# ANNUAL FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT 2018

# CONTENT

# REPORT OF THE SUPERVISORY BOARD OF HOME24 SE

**THE SUPERVISORY BOARD AND MANAGEMENT BOARD OF HOME24 SE**

From left to right:
Christoph Cordes, Marc Appelhoff, Johannes Schaback (top row)
Alexander Samwer, Lothar Lanz, Verena Mohaupt, Franco Danesi, Magnus Agervald

The following report outlines the activities of the Supervisory Board of home24 SE during the 2018 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 2018 financial year, the Supervisory Board consisted of Lothar Lanz (Chairman), Christoph Barchewitz (Deputy Chairman), Verena Mohaupt, Alexander Samwer, Christian Scherrer and Christian Senitz.

At the Company's Annual General Meeting on May 14, 2018, all members of the Supervisory Board apart from Christoph Barchewitz were reelected. The Annual General Meeting appointed Franco Danesi as a member of the Supervisory Board in place of Christoph Barchewitz. 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, 2018.

Lothar Lanz was appointed as Chairman of the Supervisory Board and Franco Danesi as Deputy Chairman by written circular on May 14, 2018.

In a letter dated June 6, 2018, Christian Scherrer resigned his post as a member of the Supervisory Board with effect from the end of the Annual General Meeting on June 13, 2018. The Annual General Meeting on June 13, 2018 elected Magnus Agervald as a replacement member of the Supervisory Board. The term of office of

Magnus Agervald expires at the end of the Annual General Meeting that passes a resolution on the ratification of the members' acts for the financial year ending on December 31, 2018.

Magnus Agervald was appointed as Deputy Chairman of the Supervisory Board in place of Franco Danesi by written circular on June 14, 2018.

## ACTIVITIES OF THE SUPERVISORY BOARD

During the financial year, 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.

The Management Board provided the Supervisory Board with regular, timely and comprehensive information, both in writing and orally, about all key issues relating to the Group's position, short-term planning and strategic development. The Management Board extensively discussed key business transactions for home24 SE and its subsidiaries with the Supervisory Board based on detailed reports.

During the reporting period, the Supervisory Board held a total of four meetings (on February 19, April 23, September 19, and November 26, 2018). 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 2018, the Supervisory Board also passed numerous resolutions by written circular outside of these meetings. The Supervisory Board also dealt intensively with the strategic direction and operating activities of the Company in this respect.

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 Company's IPO and 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.

The Supervisory Board's work also placed a particular emphasis on ensuring good corporate governance within the Company.

Between its regular meetings, the Supervisory Board was also kept thoroughly, immediately and comprehensively informed about events of material significance in assessing the situation, development and management of the Company by means of oral and/or written reports. The Management Board submitted all matters requiring approval for resolution 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.

## 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. The Supervisory Board also established a temporary IPO Committee to prepare for the Company's IPO.

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 2018 financial year, the committees were composed as follows:

| **Audit committee** | **Remuneration committee** | **Nominiation committee** |
|---|---|---|
| Verena Mohaupt* | Verena Mohaupt* | Alexander Samwer* |
| Lothar Lanz | Alexander Samwer | Verena Mohaupt |
| Christian Senitz | Christoph Barchewitz | Christoph Barchewitz |
| Christoph Barchewitz | | |

* Chair

On April 23, 2018, the Supervisory Board established an IPO Committee by written circular consisting of four members with responsibility for preparing for the Company's IPO. Lothar Lanz, Alexander Samwer, Christian Scherrer and Christoph Barchewitz were appointed as members of the IPO Committee. Lothar Lanz was appointed as chair of the IPO Committee.

After the Supervisory Board members were reappointed by the Annual General Meeting on May 14, 2018, the Supervisory Board passed a resolution to compose the committees as follows:

| **Audit committee** | **Remuneration committee** | **Nomination committee** | **IPO committee** |
|---|---|---|---|
| Verena Mohaupt* | Verena Mohaupt* | Alexander Samwer* | Lothar Lanz* |
| Lothar Lanz | Alexander Samwer | Verena Mohaupt | Alexander Samwer |
| Christian Senitz | Franco Danesi | Franco Danesi | Franco Danesi |
| Franco Danesi | | | Christian Scherrer |

* Chair

The Audit Committee held a total of four meetings during the financial year (February 19, April 23, September 19 and November 26, 2018).

## 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 2018 financial year by the Annual General Meeting on May 14, 2018.

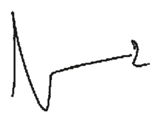
The auditors audited the annual and Consolidated Financial Statements for 2018 as well as the Company's Combined Management Report and issued an unqualified Auditors' Report.

The annual and Consolidated Financial Statements and Combined Management Report for home24 SE and the Group for the 2018 financial year were reviewed and discussed at the Audit Committee meeting on April 23, 2019. Bert Althaus, Senior Vice President Finance, presented the Financial Statements of home24 SE and the home24 Group at this meeting. The audit firm's partners Gunnar Glöckner and Sebastian Haas took part in the Audit Committee meetings, reported on the main findings of their audit, and discussed its scope and focal points.

The audit reports were then discussed at the Supervisory Board's plenary meeting on April 23, 2019; the 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.

The Supervisory Board approved the findings of the audit. No objections were raised as a result of the reviews carried out by the Audit Committee and the Supervisory Board. The Supervisory Board approved the annual and Consolidated Financial Statements for the 2018 financial year in accordance with the recommendation of the Audit Committee, and the Annual Financial Statements of the Company for the 2018 financial year were thus adopted.

Berlin, April 23, 2019
For the Supervisory Board



Lothar Lanz
Chairman of the Supervisory Board

# ANNUAL FINANCIAL STATEMENTS

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

## BALANCE SHEET AS OF DECEMBER 31, 2018

### Assets

| In EURk | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **A. Fixed assets** | | |
| **I. Intangible assets** | | |
| 1. Purchased industrial and similar rights and assets, and licenses in such rights and assets | 21,334 | 3,744 |
| 2. Advance payments made | 0 | 8,202 |
| | **21,334** | **11,946** |
| **II. Tangible fixed assets** | | |
| 1. Other equipment, operating and office equipment | 489 | 431 |
| 2. Advance payments made and assets under construction | 21 | 6 |
| | **510** | **437** |
| **III. Long-term financial assets** | | |
| 1. Shares in affiliated companies | 27,049 | 26,827 |
| 2. Loans to affiliated companies | 14,120 | 12,812 |
| 3. Other loans | 8,769 | 271 |
| | **49,938** | **39,910** |
| | **71,782** | **52,293** |
| | | |
| **B. Current assets** | | |
| **I. Inventories** | | |
| 1. Goods | 25,617 | 21,307 |
| 2. Advance payments on inventories | 616 | 2,252 |
| | **26,233** | **23,559** |
| **II. Receivables and other assets** | | |
| 1. Trade receivables | 11,949 | 5,936 |
| 2. Receivables from affiliated companies | 6,129 | 4,108 |
| 3. Other assets | 1,786 | 1,464 |
| | **19,864** | **11,508** |
| | | |
| **III. Cash on hand and bank balances** | 106,519 | 15,981 |
| | **152,616** | **51,048** |
| | | |
| **C. Prepaid expenses** | 1,192 | 394 |
| | **225,590** | **103,735** |

## Equity and Liabilities

| In EURk | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **A. Equity** | | |
| I. Subscribed capital | 26,060 | 429 |
| less par value of treasury shares | –33 | 0 |
| Conditional capital EUR 9,238k (2017: EUR 27k) | | |
| | **26,027** | **429** |
| II. Capital reserves | 132,718 | 47,486 |
| | **158,745** | **47,915** |
| | | |
| **B. Provisions** | | |
| Other provisions | 17,336 | 16,517 |
| | | |
| **C. Liabilities** | | |
| 1. Liabilities to banks | 0 | 324 |
| 2. Payments received on account of orders | 10,429 | 9,690 |
| 3. Trade payables | 21,165 | 13,529 |
| 4. Liabilities to affiliated companies | 15,153 | 13,327 |
| 5. Other liabilities | 2,001 | 1,388 |
| thereof taxes EUR 1,132k (2017: EUR 950k) | | |
| thereof social security EUR 9k (2017: EUR –16k) | | |
| | **48,748** | **38,258** |
| | | |
| **D. Deferred income** | 761 | 1,045 |
| | **225,590** | **103,735** |

## INCOME STATEMENT FOR 2018

| In EURk | 2018 | 2017 |
|---|---|---|
| 1. Revenue | 244,071 | 219,134 |
| 2. Other operating income | 3,442 | 3,550 |
| thereof currency translation gains EUR 1,293k (2017: EUR 642k) | | |
| | | |
| 3. Cost of materials | | |
| a) Cost of purchased goods | –132,777 | –118,904 |
| b) Cost of purchased services | –58,970 | –49,406 |
| | | |
| 4. Personnel expenses | | |
| a) Wages and salaries | –15,767 | –18,136 |
| b) Social security and post-employment benefit costs | –3,469 | –3,387 |
| thereof post-employment benefits EUR 58k (2017: EUR 59k) | | |
| | | |
| 5. Amortization of intangible assets and depreciation of tangible fixed assets | –879 | –1,967 |
| 6. Other operating expenses | –92,687 | –62,387 |
| thereof for currency translation losses EUR 1,064k (2017: EUR 1,107k) | | |
| | | |
| 7. Income from investments | 64 | 75 |
| 8. Other interest and similar income | 473 | 359 |
| thereof from affiliated companies EUR 286k (2017: EUR 357k) | | |
| | | |
| 9. Write-downs of long-term financial assets | –606 | 0 |
| 10. Interest and similar expenses | –632 | –267 |
| thereof to affiliated companies EUR 42k (2017: EUR 45k) | | |
| | | |
| 11. Expenses from loss absorption | –4,044 | –1,213 |
| 12. Taxes on income | –23 | –37 |
| **13. Loss for the period** | **–61,804** | **–32,586** |
| 14. Withdrawals from capital reserves | 61,804 | 32,586 |
| **15. Net retained profits** | **0** | **0** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2018

The Company is registered at the commercial register of Charlottenburg local court under no. HRB 196337 B (previously HRB 167157 B) under the name home24 SE (formerly Home24 AG), with headquarters in Berlin.

## I. GENERAL DISCLOSURES ON THE ANNUAL FINANCIAL STATEMENTS

In accordance with the resolution by the Shareholders' Meeting on May 14, 2018, Home24 AG changed its legal form to a European stock corporation (Societas Europaea) and has since been called home24 SE (hereinafter also referred to as the "Company").

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, 2018 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.

### IPO

Shares in home24 SE have been traded on the Frankfurt Stock Exchange (Prime Standard) since June 15, 2018.

The IPO was based on an initial public offering of up to 8,846,153 ordinary bearer shares with no par value, each such share with a notional value of EUR 1 and with full dividend rights starting on January 1, 2018. The offer comprised up to 7,692,307 newly issued ordinary bearer shares with no par value and up to 1,153,846 ordinary bearer shares with no par value relating to a potential over-allotment (greenshoe option).

The shares were offered to investors for purchase in the period from June 4, 2018, to June 13, 2018, in a price range of EUR 19.50 to EUR 24.50. The offer was over-subscribed several times at the upper end of the price range. The offer price was determined on June 13, 2018, at EUR 23. At the same time, the specific number of shares to be issued was set at 6,251,740 and the number of shares available for a potential over-allotment was set at 978,261.

As a result of the IPO, home24 SE received total funds of EUR 172,500k after exercise of the greenshoe option.

## II. ACCOUNTING POLICIES

The accounting policies outlined below were relevant for the preparation of 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 | 2 – 8 |

Legislators raised the threshold for low-value assets for investments after December 31, 2017. In order to standardize tax and commercial law regulations in financial year 2018 for the first time, low-value assets with individual acquisition costs of between EUR 250 and EUR 800 were written down in full in the year of acquisition and recognized as a disposal (2017: between EUR 150 and EUR 410).

Long-term financial assets are recognized at the lower of cost or fair value. 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 replacement prices and/or 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. 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 no more than 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. 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 par 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 recognized directly in equity. The granting of the options has the sole 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 against the recognition of provisions. 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, 2018 was:

- 1.1454 (EUR-USD, middle spot rate)
- 1.1227 (EUR-CHF, middle spot rate)
- 8.9716 (EUR-HKD, middle spot rate)
- 4.3028 (EUR-PLN, middle spot rate)
- 7.8000 (EUR-CNY, middle spot rate)

Derivative financial instruments are measured at fair value through profit or loss.

# III. BALANCE SHEET DISCLOSURES

## 1. Fixed Assets

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

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

The Company's shareholder structure at the balance sheet date is listed in appendix to the Notes (List of Shareholdings).

## 2. Current Assets

Receivables from affiliated companies rose by EUR 2,021k to EUR 6,129k and are comprised of trade receivables of EUR 5,427k (2017: EUR 2,954k) and other receivables of EUR 702k (2017: EUR 1,154k).

All receivables and other assets are due in less than one year. Other assets included rental deposits of EUR 486k in the previous year that are due in more than one year.

Trade receivables are continuously sold to finance the operating business. At the reporting date, receivables with a nominal amount of EUR 864k were sold that are presented under other assets as a claim against the factoring company.

## 3. 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, 2017** | **405** | **0** | **55,308** | **0** | **55,713** |
| Proceeds from shares issued | 24 | 0 | 25,178 | 0 | 25,202 |
| Share buyback | 0 | 0 | –415 | 0 | –415 |
| Withdrawal from reserves | 0 | 0 | –32,585 | 32,585 | 0 |
| Loss for the period | 0 | 0 | 0 | –32,585 | –32,585 |
| **As of December 31, 2017** | **429** | **0** | **47,486** | **0** | **47,915** |

| 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** |

Total equity increased by EUR 110,830k to EUR 158,745k, mainly due to the capital increase and share premium received in the course of the IPO.

As of January 1, 2018, the subscribed capital amounted to EUR 429,269 and was fully paid-in. The registered share capital was divided into 429,269 no-par value registered shares. As of January 1, 2018, the Company held 400 treasury shares. The notional value of the treasury shares amounted to EUR 400, equivalent to 0.09% of the share capital. With legal effect as of March 12, 2018, the Company acquired 374 further treasury shares for a purchase price of EUR 388k in aggregate.

On May 17, 2018, the Management Board, with the approval of the Supervisory Board, adopted a resolution to issue 423 new shares to GMPVC German Media Pool GmbH in order to fulfill the obligations of the Company under an investment agreement with GMPVC German Media Pool GmbH. The issue of new shares against contributions in cash in an amount of EUR 1 per share from the Company's authorized capital for 2017 resulted in an increase of the Company's share capital by EUR 423 from EUR 429,269 to EUR 429,692. The capital increase was entered in the commercial register of Charlottenburg local court, Berlin, Germany, on May 23, 2018.

On May 18, 2018, the Company's shareholders' meeting adopted a resolution to increase the Company's share capital by EUR 18,047,064 from EUR 429,692 to EUR 18,476,756 by converting an amount of EUR 18,047,064 of the Company's capital reserves into share capital. As a result of the share split, the number of treasury shares held by the Company increased to 33,282. In addition, the Company's shareholders' meeting adopted a resolution to convert the registered shares into bearer shares. The capital increase and the amendment of the articles of association were entered in the commercial register of Charlottenburg local court, Berlin, Germany, on May 23, 2018.

On June 13, 2018, the Company's shareholders' meeting adopted a resolution to increase the Company's share capital by EUR 6,521,740 from EUR 18,476,756 to EUR 24,998,496 against contribution in cash for the purpose of the Company's initial public offering (IPO). Performance of the capital increase was entered in the commercial register of Charlottenburg local court, Berlin, Germany, on June 14, 2018.

By way of partial utilization of the authorization to issue shares under Authorized Capital 2018 granted by the shareholders' meeting on May 18, 2018, the Management Board and Supervisory Board of the Company adopted a resolution on July 10, 2018, to increase the Company's share capital by EUR 978,261 from EUR 24,998,496 to EUR 25,976,757 against contributions in cash by issuing 978,261 new no-par value bearer shares. The capital increase served to settle the greenshoe option granted to Joh. Berenberg, Gossler&Co. KG in connection with the initial public offering of the Company. Performance of the capital increase was entered in the commercial register of Charlottenburg local court, Berlin, Germany, on July 12, 2018.

In the course of the IPO on June 15, 2018, a share premium in the amount of EUR 165,000k was realized and allocated to capital reserves.

By way of partial utilization of the authorization in accordance with section 4(4) of the Company's Articles of Association to issue shares under Authorized Capital 2015/III, the Management Board and Supervisory Board of the Company adopted a resolution on September 19, 2018, to increase the Company's share capital by EUR 83,253 from EUR 25,976,757 to EUR 26,060,010 against contributions in kind by issuing 83,253 new no-par value bearer shares. The contributions in kind exclusively comprised monetary claims for which the shareholders eligible to subscribe for shares were entitled from the Company based on the Company's virtual option programs 2010 and 2013/2014. Performance of the capital increase was entered in the commercial register of Charlottenburg local court, Berlin, Germany, on October 16, 2018.

In the context of drawing up the balance sheet as of December 31, 2018, an amount of EUR 61,804k was reversed from the free capital reserves (2017: EUR 32,586k) and offset against the net loss for the year.

The share capital entered in the commercial register as of December 31, 2018 amounts to EUR 26,060,010. The share capital as a whole is divided into 26,060,010 no-par value bearer shares each with a notional value of EUR 1 per share.

As of December 31, 2018, 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.

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

| | Amount in EUR | Number of no-par value shares |
|---|---|---|
| Authorized Capital 2015/II | 281,650 | 281,650 |
| Authorized Capital 2015/III | 194,097 | 194,097 |
| Authorized Capital 2017 | 175,311 | 175,311 |
| Authorized Capital 2018 | 7,525,804 | 7,525,804 |
| Conditional Capital 2017 | 1,180,350 | 1,180,350 |
| Conditional Capital 2018 | 8,058,025 | 8,058,025 |

## 4. Provisions

Other provisions mainly include provisions for outstanding invoices in the amount of EUR 11,664k (2017: EUR 11,940k), provisions for expected returns and goodwill payments of EUR 1,709k (2017: EUR 1,658k), provisions in connection with share-based payments for media services of EUR 1,009k (2017: EUR 1,786k), provisions for personnel expenses of EUR 981k (2017: EUR 821k) and provisions for restoration obligations of EUR 735k (2017: EUR 504k).

## 5. Liabilities

Liabilities to affiliated companies comprise loan liabilities of EUR 8,971k (2017: EUR 9,295k), trade payables of EUR 2,138k (2017: EUR 2,176k) and other liabilities of EUR 4,044k (2017: EUR 1,856k).

Liabilities are comprised as follows and have the following remaining lives:

| | 12/31/2018 | | | |
|---|---|---|---|---|
| In EURk | Total | Up to 1 year | Secured by liens or similar rights | Type, form of security |
| 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** | |

| In EURk | 12/31/2017<br>Total | Up to 1 year | Between 1 and 5 years | Secured by liens or similar rights | Type, form of security |
|---|---|---|---|---|---|
| Liabilities to banks | 324 | 324 | 0 | 0 | |
| Payments received on account of orders | 9,690 | 9,690 | 0 | 0 | |
| Trade payables | 13,529 | 13,529 | 0 | 1,441 | Assignment as security |
| Liabilities to affiliated companies | 13,327 | 13,327 | 0 | 0 | |
| Other liabilities | 1,388 | 1,325 | 63 | 0 | |
| **Total** | **38,258** | **38,195** | **63** | **1,441** | |

home24 SE takes strategic measures to manage foreign currency risk by using derivatives to hedge foreign currency risks arising from future purchases in USD. These derivative financial liabilities of EUR 9k have been recognized at fair value through profit or loss.

## IV. 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.

There were no other contingencies in the reporting period.

## V. OTHER FINANCIAL OBLIGATIONS

Other financial obligations of EUR 80,028k (2017: EUR 33,847k) were as follows as of December 31, 2018:

| In EURk | Total | Up to 1 year | Between 1 and 5 years | More than 5 years |
|---|---|---|---|---|
| Order for merchandise | 30,257 | 30,257 | 0 | 0 |
| Marketing services | 7,700 | 7,688 | 12 | 0 |
| Leases | 39,753 | 6,840 | 22,226 | 10,687 |
| Software, licenses | 1,530 | 1,530 | 0 | 0 |
| Other | 788 | 480 | 308 | 0 |
| | **80,028** | **46,795** | **22,546** | **10,687** |

## VI. OFF-BALANCE-SHEET TRANSACTIONS

### Operating leases

| | |
|---|---|
| Purpose | Investment risk is minimized by using capital goods temporarily, with the lessor retaining ownership and the associated risk. |
| Risks | Contract commitment over contract term |
| Advantages | Terms limited to operational needs and steady cash flow. |

# VII. INCOME STATEMENT DISCLOSURES

## 1. Revenue

Revenue comprises the following:

| In EURk | 2018 | 2017 |
|---|---|---|
| **Revenue** | | |
| from the sale of furniture and related services | | |
| for the German market | 168,692 | 150,210 |
| in other European countries (France, Belgium, Netherlands, Austria, Switzerland and Italy) | 71,423 | 66,829 |
| from charges passed on to subsidiaries | 3,251 | 1,868 |
| from rental income | 705 | 227 |
| | **244,071** | **219,134** |

## 2. Other Operating Income

Other operating income includes income of EUR 1,600k relating to prior periods (2017: EUR 2,279k).

## 3. Other Operating Expenses

Other operating expenses include exceptionally large expenses of EUR 7,506k related to the Company's IPO.

## 4. Write-downs of Long-term Financial Assets

Due to expected permanent impairment, write-downs of EUR 606k were recognized on long-term financial assets in financial year 2018. This includes write-downs on equity interests in affiliated companies in the amount of EUR 106k and write-downs on loans to affiliated companies in the amount of EUR 500k.

## 5. Interest and Similar Expenses

Interest and similar expenses include expenses from the discounting of provisions in the amount of EUR 9k (2017: EUR 6k).

# VIII. OTHER DISCLOSURES

## 1. Acquisition of Equity Interests

By way of a contract of sale dated August 22, 2018, home24 SE acquired all of the interests in the shelf company home24 Retail GmbH (formerly aptus 1324. GmbH), Berlin, for a purchase price of EUR 28k.

## 2. Breakdown of the Number of Employees by Gender

The average number of employees in financial year 2018 was as follows:

| | 2018 | 2017 |
|---|---|---|
| Male | 204 | 201 |
| Female | 195 | 184 |
| | **399** | **385** |

## 3. Management Board and Supervisory Board

The Management Board and Supervisory Board were represented by the following members in financial year 2018:

### MANAGEMENT BOARD

**Dr. Philipp Kreibohm,** Berlin
Lawyer

**Christoph Cordes,** Berlin
Business graduate

**Marc Appelhoff,** Berlin
Business graduate

**Johannes Schaback**, Berlin (from April 1, 2018)
Graduate engineer

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) |
| Johannes Schaback | — |

## SUPERVISORY BOARD

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

**Christoph Barchewitz** (Deputy Chairman of the Supervisory Board), London (until May 14, 2018)
Investment Director at Investment AB Kinnevik

**Franco Danesi**, London (from May 14, 2018)
Investment Director at Kinnevik Capital Ltd. Co.

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

**Alexander Samwer**, Munich
Entrepreneur

**Christian Senitz**, Berlin
Senior Vice President Finance International at Rocket Internet SE

**Christian Scherrer**, London (until June 13, 2018)
Investment Professional at Kinnevik AB

**Magnus Agervald** (Deputy Chairman of the Supervisory Board), Stockholm (from June 13, 2018)
Interim CEO at Webhallen AB

## 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 | Axel Springer SE (Supervisory Board)<br>BAUWERT Aktiengesellschaft (Supervisory Board)<br>Dermapharm Holding SE (Supervisory Board)<br>TAG Immobilien AG (Supervisory Board, Deputy Chairman)<br>Zalando SE (Supervisory Board, Chairman) |
| Christoph Barchewitz<br>(until May 14, 2018) | — |
| Franco Danesi<br>(from May 14, 2018) | Bayport Management Limited (non-executive director)<br>Black Earth Farming Ltd. (non-executive director)<br>E-Motion Advertising Limited (non-executive director)<br>G3 Good Governance Group Ltd. (non-executive director)<br>Iroko Limited (non-executive director)<br>Metro International S.A. (non-executive director) |
| Verena Mohaupt | Mos Mosh A/S (Advisory Board)<br>Reinhold Fleckenstein Jeanswear GmbH (Advisory Board, Chairwoman)<br>Rhenoflex GmbH (Advisory Board) |
| Alexander Samwer | Zalando SE (Supervisory Board) |
| Christian Senitz | — |
| Christian Scherrer<br>(until June 13, 2018) | Urbanoga Ltd. (Supervisory Board) |
| Magnus Agervald<br>(from June 13, 2018) | FH Gruppen AS (Board of Directors)<br>AGE Advisory AB (deputy 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 | 2018 | 2017 |
|---|---|---|
| Salaries | 962 | 520 |
| Fringe benefits | 111 | 41 |
| Fair value of shares issued during the financial year | 1,419 | 4,362 |
| | **2,492** | **4,923** |

In the financial year, 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 264k (2017: EUR 160k).

The determination of the remuneration of the Management Board and Supervisory Board of home24 SE is presented in the Remuneration Report on page 57ff.

## 4. Share-based Payment

The Company granted share-based payment to members of the Management Board, employees and external service providers in exchange for media services. As of December 31, 2018, the Company granted a total of 2,214,808 options.

## 5. 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.

## 6. 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.

## 7. Related Party Transactions

In April/May 2018, GGC EUR S.à r.l, Luxembourg, a fully consolidated subsidiary of Rocket Internet SE, Berlin, and home24 SE entered into a financing agreement, which allowed the Company to draw on amounts of up to EUR 20.0m in total from the shareholders by taking out a loan and providing collateral and complying with certain conditions. During the second quarter of 2018, an aggregate amount of EUR 7,500k was drawn on under the shareholder loan. As of the reporting date of December 31, 2018, the amount had been fully paid back, and the financing agreement had been terminated after the Company's IPO. Financing costs of EUR 382k were incurred in relation to the financing agreement during the reporting year.

The Company and Rocket Internet SE also entered into an agreement under which Rocket Internet SE bills the Company for services provided by its personnel on a short-term basis relating to the Company's business activities, both in line and staff functions. In the financial year ended, the Company purchased services from Rocket Internet SE amounting to EUR 53k (2017: EUR 21k). There were no outstanding liabilities to Rocket Internet SE at the two reporting dates of December 31, 2018 and December 31, 2017.

## IX. 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.

Stichting Administratiekantoor Lauwerecht, Utrecht, Netherlands, notified the Company pursuant to Section 33 (2) WpHG that its share of voting rights in home24 SE amounted to 3.19% on June 14, 2018, of which 3.19% (797,736 voting rights) is attributable to Stichting Administratiekantoor Lauwerecht pursuant to Section 34 WpHG. The full chain of subsidiaries, starting with the ultimate controlling person or entity, was disclosed as follows: Stichting Administratiekantoor Lauwerecht, SHV Holding N.V., SHV Nederland B.V., Domus Rheno B.V. (3.19% of the voting rights).

Rocket Internet SE, Berlin, Germany, notified the Company pursuant to Section 33 (2) WpHG that its share of voting rights in home24 SE amounted to 46.74% on June 14, 2018, of which Rocket Internet SE directly holds 30.01% (7,502,771 voting rights) pursuant to Section 33 WpHG and 12.81% (3,202,382 voting rights) is attributable to it pursuant to Section 34 WpHG. According to the notification, the proportion of voting rights based on instruments as defined in Section 38 (1) no. 2 WpHG amounted to 3.91% (978,261 voting rights). The full chain of subsidiaries, starting with the ultimate controlling person or entity, was disclosed as follows: Rocket Internet SE, Bambino 53. V V UG (haftungsbeschränkt). Rocket Internet SE also notified the Company that 12.45% (3,111,953 voting rights) are attributable to Rocket Internet SE based on a voting agreement with Kinnevik Internet Lux S.à r.l pursuant to Section 34 (2) WpHG.

Baillie Gifford&Co., Edinburgh, United Kingdom, notified the Company pursuant to Section 33 (2) WpHG that its share of voting rights in home24 SE amounted to 4.88% on June 14, 2018. 4.88% (1,220,254 voting rights) was attributed to Baillie Gifford&Co. at the time of the notification 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: Scottish Mortgage Investment Trust PLC.

MainFirst SICAV, Senningerberg, Luxembourg, notified the Company pursuant to Section 33 (2) WpHG that its share of voting rights in home24 SE amounted to 4.44% on June 15, 2018, of which MainFirst SICAV directly holds 4.44% (1,111,110 voting rights) pursuant to Section 33 WpHG.

MainFirst SICAV, Senningerberg, Luxembourg, notified the Company pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE exceeded the threshold of 5% on June 19, 2018 and on that date amounted to 8.08%, 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 Kingdom, notified the Company pursuant to Section 33 (2) WpHG that its share of voting rights in home24 SE amounted to 4.88% on June 14, 2018, of which Scottish Mortgage Investment Trust PLC directly holds 4.88% (1,220,254 voting rights) pursuant to Section 33 WpHG.

Verdere S.à r.l., Luxembourg, Luxembourg, notified the Company pursuant to Section 33 (2) WpHG that its share of voting rights in home24 SE amounted to 42.46% on June 14, 2018, of which 42.46% (10,614,724 voting rights) is attributable to Verdere S.à r.l. pursuant to Section 34 WpHG. The full chain of subsidiaries, starting with the ultimate controlling person or entity, was disclosed as follows: Verdere S.à r.l., Kinnevik AB (publ), Kinnevik Internet Lux S.à r.l. (42.46% of the voting rights). Verdere S.à r.l. also notified the Company that 30.01% (7,502,771 voting rights) held directly by Rocket Internet SE is attributable to Verdere S.à r.l. based on a voting agreement.

Verdere S.à r.l., Luxembourg, Luxembourg, notified the Company pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE amounted to 0% on June 26, 2018. In that context, it was announced that Verdere S.à r.l. had lost direct control over Kinnevik AB (publ) and indirect control over Kinnevik Internet Lux S.à r.l., which remains a shareholder of home24 SE. Furthermore, it was announced that Kinnevik AB (publ), as the parent company, indirectly holds 42.46% of the voting rights from shares, 0% of the voting rights from instruments and a total of 42.46% of the voting rights of home24 SE.

Vanguard World Funds, Wilmington, Delaware, USA, notified the Company pursuant to Section 33 (2) WpHG that its share of voting rights in home24 SE amounted to 7.45% on June 14, 2018, of which Vanguard World Funds directly holds 7.45% (1,862,256 voting rights) pursuant to Section 33 WpHG.

Ari Zweiman notified the Company pursuant to Section 33 (1) WpHG that his share of voting rights in home24 SE exceeded the threshold of 3% on September 14, 2018 and on that date amounted to 3.05%, of which 3.05% (793,469 voting rights) is attributable to Ari Zweiman pursuant to Section 34 WpHG. 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 (3.05% of the voting rights)/Ari Zweiman, 683 Capital Management LLC (3.05% of the voting rights).

Ari Zweiman notified the Company pursuant to Section 33 (1) WpHG that his share of voting rights in home24 SE exceeded the threshold of 5% on November 8, 2018 and on that date amounted to 5.24%, of which 5.24% (1,366,317 voting rights) is attributable to Ari Zweiman pursuant to Section 34 WpHG. 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 (5.24% of the voting rights)/Ari Zweiman, 683 Capital Management LLC (5.24% of the voting rights). 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: Goldman Sachs&Co. LLC.

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 25.16% on January 30, 2019, of which Rocket Internet SE directly holds 24.84% (6,472,930 voting rights) pursuant to Section 33 WpHG and 0.32% (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 (formerly: Bambino 53. V V UG (haftungsbeschränkt)). Further it was announced that the reason for the notification was the acquisition/disposal of shares with voting rights and the termination of a voting agreement.

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% on January 30, 2019, of which 11.94% (3,111,953 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: Kinnevik (AB) publ, Kinnevik Internet Lux S.à r.l. Further it was announced that the reason for the notification was the termination of voting agreement and 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: Kinnevik Internet Lux S.à r.l.

Stichting Administratiekantoor Lauwerecht, Utrecht, Netherlands, notified the Company pursuant to Section 33 (1) WpHG that its share of voting rights in home24 SE amounted to 0% on February 13, 2019.

Ari Zweiman notified the Company pursuant to Section 33 (1) WpHG that his share of voting rights in home24 SE amounted to 10.38% on February 13, 2019, of which 10.38% (2,705,637 voting rights) is attributable to him pursuant to Section 34 WpHG. 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 (10.38% of the voting rights) / Ari Zweiman, 683 Capital Management, LLC (10.38% of the voting rights). Further, it was 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: 683 Capital Partners, LP.

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, and that AMIRAL GESTION holds this participation of 3.17% (826,990 voting rights) directly pursuant to Section 33 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 22.45% on April 15, 2019, of which Rocket Internet SE directly holds 22.13% (5,767,844 voting rights) pursuant to Section 33 WpHG and 0.32% (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 (formerly: Bambino 53. V V UG (haftungsbeschränkt)).

## X. 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://irpages2.eqs.com/download/companies/homevierundzwanzig/CorporateGovernance/181218_home24_SE_declaration_of_conformity_DCGK_English.pdf.

## XI. 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 61,804k in full against the capital reserves.

## XII. REPORT ON POST-BALANCE SHEET DATE EVENTS

At the Supervisory Board meeting on February 11, 2019, the appointment of Management Board member Johannes Schaback was extended ahead of schedule by a further two years.

At the end of March 2019, Dr. Philipp Kreibohm resigned his post as a member of the Management Board.

At the end of January 2019, Christian Senitz resigned his post as a member of the Company's Supervisory Board.

Effective January 30, 2019, the voting agreement between Rocket Internet SE and Kinnevik Internet Lux S.à r.l. was terminated.

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

Berlin, April 23, 2019

Christoph Cordes    Marc Appelhoff    Johannes Schaback

# DEVELOPMENT OF FIXED ASSETS

## (GROSS PRESENTATION)

| | Cost | | | | |
|---|---|---|---|---|---|
| **In EURk** | **1/1/2018** | **Additions** | **Reclassi-fication** | **Disposals** | **12/31/2018** |
| **I. Intangible fixed assets** | | | | | |
| 1. Purchased industrial and similar rights and assets, and licenses in such rights and assets | 12,313 | 10,041 | 8,202 | 0 | 30,556 |
| 2. Advance payments made | 8,202 | 0 | –8,202 | 0 | 0 |
| **Subtotal** | **20,515** | **10,041** | **0** | **0** | **30,556** |
| **II. Tangible fixed assets** | | | | | |
| 1. Other equipment, operating and office equipment | 2,146 | 284 | 0 | 0 | 2,430 |
| 2. Advance payments made and assets under construction | 6 | 15 | 0 | 0 | 21 |
| **Subtotal** | **2,152** | **299** | **0** | **0** | **2,451** |
| **III. Long-term financial assets** | | | | | |
| 1. Shares in affiliated companies | 62,249 | 327 | 0 | 0 | 62,576 |
| 2. Loans to affiliated companies | 63,061 | 41,402 | 0 | –39,593 | 64,870 |
| 3. Other loans | 271 | 8,704 | 0 | –206 | 8,769 |
| **Subtotal** | **125,581** | **50,433** | **0** | **–39,799** | **136,215** |
| **Total** | **148,248** | **60,773** | **0** | **–39,799** | **169,222** |

| Accumulated depreciation and amortization | | | Carrying amounts | |
|---|---|---|---|---|
| 1/1/2018 | Additions | 12/31/2018 | 12/31/2018 | 12/31/2017 |
| | | | | |
| 8,569 | 653 | 9,222 | 21,334 | 3,744 |
| 0 | 0 | 0 | 0 | 8,202 |
| **8,569** | **653** | **9,222** | **21,334** | **11,946** |
| | | | | |
| | | | | |
| 1,715 | 226 | 1,941 | 489 | 431 |
| 0 | 0 | 0 | 21 | 6 |
| **1,715** | **226** | **1,941** | **510** | **437** |
| | | | | |
| | | | | |
| 35,422 | 105 | 35,527 | 27,049 | 26,827 |
| 50,249 | 501 | 50,750 | 14,120 | 12,812 |
| 0 | 0 | 0 | 8,769 | 271 |
| **85,671** | **606** | **86,277** | **49,938** | **39,910** |
| | | | | |
| **95,955** | **1,485** | **97,440** | **71,782** | **52,293** |

# LIST OF SHAREHOLDINGS

| In EURk | Shareholdings<br>financial year in % | Annual Financial Statements<br>Net income/ loss for the year[1] | Equity[1] |
|---|---|---|---|
| **Material long-term equity investments** | | | |
| 1. home24 eCustomers GmbH&Co. KG, Berlin, Germany | 100.00[2] | 14 | 13 |
| 2. home24 eLogistics GmbH&Co. KG, Berlin, Germany | 100.00[2] | 14 | –189 |
| 3. Home24 Polska S.A., Wroclaw, Poland | 100.00[2] | –30 | 47 |
| 4. Home24 Polska Sp z oo, Wroclaw, Poland | 100.00 | –77 | –236 |
| 5. Home24 Outlet GmbH, Berlin, Germany | 100.00[2] | 0 | –81 |
| 6. Mobly Comercio Varejista Ltda., São Paulo, Brazil | 82.83 | –6,058 | –6,918 |
| 7. Club of Style (Shenzen) Ltd., Shenzen, China | 100.00 | –9 | 11 |

1 Based on the Annual Financial Statements as of December 31, 2017
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 considers itself the market leader and go-to destination 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. The strong market position is evidenced by approximately 1.3m active customers (as of December 31, 2018), and approximately 1.9m orders in the 2018 financial year, with an average order value of EUR 258.

In order to serve different tastes, styles and budgets, home24 has compiled one of the largest and most relevant online offerings, with more than 100,000 stock-keeping units (SKUs) of home&living products, including a wide range of large items of furniture (such as living and dining room furniture, upholstered furniture and bedroom furniture) as well as small pieces of furniture (such as lighting products and accessories). home24 sources these products from more than 500 suppliers in over 30 countries, including direct sourcing from individual manufacturers for our own-brand range.

The products are marketed on the home24 platform, which comprises 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 generally does not keep in stock.

**Private label products:** bestsellers marketed under own private labels, which the Group sources at highly competitive prices directly from selected manufacturers and other suppliers and often keeps in stock.

The broad selection of products marketed under third-party and white label brands allows home24 to offer its customers a wide range of relevant mass market products. This is critical for serving the heterogeneous customer base in relevant markets where consumer brands are less important and offering variety is a key success factor. In addition, this model also provides important data on customer preferences and behavior that are used when investing into new private label collections. When marketing bestsellers as private label products, the Group can use its sound knowledge of customer preferences in terms of style, material and anchor price points, thus improving gross margin and offering bestsellers at attractive prices and with relatively short delivery times.

### 1.2 Group Structure and 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 home24 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 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 steering the Group are: revenue growth at constant currency, adjusted EBITDA margin, cash flow from investing activities, cash flow from change 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.

### 1.3 Strategy and Objectives

The home&living industry appears particularly attractive to a disruptive online offering given that it is still highly fragmented, both in terms of suppliers and retailers. Unlike in the electronics or toy sectors, there are no dominant online or offline players in the furniture trade. Customers have little regard for brands, focusing instead on quality and pricing of individual products as well as the effectiveness and convenience of the respective retailer's platform. In addition, the fragmented supply base provides significant bargaining power to any market participant that can achieve a critical size. Furthermore, the online home&living industry benefits from other positive characteristics such as higher average order values and low return rates compared to many other e-commerce verticals.

Utilizing a state of the art, scalable IT platform that includes websites, native apps and also advanced big data analysis tools, home24 can tailor its marketing efforts and continuously update and improve its product range. This allows customers to find and buy their favorite products via all common devices even if they enter generic search terms. Factors determining customers' positive experience include excellent value for money, the quality of customer service, and free deliveries and returns within Europe. The Group's processes are continually optimized and dedicated to seamless procurement, storage, packaging, delivery, payment, through to customer service. Delivery is handled by reliable third-party carriers. In Brazil, home24 has successfully built up its own regional delivery networks using third-party carriers. Thanks to its optimized logistics infrastructure, home24 is in a position to offer a broad range of products with relatively short delivery times and low inventory levels, which leads to increasing awareness and loyalty to the home24 platform among customers.

home24 offers four key value propositions:

**Choice:** home24 seeks to offer its customers an unparalleled large and relevant selection of home&living products that fit their unique homes. As a mass market player, the Group focuses on product categories and price levels that are most relevant to a majority of potential customers.

**Convenience:** In order to make shopping for home&living products as convenient as possible, customers can access the Group's websites and apps from anywhere and at anytime. Adding to the high degree of convenience are the Group's comparably short delivery times, free delivery and return policies in Europe, the dedicated customer service and the option to choose a delivery window for large products shipped by forwarders.

**Value for money:** home24 seeks to offer its customers attractively priced products. To this end, home24 leverages its direct contacts to manufacturers and other suppliers to negotiate discounts. A portion of these discounts are passed on to customers. home24 is so confident of the attractiveness of its prices that the Company usually offers its customers in Europe a best price guarantee for identical products.

**Shopping experience:** home24 seeks to offer a superior shopping experience, reflecting the fact that home&living products are shopped for based on visual impressions and inspirations. This is why the Group continuously invests in premier, high-quality and personalized content on its websites. Customers can be inspired in the Group's eight showrooms located in key metropolitan areas in Germany, Austria and Switzerland. Customers also receive on-site support in selecting the products and designs they like best.

## 2. MARKET DEVELOPMENT

The home&living segment is one of the largest consumer markets. The overall market volume in the countries served by home24 – Germany, France, Austria, the Netherlands, Switzerland, Belgium, Italy and Brazil – was EUR 89.3bn in financial year 2018 (2017: EUR 88.4bn) (source: Euromonitor). The online share of home&living in home24's target markets is still only 6% (2017: 6%), which is relatively low compared with other sectors such as consumer electronics, household appliances and clothes (source: Euromonitor).

home24 expects that these comparative figures signify significant catch-up potential, primarily because favorable demographic trends will further accelerate the shift from offline to online in the home&living market. Between 2008 and 2018, the share of European Internet users who purchased products online increased from 53% to 73% (source: Eurostat), driven by millennials with a high affinity for online shopping coming of age and beginning to spend their increasing income on online purchases. home24 will benefit from the growing share of online commerce in the home&living sector because the Group offers a particularly attractive online shopping experience and the best value for money.

The unusually warm, dry and sunny weather from April to September 2018 including regional records (Source: German Weather Service) led to noticeably lower demand in continental Europe, and especially in Germany (source: Eurostat), for the entire furniture market. Despite this extraordinary situation, the online furniture market in home24's sales markets grew by around 10% in the 2018 financial year, thus confirming the trend from offline to online assumed by home24.

In the two most important markets, Germany and Brazil, market volumes in the home&living segment were EUR 33bn (2017: EUR 34bn) (source: Eurastat) and EUR 7bn (2017: EUR 6bn) (source: Euromonitor) respectively in 2018. home24 expects volumes in its target markets to grow further by at least 10% annually until 2021. The online share of the home&living market has been comparatively low in Germany to date, and was just 4% in 2017, the most recent market data available so far. In other sectors such as consumer electronics, household appliances and clothing, the online share was 19%, 12% and 10% respectively in the same period. In Brazil, the online share of the home&living segment was even lower at less than 1% in 2017 (source: Euromonitor). While this gap suggests considerable catch-up potential, favorable demographic trends are expected to accelerate the shift from offline to online shopping in the home&living segment even further.

# 3. REPORT ON ECONOMIC POSITION

## 3.1 Business Development

In financial year 2018, home24 focused primarily on sustainable growth with the aim of leveraging economies of scale along its path to profitability and building on its competitive position. The Company made significant investments in its IT infrastructure, brand awareness and operating processes to create the conditions for scalable and sustainable growth.

In 2018, home24 further consolidated its unique brand position as a leading destination for online home&living in a tough competitive environment on the demand side. To make the brand even more vibrant, the Group introduced special areas in its showrooms with shopping guides and trends as well as furniture expert "Dr. Home". "Dr. Home" offers home24 customers interior design expertise and creates a high level of visibility by representing the Company in numerous print and online magazine articles, on television shows and across all social media. To strengthen relationships with existing customers and attract new customers to home24's shopping experience, the Company published four print magazines, each with a circulation of more than one million copies. These magazines showcase a selection of the product range and are aimed at home24's most important target groups.

In order to reach potential new customers, home24 focused its marketing activities on its core markets. For the German market, the Company entered into several product placement partnerships and sponsorship deals with German home&living TV shows such as "Zuhause im Glück" and "Boom my Room", as well as the debut season of the popular "Next Topmodel" format in Switzerland. The highlight of these TV advertising campaigns was the Happy Homes TV spot, which anchored the 360° campaign for the fall season.

The Company also launched several successful collaborations with influencers, unveiled a new Signature Collection with actress Nilam Farooq, and expanded its Eva Padberg collection.

Finally, home24 opened three more showrooms in Stuttgart, Berlin and Zurich in order to meet customer needs more precisely and build trust in the brand. Personal contact with customers in our showrooms provides an additional incentive for ordering furniture online and establishes home24 as the first port of call for online home&living.

To finance this expansion strategy, home24 SE issued a total of 7,500,001 new shares on the Frankfurt Stock Exchange at an issue price of EUR 23.00 on June 15, 2018. In light of this, cash deposits net of financing costs totaling EUR 167.1m were made into the Group's capital reserves on the closing date of December 31, 2018.

By investing in its IT infrastructure and developing sustainable processes and systems, home24 has positioned itself for further sustainable growth. Management focused on optimizing logistics capacities, further enhancing the customer experience and increasing brand awareness.

## 3.2 Employees

During the 2018 financial year, the average number of employees of home24 rose by 185 from 1,199 employees in the previous year to 1,384 employees.

An efficient and professionally staffed organization is one of the most critical factors in the business success and further growth of home24. Recruiting and continuously developing qualified employees and management in line with our specific requirements is particularly important. Various training programs offered by home24's in-house academy and external training courses give employees the opportunity to develop their skills. These training courses take place both via knowledge transfer with colleagues and via external service providers. The aim is to retain employees in the Group in the long term in order to keep company-specific knowledge within the organization and enable home24 to recruit managers internally.

home24 also offers university interns the opportunity to gain an insight into the Company. The Group offers internships in many different departments, while interns then often move into a trainee role or permanent position, thus enabling the Company to recruit new employees.

home24 now offers vocational training to become an office management agent or warehouse logistics specialist.

In 2018, management continued to work on strengthening home24's corporate culture. The Management Board keeps staff informed about the latest developments and changes within the Group at regular employee meetings. home24's "be a homie 24/7" values and its leadership principles were also rolled out jointly with management. In addition, quarterly employee surveys, referred to as "mood checks" are carried out. Employees exchange views with managers on key focus areas and developments within home24 at regular events. The interactive intranet also enables cross-functional internal communications.

## 3.3 Research and Development

The Group develops core elements of its internal software in-house. This ensures 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 developed intangible assets totaled EUR 7.6m. Amortization of internally developed intangible assets totaled EUR 4.9m.

## 3.4 Financial Position, Cash Flows and Financial Performance

In financial year 2018, home24 focused primarily on sustainable growth with the aim of leveraging economies of scale along its path to profitability and building on its competitive position. Capital expenditure continued to be concentrated on process improvements and the IT infrastructure in an effort to strengthen the Group's position in the market. This is also reflected in the development of the financial position, cash flows and financial performance of the Group.

### 3.4.1 FINANCIAL PERFORMANCE

**Simplified Income Statement**

| In EURm | 2018 | 2017 | Change | Change in % |
|---|---|---|---|---|
| Revenue | 312.7 | 275.7 | 37.0 | 13% |
| Cost of sales | –176.2 | –152.7 | –23.5 | 15% |
| **Gross profit** | **136.5** | **123.0** | **13.5** | **11%** |
| **Gross profit margin** | **44%** | **45%** | **–1pp** | |
| Selling and distribution costs | –160.0 | –127.2 | –32.8 | 26% |
| Impairment losses on financial assets | –1.3 | –0.1 | –1.2 | >100% |
| Administrative expenses | –45.2 | –43.2 | –2.0 | 5% |
| Other operating income | 2.0 | 1.4 | 0.6 | 43% |
| Other operating expenses | –1.6 | –0.7 | –0.9 | >100% |
| **Operating result (EBIT)** | **–69.6** | **–46.8** | **–22.8** | **49%** |

**Non-financial Key Performance Indicators**

| In EURm | Unit | 2018 | 2017 | Change in % |
|---|---|---|---|---|
| Number of orders | in k | 1,907 | 1,556 | 23% |
| Average order value | in EUR | 258 | 277 | –7% |
| Number of active customers (as of December 31) | in k | 1,299 | 1,061 | 22% |

#### Revenue

In financial year 2018, consolidated revenue came to EUR 312.7m, up 13% y-o-y. At constant currency, revenue grew 18% 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, partly offset by a slight decline in the average order value (–2% at constant currency) during the reporting period. As of December 31, 2018, home24 had a total of 1.3m active customers, compared to 1.1m as of December 31, 2017. The number of orders placed during the 2018 financial year increased by 23% to 1.9m compared to the prior-year period. Due to the exceptionally warm weather from April to September 2018 the demand for furniture in continental Europe during that period declined noticeably. There was also an increase in the number of open customer orders in financial year 2018 compared to the end of the previous year. The revenue growth targets set in the 2017 Group Management Report were achieved.

#### Cost of Sales

Cost of sales consists of the purchase price of consumer products plus inbound shipping charges. In 2018, cost of sales increased by 15% from EUR 152.7m to EUR 176.2m. The increase is in line with the growth in revenue. Revenue less cost of sales results in gross profit. In financial year 2018, the Group posted a gross profit of EUR 136.5m, up 11% from EUR 123.0m in the previous year. The gross profit margin was 44% compared with 45% in the prior-year period. The share of gross profit contributed by large furniture categories such as bedroom, living and dining, and upholstered furniture remained at over 90% in 2018.

#### Selling and distribution costs

In 2018, selling and distribution costs amounted to EUR 160.0m, up by 26% compared to EUR 127.2m in the corresponding period in 2017, primarily due to higher fulfillment and marketing expenses.

Selling and distribution costs comprise the following:

| In EURm | 2018 | 2017 | Change | Change in % |
|---|---|---|---|---|
| Fulfillment expenses | –60.2 | –46.9 | –13.3 | 28% |
| Marketing expenses | –66.1 | –48.7 | –17.4 | 36% |
| Other selling and distribution costs | –33.7 | –31.6 | –2.1 | 7% |
| **Total selling and distribution costs** | **–160.0** | **–127.2** | **–32.8** | **26%** |
| | | | | |
| as % of revenue | | | | |
| Fulfillment expenses ratio | –19% | –17% | –2pp | |
| Marketing expenses ratio | –21% | –18% | –3pp | |

### Fulfillment Expenses

Fulfillment expenses consist of expenses from distribution, handling and packaging, warehouse employee benefits, temporary warehouse workers and payment processing. Fulfillment expenses rose 28% in financial year 2018, increasing from EUR 46.9m to EUR 60.2m. This means that fulfillment costs as a percentage of revenue rose by 2 percentage points y-o-y from 17% to 19%, due among other things to temporary parallel operation of two ERP systems in Europe and the associated rise in handling costs.

### Marketing Expenses

Marketing expenses include performance marketing and TV marketing expenses excluding share-based payment marketing expenses. The Group expanded its online marketing activities in 2018 and continued its TV campaigns. The dip in demand in the second and third quarters of 2018 with unusually warm weather and the slower processing of customer orders during the parallel operation of two ERP systems in Europe adversely affected marketing efficiency, in part because fixed TV volumes had already been agreed for. In financial year 2018, marketing expenses therefore increased from EUR 48.7m to EUR 66.1m and the marketing expenses ratio as a percentage of revenue rose from 18% to 21% y-o-y.

### Other Selling and Distribution Costs

Other selling and distribution costs contain rent or depreciation of right-of-use-assets for leased warehouses, showrooms and outlets, share-based payment marketing expenses, other logistics and marketing expenses, employee benefits and freelancer expenses for central fulfillment and marketing activities including customer service, miscellaneous expenses and other depreciation. In financial year 2018, other selling and distribution costs increased from EUR 31.6m to EUR 33.7m.

## 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 IPO. In financial year 2018, administrative expenses rose by EUR 2.0m or 5% y-o-y, from EUR 43.2m to EUR 45.2m. Under administrative expenses, higher staff and IT costs as well as the one-off expenses related to the IPO were offset to some extent by falling employee share-based payment expenses plus lower depreciation and amortization.

## Other Financial Key Performance Indicators

| In EURm | 2018 | 2017 | Change | Change in % |
|---|---|---|---|---|
| Profit contribution | 76.3 | 76.1 | 0.2 | 0% |
| **Profit contribution margin** | **24%** | **28%** | **–4pp** | |
| Adjusted EBITDA | –40.0 | –21.8 | –18.2 | 83% |
| **Adjusted EBITDA margin** | **–13%** | **–8%** | **–5pp** | |

### Profit Contribution

Gross profit less fulfillment costs results in profit contribution. The profit contribution margin reflects the ratio of profit contribution to revenue.

| In EURm | 2018 | 2017 | Change | Change in % |
|---|---|---|---|---|
| Gross profit | 136.5 | 123.0 | 13.5 | 11% |
| Fulfillment expenses | –60.2 | –46.9 | –13.3 | 28% |
| **Profit contribution** | **76.3** | **76.1** | **0.2** | **0%** |
| Profit contribution margin | 24% | 28% | –4pp | |

The decrease in the profit contribution margin in the reporting period was primarily caused by additional warehouse and shipping personnel expenses during a temporarily necessary parallel operation of two ERP systems in Europe.

### 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, as well as 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 | 2018 | 2017 | Change | Change in % |
|---|---|---|---|---|
| **Operating result (EBIT)** | **–69.6** | **–46.8** | **–22.8** | **49%** |
| Depreciation and amortization | 17.9 | 13.0 | 4.9 | 38% |
| Share-based payment | 10.2 | 12.0 | –1.8 | –15% |
| Costs related to the IPO | 1.5 | 0 | 1.5 | >100% |
| **Adjusted EBITDA** | **–40.0** | **–21.8** | **–18.2** | **83%** |
| **Adjusted EBITDA margin** | **–13%** | **–8%** | **–5pp** | |

Negative adjusted EBITDA increased mainly due to higher marketing and fulfillment expenses. Adjusted EBITDA was negatively impacted by disproportionately high investments in customer acquisition and by the temporary, parallel operation of two ERP systems as part of customer order processing. The early adoption of IFRS 16 “Leases” as of January 1, 2018, had a positive impact of EUR 7.4m on adjusted EBITDA.

Overall, the Group’s operating result (EBIT) decreased compared to the prior-year period from EUR –46.8m to EUR –69.6m.

## 3.4.2 FINANCIAL PERFORMANCE OF THE SEGMENTS

### Revenue

In financial year 2018, revenue in the Europe segment rose by 11% y-o-y to EUR 239.5m, representing 77% of Group revenue. In spite of the unusually warm weather in the financial year between April and September, with noticeably lower demand at the same time in Europe and especially in Germany, home24 raised the number of active customers and the number of orders versus 2017.

In financial year 2018, revenue in the LatAm segment rose by 23% y-o-y to EUR 73.2m, representing 23% of Group revenue. At constant currency, revenue grew significantly 46% y-o-y. The 14% decrease in average order value was overcompensated by the 29% increase in the number of active customers and the 25% rise in the number of orders. At constant currency, average order value went up by 6%. In addition to intensified marketing activities and higher logistics costs being passed on to customers, improvements in cancellation rates and utilization of regional location advantages led to an increase in revenue in this segment in the reporting period.

### Adjusted EBITDA

The Europe segment generated negative adjusted EBITDA of EUR 40.3m after EUR 19.7m in the prior-year period. Adjusted EBITDA margin came in at –17% compared to –9% in the prior-year period. The main drivers for this development were the additional investments in increasing sales and fulfillment infrastructure. The early adoption of IFRS 16 “Leases” as of January 1, 2018, had a positive impact of EUR 6.4m on adjusted EBITDA.

The LatAm segment was the first one to reach a positive adjusted EBITDA of EUR 0.3m in the financial year ended, after EUR –2.1m in the previous year (EUR +2.4m). The adjusted EBITDA margin came in at 0% compared to –4% in the previous year. The early adoption of IFRS 16 “Leases” as of January 1, 2018, had a positive impact of EUR 1.0m on adjusted EBITDA.

### Non-financial Key Performance Indicators

| Europe | Unit | 2018 | 2017 | Change in % |
|---|---|---|---|---|
| Number of orders | in k | 1,145 | 945 | 21% |
| Average order value | in EUR | 335 | 349 | –4% |
| Number of active customers (as of December 31) | in k | 787 | 662 | 19% |

| LatAm | Unit | 2018 | 2017 | Change in % |
|---|---|---|---|---|
| Number of orders | in k | 762 | 611 | 25% |
| Average order value | in EUR | 142 | 166 | –14% |
| Number of active customers (as of December 31) | in k | 512 | 398 | 29% |

### 3.4.3 CASH FLOWS

| In EURm | 2018 | 2017 | Change | Change in % |
|---|---|---|---|---|
| Cash flows from operating activities | –47.9 | –27.1 | –20.8 | 77% |
| thereof from change in net working capital | –3.1 | –1.7 | –1.4 | 82% |
| Cash flows from investing activities | –24.0 | –13.7 | –10.3 | 75% |
| Cash flows from financing activities | 160.8 | 26.8 | 134.0 | >100% |
| **Net change in cash and cash equivalents** | **88.9** | **–14.0** | **102.9** | **>100%** |
| Cash and cash equivalents at the beginning of the period | 19.9 | 34.0 | –14.1 | –41% |
| Effect of exchange rate changes on cash and cash equivalents | –0.2 | –0.1 | –0.1 | 100% |
| **Cash and cash equivalents at the end of the period** | **108.6** | **19.9** | **88.7** | **>100%** |

In financial year 2018, the home24's negative cash flow from operating activities amounted to EUR 47.9m compared to EUR 27.1m in the previous year. In 2018, the cash flow from operating activities was negatively impacted by the loss from operating activities. In the reporting period, payments from the repayment of lease obligations totaling EUR 7.6m were no longer disclosed in cash flow from operating activities but in cash flow from financing activities due to the early adoption of IFRS 16 "Leases".

In financial year 2018, home24 invested EUR 15.5m in intangible assets, EUR 4.1m in restricted cash and non-current deposits, and EUR 4.4m in property and equipment. Cash outflows from investing activities continued to relate primarily to investments in internally developed software, payments for the acquisition of a new ERP system and the establishment of a new logistics center in Halle (Saale). The investment in restricted cash and non-current deposits mainly reflects cash deposits for the contractually agreed warehouse in Halle (Saale).

The cash flow from financing activities of EUR 160.8m was primarily affected by the IPO. During the IPO, 7,500,001 newly issued bearer shares were offered at an issue price of EUR 23.00 per offer share, resulting in EUR 172.5m in gross cash inflows (after exercising the greenshoe option). The first day of trading was June 15, 2018. The cash inflows were reduced by transaction costs related to newly issued shares in the IPO of EUR 5.4m. In addition, in the reporting period, drawings on overdraft facilities and amortizing loans in the Group led to a total cash inflow of EUR 6.2m, of which EUR 4.5m was repaid in the same period. Following the IPO, a short-term shareholder loan of EUR 7.5m was also repaid. Payments from the repayment of lease liabilities (EUR 7.6m) had been disclosed in cash flows from operating activities prior to the application of IFRS 16 "Leases". In the previous year, the corresponding rental payments were of a comparable amount.

In total, the Group's cash and cash equivalents grew by EUR 88.7m in financial year 2018 and totaled EUR 108.6m as of the reporting date.

In the reporting period, the revolving credit facility with Deutsche Kontor Privatbank AG (Deutsche Handelsbank) rose from EUR 3.0m to EUR 4.0m. As of the reporting date, the revolving credit line had not been drawn down. The BRL 10.0m credit facility of the Brazilian subsidiary Mobly Comercio Varejista Ltda. with Itau Unibanco S.A. has a provisional term up to May 2019 and was drawn down in full (amount equivalent to EUR 2.2m). The financing agreement with shareholders, which allowed the Company to draw on amounts of up to EUR 20.0m, was terminated after the IPO. The Group also has a EUR 10.0m factoring facility that was not drawn down as of the reporting date.

Taking into account the liquidity position of home24, the Management Board is of the opinion that this secures home24's solvency and the ongoing financing of home24's growth plans. These Consolidated Financial Statements have therefore been prepared on a going-concern basis.

### 3.4.4 FINANCIAL POSITION

| In EURm | December 31, 2018 | December 31, 2017 | Change | Change in % |
|---|---|---|---|---|
| Non-current assets | 107.2 | 56.6 | 50.6 | 89% |
| Current assets | 167.9 | 64.5 | 103.4 | >100% |
| **Total assets** | **275.1** | **121.1** | **154.0** | **>100%** |

The assets of the Group changed compared to December 31, 2017, primarily because of the following items:

Intangible assets rose in financial year 2018 from EUR 43.5m to EUR 48.9m. Additions totaling EUR 14.5m, primarily for internally developed and acquired software products, were offset by amortization of EUR 8.9m.

Due to the early adoption of IFRS 16 “Leases”, the Group recognizes right-of-use-assets for the right granted to use the leased asset during the lease term. As of December 31, 2018, the right-of-use-assets amounted to EUR 37.6m.

As of December 31, 2018, non-current financial assets increased by EUR 4.0m from EUR 5.0m to EUR 9.0m mainly due to cash deposits for collateral provided for the contractually agreed warehouse in Halle (Saale).

Inventory stock grew by EUR 5.8m to EUR 32.6m in the reporting period. This was due, among other things, to rising transit inventories and declining loss allowances.

Cash and cash equivalents rose by EUR 88.7m to EUR 108.6m. Changes in cash and cash equivalents are discussed under note 3.4.3.

| In EURm | December 31, 2018 | December 31, 2017 | Change | Change in % |
|---|---|---|---|---|
| Equity | 150.2 | 47.3 | 102.9 | >100% |
| Non-current liabilities | 34.9 | 3.9 | 31.0 | >100% |
| Current liabilities | 90.0 | 69.9 | 20.1 | 29% |
| **Total equity and liabilities** | **275.1** | **121.1** | **154.0** | **>100%** |

Equity and liabilities of the Group changed compared to December 31, 2017, primarily because of the following items:

Equity increased by a total of EUR 102.9m to EUR 150.2m, due in particular to the capital increase implemented and the share premium received in the course of the IPO. The IPO proceeds were partly offset by the loss of the period.

Due to the early adoption of IFRS 16 “Leases”, the Group for the first time as of January 1, 2018 recognizes a liability for the obligations to make lease payments to the lessor during the lease term. Accordingly, non-current lease liabilities increased by EUR 31.1m, and current lease liabilities grew by EUR 7.7m as of December 31, 2018.

Trade payables rose by EUR 13.9m to EUR 56.2m, mainly due to the growth-related increase in the cost of sales, fulfillment expenses and marketing expenses.

Advance payments received arise from contracts with customers that were entered into with the “prepayment” option. Compared with December 31, 2017, advance payments received were up marginally by EUR 0.4m to EUR 14.6m.

Overall, total assets increased by EUR 154.0m from EUR 121.1m to EUR 275.1m.

### 3.4.5 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 change in net 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. Since financial year 2018, the number of visits to the Group’s websites and the mobile visit share of total visits to the Group’s websites (app included) are no longer considered non-financial KPIs. The focus is now on the number of orders, the number of active customers and the value of the average shopping cart.

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 1.9m orders were placed (2017: 1.6m).

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 2018, there were 1.3m active customers (2017: 1.1m).

The average shopping cart includes the value added tax charged in the country in question. The value of the average shopping cart affects the Group's revenue and fell in financial year 2018 from EUR 277 to EUR 258.

### 3.5 Overall Assessment

Overall, the Management Board assesses the business performance of home24 in the past financial year as positive. home24 further expanded its market share amid difficult conditions in the European market and increased the brand's visibility. At the same time, the Group achieved a positive adjusted EBITDA margin for the year as a whole in the LatAm segment along with continued strong growth. The Management Board sees this as confirmation of the strength of the business model.

For 2018 as a whole, the Group grew by 18% y-o-y at constant currency. The revenue growth was driven in particular by a higher order intake attributable to the larger number of active customers. As forecasted, the Group therefore significantly outperformed the online furniture market, which grew by only around 10% in 2018 in the countries that are relevant for home24. While the home24 Group achieved the targets of double-digit revenue growth in financial year 2018 communicated in the prior-year Financial Statements, it was unable to meet the growth projections of 30% specified during the year owing to largely exogenous factors.

The development of the Group's adjusted EBITDA margin fell short of the Management Board's expectations. The anticipated cost savings resulting from process optimizations, efficiency enhancements and economies of scale were realized only to a limited extent. In particular, the absence of economies of scale as a consequence of weaker demand in Europe between April and October 2018 as well as start-up investments in key future projects had a negative impact on adjusted EBITDA, as forecast in the 2017 Management Report. The adjusted EBITDA margin came to –13% for 2018 as a whole. A partial shift in deliveries also meant that an improvement in the adjusted EBITDA margin was not achieved in 2018 for the Europe segment or the Group as a whole. The LatAm segment generated strong growth in 2018 and became the first region to break even with an adjusted EBITDA margin of 0% in financial year 2018.

## 4. REPORT ON RISKS AND OPPORTUNITIES

### 4.1 Risk Management System

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

Group-wide standards for dealing with risks form the basis of a successful risk management system. Risks are defined as potential future events assessed for their probability of occurrence and impact that would cause actual figures to negatively or positively deviate from planned figures if they occurred. As a result, opportunities are also included in this definition of risk. The Group's Governance, Risk, and Compliance (GRC) department created for this purpose continuously develops the tools, guidelines and methods implemented for the risk management system. With its standardized procedures for identifying, assessing, monitoring, documenting and reporting risks and measures, the COSO II framework supports decision-making by providing consistent, comparable and transparent information. This standard is coordinated with the Management Board and defined in "Group Policy – Risk Management".

The GRC department reported to the Management Board and the Audit Committee of the Supervisory Board about the home24 Group's general risk situation for the financial year 2018. This reporting will take place every six months in the future. This regular reporting process is supplemented by ad-hoc notifications to the Management Board in the event of relevant risks. All home24 Group employees are called upon to act in a risk-aware manner and properly communicate knowledge of new and existing risks.

#### COUNTERMEASURES AND INTERNAL CONTROL SYSTEM

The risk management and internal control systems are continuously being expanded and improved. In the second half of 2018, home24 began to execute the process of describing and evaluating all identified risks as set out in the risk guidelines. The risks, responsibilities and countermeasures are compiled in a risk register. The Internal Audit department is scheduled to conduct audits during 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 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 are then defined and implemented and are currently partially formally documented.

A function and role concept ensures the separation of duties between departments and within processes. A directive governs the framework for transactions subject to approval.

General IT controls monitor system access and changes that could have an effect on accounting. Implementation and documentation of these controls has not yet been completed for all processes.

The Group accounting policy contains a detailed 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 are monitored by the system. 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.

## 4.2 Risk Methodology and Reporting

The comparison 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 genuine threat when aggregated at Group level.

The following risks could have a significant adverse impact on the business, financial situation, cash flow, operating results, and outlook of home24, either alone or in conjunction with other risks and uncertainties. The identified risks 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

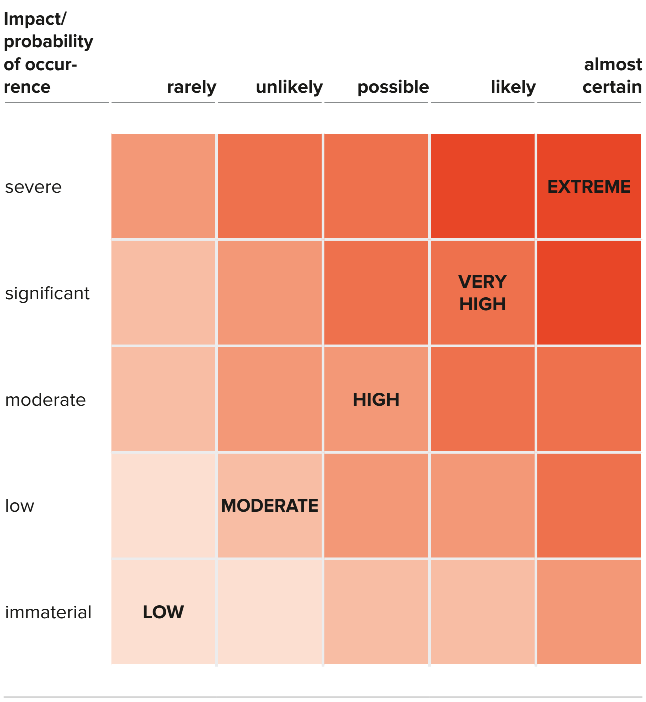
| Probability of occurrence | Assessment |
|---|---|
| almost certain | 75% – 100% |
| likely | 50% – 74.9% |
| possible | 25% – 49.9% |
| unlikely | 5% – 24.9% |
| rarely | 0% – 4.9% |

### 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 8.0m | Strong negative impact on business activities, financial performance and cash flow | Violations of the law threatening the Group's existence<br><br>Severe legal consequences for the liability of top management<br><br>Impact on operations threatening the Group's existence | Broad, international coverage in the media<br><br>Long-term reputation loss of the company<br><br>Strong negative impact on financial position, cash flows and financial performance (e.g. loss of sales) |
| significant | > EUR 3.2m | Significant negative impact on business activities, financial performance and cash flows | Severe violations of the law<br><br>Criminal proceedings<br><br>Material consequences for individual managers<br><br>Strong impact on operations | Negative coverage in the media with medium-term reach<br><br>Medium-term reputation damage<br><br>Difficult to achieve corrections, long-term PR measures required |
| moderate | > EUR 1.6m | Some negative impact on business activities, financial performance and cash flows | Significant violation of rules of procedure/laws/contractual obligations<br><br>Significant penalties<br><br>Consequences under labor law | Negative coverage in the media with minor reach<br><br>Corrections achieved through medium-term PR measures |
| low | ≥ EUR 160k | Limited negative impact on business activities, financial performance and cash flows | Violation of internal rules/laws/agreements without strong impact ("trivial")<br><br>Minor penalties<br><br>Limited disciplinary action for individuals | Short-term negative impact on reputation/image<br><br>Posts in blogs/on Facebook/on Twitter etc.<br><br>No further coverage by other media |
| immaterial | < EUR 160k | 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. After taking into account the countermeasures and control measures implemented all gross risks are reclassified (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.

**Presentation – Five categories for net risk assessment**



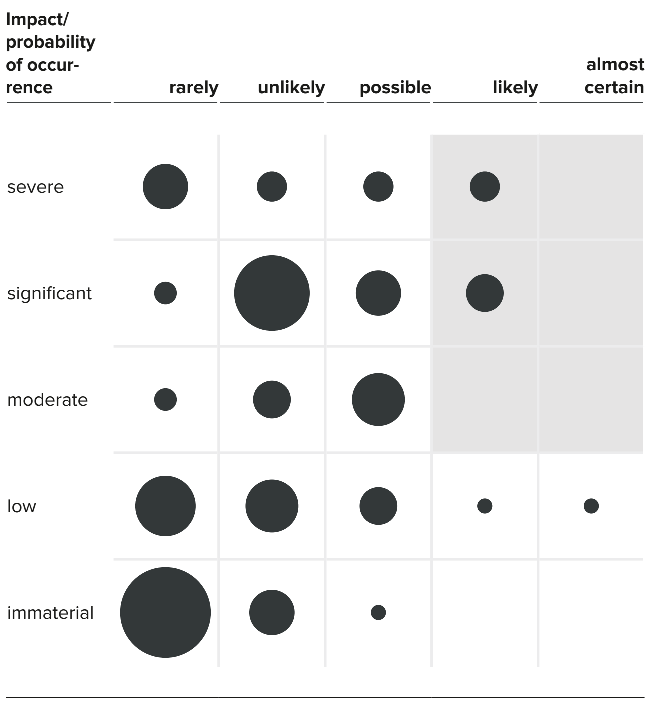

For the first time, home24 assesses risks as significant in the risk report if they threaten the continued existence of the Group or are deemed to constitute material key risks.

The continued existence of the Group is deemed to be threatened if the financial impact is 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 1.6m. Risk reporting is based on risks categorized as significant risks.

## 4.3 Risks

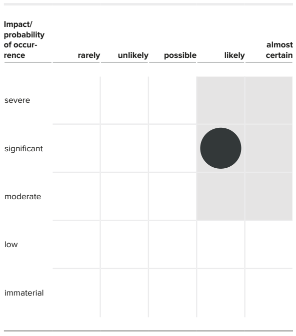
It cannot be ruled out that currently unknown potential risks or those currently deemed to be immaterial could have a negative impact on business performance. Regardless of all the countermeasures implemented to manage the identified risks, residual risks that cannot be completely eliminated, even by a comprehensive risk management system, are present in all commercial activities. Overall, the risks are considered typical for an online retail company.

**Presentation – Allocation of the number of net risks in the risk matrix**



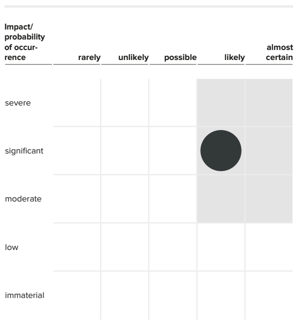

At present, no going-concern risks, i.e. risks that could threaten the continued existence of home24 are apparent. The material key risks outlined below generally relate to the Europe segment and the LatAm segment. If the risk only relates to one segment, this is explicitly stated. For reasons of materiality, financial risks (credit risk, currency and interest rate risk as well as liquidity risk) are not presented separately in the risk and opportunity report but in the Notes to the Consolidated Financial Statements, note 7.

## GROWTH




**Product quality:** As home24's products are produced by external suppliers, including suppliers from underdeveloped and developing countries as well as emerging markets, the Group only has limited control over the quality of these products. As a result, home24 unintentionally might sell potentially defective products that would either force home24 to recall the products or lead to product liability claims and/or may result in fines or criminal charges against home24. It is particularly difficult to take recourse against suppliers abroad or with low capitalization from whom home24 procures these products. Negative headlines associated with recalls or enforcement of claims can also have an adverse effect on home24's brands and reputation.

Manufacturers are carefully selected based on an evaluation process that also includes site visits and product inspections. In addition, the Quality Assurance department has been expanded and various product quality and safety checks have been implemented to ensure that only reliable products are delivered to end customers. Existing suppliers are assessed on the basis of their reliability, product quality and product performance. The net risk assessment remains unchanged compared to the previous year.

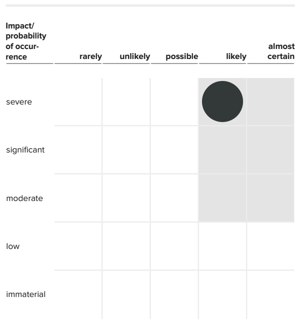



**Delivery reliability:** Faultless and reliable operations are crucial to our value proposition to end customers. Delays and poor service quality would have a significant impact on the growth potential of home24 and its customer relationships.

This risk is reduced by the extensive integration of supplier systems and logistics providers. The Group ensures that products are delivered to end customers as promised by specifying services in detail in long-term contracts with logistics companies within mainland Europe and by strengthening the Group's own delivery fleet in Brazil. The net risk assessment remains unchanged compared to the previous year even though the shortage of truck drivers in mainland Europe is escalating.

## PROFITABILITY

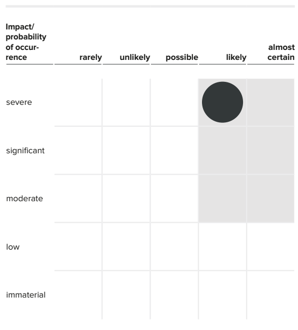
The aim of the Group is to increase its profit margins and cover its costs across the entire Group in the medium term. Various factors (such as adverse economic developments, the inability to compile an attractive product range and create an outstanding shopping experience, and higher-quality offerings from competitors with greater financial resources) can prevent the Company from expanding its business further. Several of these factors could potentially be beyond the Company's control.




**Predictability:** One of the Group's core challenges is to correctly predict the timing of customer orders and the quantity of sales. Customer preferences can also evolve. Predicting these movements incorrectly can result in excess stock or longer delivery times.

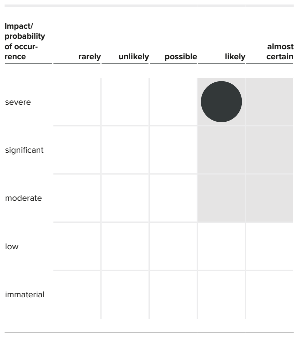
Forecasts for procured goods are continually updated before any actual orders are made. These predictions draw on knowledge about the product lifecycle, customer demand, warehouse availability and manufacturer lead times.

Increasing uncertainty about issues such as climate change and associated customer purchasing behavior in the home&living segment increased the probability of occurrence for this risk compared to the previous year's estimate.




**Reliance on Carrier:** home24 relies on the services and prices of external carriers to deliver products to its warehouses (inbound logistics) and then to customers (outbound logistics). Even if products do not reach home24's warehouses, these products must be processed by transport service providers who obtain these products directly from the relevant manufacturer (direct shipment). In the Europe segment, actual delivery to customers is generally undertaken by a very small number of external carriers. As a result, home24 only has extremely limited control over delivery times and the security of its products in transit.

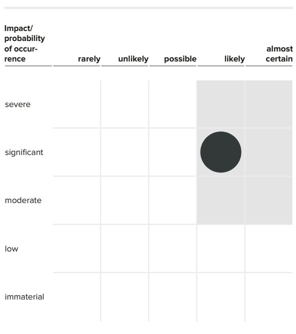
home24 is expanding the number of additional service providers and evaluating the internalization of critical logistics processes to reduce the existing risk. The risk assessment remains unchanged compared to the previous year.




**Further development of process efficiency:** By introducing a new ERP system during the 2018 financial year and integrating it into the existing IT environment the Group is able to monitor and comprehensively process customer orders on an end-to-end basis. In addition to stability and software performance, efficient use of the system largely depends on master data quality, process quality and reliability. A reduction in agility and flexibility could have a negative impact on implementation speed.

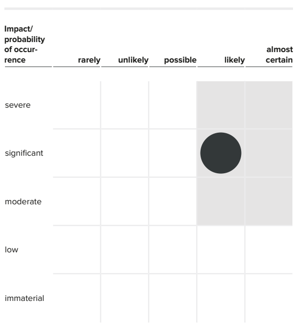
Backlog prioritization, the function and process documentation currently in development, and a pool of freelancers counteract this risk. The number of planned projects during the period under review and their expected economic impact combine for the first time to form a material key risk.

### COMPLIANCE RISKS




**Threats to cyber security:** Cyber security risk from internal and external attacks could compromise material aspects of customer related applications, ERP software, webshop environment and internal IT-Systems. Well-known cyber security risks are outages due to distributed denial of service and data losses caused by security breaches and degraded operations as well as inaccurate reporting due to integrity violations.

To encounter theats to cyber security home24 uses dedicated internal specialists to ensure compliance of the relevant business areas and processes to data security by constant monitoring and enhancement. The risk assessment remains unchanged compared to the previous year.




**Violations of data protection requirements:** The business model of home24 like other e-commerce platforms require customer data including personally identifiable information for processing a customer order and interaction with the customer. Therefore, home24 is amenable to national and international laws and regulation determining confidentiality, integrity and availability of personalized data including all aspects related to data protection and privacy, such as the EU General Data Protection Regulation (GDPR).

To reduce such risks the data protection officer and the legal department overlook continuously the data protection requirements and new developments. Furthermore, the legal department supports IT and business departments in the preparation and implementation of corresponding documentation and processes and provides appropriate advice, expertise and trainings. The risk assessment remains unchanged compared to the previous year.

## 4.4 Opportunities

The home&living sector is one of the most significant consumer goods markets. In the 2018 financial year, the combined volume in the eight markets served by home24 – Germany, Austria, Belgium, France, Italy, the Netherlands, Switzerland, and Brazil – totaled EUR 89.3bn (2017: EUR 88.4bn) (Source: Euromonitor). Online penetration in the home&living sector is lower in home24's target markets than in other markets such as the USA and UK. The Company is confident that this creates the potential for catch-up effects. Based on online penetration in its target markets, home24 expects average annual market growth of at least 10% by 2021.

The market is highly fragmented in terms of both suppliers and retailers. The three largest players in home24's markets had a market share of around 22% (source: Statistia) in the 2017 financial year. Consumers in the furniture market are open to buying from retailers who offer the best value proposition. This fragmented supply base puts every market participant in a strong negotiating position that can reach a critical mass, while the customer 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.

home24 is confident that favorable demographic trends will accelerate the shift from offline to online shopping in the home&living segment even further. Between 2008 and 2018, the proportion of European Internet users purchasing products online rose from 53% to 73% (source: Eurostat). This development is primarily attributable to millennials and other young people with a generally high affinity for the Internet and online retail in particular, who are now growing up and increasingly spending their rising income on online shopping. home24 will benefit from the steadily growing share of online retail in the home&living segment, as the Group is at the forefront of the shift from offline to online retail and offers a particularly attractive online shopping experience.

The broad selection of products enables home24 to offer its customers a wide range of relevant mass market products. This is critical for serving the heterogeneous customer base in relevant markets where consumer brands are less important and offering variety is a key success factor. In addition, this model also provides important data on customer preferences and behavior that are used when investing into new private label collections. When marketing bestsellers as private label products, the Group can use its sound knowledge of customer preferences in terms of style, material and anchor price points, thus improving gross margin and offering bestsellers at attractive prices and with relatively short delivery times.

### 4.5 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 obviously 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 of the Group does not suggest any threats to the continued existence of the home24 Group as a result of individual risks or aggregated risk positions.

## 5. EVENTS AFTER THE REPORTING PERIOD

At the Supervisory Board meeting on February 11, 2019, the appointment of Management Board member Johannes Schaback was extended ahead of schedule by a further two years.

At the end of March 2019, Dr. Philipp Kreibohm resigned his post as a member of the Management Board.

At the end of January 2019, Christian Senitz resigned his post as a member of the Company's Supervisory Board.

Effective January 30, 2019, the voting agreement between Rocket Internet SE and Kinnevik Internet Lux S.à r.l. was terminated.

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

## 6. FUTURE PERFORMANCE AND OUTLOOK

According to the most recent forecasts (as of February 2019), the European Commission expects the gross domestic product of the EU economies to grow by 1.5% in 2019. With the fundamentals remaining favorable, the pace of economic growth was modest at the start of 2019. The European economy is still likely to benefit from an improving labor market situation, favorable financing conditions and a mildly expansive fiscal policy. Downside risk exists in connection with the still uncertain economic consequences of Brexit, the danger that the Chinese economy could lose steam more drastically than expected, and the fact that global financial markets are subject to abrupt changes. In its newest projections (as of February 2019), Brazil's central bank anticipates an increase in the Brazilian gross domestic product of 2.5% in 2019.

The home&living sector is one of the most important consumer goods markets. In the markets relevant to home24, online penetration in this sector is still low. home24 sees a considerable potential for growth here, in line with other consumer goods groups. Thanks to the scalability of the home24 business model and the unique features, the Group not only want to participate in this development, but to be at the forefront of it. For 2019, the Management Board expects growth of around 10% for the online furniture market in the home24 markets.

In the coming financial year, home24 anticipates that efficiencies from investments underway and new initiatives to win customers and reduce costs will pave the way to profitability based on adjusted EBITDA. home24 successfully focuses on a large share of private labels compared to other market participants. In the course of 2019, home24 plans to introduce additional private labels to attract an even greater number of customers to online furniture sales on the Company's websites and to improve margins.

Moreover, the Group plans to open new logistics centers, thoughtfully expand the product selection, and introduce technological innovations to improve the shopping experience for customers. Cash flow from investing activities combined with the cash flow from change of net working capital will slightly improve compared to the level of the 2018 financial year.

home24 confirms its guidance with regard to revenue growth at constant currency in 2019 at or slightly above the home24 growth rates of 2018 (18% at constant currency). The LatAm segment will make a disproportionate contribution to growth.

The adjusted EBITDA margin will improve to a range between –4% and –9% for 2019 as a whole. home24 continues to anticipate break-even based on adjusted EBITDA at the end of 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 shopping cart.

The Group will continue to consistently pursue its strategy for growth. The focus for the 2019 financial year will be to take advantage of the economies of scale provided by growth and further build on the Group's competitive position.

## 7. CORPORATE GOVERNANCE STATEMENT

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

## 8. NON-FINANCIAL REPORT

The Non-financial Report for the home24 Group pursuant to Section 315b of the German Commercial Code (HGB) is part of the Annual Report.

## 9. 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 home24 Group is included in the Remuneration Report. The Remuneration Report is part of the Corporate Governace Report and the Combined Management Report.

## 10. TAKEOVER-RELATED DISCLOSURES

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

## 11. 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 (HGB) and the German Stock Corporation Act (AktG) in conjunction with Art. 61 of Council Regulation (EC) No 2157/2001.

### 11.1 Business Activities

home24 SE is the parent company of the home24 Group. The Company's registered office is located in Berlin. 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 and fashionforhome websites 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 recognition of share-based payment expenses, transaction costs related to the IPO, leases, provisions, internally developed intangible assets and deferred taxes.

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.

## 11.2 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 expenses for materials and other operating expenses.

| In EURm | 2018 | 2017 | Change | Change in % |
|---|---|---|---|---|
| Revenue | 244.1 | 219.1 | 25.0 | 11% |
| Other operating income | 3.4 | 3.6 | –0.2 | –6% |
| Cost of materials | –191.7 | –168.3 | –23.4 | 14% |
| Personnel expenses | –19.3 | –21.5 | 2.2 | –10% |
| Depreciation and amortization | –0.9 | –2.0 | 1.1 | –55% |
| Other operating expenses | –92.7 | –62.4 | –30.3 | 49% |
| **Operating result (EBIT)** | **–57.1** | **–31.5** | **–25.6** | **81%** |
| Financial result | –0.7 | 0.1 | –0.8 | >100% |
| Expenses from loss absorption | –4.0 | –1.2 | –2.8 | >100% |
| **Loss for the period** | **–61.8** | **–32.6** | **–29.2** | **90%** |

In the reporting period, home24 SE raised its revenue by EUR 25.0m to EUR 244.1m. The increase in revenue is mainly attributable to the rise in the number of active customers (+19%) and the higher number of orders (+21%). The decrease in the average order value from EUR 349 to EUR 335 offsets part of this growth. 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 23.4m to EUR 191.7m in tandem with the expansion of the business. EUR 13.8m of the increase is attributable to expenses for goods purchased, principally for customer deliveries, while EUR 9.6m is attributable to the cost of services purchased from other companies in the Group.

Other operating expenses climbed 49% in financial year 2018 to EUR 92.7m. The increase is mainly due to higher advertising expenses (EUR +17.2m) and to the one-off expenses related to the IPO (EUR +7.5m) that are required to be recognized in full in the income statement in accordance with the provisions of the German Commercial Code (HGB). In addition, storage and logistics expenses rose by EUR 2.0m, while IT expenses increased by EUR 1.3m.

The cost of absorbing the loss incurred by home24 Outlet GmbH was EUR 4.0m in financial year 2018, up from EUR 1.2m in the previous year.

The number of employees increased in financial year 2018 from an average of 385 to 399.

### Financial Position and Cash Flows

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

| In EURm | December 31, 2018 | December 31, 2017 | Change | Change in % |
|---|---|---|---|---|
| Fixed assets | 71.8 | 52.3 | 19.5 | 37% |
| Current assets | 152.6 | 51.0 | 101.6 | >100% |
| Prepaid expenses | 1.2 | 0.4 | 0.8 | >100% |
| **Total assets** | **225.6** | **103.7** | **121.9** | **>100%** |
| | | | | |
| Equity | 158.7 | 47.9 | 110.8 | >100% |
| Provisions | 17.3 | 16.5 | 0.8 | 5% |
| Liabilities | 48.8 | 38.3 | 10.5 | 27% |
| Prepaid expenses | 0.8 | 1.0 | –0.2 | –20% |
| **Total capital** | **225.6** | **103.7** | **121.9** | **>100%** |

Total assets of home24 SE rose by EUR 121.9m due to the further increase in the business volume and the cash proceeds from the IPO. The Company's assets mainly consist of current assets, especially cash and cash equivalents, receivables and inventories, intangible assets and financial assets. The liabilities side of the Statement of Financial Position mainly comprises equity, provisions and current liabilities.

Inventories consist of consumer products amounting to EUR 25.6m that were in storage or in transit at the reporting date, in addition to advance payments for inventories in the amount of EUR 0.6m. Compared with the previous year, inventories rose by EUR 2.7m, primarily as a result of the higher business volume.

The Company's intangible assets rose by EUR 9.4m in the reporting period to EUR 21.3m, largely due to additions of EUR 10.0m. Furthermore, other loans, which principally comprise restricted cash and long-term deposit payments, increased due among other things to collateral of EUR 8.5m furnished for a new warehouse in Halle (Saale).

Equity increased by a total of EUR 110.8m to EUR 158.7m, mainly as a result of the capital increase implemented and the share premium received in the course of the IPO. The IPO proceeds were partly offset by the loss of the period. The equity ratio stood at 70% as of December 31, 2018 (December 31, 2017: 46%).

Provisions and liabilities rose by a total of EUR 11.3m to EUR 66.1m in line with the increase in the operating business.

For more information on the liquidity situation of home24 SE and its financial performance, please refer to the statement of cash flows of the home24 Group that essentially reflects the financial performance of home24 SE. Responsibility for the liquidity management of the home24 Group lies with home24 SE.

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

The cash flows from investing activities in financial year 2018 is dominated by the expansion of the IT infrastructure and the acquisition of a new ERP system, as well as by capital injections to subsidiaries.

The cash flows from financing activities in the current financial year is predominantly influenced by the Company's IPO. Following the IPO, a short-term shareholder loan of EUR 7.5m was also repaid.

Cash funds comprise cash on hand and bank deposits as well as time deposits at banks with terms of up to three months.

### 11.3 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) German Commercial Code (HGB) is provided in the Group's risk report.

## 12. FUTURE PERFORMANCE AND OUTLOOK

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 income of home24 SE is expected to improve slightly in the 2019 financial year.

Berlin, April 23, 2019

Marc Appelhoff    Christoph Cordes    Johannes Schaback

# 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 23, 2019

The Management Board

Marc Appelhoff    Christoph Cordes    Johannes Schaback

# CORPORATE GOVERNANCE REPORT

Given that the content of both documents is closely related, the Management Board and Supervisory Board submit the Corporate Governance Report below together with the Corporate Governance Statement in accordance with Sections 289f and 315d 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 (AKTIENGESETZ)

The Management Board and the Supervisory Board of home24 SE declare that home24 SE (the “Company”) has since June 14, 2018, the day of the initial admission of the Company’s shares to trading on the stock exchange Frankfurt am Main, complied with and intends to comply in future with the recommendations of the German Corporate Governance Code as amended on February 7, 2017 (“GCGC”) except for the following:

### 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 Management Board of the Company consists of four members. The four members of the Management Board work together collegially and efficiently without any member performing the function of chairman or spokesperson. The Supervisory Board sees no reason to change this established and successful cooperation.

### No. 4.2.3 (2) sentences 5, 7 and 8 GCGC

When determining the compensation structure for the Management Board, the Code recommends that such compensation shall take into account both positive and negative developments. The amount of compensation shall be capped, both as regards variable components and in the aggregate and the variable compensation 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 2017 (“LTIP”) and the Virtual 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. Furthermore, the amount of variable remuneration is not capped. 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 requirements 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.

### 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 and do not exceed the remuneration for the remaining term of the contract. Such cap 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 management service agreements of the members of the Management Board do not provide for any payments in case of an early termination and consequently do not include a severance cap.

* The Corporate Governance Statement in accordance with Sections 289f and 315d HGB are an unaudited part of the Combined Management Report.

### 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, and
- 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 of the German Commercial Code (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 will abstain from an individual disclosure of the aggregate remuneration of the members of the Management Board and, to the extent legally permissible, from a disclosure of their individual remuneration. The Company believes that the information it will provide in accordance with mandatory laws is sufficient. With respect to the model tables, the Company will refrain from using these tables in its Remuneration Report as it believes that it can display the relevant information in another suitable form in the Notes or the Management Report.

### 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, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, as well as diversity.

The Supervisory Board has neither specified an age limit nor a regular limit to Supervisory Board members‘ term of office 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 Group 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 publish 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 website https://jobs.jobvite.com/home24.de/jobs/about.

In addition to these corporate values, the 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 whistleblower hotline. Employees are informed via 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 Governance, Risk and Compliance (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 financial year 2018, the GRC department reported to the Management Board and the Audit Committee of the Supervisory Board about the home24 Group's general risk situation. This reporting will take place every six months in the future.

## 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 the 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 dated May 30, 2018. 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, 2018, was defined as follows:

| | |
|---|---|
| Dr. Philipp Kreibohm | Human Resources, Legal, Insurance, Investor Relations, Corporate Communications, Administration and Business Development |
| Marc Appelhoff | Finance, Accounting, Taxes, Risk Management, Compliance, Marketing, Retail & Pre-Sales Service, International (Brazil) |
| Christoph Cordes | Purchasing, Assortment, Pricing, Product Quality and Safety, Operations (including Warehousing, Logistics and Customer Service) |
| Johannes Schaback | Technology (including Information Technology, Data, Enterprise Resource Planning and Product) |

Following the departure of Dr. Philipp Kreibohm from the Company's Management Board at the end of March 31, 2019, the schedule of responsibilities has been redefined. The responsibilities previously covered by Dr. Philipp Kreibohm were split up between the remaining members of the Management Board.

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, but at least once a month. They must be held when required to ensure the wellbeing of the Company.

The Management Board maintains regular contact with the Chairman of the Supervisory Board, informs him about the course of business and the situation of the Company and its subsidiaries, and discusses strategy, planning, business development, risk positioning, risk management, and compliance with him. The Management Board informs the Chairman of the Supervisory Board 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. The Rules of Procedure of the Management Board and the Articles of

Association also stipulate that certain fundamentally important transactions require the prior consent 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 disclose conflicts of interest to the Supervisory Board and inform all other Management Board members of this.

A collective D&O insurance policy has been taken out for members of the Management Board.

## 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 2018, the Management Board had the following members:

| | |
|---|---|
| Dr. Philipp Kreibohm | |
| Marc Appelhoff | |
| Christoph Cordes | |
| Johannes Schaback | from April 1, 2018 |

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 reached during financial year 2018, as the Management Board did not have any female members at the time the target was set and the composition of the Management Board has not yet been changed. Diversity should 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 above, 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 long-term 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 dated May 30, 2018. 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.

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.

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.

## 3.4 Composition of the Supervisory Board

According to the Articles of Association, the Supervisory Board consists of six members appointed by the Annual General Meeting without being bound by election proposals. 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 2018, the Supervisory Board had the following members:

| | |
|---|---|
| Lothar Lanz* | |
| Verena Mohaupt** | |
| Alexander Samwer | |
| Christian Senitz | |
| Christoph Barchewitz | until May 14, 2018 |
| Franco Danesi | from May 14, 2018 |
| Christian Scherrer | until June 13, 2018 |
| Magnus Agervald** | from June 13, 2018 |

* 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 target was not reached during the financial year ended, as only one of the six Supervisory Board members was female.

In a resolution adopted on May 30, 2018, the Supervisory Board set targets for its composition and defined a profile of skills. According to this 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 three members of the Supervisory Board should possess international experience, and at least three 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 2018, the Supervisory Board had three standing committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. Additional committees may be formed as required; the Company made use of this provision when preparing for its IPO by forming an IPO Committee. The committee Chairs report regularly to the Supervisory Board on the work of their committees.

### AUDIT COMMITTEE

The Audit Committee consists of four 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 | |
| Christian Senitz | |
| Christoph Barchewitz | until May 14, 2018 |
| Franco Danesi | from May 14, 2018 |

* 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 reporting period (February 19, April 23, September 19, and November 26, 2018).

The Audit Committee also makes preparations for Supervisory Board negotiations and resolutions concerning the annual and Consolidated Financial Statements. To do this, the Audit Committee focuses strongly on the annual and Consolidated Financial Statements, the Management Report and the Group Management Report (or the Combined Management Report), as well as the proposal concerning the appropriation of profits. 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* | |
| Alexander Samwer | |
| Christoph Barchewitz | until May 14, 2018 |
| Franco Danesi | from May 14, 2018 |

* Chairwoman

In particular, it 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.

### 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:

| | |
|---|---|
| Alexander Samwer* | |
| Verena Mohaupt | |
| Christoph Barchewitz | until May 14, 2018 |
| Franco Danesi | from May 14, 2018 |

* Chairman

The Nomination Committee prepares Supervisory Board proposals concerning the selection of Supervisory Board members for the Annual General Meeting.

### IPO COMMITTEE

On April 23, 2018, the Supervisory Board passed a resolution to establish an IPO Committee to prepare for the Company's IPO. The committee consists of the following four members:

| | |
|---|---|
| Lothar Lanz* | |
| Alexander Samwer | |
| Christoph Barchewitz | until May 14, 2018 |
| Franco Danesi | from May 14, 2018 |
| Christian Scherrer | until June 13, 2018 |

* Chairman

The IPO Committee was responsible for making preparations for the Company's IPO and ceased to exist once the IPO was complete.

## 4. TARGET OF FEMALE REPRESENTATION ON MANAGEMENT LEVELS

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 2018, the proportion of women was 25% at the top level of management (e.g. at Senior Vice President level) and 29% at the second level of management (e.g. at Vice President level).

## 5. ANNUAL GENERAL MEETING AND SHAREHOLDERS

As at December 31, 2018, the share capital of the Company was divided into 26,060,010 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 19, 2019, in Berlin. The corresponding agenda and the reports and documents required for this Annual General Meeting will be 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/English/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

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 97f. 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 2018, home24 SE held a total of 33,282 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 not to offer, pledge, allocate, sell, commit to sell, issue an option or purchase agreement, acquire an option to sell, grant an option, right or warrant to buy, transfer, or otherwise dispose of the shares they held on the prospectus date, either directly or indirectly, for a period of 12 months after the first day on which the Company's shares traded on the Frankfurt Stock Exchange without the prior consent of the syndicate banks. 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 specific 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

Based on the notification of voting rights pursuant to Section 33 WpHG available as of December 31, 2018, the following equity interests in the Company exceeded 10% of voting rights were held as of that date:

- Rocket Internet SE, Germany: 46.74% (attribution of 3,111,953 shares of Kinnevik Internet Lux S.à r.l. based on a voting agreement pursuant to Section 34 (2) alt. 1 WpHG);
- Kinnevik AB (publ), Stockholm, Sweden: 42.46% (attribution of 7,502,771 shares of Rocket Internet SE based on a voting agreement pursuant to Section 34 (2) alt. 1 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 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 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 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) Clause 2 AktG is unaffected by this provision.

According to Article 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 after carrying out capital increases from authorized and/or conditional capital or after the expiry of the corresponding authorization, option, or conversion period (Article 4 (3), (4), (6), (7) and (8) of the Articles of Association).

## 8.5 Authority of the Executive 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 281,650.00 until May 17, 2023 by issuing up to 281,650 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 210,829 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 194,097.00 until May 17, 2023 by issuing up to 194,097 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 194,097 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 1,180,350.00 by issuing up to 1,180,350 no-par value bearer shares (Conditional Capital 2017). Conditional Capital 2017 is exclusively used to service the subscription rights issued to subscription rights holders on the basis of the authorization given by the Annual General Meeting on March 10, 2017, amended by resolutions of the Annual General Meeting on July 28, 2017 and May 24, 2018 as part of the 2017 LTIP. 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 Annual General Meeting on July 28, 2017 and May 24, 2018, the subscription rights holders exercise their rights in accordance with the agreement, and the Company does not fulfill the subscription 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 175,311.00 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 175,311.00. 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 7,525,804.00 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 8,058,025.00 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 50 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

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 13, 2018 approved the remuneration system for the members of the Management Board.

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.

On May 24, 2018, the Company's Annual General Meeting passed a resolution to omit from the annual and Consolidated Financial Statements the information required in accordance with Section 285 No. 9 Letter a) Sentences 5 to 8 of the German Commercial Code (HGB) and Sections 315e (1) and 314 (1) No. 6 Letter a) Sentences 5 to 8 HGB with effect for the 2018 financial year. As a result, the individual remuneration of Management Board members is not disclosed.

### Non-share-based Payment

The salary for members of the Management Board is paid in monthly installments. In the 2018 financial year, Management Board members received a total of EUR 812 thousand in fixed remuneration. In addition, members of the Management Board received a total of EUR 150 thousand in additional variable cash remuneration in the 2018 financial year. This additional variable cash remuneration was paid after the end of the reporting period. Management Board members also received additional fringe benefits totaling 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.

### Share-based Payment

The content of the individual remuneration arrangements issued to the Management Board as part of share-based payment plans is outlined below. Further details on the awards granted are presented in note 6.8 of the Notes to the Consolidated Financial Statements, entitled "Share-based payment".

#### 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. Under the LTIP awards were granted in 2017 and 2018.

In the 2018 financial year, the Management Board was issued a total of 93,224 LTIP performance shares with a fair value of EUR 1,419 thousand. The fair value on the grant date was determined based on an option pricing model (Black-Scholes model). The following parameters were used:

| | |
|---|---|
| Expected volatility | 40.64% |
| Share price (in EUR) | 24.80 |
| Dividend yield | 0% |
| Term (in years) | 3.4 |
| Risk-free interest rate | 0% |

* This Remuneration Report is a component of the Combined Management Report and at the same time part of the Corporate Governance Report including the Corporate Governance Statement.

This valuation resulted in a weighted average fair value of EUR 15.22 per LTIP performance share granted.

In the 2018 financial year, the Management Board also participated in the performance of LTIP performance shares that had been issued to them in the 2017 financial year. Accordingly, the number of outstanding performance shares and the average excercise price under the LTIP developed as follows during the reporting period:

| | 2018 | | 2017* | |
|---|---|---|---|---|
| | Excercise price (in EUR) | Number | Excercise price (in EUR) | Number |
| **LTIP** | | | | |
| Outstanding at the beginning of the reporting period | 12.08 | 418,734 | 0.00 | 0 |
| Granted during the reporting period | 11.16 | 93,224 | 0.00 | 0 |
| Modified during the reporting period | 0.00 | 0 | 12.08 | 418,734 |
| Outstanding at the end of the reporting period | 11.91 | 511,958 | 12.08 | 418,734 |
| **Exercisable at the end of the reporting period** | **0.00** | **0** | **0.00** | **0** |

* The Company carried out a 1:43 stock split during the financial year. To make the number comparable, the number and exercise price of the instruments issued prior to the split were adjusted.

## VSOP

In the 2018 financial year, the Management Board also participated in the performance of options that had been issued to them prior to the 2018 financial year as part of the VSOP options program. VSOP makes 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 and the average excercise price 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.

The number of outstanding options and the average excercise price under the VSOP developed as follows during the reporting period:

| | 2018 | | 2017* | |
|---|---|---|---|---|
| | Excercise price (in EUR) | Number | Excercise price (in EUR) | Number |
| **VSOP** | | | | |
| Outstanding at the beginning of the reporting period | 13.30 | 174,967 | 28.66 | 928,284 |
| Forfeited during the reporting period | 0.00 | 0 | 29.58 | –199,167 |
| Modified during the reporting period | 0.00 | 0 | 33.18 | –554,150 |
| Outstanding at the end of the reporting period | 13.30 | 174,967 | 13.30 | 174,967 |
| **Exercisable at the end of the reporting period** | **13.99** | **166,367** | **0.00** | **0** |

* Company carried out a 1:43 stock split during the financial year. To make the numbers comparable, the number and exercise price of the instruments issued prior to the split were adjusted.

## CALL-OPTIONS

A total of 108,532 stock options to acquire shares in the Company were granted to the Management Board prior to the 2018 financial year. The Management Board participated in their performance during the reporting period. The corresponding call options were issued to the then-directors of Home24 GmbH, a predecessor to home24 SE, in 2012 and 2014. These call options entitle their holders to acquire shares in the Company. The vested call options can be exercised at any time.

The number of outstanding call options developed as follows during the reporting period:

| | 2018 | | 2017* | |
|---|---|---|---|---|
| | Excercise price (in EUR) | Number | Excercise price (in EUR) | Number |
| **Call Options** | | | | |
| Outstanding at the beginning of the reporting period | 0.02 | 108,532 | 0.02 | 108,532 |
| Outstanding at the end of the reporting period | 0.02 | 108,532 | 0.02 | 108,532 |
| **Exercisable at the end of the reporting period** | **0.02** | **108,532** | **0.02** | **108,532** |

* The Company carried out a 1:43 stock split during the financial year. To make the number comparable, the number and exercise price of the instruments issued prior to the split were adjusted.

**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 beneficiarie's employment ends prior to May 1, 2019. In the financial year ended, the Company repurchased 16,082 (2017: 17,200) shares ahead of schedule at a price of EUR 24.14 per share. These figures take into account the stock split carried out during the financial year.

| | 2018 | | 2017* | |
|---|---|---|---|---|
| | Excercise price (in EUR) | Number | Excercise price (in EUR) | Number |
| **Shares** | | | | |
| Outstanding at the beginning of the reporting period | 0.02 | 16,082 | 0.02 | 33,282 |
| Repurchased during the reporting period | 0.02 | –16,082 | 0.02 | –17,200 |
| **Outstanding at the end of the reporting period** | **0.02** | **0** | **0.02** | **16,082** |

* The Company carried out a 1:43 stock split during the financial year. To make the number comparable, the number and exercise price of the instruments issued prior to the split were adjusted.

## 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 home are jointly and severally entitled to continue receiving their full fixed remuneration for the month of their death and the three subsequent months.

## Loans and Advances

In the 2018 financial year, members of the Management Board did not receive any advances or loans from the Company or its subsidiaries.

### Pension Commitments

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

### Total Remuneration

Members of the Management Board were granted total benefits of EUR 2,492 thousand (2017: EUR 4,923 thousand) during the 2018 financial year.

| In EUR thousand | 2018 | 2017 |
|---|---|---|
| Fixed remuneration | 812 | 520 |
| Fringe benefits | 111 | 41 |
| **Total** | **923** | **561** |
| One-year variable remuneration | 150 | 0 |
| Share-based payment | 1,419 | 4,362 |
| **Total** | **1,569** | **4,362** |
| **Total remuneration** | **2,492** | **4,923** |

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 2018 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 amounted to EUR 4.2m in the financial year ended (2017: EUR 6.3m).

### 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.

### 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.

## 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.

At the start of the 2018 financial year, the Articles of Association stipulated that all members of the Supervisory Board receive fixed annual remuneration. The corresponding remuneration totaled EUR 100 thousand for the chairman of the Supervisory Board, EUR 60 thousand for the Chairman of the Audit Committee, EUR 7.5 thousand each for the Deputy Chairman of the Supervisory Board and the Deputy Chairman of the Audit Committee, and EUR 5 thousand each for the remaining members of the Supervisory Board.

The Supervisory Board remuneration was adapted by the Company's Annual General Meeting on May 18, 2018 with effect from May 23, 2018. According to the new Articles of Association provision, 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 for the 2018 financial year was as follows:

| In EUR thousand | Fixed remuneration | Additional remuneration for committee work | Total |
|---|---|---|---|
| Lothar Lanz | 94 | 6 | 100 |
| Verena Mohaupt | 42 | 18 | 60 |
| Alexander Samwer | 20 | 0 | 20 |
| Christian Senitz | 20 | 6 | 26 |
| Christoph Barchewitz (until May 14, 2018) | 3 | 0 | 3 |
| Franco Danesi (since May 14, 2018) | 19 | 7 | 26 |
| Christian Scherrer (until June 13,2018) | 4 | 0 | 4 |
| Magnus Agervald (since June 13, 2018) | 25 | 0 | 25 |
| **Total** | **227** | **37** | **264** |

A total of EUR 8 thousand was reimbursed for expenses in the 2018 financial year.

# INDEPENDENT AUDITOR'S REPORT

To home24 SE

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

### Opinions

We have audited the Annual Financial Statements of home24 SE, Berlin, which comprise the balance sheet as of December 31, 2018, and the income statement for the financial year from January 1 to December 31, 2018 and Notes to the Financial Statements, including the recognition and measurement 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, 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance contained in the Corporate Governance Report in the Management Report pursuant to Section 289f (4) of the German Commercial Code (HGB).

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 of December 31, 2018 and of its financial performance for the financial year from January 1 to December 31, 2018 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 the statement on corporate governance or the non-financial statement referred to above.

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 (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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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, 2018. 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 country-specific and month-specific rates of returns, taking seasonal influences into account. 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, weekly and 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 and analyzed the respective contra accounts.

Moreover, as part of the substantive audit procedures, we 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 and country-specific rate of returns with actual historical month-specific and country-specific rates of returns, among other things, taking seasonal influences into account and analyzed them. In order to evaluate the assumed month-specific and country-specific rate of returns, we also compared this 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 II (Accounting and Valuation Methods) and Section VII.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 excess stocks, which are sold with high discounts through online retail or are disposed of outside of online retail. Write-downs on estimated future excess stocks as well as existing excess stocks are calculated at the end of the reporting period and recognized in the Annual Financial Statements.

home24's executive directors calculate excess 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 excess 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 the 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 as well as the classification of articles always available in the valuation model on a sample basis.

The valuation model also incorporates the expected proceeds from excess 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 quality categories defined by the executive directors separately. We developed expectations regarding potential future excess 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. Other information comprises the information included in the statement on corporate governance pursuant to Section 289f HGB contained in the Corporate Governance Report 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 contained in the "Responsibility Statement pursuant to section 264 (2) HGB" section by the Management Board pursuant to Section 264 (2) Sentence 3 HGB;
- 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.

## 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 opinion. 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 Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 14, 2018. We were engaged by the Supervisory Board on November 15, 2018. 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 Art. 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:

- Issue of comfort letters in connection with home24's IPO
- Audit work in line with the audit instructions from the auditor of the Consolidated Financial Statements relating to the reporting package as of June 30, 2018
- Audit work in line with the audit instructions from the auditor of the Consolidated Financial Statements relating to the reporting package as of December 31, 2018

### German Public Auditor responsible for the engagement

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

Berlin, April 23, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Glöckner | Haas |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# 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, depreciation and amortization, IT and other overhead costs, as well as costs related to the IPO.

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

**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 shopping cart.

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

**Net current assets** – defined as inventories, advance payments made, trade receivables, current financial and non-financial assets less trade payables, current financial and non-financial liabilities and advance payments received.

**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.

**Number of website visits** – defined as the number of interactions on a website that are not interrupted by a 30-minute period of inactivity, midnight or a change in campaign source (e.g. different keywords on Google – with the exception of direct traffic).

**Other selling and distribution costs** – defined as the sum of rent or depreciation of right-of-use-assets for leased warehouses, showrooms and outlets, 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.

**Proportion of website visits made via mobile devices** – defined as the share of the total number of website visits made via mobile devices.

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

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

# IMPRINT

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