneration is paid after the end of the financial year in question. The Supervisory Board has full discretion when determining the specific amount of the bonus, taking the targets agreed into account. Claw-back mechanisms must not be used for payment, as the members of the Management Board appear to be sufficiently incentivized by their long-term share-based options to achieve sustainable corporate success.

In the reporting period, the members of the Management Board received variable cash remuneration of EUR 150 thousand for financial year 2018. Taking the targets agreed into account, the Supervisory Board set the amount of the bonus for financial year 2019 at a total of EUR 150 thousand. This additional variable cash remuneration was paid after the end of the reporting period.

1.3.2. LONG-TERM SHARE-BASED PAYMENT

The content of the individual remuneration arrangements issued to the Management Board as part of share-based payment plans and the scope of the awards granted under these arrangements is outlined below.

Long-Term Incentive Plans (LTIP)

LTIP enables the Management Board to participate in increases in the Company's equity value by being issued performance shares that are linked to the performance of home24 SE's shares. These performance shares are designed like options: the beneficiary receives the difference in value between the higher share price and the exercise price on the exercise date – at the discretion of the Company – in the form of either cash or shares. The vesting period is usually one calendar year. According to the current terms of the LTIP, performance shares can be exercised after a four-year holding period, provided they have vested and the average annual growth rate, after adjusting for special effects, of the revenue of the Group in the four years after the performance shares have been granted is at least 10 %. The performance shares may be exercised within four years of the expiration of the holding period.

In the 2019 financial year, the Management Board was issued a total of 842,876 (2018: 93,224) LTIP performance shares with a fair value of EUR 561 thousand (2018: EUR 1,419 thousand).

The supplementary disclosures in the Notes to the Consolidated Financial Statements on outstanding share-based payment awards under the LTIP are broken down below for the individual members of the Management Board.

Dr. Philipp Kreibohm
Member of the Management Board until March 31, 2019

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
LTIP				
Outstanding at the beginning of the reporting period	**8.95**	**77,228**	**12.08**	**43,774**
Granted during the reporting period	0.00	0	4.86	33,454
Forfeited during the reporting period	– 2.56	– 17,050	0.00	0
Outstanding at the end of the reporting period	**12.21**	**60,178**	**8.95**	**77,228**
Exercisable at the end of the reporting period	**0.00**	**0**	**0.00**	**0**

Remaining life and number of outstanding awards by exercise price

	2019		2018	
Ausübungspreis (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	Number
LTIP				
0.02	5.50	21,887	4.50	21,887
3.23	6.70	8,202	5.70	27,878
24.14	5.80	30,089	4.70	27,463
Am Ende der Berichtsperiode ausstehend	**5.80**	**60,178**	**5.00**	**77,228**

The fair value of the LTIP granted in financial year 2018 was EUR 747 thousand at the grant date.

Remuneration awards whose vesting period had not yet ended by the time Dr. Philipp Kreibohm stepped down from the Management Board are listed under forfeited awards.

Marc Appelhoff
Member of the Management Board

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
LTIP				
Outstanding at the beginning of the reporting period	**12.08**	**187,480**	**12.08**	**187,480**
Granted during the reporting period	3.23	123,208	0.00	0
Outstanding at the end of the reporting period	**8.57**	**310,688**	**12.08**	**187,480**
Exercisable at the end of the reporting period	**0.00**	**0**	**0.00**	**0**

Remaining life and number of outstanding awards by exercise price

	2019		2018	
Exercise price (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	
LTIP				
0.02	5.50	93,740	4.50	93,740
3.23	7.80	123,208	0.00	0
24.14	5.50	93,740	4.50	93,740
Outstanding at the end of the reporting period	**6.40**	**310,688**	**4.50**	**187,480**

The remuneration awards granted in financial year 2019 were granted to the Management Board member Marc Appelhoff for financial year 2020. The fair value of these awards was EUR 229 thousand at the grant date.

Christoph Cordes
Member of the Management Board until December 31, 2019

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
LTIP				
Outstanding at the beginning of the reporting period	**12.08**	**187,480**	**17.72**	**187,480**
Forfeited during the reporting period	12.08	– 46,870	0.00	0
Outstanding at the end of the reporting period	**12.08**	**140,610**	**12.08**	**187,480**
Exercisable at the end of the reporting period	**0.00**	**0**	**0.00**	**0**

Remaining life and number of outstanding awards by exercise price

	2019		2018	
Exercise price (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	Number
LTIP				
0.02	5.50	70,305	4.50	93,740
24.14	5.50	70,305	4.50	93,740
Outstanding at the end of the reporting period	**5.50**	**140,610**	**4.50**	**187,480**

Remuneration awards whose vesting period had not yet ended by the time Christoph Cordes stepped down from the Management Board are listed under forfeited awards.

Johannes Schaback
Member of the Management Board from April 1, 2018

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
LTIP				
Outstanding at the beginning of the reporting period	**14.68**	**59,770**	**0.00**	**0**
Granted during the reporting period	12.95	719,668	14.68	59,770
Outstanding at the end of the reporting period	**13.08**	**779,438**	**14.68**	**59,770**
Exercisable at the end of the reporting period	**0.00**	**0**	**0.00**	**0**

Remaining life and number of outstanding awards by exercise price

	2019		2018	
Exercise price (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	
LTIP				
0.02	6.20	23,435	5.20	23,435
1.00	7.80	44,834	0.00	0
13.00	7.80	630,000	0.00	0
24.14	7.10	81,169	5.20	36,335
Outstanding at the end of the reporting period	**7.70**	**779,438**	**5.20**	**59,770**

In the financial year, Management Board member Johannes Schaback was granted remuneration awards for the vesting period from April 1, 2019 to April 1, 2021. The present value of these awards was EUR 332 thousand (2018: EUR 672 thousand) at the grant date.

Virtual Stock Option Programs (VSOP)
VSOP make it possible to participate in increases in the Company's equity value by issuing phantom ("virtual") options that are linked to the performance of the Company's shares. These phantom options are settled in the form of either shares or cash at the discretion of the Company. The issue of options under the VSOP is now complete.

Management Board members Marc Appelhoff and Christoph Cordes each exercised some of their options under the VSOP in financial year 2019. Marc Appelhoff and Christoph Cordes each received 31,921 new shares in the Company in return for full contribution of their respective entitlements. The corresponding new shares were created by way of a non-cash capital increase utilizing the Company's Authorized Capital 2015/III and disapplying shareholders' preemptive rights; this capital increase became effective on its entry in the relevant commercial register of Charlottenburg local court on August 20, 2019.

The supplementary disclosures in the Notes to the Consolidated Financial Statements on outstanding share-based payment awards under the VSOP are broken down below for the individual members of the Management Board.

Dr. Philipp Kreibohm
Member of the Management Board until March 31, 2019

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
VSOP				
Outstanding at the beginning of the reporting period	**14.79**	**38,055**	**14.79**	**38,055**
Exercised during the reporting period	0.02	– 14,749	0.00	0
Outstanding at the end of the reporting period	**24.14**	**23,306**	**14.79**	**38,055**
Exercisable at the end of the reporting period	**24.14**	**23,306**	**14.79**	**38,055**

Remaining life and number of outstanding awards by exercise price

	2019		2018	
Exercise price (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	Number
VSOP				
0.02	0.00	0	4.00	14,749
24.14	3.00	23,306	4.00	23,306
Outstanding at the end of the reporting period	**3.00**	**23,306**	**4.00**	**38,055**

Marc Appelhoff
Member of the Management Board

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
VSOP				
Outstanding at the beginning of the reporting period	**12.88**	**68,456**	**12.88**	**68,456**
Exercised during the reporting period	0.02	–31,949	0.00	0
Outstanding at the end of the reporting period	**24.14**	**36,507**	**12.88**	**68,456**
Exercisable at the end of the reporting period	**24.14**	**36,507**	**13.75**	**64,156**

Remaining life and number of outstanding awards by exercise price

	2019		2018	
Exercise price (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	Number
VSOP				
0.02	0.00	0	2.90	31,949
24.14	2.80	36,507	3.80	36,507
Outstanding at the end of the reporting period	**2.80**	**36,507**	**3.40**	**68,456**

Christoph Cordes
Member of the Management Board until December 31, 2019

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
VSOP				
Outstanding at the beginning of the reporting period	**12.88**	**68,456**	**12.88**	**68,456**
Exercised during the reporting period	0.02	– 31,949	0	0
Outstanding at the end of the reporting period	**24.14**	**36,507**	**12.88**	**68,456**
Exercisable at the end of the reporting period	**24.14**	**36,507**	**13.75**	**64,156**

Remaining life and number of outstanding awards by exercise price

	2019		2018	
Exercise price (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	Number
VSOP				
0.02	0.00	0	2.90	31,949
24.14	2.80	36,507	3.80	36,507
Outstanding at the end of the reporting period	**2.80**	**36,507**	**3.40**	**68,456**

Individual option agreements (call options)
The supplementary disclosures in the Notes to the Consolidated Financial Statements on outstanding call options are broken down below for the individual members of the Management Board.

Dr. Philipp Kreibohm
Member of the Management Board until March 31, 2019

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
Call Options				
Outstanding at the beginning of the reporting period	**0.02**	**108,532**	**0.02**	**108,532**
Exercised during the reporting period	0.02	– 108,532	0.00	0
Outstanding at the end of the reporting period	**0.00**	**0**	**0.02**	**108,532**
Exercisable at the end of the reporting period	**0.00**	**0**	**0.02**	**108,532**

Remaining life and number of outstanding awards by exercise price

	2019		2018	
Exercise price (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	Number
Call Options				
0.02	0.00	0	n.l.	108,532
Outstanding at the end of the reporting period	**0.00**	**0**	**n.l.**	**108,532**

n.l. = not limited

Individual share agreements (shares)
On October 30, 2015, 33,282 shares with a par value of EUR 0.02 per share were issued to members of the Company's Management Board. It had originally been agreed that the Company can acquire these shares at the par value of EUR 0.02 or at the lower market value if the beneficiaries' employment ends prior to May 1, 2019. In the previous year, the Company repurchased 16,082 shares ahead of schedule at a price of EUR 24.14 per share.

The supplementary disclosures in the Notes to the Consolidated Financial Statements on outstanding shares are broken down below for the individual members of the Management Board.

Marc Appelhoff
Member of the Management Board

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
Shares				
Outstanding at the beginning of the reporting period	**0.00**	**0**	**0.02**	**8,041**
Repurchased during the reporting period	0.00	0	0.02	– 8,041
Outstanding at the end of the reporting period	**0.00**	**0**	**0.00**	**0**

Christoph Cordes
Member of the Management Board until December 31, 2019

Development of outstanding awards and weighted exercise prices

	2019		2018	
	Exercise price (in EUR)	Number	Exercise price (in EUR)	Number
Shares				
Outstanding at the beginning of the reporting period	**0.00**	**0**	**0.02**	**8,041**
Repurchased during the reporting period	0.00	0	0.02	– 8,041
Outstanding at the end of the reporting period	**0.00**	**0**	**0.00**	**0**

The expense recognized in accordance with IFRS for share-based payment awards granted to the Management Board is presented below for the individual members of the Management Board.

In EUR thousand	2019	2018
Dr. Philipp Kreibohm	– 224	654
Marc Appelhoff	842	1,509
Christoph Cordes	– 175	1,509
Johannes Schaback	352	512
Total	**795**	**4,184**

The negative amounts result from the reversal of expenses recorded in prior periods for forfeited payment awards.

1.4. Payments on Termination of Management Board Activity

In the event that a Management Board member dies before the end of their term of office, their spouse or registered partner and their dependent children under the age of 25 living at their home are jointly and severally entitled to continue receiving their full fixed remuneration for the month of their death and the three subsequent months.

When Dr. Philipp Kreibohm stepped down from the Management Board, it was agreed with him that, in deviation from the LTIP terms, the performance shares granted to him for financial year 2019 would be deemed to be vested on a pro rata basis until the end of his Management Board term of office on March 31, 2019.

1.5. Loans and Advances

In the 2019 financial year, members of the Management Board did not receive any advances or loans from the Company or its subsidiaries.

1.6. Pension Commitments

No company pension arrangements have been agreed with the Management Board members.

1.7. Total Remuneration

Members of the Management Board were granted total benefits of EUR 1,550 thousand (2018: EUR 2,492 thousand) during the 2019 financial year.

In EUR thousand	2019	2018
Fixed remuneration	742	812
Fringe benefits	97	111
Total	**839**	**923**
One-year variable remuneration	150	150
Share-based payment	561	1,419
Total	**711**	**1,569**
Total Remuneration	**1,550**	**2,492**

The above table does not show the remuneration actually paid but the target figures (the remuneration figure if 100% of targets are met) for the remuneration components granted in the 2019 financial year. The value of the share-based payment is equivalent to the fair value of the payment awards at the time they were granted and/or modified.

In addition, expenses for share-based payment awards granted to members of the Management Board in the financial year ended amounted to EUR 0.8m (2018: EUR 4.2m).

1.8. Benefits of Former Management Board Members

As of the reporting date, home24 SE had no pension recipients or beneficiaries from among its former Management Board members or directors. As a result, the total benefits for former Management Board members and their surviving dependents and pension obligations to former Management Board members and their surviving dependents are EUR 0.

1.9. Other

In the event of temporary incapacity due to illness, accident or another reason not attributable to the Management Board member in question, the Management Board member will continue to receive their full fixed remuneration for three months, but for no longer than the effective termination of their employment contract.

Apart from the employment contracts, there are no other service or employment agreements between members of the Management Board or individuals closely related to them and the Company or its subsidiaries.

1.10. Total Remuneration for 2019

The following tables show the Management Board remuneration in accordance with the recommendations of the German Corporate Governance Code and the requirements of Sections 314 and 315 of the German Commercial Code (HGB), as defined in German Accounting Standard (GAS) 17.

The Code recommends disclosing the benefits granted during the year under review, as well as the benefits received, i.e., the total amount paid during the year under review. The Code also requires that in the case of variable remuneration components this presentation be supplemented by the maximum and minimum remuneration achievable. The Code provides specific examples of the recommended presentation of remuneration based on the reference table used below.

GAS 17 sets out that benefits must be broken down into performance-related and non-performance-related components and that long-term incentive remuneration must be presented separately. In contrast to the recommendations in the Code, GAS 17 does not require expenses for pension obligations, i.e., service cost in accordance with IAS 19, to be included in total remuneration. The Company does not have pension arrangements for its Management Board members.

Dr. Philipp Kreibohm
Member of the Management Board until March 31, 2019

	Benefits granted (Code/GAS 17)				Benefits received (Code)	
In EUR thousand	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**	**2018**
Non-performance-related benefits						
Fixed remuneration	34	34	34	135	34	135
Fringe benefits	8	8	8	31	8	31
Total non-performance-related benefits	**42**	**42**	**42**	**166**	**42**	**166**
Performance-related benefits						
One-year variable remuneration	0	0	0	0	0	0
Multi-year variable remuneration	0	0	0	747	261	0
LTIP (8 years)	0	0	0	747	0	0
VSOP (5 fiscal years)	0	0	0	0	44	0
Call options (not limited)	0	0	0	0	217	0
Shares	0	0	0	0	0	0
Total performance-related benefits	**0**	**0**	**0**	**747**	**261**	**0**
Total Remuneration	**42**	**42**	**42**	**913**	**303**	**166**

Marc Appelhoff
Member of the Management Board

	Benefits granted (Code/GAS 17)				Benefits received (Code)	
In EUR thousand	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**	**2018**
Non-performance-related benefits						
Fixed remuneration	250	250	250	245	250	245
Fringe benefits	32	32	32	28	32	28
Total non-performance-related benefits	**282**	**282**	**282**	**273**	**282**	**273**
Performance-related benefits						
One-year variable remuneration	50	0	50	50	50	0
Multi-year variable remuneration	229	0	229	0	96	194
LTIP (8 years)	229	0	229	0	0	0
VSOP (5 fiscal years)	0	0	0	0	96	0
Call options (not limited)	0	0	0	0	0	0
Shares	0	0	0	0	0	194
Total performance-related benefits	**279**	**0**	**279**	**50**	**146**	**194**
Total Remuneration	**561**	**282**	**561**	**323**	**428**	**467**

Christoph Cordes
Member of the Management Board until December 31, 2019

	Benefits granted (Code/GAS 17)				Benefits received (Code)	
In EUR thousand	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**	**2018**
Non-performance-related benefits						
Fixed remuneration	250	250	250	245	250	245
Fringe benefits	31	31	31	37	31	37
Total non-performance-related benefits	**281**	**281**	**281**	**282**	**281**	**282**
Performance-related benefits						
One-year variable remuneration	50	0	50	50	50	0
Multi-year variable remuneration	0	0	0	0	96	194
LTIP (8 years)	0	0	0	0	0	0
VSOP (5 fiscal years)	0	0	0	0	96	0
Call options (not limited)	0	0	0	0	0	0
Shares	0	0	0	0	0	194
Total performance-related benefits	**50**	**0**	**50**	**50**	**146**	**194**
Total Remuneration	**331**	**281**	**331**	**332**	**427**	**476**

Johannes Schaback
Member of the Management Board from April 1, 2018

	Benefits granted (Code/GAS 17)				Benefits received (Code)	
In EUR thousand	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**	**2018**
Non-performance-related benefits						
Fixed remuneration	208	208	208	188	208	188
Fringe benefits	26	26	26	15	26	15
Total non-performance-related benefits	**234**	**234**	**234**	**203**	**234**	**203**
Performance-related benefits						
One-year variable remuneration	50	0	50	50	50	0
Multi-year variable remuneration	332	0	332	672	0	0
LTIP (8 years)	332	0	332	672	0	0
VSOP (5 fiscal years)	0	0	0	0	0	0
Call options (not limited)	0	0	0	0	0	0
Shares	0	0	0	0	0	0
Total performance-related benefits	**382**	**0**	**382**	**722**	**50**	**0**
Total Remuneration	**616**	**234**	**616**	**925**	**284**	**203**

2. SUPERVISORY BOARD REMUNERATION

The remuneration of the Supervisory Board is governed by Article 14 of the Articles of Association and consists of fixed annual payments, the amount of which is based on the responsibilities and scope of activities of each Supervisory Board member. The remuneration for Supervisory Board members is proportionate to their duties and the situation of the Company. An ordinary member of the Supervisory Board receives fixed annual remuneration of EUR 30 thousand. By way of derogation, the Chairman of the Supervisory Board receives fixed annual remuneration of EUR 90 thousand, while the Deputy Chairman of the Supervisory Board receives such remuneration totaling EUR 45 thousand. The Chairman of the Audit Committee receives additional fixed annual remuneration of EUR 30 thousand, while members of the Audit Committee also receive such additional remuneration totaling EUR 10 thousand each.

Supervisory Board members who only belong to the Supervisory Board or hold the office of Chairman or Deputy Chairman for part of a financial year receive pro-rata remuneration accordingly.

Supervisory Board members are covered by the Company's D&O insurance. The Company also reimburses Supervisory Board members for the reasonable expenses they incur when carrying out their Supervisory Board mandate as well as the VAT payable on their remuneration and expenses.

The remuneration of the individual members of the Supervisory Board was as follows:

	2019			2018		
In EUR thousand	**Fixed remuneration**	**Additional remuneration for committee work**	**Total**	**Fixed remuneration**	**Additional remuneration for committee work**	**Total**
Lothar Lanz	90	10	100	94	6	100
Verena Mohaupt	30	30	60	42	18	60
Alexander Samwer	14	0	14	20	0	20
Christian Senitz	2	1	3	20	6	26
Franco Danesi	30	10	40	19	7	26
Magnus Agervald	45	0	45	25	0	25
Christoph Barchewitz (until May 14, 2018)	—	—	0	3	0	3
Christian Scherrer (until June 13, 2018)	—	—	0	4	0	4
Total	**211**	**51**	**262**	**227**	**37**	**264**

A total of EUR 11 thousand was reimbursed for expenses in the 2019 financial year (2018: EUR 8 thousand).

INDEPENDENT AUDITOR'S REPORT

To home24 SE

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

Opinions

We have audited the annual financial statements of home24 SE, Berlin, which comprise the balance sheet as of December 31, 2019, and the income statement for the financial year from January 1 to December 31, 2019, and notes to the financial statements, including the accounting policies presented therein. In addition, we have audited the management report of home24 SE, which is combined with the group management report ("management report"), for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements, we have not audited the information included in the statement on corporate governance in accordance with Section 289f HGB contained in the "Corporate Governance Statement" section of the management report or the disclosures marked as unaudited in the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of comments marked as unaudited in the management report or the content of the statement on corporate governance pursuant to Section 315d HGB contained in section "Corporate Governance Statement" of the management report.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany]

(IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) Occurrence and measurement of revenue from the delivery of merchandise taking into account expected returns

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

As part of selling merchandise, home24 typically satisfies its performance obligation when the merchandise is delivered, i.e., the date on which the significant risks and rewards of ownership and control of the merchandise are transferred to the customer. home24 customers have the option to return merchandise free of charge within the revocation periods stipulated by law and, in addition to that period, the return periods granted by home24. home24's executive directors calculate expected returns, for which no revenue is recognized. Their assumptions and judgments are based primarily on month-specific rates of returns. Revenue has a significant influence on the net income of the Company and is one of the most important performance indicators for home24.

Due to the high transaction volume of the sales of merchandise and the potential risk of fictitious revenue and the uncertain estimate of expected returns, we consider the occurrence and measurement of revenue from the delivery of merchandise to be a key audit matter.

AUDITOR'S RESPONSE

In the course of our audit, we verified the process of revenue recognition established by the executive directors of home24 from the order through to payment receipt on the basis of the documentation provided to us. We also evaluated compliance with the revenue recognition requirements under German commercial law. In order to identify anomalies regarding revenue and the development of revenue, we developed a forecast of country-specific revenue from the sale of merchandise based on historical daily and summarized monthly revenue and compared it with the revenue recognized in the current financial year. In addition, we examined the posting ledger for any revenue entries that were entered manually as well as analyzed the respective contra accounts and correlations.

Moreover, as part of the substantive audit procedures, we also obtained documentation (delivery notes, invoices, payment receipts) for a sample of sales based on mathematical-statistical assumptions regarding the existence of revenue in order to determine whether the revenue recognized was based on a corresponding delivery of merchandise. We also verified the clerical accuracy of the expected returns as determined by the executive directors of home24. We compared the assumed month-specific rate of returns with actual historical month-specific and country-specific rates of returns, among other things, and analyzed them. In order to evaluate the assumed month-specific rate of returns, we also compared selected rates with the merchandise actually returned by the time we concluded our audit.

Our audit procedures did not lead to any reservations relating to the occurrence of revenue or to the measurement of revenue from the delivery of merchandise.

REFERENCE TO RELATED DISCLOSURES
With regard to the accounting policies applied for the recognition of merchandise revenue, we refer to the Company's disclosures in section 2 (Accounting and Valuation Methods) and section 7.1 (Revenue) in the notes to the financial statements.

2) Subsequent measurement of merchandise

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER
The merchandise inventory of home24 is continuously subject to risks associated with existing and potential future stocks, which are sold with high discounts through online retail or are disposed of outside of online retail. Write-downs on estimated future stocks as well as existing stocks are calculated at the end of the reporting period and recognized in the annual financial statements.

home24's executive directors calculate stocks based on the expected future sell-through for various sales channels. Expected future sell-through and the resulting estimated net realizable value are based on planning assumptions subject to judgment, which are determined using figures observed in the past.

We consider the subsequent measurement of merchandise inventory to be a key audit matter due to the high volume and heterogeneity of merchandise as well as the judgment used in calculating stocks and estimating the future net realizable value.

AUDITOR'S RESPONSE
We evaluated the compliance of the accounting policies applied by home24's executive directors in calculating the merchandise inventory and the timely recognition of write-downs with the relevant requirements of German commercial law.

We also analyzed the process used by home24's executive directors regarding the subsequent measurement of merchandise, gained an understanding of the process steps, and tested the effectiveness of a selection of internal controls in place.

Within the scope of the valuation model, the executive directors consider the expected sell-through of merchandise for various sales channels. We analyzed the timing of the sell-through using past data with actual sales and examined any significant deviations or irregularities in detail. In addition, we verified the executive directors' allocation to valuation groups in the valuation model on a sample basis.

The valuation model also incorporates the expected proceeds from stocks. We compared the executive directors' assumptions for expected proceeds, considering proceeds actually generated in the past from merchandise sold with high discounts as well as merchandise for disposal outside of online retail. In this context, we considered the measurement categories defined by the executive directors separately. We developed expectations regarding potential future stocks based on this and compared these expectations with valuation model assumptions and the write-downs recorded. Furthermore, we verified the clerical accuracy of the valuation model.

Our procedures did not lead to any reservations relating to the subsequent measurement of merchandise.

REFERENCE TO RELATED DISCLOSURES
With regard to the accounting policies applied for the subsequent measurement of inventory, we refer to the Company's disclosures in section II (Accounting and Valuation Methods) in the notes to the financial statements.

Other information

The Supervisory Board is responsible for the Supervisory Board Report. In all other respects, the executive directors are responsible for the other information. The other information comprises the information included in the statement on corporate governance pursuant to Section 289f HGB contained in the "Corporate Governance Report" section of the management report, the disclosures marked as unaudited in the management report as well as the remaining components of the report on the annual financial statements and the combined management report, with the exception of the audited annual financial statements and management report as well as our independent auditor's report, in particular:

- the responsibility statement pursuant to Section 264 (2) Sentence 3 HGB contained in the “Responsibility Statement by the Management Board pursuant to Section 264 (2) HGB” section;

- the “Report of the Supervisory Board of home24 SE” section.

We received a version of this other information prior to issuing this independent auditor’s report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company’s position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on June 19, 2019. We were engaged by the Supervisory Board on August 28, 2019. We have been the auditor of home24 SE without interruption since financial year 2013. home24 SE has been a corporation geared to the capital market pursuant to Section 264d HGB since 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the audited entity the following services that are not disclosed in the annual financial statements or in the management report:

- Review of the condensed interim consolidated financial statements and the interim group management report for the period from January 1 to June 30, 2019
- Agreed-upon procedures with regard to the approval of revenue in the context of rental agreements

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Gunnar Glöckner.

Berlin, April 6, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Glöckner	Haas
Wirtschaftsprüfer	Wirtschaftsprüfer

GLOSSARY

Adjusted EBITDA – defined as earnings before interest, taxes, depreciation and amortization, adjusted for share-based payment expenses for employees, media services provided to the Company and costs incurred in connection with the listing of existing shares and other one-off expenses, mainly service fees for legal and other consulting services associated with the IPO.

Adjusted EBITDA margin – defined as the ratio of adjusted EBITDA to revenue.

Administrative expenses – defined as the sum of overhead expenses including employee benefit expenses and share-based payment expenses for employees and executives, depreciation and amortization, IT and other overhead costs, as well as costs related to the IPO.

Average order value – defined as the aggregated gross order value of the orders placed in the respective period, including VAT, without factoring in cancellations and returns as well as subsequent discounts and vouchers, divided by the number of orders.

Claw-back mechanisms – a contractual arrangement stipulating that variable remuneration components may be withheld or reclaimed if certain conditions are met.

Cost of sales – defined as the purchase price of the goods acquired plus inbound shipping charges.

Employees – defined as employees of any gender who are not members of the Management Board, apprentices or trainees.

Fulfillment expenses– defined as the sum of expenses relating to the dispatching, handling and packaging of goods, warehouse employee benefits, temporary warehouse work obtained and payment processing.

GRC (Governance, Risk and Compliance) – defined as the Group department tasked with identifying, assessing and mitigating business risks.

Gross profit – defined as revenue less cost of sales.

Gross profit margin – defined as gross profit divided by revenue.

Key non-financial performance indicators – defined as the number of orders, the number of active customers and the value of the average order value.

Marketing expenses – defined as the sum of expenses for performance marketing and TV marketing, excluding share-based payment marketing expenses.

Net working capital – defined as inventories, advance payments for inventories, trade receivables, current financial assets (except for derivative financial instruments), current and non-current non-financial assets less trade payables and similar liabilities, current financial (except for derivative financial instruments) and non-financial liabilities and contract liabilities.

Number of active customers – defined as the number of customers that have placed at least one non-canceled order in the 12 months prior to the respective date, without factoring in returns.

Number of orders – defined as the number of orders placed in the relevant period, regardless of cancellations or returns.

Other selling and distribution costs – defined as the sum of rent or depreciation of right-of-use-assets for leased warehouses and showrooms, share-based payment marketing expenses, other logistics and marketing expenses, employee benefits and expenses for temporary work obtained for central fulfillment and marketing activities including customer service, miscellaneous expenses and other depreciation.

Performance marketing – includes all online marketing channels used by home24 such as keyword search or online advertising banners on third-party websites.

Profit contribution – defined as gross profit less fulfillment expenses and impairment losses on financial assets.

Revenue growth at constant currency – defined as revenue growth using constant BRL/EUR exchange rates from the previous year.

Sites – defined as the mailing addresses of the Company or companies controlled by the Company with employees (headquarters, outlets, showrooms, warehouses).

SKUs (stock keeping units) – defined as code numbers for individual products included in the home24 product range.

IMPRINT

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