home24

ANNUAL REPORT 2018

AT A GLANCE

FISCAL YEAR 2018

KEY FIGURES

Non-financial KPIs	Unit	2018	2017	Change
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%
Employees (as of December 31)	number	1,582	1,317	20%

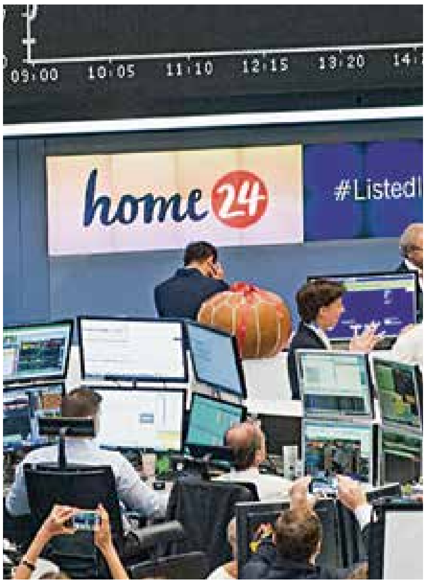
Financial KPIs	Unit	2018	2017	Change
Revenue	in EURm	312.7	275.7	13%
Gross profit margin	in %	44%	45%	–1pp
Profit contribution margin	in %	24%	28%	–4pp
Adjusted EBITDA margin	in %	–13%	–8%	–5pp
Earnings per share	in EUR	–3.22	–2.71	19%
Cash flow from operating activities	in EURm	–47.9	–27.1	77%
Cash flow from investing activities	in EURm	–24.0	–13.7	75%
Cash flow from financing activities	in EURm	160.8	26.8	>100%
Cash and cash equivalents at the end of the period	in EURm	108.6	19.9	>100%

home24 is the leading pure-play home & living e-commerce platform in continental Europe and Brazil. With over 100,000 articles – from accessories to lamps to furniture – home24 offers its current 1.3m customers the right product for every taste, style and budget.

On its platform, home24 combines a broad, carefully selected range of relevant third-party brands with attractive private labels, making it a furniture manufacturer and retailer in one.

The company is represented in seven European countries: Germany, France, Austria, the Netherlands, Switzerland, Belgium and Italy. In Brazil, home24 operates under the "Mobly" brand. Irrespective of size and weight, home24 delivers its products in Europe free of charge to the customer's home and also offers free returns.

home24's headquarters are located in Berlin. The company employs more than 1,000 people worldwide. home24 has been listed on the Frankfurt Stock Exchange since June 15, 2018. Further information can be found on the Company's website at www.home24.com.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LETTER TO OUR SHAREHOLDERS

THE MANAGEMENT BOARD OF HOME24 SE

From left to right:

Christoph Cordes
Marc Appelhoff
Johannes Schaback

DEAR HOME24 SHAREHOLDERS, DEAR READERS,

2018 was an exciting and eventful year for our company. With the IPO on June 15, 2018, we set the course for further expanding our position as the leading online platform for home&living in continental Europe and Brazil. Not only do we have the market position and the common will to achieve our goals, the IPO also gives us the capital we need to achieve them.

Even though we have made significant progress, there are things that cannot satisfy us. In terms of growth, we remained below our ambitious expectations and therefore had to adjust our outlook. This was partly due to us, but partly also to factors that we were unable to influence. The unusually hot and long summer of 2018 slowed down the development of the entire furniture market. In some countries, the offline market even shrank year-on-year.

This development was also reflected in the capital market. We are of course monitoring our share price, and we are obviously not satisfied with the development over the last months. We will continue to work hard to achieve our ambitious goals and meet your expectations. And we are convinced that this effort will also be reflected in our share price.

With an estimated volume of EUR 117 billion, the furniture market in our geographies offers enormous potential for online growth. With an online penetration rate of well below 10% so far, strong growth can be expected in the coming years. The market is still offline driven and highly fragmented. We want to change that.

We are strongly convinced that more and more people will buy furniture online in the future. We want to lead this development at home24 with our curated range of more than 100,000 products for every taste and every budget.

Our vision

We want to offer our customers more than just a functional webshop. We create a completely new and individual discovery and shopping experience, inspire our customers and accompany them continuously in the realization of their living ideas and aspirations.

Our business model consists of two equally important pillars: a broad range of third-party products that we typically source without taking on any inventory, and a deeply vertically integrated private label assortment that we source across the globe at highly attractive prices, of which we take the top sellers on stock to offer very short delivery times. This unique combination enables us to offer a very broad assortment catering to a variety of tastes – without taking on inventory risk – in combination with highly relevant proven own label products with high margins, great value for money and short delivery times.

Customer satisfaction is our top priority. For this reason, we offer our customers the opportunity to experience our products in showrooms before they are ordered. We make the subsequent order process as frictionless as possible. If a product does not meet a customer's personal expectations, the return shipment is free of charge in Europe.

Our path to growth and profitability

We have used the time since the IPO to position ourselves ideally for this development and to efficiently implement the expected growth:

With the successful implementation of SAP, we have introduced a system in Europe that is scalable. In February 2019, we opened a new logistics center in Halle (Saale) to handle customer orders even more efficiently.

As an addition to our online strategy, we opened showrooms in Stuttgart, and Zurich last year. Our nine showrooms inspire both new and returning customers during the purchasing decision process and offer both the opportunity to test a sample and receive personal customer advice. Furthermore, we are increasingly marketing returned goods at significantly reduced prices in our outlets, so that we can still generate revenue with the help of the outlets even with returned and in some cases slightly damaged goods. In the course of 2019, we will complete our regional outlet strategy, which will also contribute to further reducing our logistics costs.

We have also sharpened our brand profile with the new TV commercial that has been aired since autumn and noticeably increased home24's profile among key target groups. The increasingly important Black Friday shopping event was clear proof of the high profile of our company and the trust our customers place in us. Around November 23, 2018, we recorded the most successful week in the history of the company.

Even today, every customer who visits home24's website via smartphone or PC benefits from technologies from the fields of machine learning, personalization and, to a certain extent, augmented reality. In this way, we can help each customer individually to find the right products and make the shopping experience enjoyable. In 2019, we are realizing automation projects in the logistics and customer service sectors. This will enable us to further increase customer satisfaction and at the same time increase profitability.

In the current year 2019, we will expand our product range, especially in the areas of decoration, home textiles, and small pieces of furniture. The combination of our curated product portfolio for every target group with our technological advantages will make a decisive contribution to our continued success in the online furniture market in the coming years.

A strong example of the potential of our business model is the Brazilian market. Not only did we achieve strong growth there in 2018, but we also posted a profit for the first time with a positive adjusted EBITDA margin in financial year 2018.

This success and progress, our growth and the dynamic development of our company would not have been possible without our team. We would like to express our thanks to all employees for their enormous commitment. Their motivation and creativity have made home24 the first address for online home&living in continental Europe and Brazil. We are all driven by the firm belief that buying furniture online and thus home24 still has most of the growth ahead of it.

We have laid the foundation for 2019. We are working hard to meet our own expectations and let you participate in our success. We have a lot to look forward to and are delighted that you are joining us in implementing our vision. Thank you very much for your confidence.

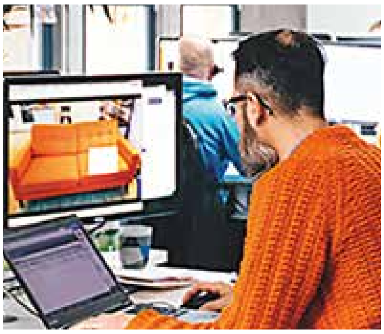
Berlin, April 23, 2019

MARC APPELHOFF	CHRISTOPH CORDES	JOHANNES SCHABACK
Co-CEO	Co-CEO	Co-CEO

THE HOME24 BUSINESS MODEL

The Group is represented in seven European countries: Germany, France, Austria, the Netherlands, Switzerland, Belgium and Italy. In Brazil, home24 operates under the “Mobly” brand.

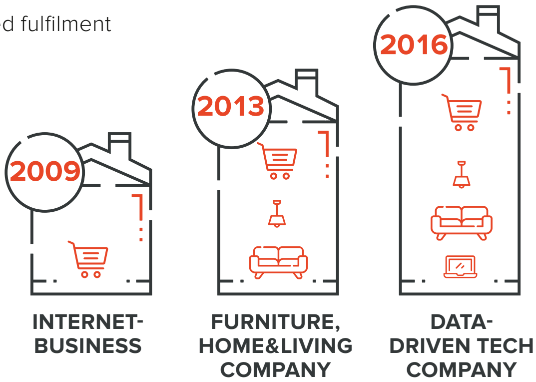
THE HOME24 BUSINESS MODEL



WHO WE ARE

When we first started in 2009, home24 was primarily an **online retailer** – we were great at efficiently attracting customers to our websites and connecting them to a wide range of products online. As we gained experience, we developed home24 into a **true home& living furniture company**. The passion for our products has driven the growth of our private label business. By now, a large proportion of our private label products is developed in-house.

We also operate a vertically integrated fulfilment platform tailored to our home&living business. Today, home24 is also a **data-driven tech company**. Our product managers, data scientists and engineers leverage the vast volumes of data we collect on a daily basis to constantly optimize every aspect of our business.



THE BETTER WAY TO BUY FURNITURE

Since we launched home24, we have revolutionized the way people can buy home&living products. We offer great value for money and an inspiring home&living experience: There are no crowds, queues or closing times online. Customers can order everything from the comfort of their homes, making weekend trips to busy shopping centres a thing of the past. Customers can also choose to have their furniture assembled once it arrives. And shipping and returns in Europe are free.

These are the focus areas we continuously invest in:

THE HOME24 MODEL

home24's products are marketed on a platform that combines two distinct business models.

The first is the third-party and white label business, which enables home24 to offer a broad assortment of long-tail products for the home&living mass market. The second is the private label business, which is vertically integrated and features best sellers sourced at highly competitive prices directly from selected manufacturers, offering superior margins.

SCALABLE TECHNOLOGY

Based on the strength of our platform, we have revolutionized the way people buy home&living products. Technology and Big Data are the driving forces:

- Big data processing capabilities empower the entire business
- A broad and relevant product range combines efficient customer conversion with superior value for money
- All business processes are seamlessly integrated throughout the value chain
- We harness Big Data to optimize the product range and personalize the shopping experience
- We employ a team of top-notch technology and product specialists

DISCOVERY
Be inspired

- MOBILE SITES&APPS
- PERSONALIZED RECOMMENDATIONS
- VR SEARCH FOR IMAGES

ASSORTMENT
Selection&choice

- DEMAND FORECASTING
- AUGMENTED REALITY
- PRICING

LOGISTICS
Delivery&service

- ONLINE PAYMENT
- WAREHOUSE&RETURNS MANAGEMENT
- DELIVERY&TRANSPORT

MARKETING
Reach&attract

- CRM
- CUSTOMER PROFILES
- CHANNEL OPTIMIZATION

OUR SHOWROOMS&OUTLETS

ADVICE & IDEAS

Seeing, touching and trying out furniture live

UP TO 80% DISCOUNT

Display items, photo samples and returned merchandise

SHOWROOMS

In addition to the wide range of products available online, our showrooms offer our customers the opportunity to receive advice and be inspired in a personal conversation, thereby enhancing the home24 experience. Experienced furniture experts are available to provide free, customized advice. They will be happy to address the specific needs of our customers.

In our showrooms we are creating a long-term relationship with our customers and additional incentives for them to order furniture online at home24.

OUTLETS

In our outlets, customers will find a wide range of furniture, lamps and home accessories that changes weekly. The display items, photo samples and returned merchandise, which are slightly or not damaged at all, are available at discounts of up to 80 percent compared to the regular online price. Customers looking for a bargain can be sure to find one here. home24 also benefits as returned merchandise can be resold without having to travel long distances, which reduces costs and is good for the environment.

NON-FINANCIAL REPORT

1. SUSTAINABILITY AT HOME24

1.1 About Us

Our company, home24 SE (hereinafter referred to as "home24 SE" or "the Company"), is a European Public Company (Societas Europaea (SE)) that is registered in Germany with its headquarter in Berlin. It is subject to European and German law. The Company has been listed on the Frankfurt Stock Exchange since June 2018.

home24 SE is the parent company of the Group (hereinafter referred to as "home24" or "the Group") and has a total of 23 subsidiaries, including twelve located in Germany, five in Brazil, two in China, two in Poland, and one each in the USA and Switzerland. home24 SE can directly or indirectly control the financial strategy and business policy of these companies.

We consider ourselves the pure-play market leader and go-to destination for home&living online shopping in continental Europe, where we operate in seven countries predominantly under the "home24" brand, and in Brazil, where we operate under the "Mobly" brand. In addition to our online offering, we have a total of nine showrooms in Germany, Austria and Switzerland, as well as three outlets in Germany.

In order to satisfy different tastes, styles and budgets, we have built one of the largest and most relevant online offerings, with more than 100,000 stock-keeping units (SKUs) of home&living products, including broad assortments of large furniture items (such as living and dining room furniture, upholstery and bedroom furniture) as well as small furniture items (such as lighting products and accessories). We source these products from over 500 suppliers in more than 30 countries, including direct sourcing from individual manufacturers for our private label offering.

Our business is divided into two segments – Europe and LatAm. As of December 31, 2018, our overall team consists of 1,582 employees, including 1,000 in the Europe segment (including Asia) and 582 in the LatAm segment.

More information about our business model can be found on page 40 of this Annual Report.

1.2 Sustainability Strategy, Corporate Governance and Organization

1.2.1 SUSTAINABILITY STRATEGY

"Commit to the long game" is one of our company values. We want to build lasting relationships based on trust. We want to create sustainable solutions rather than acting in pursuit of quick, short-term success. This applies to both, our business decisions and the effects of our commercial activities on non-financial matters.

Our aim is to secure and enhance our company's success in line with social values. For us, being a sustainable company means ensuring profitable long-term growth while striking a balance between our commercial success and the impact of our business on people and the environment.

Implementing responsible business practices in the areas of supply chain management, human resources management, environmental protection and compliance enables us to identify and minimize risks at an early stage. On this basis, we want our activities to help address global challenges while at the same time opening up new business opportunities.

home24 has identified twelve areas of action in its key fields of supply chain management, human resources management, environmental protection and compliance that are assigned to the legally defined non-financial issues as follows:

Non-financial aspect	Area of action	Page
General		
	Compliance and risk management	17
	Customer health and safety	16
Environmental concerns		
	Managing environmental risks in the supply chain	15
	Waste management	16
	Energy consumption and renewable energy use	17
Employee concerns		
	Employee satisfaction	13f.
	Development opportunities	14
	Employee diversity and equal treatment	14f.
Social concerns		
	Data protection	17
	Capital markets	18
Respect for human rights		
	Managing social impact in the supply chain	16
Anti-corruption concerns		
	Combating corruption	17

Our corporate culture is based on our company values, which are set out in our Code of Conduct, as well as on our leadership principles. They give us guidance on how to interact with our customers, to work with each other and to resolve conflicts of interest. The Code of Conduct forms part of every employment agreement. Its principles are explained as part of the onboarding process and new employees are made aware of the importance of this document. This is because we know that constantly developing our corporate culture is vital for our future sustainability and ability to create value.

Our principles and the standards we set for our business partners are enshrined in our Supplier Code of Conduct as well as in our contractual agreements with these partners. The Company's business partners are required to take note of our Supplier Code of Conduct before we can enter into a business relationship with them and the Code of Conduct forms part of our supplier onboarding process.

Our other corporate policies communicate the values and self-image of our company and describe in detail how we deal with issues such as corruption and compliance violations.

1.2.2 CORPORATE GOVERNANCE

The Management Board, Supervisory Board and Annual General Meeting are the governing bodies of our company in accordance with applicable law and our Articles of Association. As a European stock corporation, home24 SE has a dual management system by creating a strict separation of personnel between the Management Board, which is responsible for the management of the Company, and the Supervisory Board as a controlling body.

The Management Board manages our company under its own responsibility and without instructions from third parties in accordance with applicable law, the Company's Articles of Association, their Rules of Procedure, and taking into account resolutions passed by the Annual General Meeting. All members of the Management Board are jointly responsible for the management of the Company. Every member of the Management Board is responsible for the area assigned to them on their own authority. As of December 31, 2018, the Management Board had four members.

The Supervisory Board of home24 SE has six members. It appoints the Management Board and advises and monitors it in its management of the Company. The Supervisory Board is also responsible for determining the remuneration of the Management Board. The Supervisory Board is always involved in decisions of fundamental importance for our company and/or the Group. Certain management issues also require the approval of the Supervisory Board.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and attends to its affairs externally; he advises the Management Board, particularly on corporate strategy and risk management issues.

As of December 31, 2018, the Supervisory Board had three committees: the Audit Committee, the Remuneration Committee and the Nomination Committee.

Further information can be found on pages 24ff. in the Corporate Governance Report. Information on Management Board remuneration can be found on pages 34ff. of this Annual Report.

1.2.3 ORGANIZATION

We use our organizational structure and processes to integrate and develop the issue of sustainability in our day-to-day business. The Management Board of home24 SE assumes strategic responsibility for sustainability within the Group.

Risk Management
The Company's Governance, Risk and Compliance (GRC) department is tasked with the risk management of the Group. It identifies, assesses and develops concepts for mitigating risks that arise from our commercial activities, business relationships, products and services, including with regard to the key sustainability topics we have identified. The GRC department works closely with the subsidiaries and departments. Teams and employees proactively implement measures in their respective areas to help shape a sustainable Company and minimize identified risks that we are unwilling to bear.

The Audit Committee of the Supervisory Board is closely involved in the Group-wide compliance and risk management efforts.

home24 conducts a net risk assessment for all identified risks, including those that impact non-financial aspects. In this context, no significant risks have been identified that are associated with our commercial activities or with our business relationships, products and services, and have serious negative effects on non-financial matters.

1.3 Our Stakeholders

We want to establish the right framework for our long-term development. As part of our commercial activities, we have many points of contact with different stakeholder groups. Our primary stakeholders are our customers, employees, suppliers and partners, as well as our shareholders and society as a whole. We maintain an open and respectful dialog with all stakeholders across a wide range of communication channels. This agile communication enables us to respond to specific situations and requirements.

In order to understand and fulfill our stakeholders' requirements for sustainable management, we conducted an analysis of key areas of action assigned to the legally defined non-financial issues based on existing management systems and information channels in 2018. Our stakeholders' central concerns relate to the topics employees, safe products and environmentally-friendly and humane supply chain activities, environmentally-friendly economic activity and lawful business practices.

The following table provides an overview of the participation of interest groups when conducting our analysis:

Stakeholder engagement

Stakeholder	Channels	Topics
Customers	Social media, customer service hotline	Product safety, product quality, data protection
Suppliers and partners	Contract negotiations, daily interactions	Good and sustainable cooperation
Shareholders	Supervisory Board meetings, Audit Committee meetings, Annual Report, investor conferences, Annual General Meeting	Growth, corporate governance, environmental and social issues
Company	Social media	Social and environmental matters in the supply chain, corporate governance
Employees	Employee surveys ("mood checks"), town hall meetings, feedback sessions	Employee satisfaction, employee development, employee diversity and anti-discrimination

1.4 Non-financial Report

This Non-financial Report for 2018 was prepared in accordance with the requirements of Section 289b (1) and (3) and Section 315b (1) and (3) of the German Commercial Code (HGB) and using the GRI standards of the Global Reporting Initiative as orientation. All relevant information relates to the Group where this is not explicitly stated. The reported information was selected based on the analysis of key action areas conducted in 2018.

This report is our first Sustainability Report. We did not previously predefine any non-financial performance aspects related indicators. In order to facilitate understanding of home24, we will make the underlying concepts publicly available together with the figures available to us at the time of writing this report.

2. OUR EMPLOYEES

2.1 home24 in Numbers

Our employees play a significant role in creating value for our company. They also form a key part of our growth strategy. They and the way in which they collaborate within our organization are guarantors of our future success. They drive our growth and lay the foundation for the successful company of tomorrow.

As of the end of 2018, home24 had 1,582 employees at 23 locations in five countries. The following is an overview of how our employee structure developed in 2018 and 2017:

Employees by region

	2018	2017
Europe segment (including Asia)	1,000	895
LatAm segment	582	422

Employees by gender

	2018	2017
Women	609	460
Men	973	857

Employee age structure

	2018	2017
Under 30	753	672
Between 30 and 50	766	602
Over 50	63	43

In 2018, the average age in the home24 Group was 32 years (2017: 32 years). The average length of service was 2 years (2017: 2 years).

In 2018, there were 957 new employees in the home24 Group; this figure consisted of 38% women and 62% men. Of the new employees, 67% joined the Europe segment and 33% joined the LatAm segment. This represented a rise of 41% compared to 2017. 68% of the new employees were above the average age, while 28% were below it.

As of December 31, 2018, 1,440 employees worked full-time and 142 part-time, 95 of whom were women and 47 men. When compared to the total number of employees, 9% of the workforce worked part-time. Compared to 2017, this represents a decline of 2%.

2.2 Employee Satisfaction

We want satisfied employees, as we know this is the only way that they can develop their potential and be productive and innovative. Attracting them and encouraging their loyalty to the Company is no easy task, as today's professionals are more mobile and flexible and do not often pledge their loyalty to the same company for the long term.

Our human resources policy focuses on creating a sense of team spirit. When working together, we place considerable emphasis on our relationships with each other and on living out our company values and leadership principles. The Management Board personally promotes this and regularly briefs employees on our company values and leadership principles as part of various events, for example.

Our long-term objective is to show that we are an attractive employer. With this in mind, we have strengthened our social media presence and maintain an open dialog with our community.

However, we want to be regarded as a good employer within the Group as well as externally. We work to ensure the wellbeing of our employees with initiatives such as creating a coffee lounge at our headquarter in Berlin, free drinks and fruit, yoga courses and fitness corners, employee vouchers and discounts with various partners, as well as happy hour events for our staff.

In order to better understand our employees' needs, measure their satisfaction, and target the right improvements, our sites in Germany regularly conduct employee surveys. The results are discussed at team and town hall meetings and appropriate measures are taken as a result. Our aim is to carry out employee surveys across the entire home24 Group by 2020 and thus ensure an open exchange of opinions and ideas.

Town hall meetings regularly take place at our head office in Berlin. As part of these events, the Management Board presents information about the latest developments, strategic issues, internal company projects and other important initiatives. Staff at our warehouses, showrooms and outlets are either connected to these meetings by video conference or informed of the latest developments in person by management. Information from these town hall meetings is also summarized in newsletters and made available to employees. Our subsidiary in Brazil also holds similar meetings.

Staff retention begins in the first few days after a new employee joins us. As a result, we are always seeking to develop our welcome culture and improve the onboarding of new employees. As part of their onboarding events, all new employees receive information about our company and leadership culture (at our head offices in Berlin and São Paulo, for example, this information comes directly from the Management Board or local management) and get to know management and their areas of responsibility. Former employees can become part of our home24 alumni network in order to stay in contact with other home24 colleagues.

A range of measures has been introduced to improve work-life balance. For example at our German site, they include parental leave and part-time work, flexible working hours, mobile working opportunities and sabbaticals. In Germany, employees at our head office can now tailor the way they work to their individual needs.

When identifying individual solutions for personal work-life balance, operational solutions are taken into account and particular attention is paid to local employment law.

The following table provides an overview of the average parental leave taken, the return rate and the retention rate for 2018 and 2017:

	Parental leave Female employees	Parental leave Male employees	Return rate	Retention rate
2018	**9%**	**1%**	**80%**	**52%**
2017	2%	1%	50%	28%

2.3 Development Opportunities and Training Program

2.3.1 DEVELOPMENT OPPORTUNITIES

Learning for personal development provides a foundation for successfully improving both our employees and our company, particularly in this age of digital transformation. If we want to grow in the future, we must meet the staffing requirements of tomorrow today. For this reason, our colleagues in the Human Resources team have become familiar with the company strategy at an early stage and are working closely with each individual department, enabling us to identify the qualitative and quantitative skills we require in good time. We identify the future development potential of our employees as part of regular performance reviews.

We aim to conduct regular performance reviews and development planning sessions as part of individual feedback discussions. During these meetings, development opportunities are identified and training measures agreed. In order to align our employees' personal development goals with the company strategy, our Human Resources team will work on individual (training) plans and develop appropriate concepts in the future.

Over the next two years, we want to ensure that all of our employees take part in a one-to-one feedback session and that individual (training) plans are established for their future development as a result.

We currently offer various courses, most of them language courses, to overcome communication barriers in our multinational teams. We also offer courses for enhancing IT software knowledge and skills as well as leadership training.

Employees at our head office in Berlin also have the opportunity to get to know each individual department better in specialist training sessions.

2.3.2 TRAINING PROGRAM

In the 2018 financial year, we trained office management agents (five apprentices at home24 SE) and warehouse logistics specialists (two apprentices at home24 eLogistics GmbH&Co. KG).

At the start of 2018, we completely revised the home24 training concept to ensure very high-quality of apprenticeship. We received the Chamber of Industry and Commerce (IHK) seal of quality for 'excellent apprenticeship quality' during the financial year. In the future, we would also like to contribute to the dual training system and expand our current education opportunities.

2.4 Employee Diversity and Equal Treatment

We employ more than 1,000 staff from over 50 countries. Cultural diversity is part of our DNA.

In our Code of Conduct and leadership principles, we support equal opportunities regardless of age, gender, nationality, religion, skin color, sexual orientation, or potential disability. The skills and potential of each individual are the determining factors for us.

At home24, we do not tolerate discrimination or violations of our company culture. Employees have the opportunity to contact the compliance hotline as well as the Management Board respectively the relevant general management directly. No discrimination cases were reported in 2018.

A total of 146 refugees worked at our subsidiary home24 eLogistics GmbH&Co. KG in 2018. These individuals come from African countries such as Eritrea, Cameroon and Somalia, as well as from the Middle East. We are working closely with immigration authorities in the State of Brandenburg and refugee accommodation centers to accelerate the employment process. The teams overcome their language barriers with the help of translators. The number of English and French speakers within our organization means that there are hardly any communication problems and colleagues are well integrated into their teams. We were able to employ two refugees as trainees on the warehouse logistics specialist apprenticeship.

We are keen to encourage women in our company. The Management Board takes diversity into account when recruiting employees and 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 professional for the role in question. 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 the 2018 financial year, 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).

3. OUR SUPPLY CHAIN

3.1 Overview

Our supply chain is divided into four phases: procurement, logistics, distribution and disposal.

Our products (external brands and own brands) are manufactured in the first phase. home24 works with more than 500 suppliers in over 30 countries, including individual manufacturers for our range of own-brand products. In the Europe segment, we primarily source our products from Central and Eastern Europe as well as Asia. Our colleagues in Shenzhen, China, help us to select local manufacturers and conduct relevant quality controls at production facilities. In the LatAm segment, we primarily obtain our products from Brazil and, to a lesser extent, Asia. In 2018, an average of 23% came from Germany, 23% from Latin America, 23% from China and 7% from South-East Asia. We do not produce any goods ourselves.

In the second and third phases, our products are either delivered directly to customers by the manufacturer using third-party freight forwarders appointed by us or them (drop shipping) or transported to our warehouses. Once they arrive at the warehouse, products are either directly transshipped and then transported to our freight forwarder's distribution centers (cross-docking) or stored and delivered to the customer at a later date (delivery from stock). We operate two of our own warehouses in Germany (in Walsrode and Ludwigsfelde) and one warehouse in Brazil (near São Paulo).

The last phase of our supply chain is disposal. The Company is largely supported by external service providers in this area.

More information about our supply chain and products is provided on page 112 et seq. of our IPO prospectus.

3.2 Environmental and Social Impacts in Our Supply Chain

3.2.1 MANAGING ENVIRONMENTAL RISKS IN THE SUPPLY CHAIN

The majority of the furniture we distribute is made of wood or wood products.

An array of different laws and guidelines have to be observed when importing wood products from EU non-member states. Our Supplier Code of Conduct, which forms part of our supplier agreements, also defines the environmental standards we expect from our suppliers and their subcontractors and grants the Company the right to review compliance with the Code of Conduct.

home24 SE does not source wood species listed in Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora ("CITES"). Wood species, which are listed in Appendix II of the Convention at the 17th Conference of the Parties to CITES, are imported once the Company's Product Quality department has conducted an extensive review and verification of compliance with the mandatory approval process. To eliminate the risk of mixing up protected and unprotected wood species, home24 SE sends random samples to the Thünen Institute for Wood Research to determine the exact wood species.

In order to protect our forests from illegal logging, the Company's Product Quality team ensures that deliveries of wood from countries that are part of the FLEGT licensing system for importing wood from partner countries are only imported into the EU with a FLEGT license. The Company does not then require a due diligence system as set out in the European Timber Regulation (EUTR) for deliveries with a FLEGT license.

All wood and wood products that fall under the EUTR according to the Regulation and whose legal origin has not already been certified by CITES or FLEGT require a due diligence system. home24 SE has introduced and formalized such system accordingly. This includes the collection of evidence about the origin of the wood as well as documents concerning the legality of the logging, an analysis of the risk of the wood's illegality, as well as the implementation of mitigating measures (such as conducting tests that enable identification of the wood species). The Product Quality team accepts new furniture manufacturers into the supplier base after conducting a due diligence review. Our colleagues in Shenzhen, China, provide support in requesting the relevant documents from our Chinese contract partners.

For 2019 we want to ensure that corresponding due diligence systems are also strengthened, improved, introduced and put into practice in our LatAm segment. The Product Quality team in this segment will support us in these efforts.

No fines or other non-monetary sanctions were imposed in 2018 due to non-compliance with environmental legislation and regulations.

3.2.2 MANAGING SOCIAL IMPACT IN THE SUPPLY CHAIN

Our Supplier Code of Conduct sets out the minimum requirements that we expect from our contract partners and their subcontractors. For example, it includes standards relating to respect for human rights, forced labor, child labor, discrimination, humane working conditions, health and safety, the fight against corruption, freedom of association and environmental protection.

We require our new suppliers to respect the principles of the Code of Conduct and comply with applicable laws and regulations upon acceptance of their contract. We also reserve the right to terminate the contract prematurely in the event of non-compliance with our requirements.

285 of home24 SE's 300 suppliers accepted the Supplier Code of Conduct in 2018. We generate approximately 90% of our annual revenue with these suppliers. This represents a slight increase compared to the previous year. We want to achieve that all of the Group's new suppliers accept our Supplier Code of Conduct in 2019. By 2020, we want to ensure compliance with our requirements by conducting unannounced and documented audits.

In addition to the commitment of our suppliers to comply with the Code of Conduct and applicable legislation, new manufacturers from Asia are reviewed for their sustainable suitability as suppliers by our team in Shenzhen, China, based on different criteria before they can establish a business relationship with home24 SE. In addition to product quality, technological and financial stipulations, these criteria also include general business aspects such as organization, employee expertise, impression of management, production, etc. The factory visits conducted as part of the review also provide an impression of the prevailing working conditions, which are noted accordingly and addressed to the supplier in the event of recognizable irregularities. If these irregularities are serious or cannot be remedied, the Company will refrain from establishing a relationship with the supplier in question.

By 2020, we want to ensure that new manufacturers and their production facilities are subjected to a documented audit to review their compliance with social criteria prior to establishing a business relationship.

3.2.3 CUSTOMER HEALTH AND SAFETY

Reliable quality provides a foundation for safe products. Ensuring product safety along the entire lifecycle, from production and use to the disposal of our products, is important to us.

Among others, legislation such as the EU's REACH Regulation is relevant to home24 SE. Manufacturers' information obligations for certain substances can be derived from this Regulation. To protect our customers, our supplier contracts require our manufacturers to refrain from using potentially harmful substances so that our products can be used safely. Our Product Quality department also conducts a risk assessment with regard to the biochemical, electrical and mechanical safety of our products. Taking complaints statistics into account, we arrange for appropriate audits and tests to be performed (by independent institutes, for example) to ensure customer safety.

By 2020, our goal is to ensure that our LatAm segment has also implemented an appropriate due diligence system that takes local legislation into account to ensure customer health and safety.

Compliance with product labeling and information obligations continues to be a key factor in ensuring product safety and health. By 2020, we want to ensure that our products comply with applicable labeling and information requirements.

No fines were imposed in 2018 due to non-compliance with laws and regulations with regard to the provision and use of products or product safety and responsibility.

4. OUR CONTRIBUTION TO ENVIRONMENTAL PROTECTION

4.1 Waste Management

The amount of waste we produce will rise as our business volumes increase. Paper and municipal waste are the most common types of waste at our offices and showrooms, whereas most of the waste at our warehouses, outlets and photographic studios is caused by packaging for repackaging, shipping and returns. All waste is separated.

Our approach to using packaging materials is based on our customer focus – we want to ensure that our products reach our customer safely and with the expected level of quality. This means that protecting our products with packaging materials is very important to our business model. Packages that are delivered to our customers damaged are returned, which means additional transport costs. Some of them could be so badly damaged that they also need to be scrapped.

Nevertheless, to ensure that our economic growth does not become detached from our ecological footprint, we keep a close eye on the sustainability of our packaging materials. As a result, approximately 90% of our packaging in the Europe segment is made from recyclable materials. home24 SE has also tasked an external service provider to dispose of packaging and electronic waste to ensure compliance with applicable German law (Packaging Regulation – Verpackungsverordnung – and Electrical and Electronic Equipment Act – Elektrogesetz).

No sanctions have been imposed for breaches of environmental laws and regulations in 2018.

4.2 Energy Consumption and Renewable Energy Use

Our company growth and steady expansion will inevitably mean that we need more and more building space, which in turn means that we will have to draw on energy resources. As a result, we see investments in renewable energy as a crucial step towards climate protection. From mid-2018 onwards, we began to switch our electricity procurement to 100% renewable sources at our sites in Germany. We are currently using renewable energy at all of our German outlets and showrooms as well as in our warehouse in Walsrode. From 2020 onwards, we are also planning to switch to renewable energy at our other German warehouses and at our showrooms in European countries outside Germany.

Over the coming year, we would also like to review whether it is possible for our subsidiaries in Shenzhen, China, and São Paolo, Brazil, to switch to renewable energy.

5. BEING A FAIR EMPLOYER

5.1 Compliance and Risk Management

Compliance management at home24 includes measures to ensure compliance with statutory requirements as well as internal company guidelines and codes of conduct that are binding for us. Our 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.

The Group's risk management system regulates the identification, assessment, documentation and reporting of all risks (compliance, financial, operating and strategic) throughout the Group. The Group's risk situation is reviewed every six months as well as regularly during Management Board meetings and in the meetings held by the Supervisory Board's Audit Committee.

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 Group.

No known significant fines or non-monetary sanctions were imposed in 2018 due to non-compliance with social and economic legislation and/or regulations.

More information about our risk management activities is provided on pages 49ff. in the report on risks and opportunities in the Combined Management Report.

5.2 Combating Corruption

The Management Board of home24 SE is committed to a zero-tolerance policy when it comes to corruption. Our anti-corruption guideline increases awareness of compliance with the corresponding requirements and provides guidance for dealing with gifts and benefits.

Incidents can be reported internally in German, English and Portuguese via the relevant internal compliance hotline. Employees are informed about the hotline on the intranet, in the anti-corruption guideline, and as part of the onboarding process. They can also contact their line manager or the GRC department directly.

In the event of a corruption incident, the GRC and Legal departments of home24 SE support the Management Board and/or general management of the relevant Group company as they analyze the facts and take follow-up action. The GRC department advises on the relevant measures and informs the General Counsel as well as the Group's Management Board and/or the Supervisory Board if necessary.

More training sessions aimed at combating corruption are planned for 2019. We are also planning to introduce an e-learning software program to ensure and automate the implementation and documentation of training sessions.

There were no known cases of corruption in 2018.

5.3 Data Protection

The protection and security of personal data is high on our list of priorities. The protection of data is governed by the applicable laws and regulations, particularly the EU General Data Protection Regulation (GDPR) and the German Federal Data Protection Act (BDSG). Our aim is for our information security to comply with the international ISO/IEC 27001 security standard.

The Management Board and/or relevant managers at the subsidiaries are responsible for data protection and information security. They are supported by home24 SE's Legal and GRC departments when defining data protection requirements, creating documentation and setting up data protection-compliant processes. home24 SE has also appointed an external data protection officer in order to benefit from external data protection expertise and quickly incorporate the latest rulings found in case law and literature.

Our customers' personal data is only collected, processed or used to the extent permitted by law or with the consent of the person affected. Clear information and data protection guidelines also apply to collaborations and partner relations. We address complaints in a timely manner. In order to protect our digital systems from manipulation, we systematically search for potential weaknesses and quickly close any loopholes.

Our aim for 2019 is to continue updating the requirements applicable across the Group and to fully document them in a comprehensive regulatory framework in order to enhance our careful handling of confidential data, Group-wide IT security and transparent management of relevant risks. Regular training sessions, communication initiatives and awareness-raising activities should ensure an understanding of security and awareness of risk.

There were ten valid complaints concerning breaches of customer privacy in 2018. The Company took additional measures to ensure the protection of customer data also in the future such as improving and partially automating relevant processes, forming special teams, and training its employees to raise awareness in this matter.

5.4 Capital Markets

The trust of capital market participants is very important to us. With this in mind, we introduced a capital markets compliance system as part of our application to list the Company's shares on the stock exchange in order to ensure compliance with Regulation 596/2014 of the European Parliament and of the Council of April 16, 2014 (Market Abuse Regulation).

In this context, a Group-wide capital markets compliance guideline was adopted for all employees, the Management Board and the Supervisory Board, as well as the governing bodies of subordinated Group companies. These capital markets compliance guideline set out obligations relating to insider law and the standards of conduct required to fulfill these obligations. The capital markets compliance guidelines included the appointment of a capital markets compliance officer with particular responsibility for keeping insider lists.

The Company also set out a directive on managers' transactions that includes definitions of the individuals and transactions subject to disclosure as well as the content of the disclosures.

In addition, the Company established an ad-hoc committee that makes decisions on the publication of ad-hoc announcements on the part of the Company or the delayed publication of insider information.

The Legal and Investor Relations departments regularly review the additional disclosure, notification and publication obligations arising from the stock market listing and ensure compliance with these obligations.

In 2018, the Management Board, senior management and other Company employees received capital markets compliance training. The Company plans to offer further training sessions in 2019.

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

THE HOME24 SHARE

EQUITY MARKETS AND SHARE PRICE PERFORMANCE

The shares of home24 were first traded in the Prime Standard segment of the Frankfurt Stock Exchange on June 15, 2018. The total placement value of the IPO was EUR 172.5m at an issue price of EUR 23.00.

While the share price remained relatively stable after the publication of the financial results, the overall performance was generally negative, reflecting the trend among peers and the market sentiment toward e-commerce shares.

home24 closed 2018 with a share price of EUR 11.16.

THE HOME24 SHARE

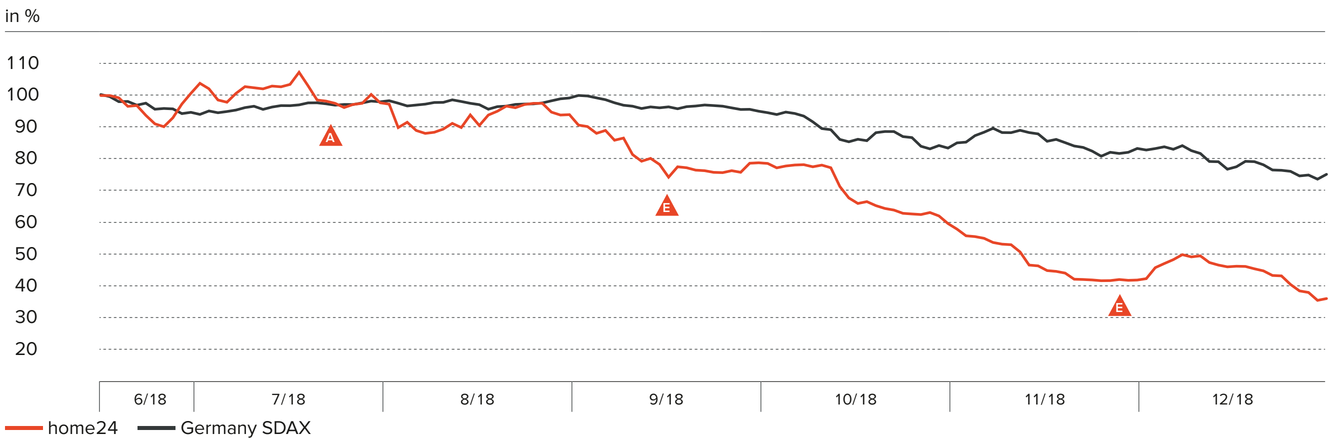
Share type	Bearer shares with no par value
Ticker symbol	H24
WKN	A14KEB
ISIN	DE000A14KEB5
Market segment	Regulated market (Prime Standard)
Bloomberg	H24:GR
Thomson Reuters	H24.F

SHARE PERFORMANCE IN 2018

Issue price		EUR	23.00
Initial listing	June 15, 2018	EUR	28.50
Annual high	July 17, 2018	EUR	31.80
Annual low	December 27, 2018	EUR	11.00
Year-end closing price	December 28, 2018	EUR	11.16
Number of shares outstanding	December 31, 2018	Shares	26,060,010
Market capitalization	December 28, 2018	EUR	290,881,821

PERFORMANCE OF THE HOME24 SHARE SINCE ITS IPO

(indexed; on June 15, 2018)



A = Ad hoc statement
E = Earnings presentation

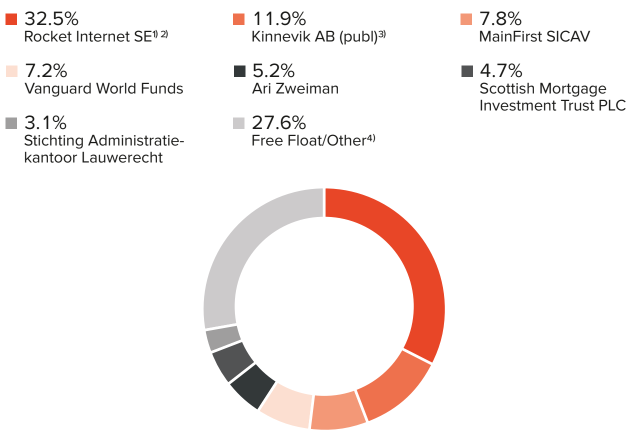
SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2018 (IN PERCENT)

The chart below shows shareholders holding 3% or more of the voting rights in home24 SE as last disclosed by such shareholders pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) as of December 31, 2018.

Please note that the distribution of voting rights shown below may have changed within the reportable thresholds.

Ari Zweiman (from 3.0% to 5.2%) and MainFirst SICAV (from 4.3% to 7.8%) increased their position over the course of the year, whereas there were no notifications on reduced positions.

in %



1) Attribution of 7,502,771 shares held by Rocket Internet SE based on a voting agreement pursuant to section 34 para. 2 alt. 1 of the German Securities Trading Act (acting in concert) is not considered.

2) After publication of the voting rights notification on June 19, 2018, Rocket Internet SE has acquired an additional amount of 978,261 shares in home24 SE in connection with the fully exercised greenshoe option.

3) Attribution of 3,111,953 shares of Kinnevik Internet Lux S.à r.l. on the basis of a voting rights agreement pursuant to section 34 para. 2 alt. 1 of the German Securities Trading Act (acting in concert) is not considered. Shares held by Bambino 53. VV GmbH (haftungsbeschränkt) and attributed pursuant to section 34 para. 1 of the German Securities Trading Act are not considered.

4) Free Float / Other refers to shareholdings with less than three percent in home24 SE.

COMMUNICATION WITH THE CAPITAL MARKETS

home24 pursues active, transparent and continuous communication with investors, analysts and other capital market participants. Investor relations activities include face-to-face meetings or phone talks with investors, and participation in roadshows and conferences that help build and deepen strong investor relationships.

The home24 share is currently covered by five institutions which regularly publish research reports:

- Bankhaus Lampe
- Berenberg
- Citi
- Goldman Sachs
- Metzler

The latest company updates, financial reports, press releases, company presentations etc. are available on the Investor Relations website on home24.com.

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/homevierund-zwanzig/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.

COMBINED MANAGEMENT REPORT

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

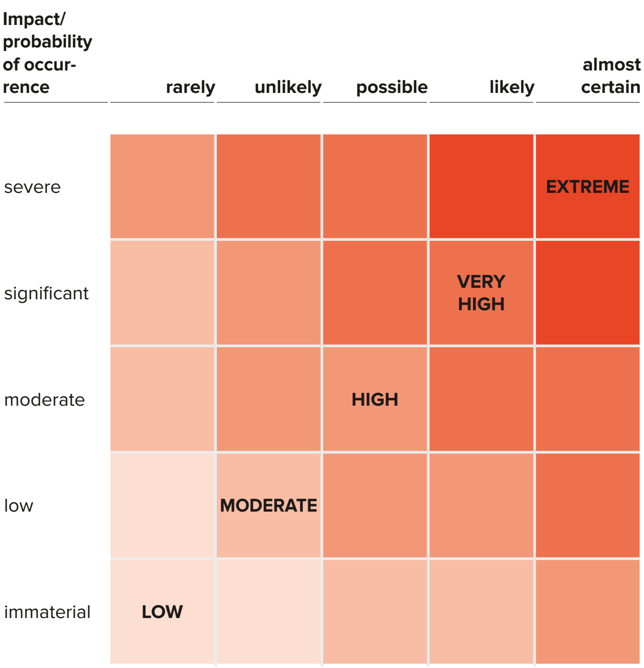
Probability of occurrence	Assessment
almost certain	75% – 100%
likely	50% – 74.9%
possible	25% – 49.9%
unlikely	5% – 24.9%
rarely	0% – 4.9%

Presentation – Five categories for financial impact on adjusted EBITDA

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



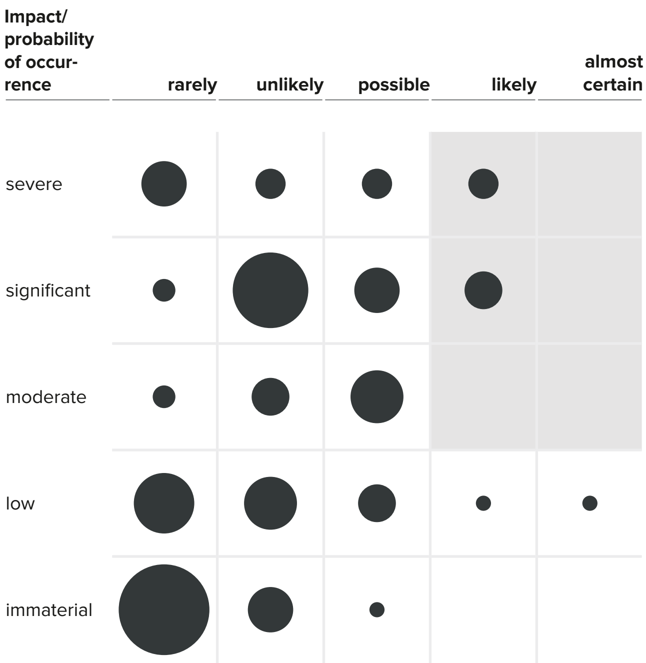
For the first time, home24 assesses risks as significant in the risk report if they threaten the continued existence of the Group or are deemed to constitute material key risks.

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

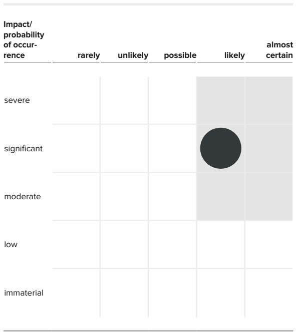
It cannot be ruled out that currently unknown potential risks or those currently deemed to be immaterial could have a negative impact on business performance. Regardless of all the countermeasures implemented to manage the identified risks, residual risks that cannot be completely eliminated, even by 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



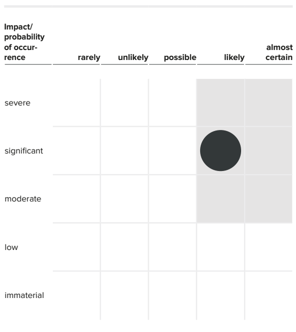
At present, no going-concern risks, i.e. risks that could threaten the continued existence of home24 are apparent. The material key risks outlined below generally relate to the Europe segment and the LatAm segment. If the risk only relates to one segment, this is explicitly stated. For reasons of materiality, 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.

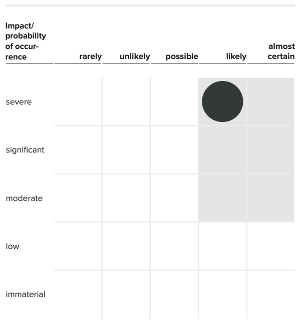


Delivery reliability: Faultless and reliable operations are crucial to our value proposition to end customers. Delays and poor service quality would have a significant impact on the growth potential of home24 and its customer relationships.

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

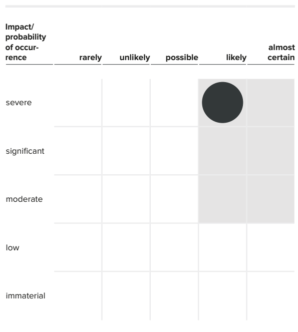
The aim of the Group is to increase its profit margins and cover its costs across the entire Group in the medium term. Various factors (such as adverse economic developments, the inability to compile an attractive product range and create an outstanding shopping experience, and higher-quality offerings 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.

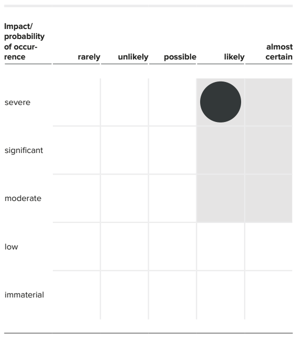
Forecasts for procured goods are continually updated before any actual orders are made. These predictions draw on knowledge about the product lifecycle, customer demand, warehouse availability and manufacturer lead times.

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.

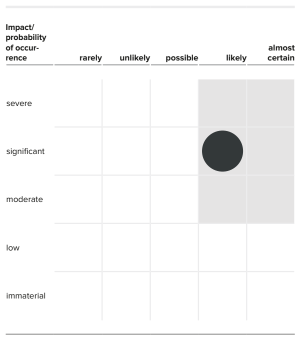
home24 is expanding the number of additional service providers and evaluating the internalization of critical logistics processes to reduce the existing risk. The risk assessment remains unchanged compared to the previous year.



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.

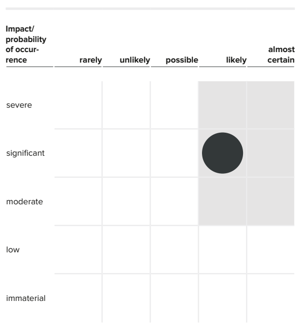
Backlog prioritization, the function and process documentation currently in development, and a pool of freelancers counteract this risk. The number of planned projects during the period under review and their expected economic impact combine for the first time to form a material key risk.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In EURm	Notes	December 31, 2018	December 31, 2017
Non-current assets			
Property and equipment	6.10	10.7	8.1
Intangible assets	6.11	48.9	43.5
Right-of-use assets	6.24	37.6	0.0
Financial assets	6.12/6.26	9.0	5.0
Other non-financial assets	6.13	1.0	0.0
Total non-current assets		**107.2**	**56.6**
Current assets			
Inventories	6.14	32.6	26.8
Advance payments on inventories	6.14	2.4	2.8
Trade receivables	6.15	16.7	11.1
Other financial assets	6.12/6.26	2.2	1.6
Other non-financial assets	6.13	5.4	2.3
Cash and cash equivalents	6.16	108.6	19.9
Total current assets		**167.9**	**64.5**
Total assets		**275.1**	**121.1**

In EURm	Notes	December 31, 2018	December 31, 2017
Equity			
Subscribed capital	6.17	26.1	0.4
Treasury shares	6.17	–0.1	0.0
Capital reserves	6.17	125.4	45.6
Other reserves		–4.6	–5.3
Retained earnings		15.5	18.0
Equity attributable to the owners of the parent company		**162.3**	**58.7**
Non-controlling interests		–12.1	–11.4
Total equity		**150.2**	**47.3**
Non-current liabilities			
Borrowings	6.20/6.26	0.8	0.0
Lease liabilities	6.24	31.1	0.0
Other financial liabilities	6.18/6.26	0.5	0.5
Other non-financial liabilities	6.19	0.0	1.2
Provisions	6.23	1.4	0.9
Deferred tax liabilities	6.9	1.1	1.3
Total non-current liabilities		**34.9**	**3.9**
Current liabilities			
Borrowings	6.20/6.26	2.5	1.9
Lease liabilities	6.24	7.7	0.0
Trade payables	6.21/6.26	56.2	42.3
Advance payments received	6.22	14.6	14.2
Income tax liabilities		0.1	0.1
Other financial liabilities	6.18/6.26	3.6	4.9
Other non-financial liabilities	6.19	4.7	5.9
Provisions	6.23	0.6	0.6
Total current liabilities		**90.0**	**69.9**
Total liabilities		**124.9**	**73.8**
Total equity and liabilities		**275.1**	**121.1**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In EURm	Notes	2018	2017
Revenue	6.1	312.7	275.7
Cost of sales	6.2	–176.2	–152.7
Gross profit		**136.5**	**123.0**
Selling and distribution costs	6.2/6.6	–160.0	–127.2
Impairment losses on financial assets	7.	–1.3	–0.1
Administrative expenses	6.2/6.6	–45.2	–43.2
Other operating income	6.3	2.0	1.4
Other operating expenses	6.4	–1.6	–0.7
Operating result (EBIT)		**–69.6**	**–46.8**
Finance income	6.5	1.1	0.5
Finance costs	6.5	–4.6	–3.7
Loss before taxes		**–73.1**	**–50.0**
Income taxes	6.9	0.0	0.2
Loss for the period		**–73.1**	**–49.8**
Loss attributable to:			
Owners of the parent company		–72.2	–48.5
Non-controlling interests		–0.9	–1.3
Earnings per share (in EUR); basic (= diluted)	6.7	–3.22	–2.71
Average number of shares in circulation (in m); basic (= diluted)*	6.7	22.4	17.9
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign Financial Statements of foreign operations		0.8	0.6
Other comprehensive income/loss for the period, net of tax		**0.8**	**0.6**
Total comprehensive loss for the period		**–72.3**	**–49.2**
Loss attributable to:			
Owners of the parent company		–71.5	–48.0
Non-controlling interests		–0.8	–1.2

* The average number of shares for all periods has been calculated by taking into account the share split registered in May 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

In EURm	Notes	2018	2017
Cash flow from operating activities			
Loss before taxes		–73.1	–50.0
Depreciation of property and equipment	6.10	1.7	1.9
Amortization of intangible assets	6.11	8.9	11.0
Depreciation of right-of-use assets	6.24	7.3	0.0
Non-cash expenses from share-based payments	6.8	9.6	12.0
Other non-cash income and expenses		0.6	0.0
Change in provisions		0.1	–0.5
Change in net working capital			
Change in inventories and advanced payments on inventories		–5.9	–3.1
Change in trade receivables and other assets		–10.6	–2.1
Change in trade payables and other payables		13.1	–1.2
Change in advance payments received		0.9	4.7
Change in other assets/liabilities		–0.2	0.4
Income taxes paid, less reimbursements		–0.3	–0.2
Cash flow from operating activities		**–47.9**	**–27.1**
Cash flow from investing activities			
Payments to acquire property and equipment	6.10	–4.4	–1.3
Payments to acquire intangible asstes	6.11	–15.5	–12.9
Change in restricted cash and long-term security deposits	6.12	–4.1	0.5
Cash flow from investing activities		**–24.0**	**–13.7**
Cash flow from financing activities			
Proceeds from capital increases by shareholders less transaction costs	6.17	167.1	25.2
Cash paid to owners and non-controlling interests	6.17	–0.4	–0.4
Proceeds of borrowings	6.25	13.7	4.3
Repayment of borrowings	6.25	–12.0	–2.3
Redemption of lease liabilities	6.24	–7.6	0.0
Cash flow from financing activities		**160.8**	**26.8**
Net change in cash and cash equivalents		**88.9**	**–14.0**
Cash and cash equivalents at the beginning of the period		19.9	34.0
Effect of exchange rate changes on cash and cash equivalents		–0.2	–0.1
Cash and cash equivalents at the end of the period		**108.6**	**19.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EURm	Notes	Equity attributable to the owners of the parent company Subscribed capital	Treasury shares	Capital reserves
As of January 1, 2017		**0.4**	**0.0**	**53.0**
Loss for the period				
Other comprehensive income for the period				
Total comprehensive loss for the period		**0.0**	**0.0**	**0.0**
Proceeds from shares issued	6.17	0.0		25.2
Share buyback	6.17			–0.4
Utilization of free capital reserve	6.17			–32.6
Effects from changes in accounting policies recognized directly in equity				
Equity-settled share-based payment transactions	6.8			0.4
As of December 31, 2017		**0.4**	**0.0**	**45.6**

In EURm	Notes	Equity attributable to the owners of the parent company Subscribed capital	Treasury shares	Capital reserves
As of January 1, 2018		**0.4**	**0.0**	**45.6**
Loss for the period				
Other comprehensive income for the periode				
Total comprehensive loss for the period		**0.0**	**0.0**	**0.0**
Proceeds from shares issued	6.17	7.6		165.0
Transaction costs, net of tax				–6.0
Share split	6.17	18.1	–0.1	–18.0
Share buyback	6.17		0.0	–0.4
Utilization of free capital reserve	6.17			–61.8
Equity-settled share-based payments	6.8			1.0
As of December 31, 2018		**26.1**	**–0.1**	**125.4**

Equity attributable to the owners of the parent company						
Other reserves						
Currency translation reserve	Reserve for changes in accounting policies	Transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
1.4	**0.0**	**–7.3**	**24.0**	**71.4**	**–10.4**	**61.0**
			–48.5	–48.5	–1.3	–49.8
0.5				0.5	0.1	0.6
0.5	**0.0**	**0.0**	**–48.5**	**–48.0**	**–1.2**	**–49.2**
				25.2		25.2
				–0.4		–0.4
			32.6	0.0		0.0
	0.1			0.1		0.1
			10.0	10.4	0.2	10.6
1.9	**0.1**	**–7.3**	**18.0**	**58.7**	**–11.4**	**47.3**

Equity attributable to the owners of the parent company						
Other reserves						
Currency translation reserve	Reserve for changes in accounting policies	Transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
1.9	**0.1**	**–7.3**	**18.0**	**58.7**	**–11.4**	**47.3**
			–72.2	–72.2	–0.9	–73.1
0.7				0.7	0.1	0.8
0.7	**0.0**	**0.0**	**–72.2**	**–71.5**	**–0.8**	**–72.3**
			–0.1	172.5		172.5
				–6.0		–6.0
				0.0		0.0
				–0.4		–0.4
			61.8	0.0		0.0
			8.0	9.0	0.1	9.1
2.6	**0.1**	**–7.3**	**15.5**	**162.3**	**–12.1**	**150.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

home24 SE (formerly home24 AG, the "Company") is the parent company of the home24 Group ("home24" or the "Group"). By resolution of the Annual General Meeting of May 14, 2018, the Company changed its legal form from a stock corporation (Aktiengesellschaft) under German law into a European company (Societas Europaea) and changed its legal name to home24 SE. The change in legal form and legal name was entered in the commercial register on May 16, 2018. The Company's registered address is Greifswalder Straße 212–213, 10405 Berlin, Germany.

home24 considers itself the pure-play 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.

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 1.00 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 23.00. 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 166.5m (i.e. after exercise of the greenshoe option), after deduction of transaction costs that are directly offset against equity. As of December 31, 2018, transaction costs of EUR 0.6m were still due for payment.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as of the reporting date. The requirements of Section 315e (1) of the German Commercial Code (HGB) have also been taken into account.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

CURRENCY TRANSLATION

The Consolidated Financial Statements are prepared in euros (EUR), which is the functional currency of home24 SE and the presentation currency of the Group.

Foreign currency transactions are translated into the Group companies' functional currency using the spot rate prevailing at the dates of the transactions. Monetary assets and liabilities of Group companies denominated in foreign currencies are translated into the functional currency using the closing rate on each reporting date, and any resulting translation differences are recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are recognized in the Statement of Comprehensive Income under "Finance costs – net". All other foreign exchange gains and losses are recognized within other operating income/expenses. Non-monetary items in foreign currencies are translated using historical rates.

The functional currencies of the foreign subsidiaries are determined in accordance with the provisions of IAS 21. Assets and liabilities of foreign operations with functional currencies other than the euro are translated into euros at the closing rate prevailing on the reporting date. In accordance with IAS 21.40, income and expenses from foreign operations are translated into euros at average monthly exchange rates. Foreign exchange differences are recognized in other comprehensive income and shown in the currency translation reserve in equity unless the currency translation difference is attributable to non-controlling interests.

Unless indicated otherwise, all figures in the Consolidated Financial Statements have been rounded to millions of euros (EURm). This can result in rounding differences and the percentages presented may not precisely reflect the figures they refer to.

2.2 Principles of Consolidation

BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise home24 SE and its subsidiaries over which the Company has control as defined in IFRS 10. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

The subsidiaries' Financial Statements are prepared as of the same closing date as the parent company's Financial Statements. The Financial Statements of the companies included in the Consolidated Financial Statements have been prepared based on the uniform accounting policies of the parent company home24 SE.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group entities are eliminated in full on consolidation.

BUSINESS COMBINATIONS

The Group accounts for business combinations applying the acquisition method. When a newly acquired subsidiary is consolidated for the first time, all acquired assets and liabilities are recognized at their acquisition date fair value. Any positive difference between the purchase costs and the fair value of identifiable net assets is recognized as goodwill. Any negative difference is recognized in the Statement of Comprehensive Income. Incidental acquisition costs are expensed.

NON-CONTROLLING INTERESTS

A change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction.

Profits or losses and each component of other comprehensive income (OCI) are attributed to the owners of the Group's parent and to non-controlling interests, even if this results in the non-controlling interests having a negative balance.

2.3 Summary of Significant Accounting Policies

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Expected to be realized within twelve months after the reporting period
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

PROPERTY AND EQUIPMENT

Property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses, where required.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income for the financial year within “other operating income” or “other operating expenses”.

Property and equipment are depreciated on a straight-line basis i.e., the depreciable amount as the difference between the cost of the asset and its residual value is distributed evenly over its estimated useful life:

	Useful life in years
Operating and office equipment	3 – 23
Hardware	2 – 8
Vehicles	5

Leasehold improvements shown under operating and office equipment are depreciated over their estimated useful lives.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

INTANGIBLE ASSETS

The Group's intangible assets comprise acquired brands and customer lists, internally generated and acquired software and other licenses, advance payments made for intangible assets as well as goodwill.

Brands and customer lists obtained through acquisitions are recognized at their fair value as of the acquisition date. The acquired goodwill is recognized at cost.

Acquired software and other licenses are recognized at the costs incurred to acquire them and bring them to use.

Internally developed software directly attributable to the design and testing of identifiable and unique software products controlled by the Group is recognized as an intangible asset if the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- The Group is able to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product mainly include the software development employee cost. Other development costs that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense will not be recognized as an asset in a subsequent period.

Intangible assets, with the exception of goodwill and domain rights, have finite useful lives and are amortized on a straight-line basis over their respective economic lives:

	Useful life in years
Internally developed software	3 – 7
Customer lists	4
Acquired software and other licenses	3 – 7
Brand	4

At the end of the current financial year, the useful life of trademark rights was changed from ten years to four years. As a result of this change to the useful life, the carrying amount of the trademark rights currently recognized will be fully written off as of the end of financial year 2019.

Amortization of capitalized development costs and acquired software begins when the software is in the condition necessary for it to be capable of operating in the manner intended by management.

Goodwill and intangible assets under development are tested annually (as of December 31) for impairment at cash-generating unit level. An impairment test is also conducted if circumstances indicate that the carrying amount may be impaired.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If there are such indications or an annual impairment test is required, the Group estimates the recoverable amount of the relevant asset.

When testing for impairment under IAS 36, the carrying amount of the asset is compared with its recoverable amount. The recoverable amount of an asset is the higher of its fair value (in accordance with IFRS 13) less costs to sell and its value in use. The Group calculates only one of the two amounts if that amount already exceeds the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated as of the acquisition date to the Group's cash-generating units that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those cash-generating units.

A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets. If the carrying amount of a cash-generating unit exceeds its recoverable amount, the cash-generating unit is considered impaired and is written down to its recoverable amount. Impairment losses are recognized through profit or loss. An impairment loss recognized for goodwill may not be reversed in subsequent periods.

Further details on impairment of non-financial assets are provided in note 6.11.

LEASES – GROUP AS LESSEE

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impact of the changes is disclosed in note 4.1.

Accounting policy applicable from January 1, 2018

In accordance with IFRS 16 "Leases", the Group assesses at inception of a contract whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract is, or contains, a lease, the Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and the estimated costs incurred by the Group for dismantling and removing the underlying asset or restoring the underlying asset to the state required in the lease.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at present value of the lease payments for the respective lease that are not yet paid at the commencement date, discounted using the Group's incremental borrowing rate.

The Group's lease payments included in the measurement of the lease liability comprise fixed payments and variable lease payments that depend on an index or a rate, initially measured using the index or the rate as at the commencement date.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset, a change in future lease payments resulting from a change in an index or a rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Neither a right-of-use asset nor a lease liability is recognized for short-term leases (i.e., a lease term of twelve months or less) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group's leases mainly comprise buildings, primarily for its office space, retail stores (showrooms) and warehouses.

Accounting policy applicable before January 1, 2018

In accordance with IAS 17, the Group determined whether the arrangement was or contained a lease based on the assessment of whether the fulfillment of the arrangement was dependent on the use of a specific asset or assets and whether the arrangement had conveyed a right to use the asset even if that right is not explicitly specified in an arrangement.

Leases were classified as finance leases if the significant risks and rewards incidental to ownership of the leased asset lie with the lessee. All other leases were classified as operating leases.

The Group only held operating leases and therefore the total lease payments were recognized as an expense on a straight-line basis over the lease term.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

The Group applied the new standard IFRS 9 "Financial Instruments" for the first time as of January 1, 2018. This standard supersedes the existing guidelines under IAS 39 "Financial Instruments: Recognition and Measurement".

The transition to the new standard takes place retrospectively but without restating the comparative figures.

Accounting for financial assets from January 1, 2018

Classification and Measurement

Financial assets are classified, at initial recognition, for subsequent measurement at amortized cost, fair value through other comprehensive income (OCI) or fair value through profit or loss.

How financial assets are classified at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Group's business model for managing its financial assets. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group measures a financial asset at the date of its initial recognition at fair value plus (in the case of a financial asset not at fair value through profit or loss) transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined in accordance with IFRS 15.

IFRS 9 has the following measurement categories in which financial assets are classified:

- Debt instruments at amortized cost (AC): This category is the most relevant for the Group and encompasses assets that are held to collect contractual cash flows, whereby the cash flows solely comprise payments of interest and principal on the outstanding capital amount. They are measured at amortized cost using the effective interest rate method. Gains and losses are recognized through profit or loss if the instrument is derecognized or an impairment loss is recognized. As of the reporting date, the Group's non-current financial assets, cash and cash equivalents, trade receivables and other financial assets (with the exception of currency forwards) fall under this category.

- Debt instruments at fair value through other comprehensive income (FVOCI): Assets that are held for both, collecting contractual cash flows and selling financial assets, and whereby the cash flows solely comprise payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. Interest income, foreign currency gains/losses from subsequent measurement and impairment losses or reversals of impairment losses are recognized in the income statement. The remaining fair value changes are shown in other comprehensive income. When the financial asset is derecognized, the accumulated net gains or losses previously recognized in other comprehensive income are reclassified to profit or loss. As of the reporting date, the Group does not hold any financial assets that would be classified within this category.

- Debt instruments, derivatives and equity instruments at fair value through profit and loss (FVTPL): Debt instruments that do not meet the criteria for classification as "at amortized cost" or "FVOCI", as well as derivatives and equity instruments are measured at fair value through profit and loss. Fair value changes to these instruments are recognized through profit or loss. The Group's foreign currency forwards fall under this category.

- Equity instruments designated as measured at FVOCI, with gains and losses remaining in other comprehensive income: Equity instruments are usually measured at fair value through profit or loss. However, at initial recognition, an entity has the option of presenting changes in fair values in other comprehensive income. When the instrument is sold, the accumulated gains and losses in other comprehensive income are not reclassified to the income statement, and impairment losses are also not recognized through profit or loss. The Group does not hold any financial assets that would be classified within this category.

A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned (regular way purchase or sale) are recognized at the trade date, i.e. at the date that the Group commits itself to purchasing or selling the asset.

Impairment of Financial Assets

Besides the classification of financial assets, the impairment model for financial assets has also changed. The Group evaluates all financial assets not measured at fair value through profit or loss in accordance with the expected credit loss (ECL) model. The amount of the impairment depends on the allocation of the financial instrument to one of the following stages:

- Stage 1: All financial instruments are allocated to stage 1 at initial recognition. The expected credit loss corresponds to the loss arising from possible default events in the twelve months following the reporting date (twelve-month expected credit loss).

- Stage 2: This stage includes financial instruments that have had a significant increase in credit risk since initial recognition. For these assets, risk allowances must take into account the present value of all expected losses over the expected life of the financial instrument ("lifetime ECL").

- Stage 3: This stage includes financial assets for which there is objective evidence of impairment at the reporting date. For these assets, "lifetime ECL" is recognized and interest revenue is calculated on the net carrying amount (that is, net of risk allowances).

The Group applies the simplified approach permitted under IFRS 9 for trade receivables. Given that trade receivables are short-term in nature and therefore the financing component is not significant, an impairment is measured from inception at an amount equal to the lifetime expected credit losses.

Accounting for financial assets prior to January 1, 2018
The Group's financial assets were classified into the "loans and receivables" and "financial instruments held for trading" measurement categories.

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables in the Group comprised the items "Trade receivables", "Other financial assets" and "Cash and cash equivalents" in the Statement of Financial Position. Loans and receivables are measured at amortized cost using the effective interest rate method.

Financial instruments held for trading comprised foreign currency forwards, which are shown among the other current financial assets. Financial instruments held for trading are measured at fair value; changes in the fair value are recognized in profit or loss.

Derecognition of financial assets
(applicable to the accounting for financial assets prior to and after January 1, 2018)
A financial asset is derecognized mainly if one of the following criteria is met:

- The contractual rights to the cash flows from the financial asset expire

- The Group has transferred its contractual rights to receive the cash flows of the financial asset to third parties or assumed a contractual obligation to an immediate payment of the cash flow to a third party under a pass-through arrangement, and hereby either transferred (a) substantially all risks and rewards of the ownership of the financial asset or (b) neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset, but transferred control of the financial asset.

If the Group transfers its contractual rights to receive the cash flows of an asset or enters into a pass-through arrangement, it evaluates, if and to what extent the risks and rewards of the ownership of the asset remain on its side. If the Group neither transfers nor retains substantially all risks and rewards of the ownership of this asset, nor transfers the control of the asset, it continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Group also recognizes the liability associated with it. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained by the entity.

If the continuing involvement guarantees the transferred asset, the extent of the continuing involvement corresponds to the lower of the asset's initial carrying amount and the maximum amount of the consideration received which the Group might have to pay back.

Financial liabilities
(applicable to the accounting for financial liabilities prior to and after January 1, 2018)
Financial liabilities are recognized initially at fair value and, in the case of borrowings, net of directly attributable transaction costs.

The Group's financial liabilities are subsequently accounted for at amortized cost using the effective interest rate method and at fair value through profit or loss. The first category covers trade payables and other financial liabilities and bank loans. The second category covers foreign currency forwards held for trading.

Derecognition of financial liabilities
(applicable to the accounting for financial liabilities prior to and after January 1, 2018)
A financial liability is derecognized when the underlying obligation is discharged or canceled or expires. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different terms or if the terms of an existing liability are substantially modified, the exchange or modification is accounted for as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amounts is recognized in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are only offset and their net amount recognized in the Statement of Financial Position if the entity has a legally enforceable right to offset and intends to do so.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, bank deposits and short-term, highly liquid deposits that can be converted into fixed amounts of cash at any time and are not exposed to any significant risk of changes in value in the form of interest rate or credit risk. Their remaining term is a maximum of three months.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash as defined above.

INVENTORIES

Inventories are recognized at the lower of cost and net realizable value. The cost of inventories is determined on the basis of the weighted average cost. The cost of inventories includes the cost of purchase, conversion and shipping incurred in bringing the inventories to their present location and condition.

In order to properly reflect the value of inventories in the Statement of Financial Position, impairments due to obsolete and slow-moving items of inventory are taken into account.

PROVISIONS

Provisions are non-financial liabilities of uncertain timing or amount. They are recognized if the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

The Group recognizes provisions for the dismantling and removal of installations in leased warehouses and office buildings at the present value of the estimated future costs to be incurred in dismantling and removing the installations. Obligations to dismantle and remove installations are added in accordingly when measuring right-of-use assets recognized in accordance with IFRS 16.

SUBSCRIBED CAPITAL

Subscribed capital (no-par value shares) with discretionary dividends is classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction (net of tax) from the transaction proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognized as capital reserves in equity.

TREASURY SHARES

Any treasury shares acquired by the Group are recognized at cost and deducted from equity. The acquisition, disposal, issue or cancellation of treasury shares is recognized through other comprehensive income.

SHARE-BASED PAYMENT

The Group holds a number of share-based payment plans that are settled with equity instruments for which the Group receives services from Management Board members and employees in return for the Company's equity instruments (shares and options).

The fair value of the share-based payment awards at the time they are granted is recognized as personnel expenses on a straight-line basis over the vesting period and recognized in equity with a corresponding counter entry. The vesting period usually starts with the grant date of the award and ends at the end of the service period agreed as the condition for exercising the instruments. For awards with graded vesting features, each tranche of the instrument is treated as a separate grant by distributing the personnel expenses over the respective tranche's vesting period. Personnel expenses are determined for the number of awards that are expected to vest, taking into account non-market-based factors. The number is estimated at the grant date and at the end of each reporting period. Any changes to estimates are recognized in the income statement with a corresponding counter entry in retained earnings in equity.

The Group also entered into share-based payment arrangements for the purchase of media services. Expenses for media services are recognized at fair value in the period the service is performed. The counter entry for equity-settled remuneration agreements is made in equity against capital reserves, while the cash-settled remuneration agreements are recognized in liabilities. The fair value of media services as part of agreements settled with equity instruments is determined when the service is performed. The corresponding liability for agreements settled with cash is recognized at fair value as of the reporting date.

REVENUE

The Group recognizes revenue in accordance with IFRS 15 “Revenue from Contracts with Customers”. Revenue is generally recognized at an amount that reflects the consideration the Group can expect to receive in return for transferring goods or services to customers (less rebates, returns and value added tax). The Group recognizes revenue when the corresponding performance obligation is satisfied by the transfer of the goods promised. It is satisfied when the customer has gained control of the goods i.e., after the goods have been delivered to the customer.

The Group generates revenue mainly by selling furniture and home furnishing through its web shops.

Together, the goods and services promised by the Group (goods, shipping and return shipping, 30-day right of return, assembly service) constitute the identified performance obligation of the Group.

In its sales transactions, home24 generally acts as a principal, as it usually controls the goods before those goods are transferred to the customer. The Group considers this as given, also in the case when the goods are delivered by the manufacturer to the customer, as home24 is primarily responsible towards the customer for the delivery and has the responsibity for customer acceptence of the ordered goods. Furthermore the Group retains some inventory risk and the price is set only by home24.

Right of returns

The Group generally grants its customers the right to return purchased products. As a result of the right of return, the consideration the Group is entitled to receive is variable. To estimate variable consideration, the Group uses and regularly adjusts country-specific historical data and experience.

For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability that is shown under other financial liabilities. A refund liability represents the obligation to refund some or all of the consideration received from the customer. It is recognized in the amount that the Group expects to have to reimburse to the customer.

At the same time, the Group recognizes an asset (and a corresponding adjustment to cost of sales) for its right to recover products from the customer on settling the refund liability. The asset is measured at the original carrying amount of the inventories less any expected costs to recover the products, including potential decreases in the value of the returned products. The asset is presented under other non-financial assets.

Receivables from customers that relate to expected returns are derecognized.

Significant financing component

Customer contracts are settled by prepayment, credit card, invoicing, PayPal and other country-specific payment methods. Among other methods, the Group offers its customers in the German and Brazilian markets payment by installments, in which case the payments are due within twelve months at the latest. These contracts contain a financing component, as the date of receipt of the consideration differs from the timing of transfer of the goods to the customer. Electing to apply the option granted under IFRS 15, the Group does not present the financing component as interest income or expense and presents the total consideration as revenue.

Contract balances

Trade Receivables

A receivable represents the Group's unconditional right to an amount of consideration (i.e., only the passage of time is required before payment of the consideration is due). The accounting policies for financial assets are explained in this section under "Financial instruments".

Contract Liabilities

A contract liability is the Group's obligation to transfer goods or services to a customer for which it has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are shown under advance payments received and are recognized as revenue when the Group fulfills its contractual obligations.

COST OF SALES

Cost of sales consists of the purchase price of consumer products and inbound shipping charges for incoming goods. Shipping charges for incoming goods are included in the inventory and recognized as cost of sales upon sale of products to the customers.

GOVERNMENT GRANTS

Government grants are recognized if there is reasonable assurance that the grant will be received and the Company or its subsidiaries comply with the conditions attaching to it. If it is uncertain that the conditions under which the grant was received will be satisfied, these grants are shown under other financial liabilities.

INCOME TAXES

Income taxes are recognized in the Financial Statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax expense/income comprises current tax and deferred tax and is recognized in the Statement of Comprehensive Income for the financial year, unless it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, in accordance with the initial recognition exemption, deferred taxes are not recognized for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction at initial recognition affects neither the profit/loss for the period under IFRS nor the taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carryforwards will be utilized.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax loss carryforwards can be utilized.

The Company controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal ("outside basis differences"). Deferred tax liabilities are not recognized on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

3. KEY ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Management makes estimates and assumptions that affect the amounts recognized in the Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually reviewed and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimates, in the process of applying the accounting policies. In particular, key estimates and judgments are made in:

- Determining the fair value of share-based payment and the number of awards expected to vest; see note 6.8
- Measuring loss allowances on inventories and trade receivables; see note 6.14 and note 7.
- Determining expected return rates; see note 2.3 Revenue, note 6.13 and note 6.18
- Assessing the probable recoverability of deferred tax assets; see note 6.9
- Measuring impairment losses on non-financial assets; see note 2.3 Impairment of non-financial assets or note 6.11
- Determining lease terms; see note 6.24

4. NEW FINANCIAL REPORTING STANDARDS

4.1 Effects of New and Amended IFRSs Relevant for Financial Year 2018

The Group applied IFRS 16 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. The Group had early adopted IFRS 15 in the previous year and so the effects of initial application had already been presented in the Consolidated Financial Statements for the period ended December 31, 2017.

Further amendments and interpretations were applied for the first time in 2018 but had no effect on the Consolidated Financial Statements.

IFRS 16 "LEASES"

The Group early adopted the new standard IFRS 16 "Leases" in the current financial year. The standard replaces the existing guidelines on leases, including IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The differentiation between operating and finance lease agreements, which was previously made by the lessee, does not apply as IFRS 16 takes effect. If a contract is classified as a lease and falls within the scope of IFRS 16, it has to be recognized in the Statement of Financial Position. Otherwise it is a service contract and to be expensed. The general principles of accounting for and measuring leases are described in section 2.3 Leases – Group as lessee.

The Group adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of first-time application is recognized directly in equity in other reserves as of January 1, 2018, without restating comparative figures.

On transition to IFRS 16, the Group elected to apply the practical expedient regarding the definition of a lease and applied IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2018. The Group assessed whether the exercise of an extension option is reasonably certain at the date of first-time application of IFRS 16.

The Group mainly leases buildings, primarily for its office space, retail stores (showrooms) and warehouses.

On transition to IFRS 16, the Group recognized an additional EUR 34.1m in right-of-use assets, which is comprised of the lease liability (EUR 35.3m) less any lease incentives (EUR 1.1m).

On transition to IFRS 16, lease liabilities were discounted at the weighted average incremental borrowing rate of 2.0%. The incremental borrowing rate was calculated based on the remaining lease terms at the date of initial application of IFRS 16.

In EURm	December 31, 2017	Restatement, IFRS 16	January 1, 2018
Assets			
Right-of-use assets	0.0	34.1	34.1
Liabilities*			
Lease liabilities (non-current)	0.0	28.3	28.3
Lease liabilities (current)	0.0	7.0	7.0
Trade payables	42.3	–0.1	42.2
Other financial liabilities (non-current)	1.2	–1.0	0.2

* Items are shown in accordance with the adjusted structure of the Statement of Financial Position as of December 31, 2018; see note 5.

Before applying IFRS 16, all the leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under these leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

The future minimum lease obligations as of December 31, 2017, resulted in the following reconciliation to the opening balance of the lease liability as of January 1, 2018:

In EURm	
Operating lease obligations as of December 31, 2017	21.2
Reassessment regarding the exercise of extension options	15.1
Consideration of lease incentives	1.1
Other	0.1
Gross lease liabilities as of January 1, 2018	**37.5**
Discounting	–2.2
Lease liabilities as of January 1, 2018	**35.3**

IFRS 9 "FINANCIAL INSTRUMENTS"

The Group applied the new standard IFRS 9 "Financial Instruments" for the first time as of January 1, 2018. This standard supersedes the existing guidelines under IAS 39 "Financial Instruments: Recognition and Measurement". The new standard unifies the requirements for the classification and measurement of financial assets and financial liabilities and introduces a new model for the impairment of financial assets. Further, new rules on hedge accounting were included in IFRS 9. The general principles of accounting for and measuring financial instruments are described in note 2.3 Financial Instruments.

The transition to the new standard takes place retrospectively but without restating the comparative figures.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 "Presentation of Financial Statements", which require the impairment of financial assets to be presented in a separate line item in the Statement of Comprehensive Income. In the previous year, the Group's approach was to include the impairment of receivables and financial assets in other operating expenses. Consequently, the Group reclassified impairment losses amounting to EUR 0.1m recognized under IAS 39 from "other operating expenses" to "impairment losses on financial assets" in the Statement of Comprehensive Income for the financial year ended December 31, 2017.

The application of IFRS 9 had no impact on the Group's accounting policies in relation to financial liabilities and derivative financial instruments. However, the previous categories for financial assets under IAS 39 – "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" and "held to maturity investments" – ceased to apply. Instead, IFRS 9 has the following measurement categories in which financial assets are classified: debt instruments at amortized cost (AC), debt instruments at fair value through other comprehensive income (FVOCI), debt instruments, derivatives and equity instruments at fair value through profit and loss (FVTPL), and equity instruments classified as FVOCI with gains and losses remaining in other comprehensive income (OCI).

The classification of financial assets pursuant to IAS 39 and IFRS 9 as of the January 1, 2018 transition date is presented below:

In EURm	Original IAS 39 category	Carrying amount, December 31, 2017	New IFRS 9 category	Carrying amount, January 1, 2018
Financial assets*				
Trade receivables	LaR	11.1	AC	11.1
Other financial assets	LaR	6.6	AC	6.6
Foreign currency forwards	FVTPL	0.0	FVTPL	0.0
Cash and cash equivalents	LaR	19.9	AC	19.9
Financial liabilities*				
Trade payables	AC	42.3	AC	42.3
Borrowings	AC	1.9	AC	1.9
Other financial liabilities	AC	5.2	AC	5.2
Foreign currency forwards	FVTPL	0.2	FVTPL	0.2

* Items are shown in accordance with the adjusted structure of the Statement of Financial Position as of December 31, 2018; see note 5.

LaR = Loans and receivables
FVTPL = At fair value through profit or loss
AC = Amortized cost

Besides the classification of financial assets, the impairment model for financial assets has also changed. The Group evaluates all financial assets not measured at fair value through profit or loss in accordance with the expected credit loss (ECL) model.

The Group applies the simplified approach permitted under IFRS 9 for trade receivables. Given that trade receivables are short-term in nature and therefore the financing component is not significant, an impairment is measured from inception at an amount equal to the lifetime expected credit losses. In line with standard industry practice, the Group has in the past included expected credit losses in the measurement of impairment, as a result of which loss allowances on trade receivables did not have to be restated as of January 1, 2018.

Cash and cash equivalents and other financial assets are also subject to the impairment model of IFRS 9. No material impairment losses were determined here.

4.2 Standards Issued but not yet Effective

The following standards had already been adopted by the IASB but were not yet effective at the time the Consolidated Financial Statements were released for publication. The Group intends to apply these new and amended standards and interpretations from their effective date.

Standard	Effective date	Effects
Amendments to IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019	No effects expected
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	January 1, 2019*	No effects expected
IFRIC 23: Uncertainty over Income Tax Treatments	January 1, 2019	No effects expected
Annual improvements to IFRSs (2015 – 2017 Cycle): Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	January 1, 2019*	No effects expected
Amendment to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019*	No effects expected
Amendments to references to the Conceptual Framework in IFRS Standards	January 1, 2020*	No effects expected
Amendment to IFRS 3: Definition of a Business	January 1, 2020*	No effects expected
IFRS 17: Insurance Contracts	January 1, 2021*	No effects expected

* Not yet endorsed by the EU on December 31, 2018.

5. CHANGES TO THE PRESENTATION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group made changes to selected items of its Statement of Financial Position and Statement of Comprehensive Income effective as of the December 31, 2018 reporting date to enhance the presentation and explanation of its financial figures. The items in the Statement of Financial Position and their composition are further explained in the Notes. The changes to the Statement of Financial Position as of December 31, 2017, primarily affect the following items:

In EURm	December 31, 2017 after restatement	December 31, 2017 before restatement	Change
Non-current assets			
Other financial assets	0.0	0.1	–0.1
Restricted cash	0.0	4.9	–4.9
Financial assets	5.0	0.0	5.0
Current assets			
Inventories	26.8	29.6	–2.8
Advance payments on inventories	2.8	0.0	2.8
Right to repossess goods from expected returns	0.0	0.5	–0.5
Other non-financial assets	2.3	1.8	0.5
Trade and other financial receivables	0.0	12.7	–12.7
Trade receivables	11.1	0.0	11.1
Other financial assets	1.6	0.0	1.6
Current liabilities			
Financial liabilities (borrowings)	1.9	2.0	–0.1
Trade payables and other financial liabilities	0.0	45.6	–45.6
Trade payables	42.3	0.0	42.3
Other financial liabilities	4.9	0.0	4.9
Refund liability	0.0	1.5	–1.5

On the **assets** side, other non-current financial assets from deposits paid on rental properties, and restricted cash, are now disclosed under ‘non-current financial assets’.

Advance payments on inventories, which were previously included in inventories, are recognized separately in the statement of financial position.

Rights to repossess goods from expected returns are recognized under other non-financial assets.

Trade receivables and other financial receivables are now shown separately in the Statement of Financial Position. Other receivables (EUR 1.2m) and deposits (EUR 0.4m), which were previously shown under trade and other financial receivables, are now disclosed as other current financial assets. In addition, other current financial assets include foreign currency forwards.

On the **equity and liabilities** side, liabilities from foreign currency forwards (EUR 0.2m) have been reclassified from financial liabilities to other financial liabilities. Therefore, under the new presentation form, current financial liabilities (borrowings) solely include liabilities to banks from current overdrafts as of December 31, 2017.

Trade payables and other financial liabilities will now be recognized separately in the Statement of Financial Position. Other liabilities (EUR 2.2m) and debtors with credit balances (EUR 1.0m), which were previously shown under trade payables and other financial liabilities, are now disclosed as current other financial liabilities. In addition, current other financial liabilities also encompass refund liabilities from expected returns (EUR 1.5m) that were previously presented separately in the Statement of Financial Position.

In contrast to the prior-year disclosure, selling and distribution costs in the **Consolidated Statement of Comprehensive Income** mainly include payment costs. Impairments of financial assets are presented in a separate item as a result of applying IFRS 9. The following table shows the reconciliation of the Statement of Comprehensive Income for financial year 2017 prior to and following the reclassification of the aforementioned costs:

In EURm	2017, after restatement	2017, before restatement	Change
Selling and distribution costs	–127.2	–123.7	–3.5
Impairment losses on financial assets	–0.1	0.0	–0.1
Administrative expenses	–43.2	–46.7	3.5
Other operating expenses	–0.7	–0.8	0.1

6. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

6.1 Revenue

The Group generated revenue of EUR 309.7m (2017: EUR 272.8m) from the sale of furniture and home furnishings through its web shops and outlets. In addition, the Group recognized other revenues of EUR 3.0m (2017: EUR 2.9m).

The following table shows the breakdown of revenue from contracts with customers by major geographic market:

In EURm	2018	2017
Europe	239.5	216.3
Brazil	73.2	59.4
Total	**312.7**	**275.7**

The Group recognizes revenue when the corresponding performance obligation is satisfied by the transfer of the goods and services promised. It is satisfied when the customer has gained control of the goods i.e., after the goods have been delivered to the customer.

The following table provides information on receivables and liabilities arising from contracts with customers:

In EURm	December 31, 2018	December 31, 2017
Trade receivables	16.7	11.1
Contract liabilities	14.6	14.2

Contract liabilities relate to advance payments from contracts with customers that were entered into with the “prepayment” option.

6.2 Expenses by Nature

Cost of sales, selling and distribution costs and administrative expenses for the financial year break down as follows:

In EURm	2018	2017
Purchase of merchandise	176.2	152.7
Marketing expenses	69.0	51.2
Purchased services	58.3	43.8
Employee benefit expenses	46.8	44.3
Depreciation and amortization	17.9	12.9
IT-related expenses	6.1	4.8
Rental expenses and other property-related expenses	3.6	10.8
Other	3.5	2.5
Total	**381.4**	**323.0**

In the financial year, depreciation and amortization included depreciation of right-of-use assets for properties recognized due to the first-time application of IFRS 16 “Leases” as of January 1, 2018. In the previous year, the corresponding expenses were still reported under rental expenses and other property-related expenses.

6.3 Other Operating Income

In EURm	2018	2017
Currency translation gain	0.8	0.4
Income from subleases	0.2	0.2
Other	1.0	0.8
Total	**2.0**	**1.4**

6.4 Other Operating Expenses

In EURm	2018	2017
Currency translation losses	–0.7	–0.6
Other	–0.9	–0.1
Total	**–1.6**	**–0.7**

6.5 Financial Result

In EURm	2018	2017
Interest income	0.0	0.1
Gains from foreign currency forwards	0.5	0.0
Foreign exchange gains	0.6	0.4
Finance income	**1.1**	**0.5**
Interest expenses from financial liabilities at amortized costs	–1.0	–0.5
Interest expenses from unwinding of discounts on lease liabilities	–0.6	0.0
Losses from foreign currency forwards	–0.3	–0.3
Foreign exchange losses	–0.5	–0.6
Other finance costs	–2.2	–2.3
Finance costs	**–4.6**	**–3.7**

Other finance costs primarily relate to interest charged by credit card companies for the upfront payment of trade receivables with respect to agreed installment payments.

Of the total interest expense, EUR 0.4m (2017: EUR 0.0m) was owed to related parties as part of a financing agreement with a shareholder arranged during the year.

6.6 Employee Benefit Expenses

In EURm	2018	2017
Wages and salaries	40.6	38.7
Social security costs	6.2	5.6
Total	**46.8**	**44.3**

Employee benefits were recognized in the Consolidated Statement of Comprehensive Income as follows:

In EURm	2018	2017
Included in selling and distribution costs	23.5	22.4
Included in administrative expenses	23.3	21.9
Total	**46.8**	**44.3**

Contributions to statutory pension insurance amounted to EUR 3.5m in the financial year ended (2017: EUR 3.4m).

6.7 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss for the period attributable to the shareholders of home24 SE by the basic weighted average number of shares outstanding.

	2018	2017
Loss for the period attributable to the owners of home24 SE (in EURm)	–72.2	–48.5
Weighted average number of shares (in m)	22.4	17.9
Earnings per share (in EUR)	**–3.22**	**–2.71**

In accordance with IAS 33 “Earnings per Share”, the effects of potential shares that counter a dilutive effect were not included in the calculation of the diluted earnings per share for the financial years ended December 31, 2018 and 2017. As a result, the diluted earnings per share equal basic earnings per share.

The Company has granted 2,220,940 (2017: 1,516,355) stock options and phantom (“virtual”) stock options to Management Board members and employees that could potentially dilute basic earnings per share in the future but that were not included in the calculation of the diluted earnings per share because they counteract dilution during the periods presented.

The average number of shares outstanding was calculated including the share split performed in May 2018 for both reporting periods.

6.8 Share-based Payment

The Group granted share-based payment to members of the Management Board, employees and external service providers in exchange for media services.

SHARE-BASED PAYMENT GRANTED TO MEMBERS OF THE MANAGEMENT BOARD AND TO EMPLOYEES

The Group has set up share-based payment plans to incentivize performance by the members of the Management Board and selected key employees, and to attract and ensure the loyalty of committed and talented employees for the Group. All share-based payment awards granted to Management Board members and employees are treated as equity-settled share-based payment transactions as defined by IFRS 2. This also applies to commitments that give the Company the choice of settling compensation in cash, because the Company plans on share-based settlement, as in the past. The contents of the individual remuneration plans are presented below.

Long-Term Incentive Plans (LTIP)

An LTIP enables employees 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.

The LTIP has a vesting period of one calendar year. The exercise of the performance shares is triggered by the occurrence of an exit event, the expiration of a four-year holding period, and the attainment of EBITDA targets in the four years starting from the beginning of the vesting period. The condition of occurrence of an exit event was fulfilled when the Company went public in 2018. The performance shares granted for the 2018 calendar year are additionally linked to employee performance assessments, with the number of performance shares granted varying depending on the assessment. The performance shares can be exercised within two years after expiration of the holding period.

In the 2017 financial year, LTIP commitments were agreed with the Company's Management Board members in exchange for existing awards. Performance shares were granted for the calendar years from 2017 to 2020, which are vested till 2020. Modifications to the existing commitments related to a reduction of the exercise price, a different division of shares, and changed vesting periods.

In the 2017 financial year, an LTIP was set up for managing directors of Mobly Comercio Varejista Ltda. ("Mobly"). Performance shares were granted for the calendar years from 2017 to 2020, which are vested till 2020. Those performance shares entitle to a share of the value growth of the LatAm segment. The other rules are applicable as for the LTIP of the parent company.

Virtual Stock Option Programs (VSOP)

VSOP make it possible to participate in increases in the Company's equity value by issuing phantom ("virtual") options that are linked to the performance of the Company's shares.

These phantom options are settled in the form of either shares or cash at the discretion of the Company. A commitment in each case comprises several tranches with various vesting periods ranging in length from six to 48 months. The exercise of the phantom options is dependent on the occurrence of an exit event. This condition was fulfilled when the Company went public in 2018.

Employees of the subsidiary Mobly were granted phantom options to acquire shares of home24 SE. The phantom options entitle the holders to a share of the value growth of the LatAm segment and are additionally linked to the attainment of revenue growth targets.

Individual Option Agreements (call options)

In 2012 and 2014, stock options were issued to former managing directors of home24 GmbH, a predecessor company to home24 SE. The options entitle the holders to acquire shares of the Company. These options either vested or expired by 2016. The vested options can be exercised.

Individual Share Agreements (shares)

On October 30, 2015, 33,282 shares with a par value of EUR 0.02 were issued to Management Board members of the Company (these figures reflect the share split performed during the financial year). The Company can acquire these shares at the par value of EUR 0.02 or the lower market value if the beneficiaries' employment ends prior to May 1, 2019. The vesting period began on October 30, 2015, and ends on May 1, 2019.

The following tables include statistics on the quantity, exercise price and remaining life of the awards granted. The disclosures are grouped according to the contract categories: Long-Term Incentive Programs (LTIP), Virtual Stock Option Programs (VSOP), individual option agreements (call options) and individual share agreements (shares). The Company carried out a 1:43 share split during the financial year. In order to ensure the comparability of the figures, the number, exercise price and fair value of the instruments issued prior to the split were adjusted.

Change in the number of awards and average exercise prices

	2018		2017	
	Excercise price (in EUR)	Number	Excercise price (in EUR)	Number
LTIP				
Outstanding at the beginning of the reporting period	17.72	579,967	0.00	0
Granted during the reporting period	12.14	340,496	30.38	179,164
Forfeited during the reporting period	12.59	–22,382	12.63	–17,931
Modified during the reporting period	0.00	0	12.09	418,734
Outstanding at the end of the reporting period	15.73	898,081	17.72	579,967
Exercisable at the end of the reporting period	**0.00**	**0**	**0.00**	**0**
VSOP				
Outstanding at the beginning of the reporting period	13.51	654,487	26.34	1,253,789
Granted during the reporting period	1.78	470,656	5.32	319,200
Forfeited during the reporting period	16.26	–28,316	20.56	–364,352
Excercised during the reporting period	0.06	–74,272	0.00	0
Expired during the reporting period	29.74	–28,486	0.00	0
Modified during the reporting period	0.00	0	33.18	–554,150
Outstanding at the end of the reporting period	8.42	994,069	13.51	654,487
Exercisable at the end of the reporting period	**14.10**	**510,297**	**0.00**	**0**
Call options				
Outstanding at the beginning of the reporting period	9.19	281,478	9.19	281,478
Outstanding at the end of the reporting period	9.19	281,478	9.19	281,478
Exercisable at the end of the reporting period	**9.19**	**281,478**	**9.19**	**281,478**
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	**0.00**	**0**	**0.02**	**16,082**

The weighted average share price at the time the options were exercised was EUR 23.00.

Remaining life and number of outstanding instruments by exercise price

	2018		2017	
Excercise price (in EUR)	Remaining life (in years)	Number	Remaining life (in years)	Number
LTIP				
0.02	4.7	410,273	5.1	280,446
1.00	5.6	33,224	6.0	3,066
24.14	4.7	451,518	5.1	293,389
1,038.38	5.0	3,066	6.0	3,066
Outstanding at the end of the reporting period	**4.7**	**898,081**	**5.1**	**579,967**
VSOP				
0.02	4.3	415,345	3.4	258,564
2.09	6.0	121,132	0.0	0
2.67	0.0	0	2.0	1,075
3.18	3.0	92,461	4.0	92,461
4.74	4.0	45,150	0.0	0
5.33	5.0	67,946	0.0	0
24.14	3.2	189,308	3.8	239,386
36.86	1.0	10,229	2.0	4,916
36.86	n.l.	21,769	n.l.	21,769
47.36	2.4	27,864	3.7	31,358
59.20	2.0	2,865	2.4	4,958
Outstanding at the end of the reporting period	**4.1**	**994,069**	**3.6**	**654,487**
Call Options				
0.02	n.l.	211,431	n.l.	211,431
36.86	n.l.	70,047	n.l.	70,047
Outstanding at the end of the reporting period	**n.l.**	**281,478**	**n.l.**	**281,478**
Shares				
0.02*	0.0	0	1.3	16,082
Outstanding at the end of the reporting period	**0.0**	**0**	**1.3**	**16,082**

n.l. = not limited

* In the case of shares, the exercise price is the price that the Company would pay if the vesting conditions were not met and the Company were to buy back the shares.

Determining the total amount of share-based payment requires information including an estimate of the fair value of the awards. The weighted fair values of the awards granted in the financial year ended are listed below:

Fair values (in EUR)	2018	2017
LTIP	13.28	30.77
VSOP	1.26	2.19

In the 2017 financial year, the terms of share-based payment agreements were adjusted. In this context, changes were made to exercise prices, vesting conditions and the number of originally 694,717 VSOP instruments. Of these, 554,150 VSOP instruments were converted into 418,734 LTIP instruments. The fair value of these commitments increased as a result by an amount ranging from EUR 0.85 to EUR 16.37 per instrument.

The fair value of option-type awards is estimated using the Black-Scholes option-pricing model or a Monte Carlo simulation if the awards have contractual features not covered by the Black-Scholes model. The following inputs (weighted averages) were used for the models:

	2018	2017
Expected volatility	33.95%	36.25%
Share value (in EUR)	15.96	24.14
Expected dividends (in EUR)	0.0	0.0
Life of the options (in years)	2.7	2.6
Risk-free interest rate	0.00%	–0.68%

The volatility is derived from historical share prices of a peer group comprising companies with comparable business models that operate in the same industries.

Since the Company's IPO, the share price has been based on the quoted price of the shares. Prior to the IPO, the value of the underlying instrument was determined based on the transaction price for preferred shares paid by investors. For this purpose, the proportional equity of the Company in possible exit scenarios (IPO, off-market exit, no exit) is determined and weighted with the estimated probability of each scenario. In the scenario of an off-market exit, the influence of liquidity preferences of preferred shares is modeled using Black-Scholes, and the proportional equity is determined retroactively from the known transaction prices. Furthermore, a Discount for Lack Of Marketability (DLOM) was applied, corresponding to the time to exit to reflect the increased risk arising from the inability to readily sell the shares. When applying the DLOM, the Finnerty option pricing model was used. Under this method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as the basis to determine the DLOM.

The average of the contractually possible terms is assumed to be the term of the awards.

The total amount of the share-based payment is calculated for the number of payment awards granted to employees that are likely to be exercisable. Depending on the award granted, these depend on the turnover rate, the attainment of EBITDA targets and employee assessments. Currently, management assumes a turnover rate of 5%, attainment of the EBITDA targets, and by definition an average employee assessment.

SHARE-BASED PAYMENT AS PART OF THE PURCHASE OF MEDIA SERVICES

The Company entered into an agreement to purchase media services on July 13/23, 2017. The contract is treated as equity-settled share-based payment as defined by IFRS 2. For a percentage share of gross media volume provided, the value of the media volume at list price, the media partner receives remuneration in the form of shares in home24 SE. Remuneration is settled for the periods August 1 to December 31, 2017; January 1 to June 30, 2018; and July 1 to December 31, 2018, respectively. In total, the Company has authorized capital for this purpose of EUR 4,500 or 4,500 shares; after the 1:43 share split in May 2018, the authorized capital increased accordingly. The shares are measured at EUR 24.14 per share (corresponds to a valuation of EUR 1,038 prior to the share split). The media partner pays the notional value of EUR 1 per share into the Company's capital as part of a capital increase. In the financial year, 423 shares had been issued prior to the share split (corresponds to 18,189 shares after the share split; 2017: 0 shares). In addition, the contracting party purchased a legal right to acquire around 47,312 shares (after the share split) as of the reporting date of December 31, 2018. Share-based payment is measured at the fair value of the media service received, which is the sum of the list price when the service is performed less contractually agreed discounts.

On July 4/31, 2017, the Company entered into a contract on an exit investment of another media partner. The exit investment was accounted for in accordance with IFRS 2; it came due at the time of the IPO, because this had been defined in the contract as an exit event. The Company received media services in return for the exit investment. Up to the exit event, the liability was measured based on the equity value of the Company as of the reporting date derived from transaction prices, taking into account the contract formulas. The exit investment was to be paid out in cash and was due when the exit event occurred, which happened when the IPO took place. The contracting party's maximum investment claim was 0.98% of equity at the date of exit, less the total share of the contractually agreed media volume that was not delivered.

TOTAL COST OF SHARE-BASED PAYMENT

In EURm	2018	2017
Equity-settled	9.1	10.6
thereof media services purchased	1.0	0.4
Cash-settled	1.1	1.4
Total	**10.2**	**12.0**

6.9 Income Taxes

INCOME TAX EXPENSE (INCOME)

In EURm	2018	2017
Current taxes	–0.2	0.0
Deferred taxes	0.2	0.2
Total	**0.0**	**0.2**

RECONCILIATION BETWEEN EXPECTED AND CURRENT INCOME TAXES

In EURm	2018	2017
Loss before taxes	–73.1	–50.0
Expected income taxes	22.1	15.4
Unrecognized tax losses for the year	–19.2	–12.1
Share-based payment expenses, non-deductible for tax purposes	–2.4	–3.1
Other non-deductible expenses	–0.3	–0.2
Other	–0.2	0.2
Current income taxes	**0.0**	**0.2**

The weighted average applicable tax rate was 30.2% (2017: 30.8%) and was derived from the tax rates in the individual countries weighted by pre-tax loss.

DEFERRED TAXES

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The composition of deferred taxes for temporary differences and tax loss carryforwards are presented as follows:

In EURm	December 31, 2018	December 31, 2017
Tax loss carryforwards	3.4	2.9
Liabilities	1.5	1.1
Internally generated intangible assets	–4.9	–3.9
Intangible assets acquired in a business combination	–0.2	–0.7
Other assets	–0.9	–0.7
Deferred tax liabilities	**–1.1**	**–1.3**

All changes in deferred taxes in the Statement of Financial Position during the financial year ended and the prior year were recognized in profit or loss.

Deferred income tax assets are recognized for tax loss carryforwards and deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable or deferred tax liabilities are recognized. As of December 31, 2018, deferred tax assets on tax-loss carryforwards of EUR 3.4m were recognized (2017: EUR 2.9m) as well as tax-deductible differences of EUR 1.5m (2017: EUR 1.1m). No deferred tax assets were recognized for deductible temporary differences of EUR 5.7m (2017: EUR 4.1m).

TAX LOSS CARRYFORWARDS

As of December 31, 2018, the Group's unused tax loss carryforwards, for which there was no deferred tax asset recognized in the Statement of Financial Position, relate to corporation tax loss carryforwards of EUR 312.2m (2017: EUR 242.7m), trade tax loss carryforwards of EUR 310.8m (2017: EUR 241.3m) and loss carryforwards incurred outside Germany of EUR 65.6m (2017: EUR 66.6m).

Loss carryforwards can be carried forward indefinitely.

6.10 Property and Equipment

Property and equipment changed as follows:

In EURm	Operating and office equipment	Vehicles	Advance payments made for property and equipment	Total
Cost				
As of January 1, 2017	**12.2**	**0.0**	**0.0**	**12.2**
Additions	1.9	0.0	0.0	1.9
Disposals	–0.4	0.0	0.0	–0.4
Currency translation	–0.4	0.0	0.0	–0.4
As of December 31, 2017	**13.3**	**0.0**	**0.0**	**13.3**
Additions	2.2	1.0	1.3	4.5
Currency translation	–0.3	0.0	0.0	–0.3
As of December 31, 2018	**15.2**	**1.0**	**1.3**	**17.5**
Accumulated depreciation				
As of January 1, 2017	**–3.9**	**0.0**	**0.0**	**–3.9**
Additions	–1.9	0.0	0.0	–1.9
Disposals	0.4	0.0	0.0	0.4
Currency translation	0.2	0.0	0.0	0.2
As of December 31, 2017	**–5.2**	**0.0**	**0.0**	**–5.2**
Additions	–1.7	0.0	0.0	–1.7
Currency translation	0.1	0.0	0.0	0.1
As of December 31, 2018	**–6.8**	**0.0**	**0.0**	**–6.8**
Carrying amount				
As of December 31, 2017	**8.1**	**0.0**	**0.0**	**8.1**
As of December 31, 2018	**8.4**	**1.0**	**1.3**	**10.7**

Operating and office equipment include leasehold improvements, among others.

As of December 31, 2018 and as in the prior year, no property and equipment was pledged to third parties as collateral.

Depreciation of property and equipment is shown under selling and distribution costs at EUR 1.3m (2017: EUR 1.0m) and under administrative expenses at EUR 0.4m (2017: EUR 0.9m).

6.11 Intangible Assets and Goodwill

Intangible assets and goodwill changed as follows:

In EURm	Goodwill	Customer lists	Brand	Internally developed software	Software and other licenses	Advance payments made for intangible assets	Total
Cost							
As of January 1, 2017	**3.1**	**4.1**	**15.0**	**21.2**	**12.8**	**2.5**	**58.7**
Additions	0.0	0.0	0.0	8.4	0.9	6.7	16.0
Disposals	0.0	0.0	0.0	0.0	–5.0	0.0	–5.0
Reclassifications	0.0	0.0	0.0	0.0	1.0	–1.0	0.0
Currency translation	0.0	0.0	0.0	–0.4	–0.2	0.0	–0.6
As of December 31, 2017	**3.1**	**4.1**	**15.0**	**29.2**	**9.5**	**8.2**	**69.1**
Additions	0.0	0.0	0.0	7.6	5.3	1.6	14.5
Reclassifications	0.0	0.0	0.0	0.0	9.8	–9.8	0.0
Currency translation	0.0	0.0	0.0	–0.3	–0.2	0.0	–0.5
As of December 31, 2018	**3.1**	**4.1**	**15.0**	**36.5**	**24.4**	**0.0**	**83.1**
Accumulated amortization							
As of January 1, 2017	**0.0**	**–1.6**	**–1.7**	**–8.0**	**–8.4**	**0.0**	**–19.7**
Additions	0.0	–0.8	–1.5	–7.3	–1.4	0.0	–11.0
Disposals	0.0	0.0	0.0	0.0	5.0	0.0	5.0
Currency translation	0.0	0.0	0.0	0.1	0.0	0.0	0.1
As of December 31, 2017	**0.0**	**–2.4**	**–3.2**	**–15.2**	**–4.8**	**0.0**	**–25.6**
Additions	0.0	–0.8	–2.1	–4.9	–1.1	0.0	–8.9
Currency translation	0.0	0.0	0.0	0.2	0.1	0.0	0.3
As of December 31, 2018	**0.0**	**–3.2**	**–5.3**	**–19.9**	**–5.8**	**0.0**	**–34.2**
Carrying amount							
As of December 31, 2017	**3.1**	**1.7**	**11.8**	**14.0**	**4.7**	**8.2**	**43.5**
As of December 31, 2018	**3.1**	**0.9**	**9.7**	**16.6**	**18.6**	**0.0**	**48.9**

Internally developed software contains software in development in the amount of EUR 2.9m (2017: EUR 9.0m).

As in the prior year, the brand was pledged to third parties as collateral for liabilities of EUR 5.4m (2017: EUR 2.8m) as of the December 31, 2018 reporting date.

Amortization of intangible assets is shown under selling and distribution costs at EUR 3.0m (2017: EUR 2.3m) and under administrative expenses at EUR 5.9m (2017: EUR 8.7m).

TESTING ASSETS FOR IMPAIRMENT

As of December 31, 2018, the Company recognized goodwill totaling EUR 3.1m (2017: EUR 3.1m) and intangible assets in development of EUR 2.9m (2017: EUR 9.0m).

The goodwill and the intangible assets in development were allocated to the Europe cash-generating unit (CGU). The annual impairment test (as of December 31) was performed at the level of this CGU. The recoverable amount of the CGU was calculated based on its value in use in the financial year. In the previous financial year, the calculation was based on fair value less costs to sell. The value in use is based on financial plans agreed by management over a period of five years. Subsequently, a terminal value is added, assuming a long-term growth rate of 2%. The underlying financial plans reflect the current performance and estimates by management regarding the future development of certain parameters, such as market prices and profit margins. General market assumptions (macroeconomic trends, market growth, etc.) are included, taking into account external macroeconomic and business-specific sources. The long-term growth rate is based on published country-specific studies.

The discount rate before taxes was determined using the capital asset pricing model. Accordingly, a risk-free interest rate, a market risk premium, and a premium for credit risk (spread) were calculated based on the relevant business-specific peer group. The calculation also takes into account the capital structure and the beta factor of the relevant peer group. The resulting discount rate before taxes amounted to 14%.

The annual impairment test did not result in impairment of goodwill or intangible assets in development. Furthermore, it was tested whether potential changes to key assumptions could lead to the carrying amount of the units exceeding their respective recoverable amounts. As of December 31, 2018, this was not the case.

After the reporting date, but still during the period in which the Financial Statements were prepared, the Company's market capitalization fell below the carrying amount of the Group's net assets, which is an indicator of possible impairment of assets. The impairment tests for the cash-generating units Europe and LatAm carried out as at December 31, 2018 did not show any need for impairment. As the assumptions made when carrying out the impairment test as of December 31, 2018 have not changed significantly since then, it is presumed that there is no impairment.

6.12 Other Financial Assets

As of December 31, other financial assets were comprised as follows:

In EURm	December 31, 2018	December 31, 2017
Non-current financial assets		
Restricted cash	8.7	4.9
Deposits	0.3	0.1
Total	**9.0**	**5.0**
Current financial assets		
Receivables under a receivables purchase agreement	0.9	0.0
Receivables from suppliers and service providers	0.5	0.4
Deposits	0.4	0.4
Restricted cash	0.2	0.0
Security deposits from the purchase of receivables	0.0	0.6
Other	0.2	0.2
Total	**2.2**	**1.6**

Restricted cash comprises bank deposits that are used as security deposits for the leasers of warehouses. The Company's access to these accounts is restricted.

6.13 Other Non-financial Assets

In EURm	December 31, 2018	December 31, 2017
Non-current non-financial assets		
Prepaid expenses	0.7	0.0
VAT receivables	0.3	0.0
Total	**1.0**	**0.0**
Current non-financial assets		
VAT receivables	3.3	0.5
Advance payments and prepaid expenses	1.1	1.2
Right to repossess goods from expected returns	0.6	0.5
Income tax receivables	0.1	0.0
Other	0.3	0.1
Total	**5.4**	**2.3**

6.14 Inventories and Advance Payments on Inventories

In EURm	December 31, 2018	December 31, 2017
Inventories	36.7	32.4
Impairment loss for slow-moving and obsolete inventories	–4.1	–5.6
Total	**32.6**	**26.8**

The cost of inventories recognized as expenses during the period representing cost of sales amounted to EUR 176.2m (2017: EUR 152.7m).

In the 2018 financial year, an impairment loss of EUR 1.5m for slow-moving and obsolete inventory was recognized (2017: EUR 0.8m). Impairment losses are shown in cost of sales.

The net realizable value of inventories in the Statement of Financial Position was EUR 6.8m (2017: EUR 6.0m). For estimating the net realizable value, coverages, price elasticities and recovery rates are forecasted. They are based on the Group's planning assumptions, which reflect the selling strategy. The estimations about the realizable proceeds for returned goods are based on realized recovery proceeds in the past.

As of the reporting date of December 31, 2017, the warehouse in Ludwigsfelde was pledged as collateral for a credit facility. The credit facility was drawn down in the amount of EUR 0.3m at the end of financial year 2017. As of the reporting date of December 31, 2018, the credit facility was discontinued and the warehouse no longer pledged.

All of the advance payments made shown in the Statement of Financial Position relate to prepayments for ordered goods.

6.15 Trade Receivables

Trade receivables mainly relate to customer receivables.

As of December 31, 2018, the impairment of customer receivables amounted to EUR 0.9m (2017: EUR 1.2m). The changes in the impairment are presented in note 7.

Trade receivables do not carry interest and are therefore not subject to interest risk.

In financial year 2018, home24 SE signed a factoring contract for trade receivables with a non-bank factoring company. The requirements of IFRS 9 for derecognition of receivables were satisfied as of December 31, 2018.

In financial year 2017, home24 SE agreed a factoring contract with a credit institution. The requirements of IAS 39 for derecognition of receivables were satisfied as of December 31, 2017. In connection with this factoring agreement, customer receivables totaling EUR 4.3m were sold to the factor as of the reporting date of December 31, 2017. There was a right, but not an obligation, to buy back overdue receivables. The del credere discount of EUR 0.1m recognized as of December 31, 2017, for which the Company primarily bears default, is the ongoing involvement as defined in IFRS 7 "Financial Instruments: Disclosures" and was recognized in other financial assets. Along with the interest expense of 4% p.a. with regards to the liquidity provided by the factor up to the date of the transfer to the debt collector on the 60th day after due date, the maximum default risk as of December 31, 2017, amounted to EUR 0.1m. No receivables were sold as part of this contract as of the reporting date of December 31, 2018, and the contract was discontinued. In financial year 2018, actual expenses totaled EUR 0.1m (2017: EUR 0.1m).

6.16 Cash and Cash Equivalents

In EURm	December 31, 2018	December 31, 2017
Cash at bank and cash on hand	28.6	19.9
Short-term deposits	80.0	0.0
Total	**108.6**	**19.9**

Short-term deposits can be converted into specified cash amounts at any time with notice of no more than three months.

6.17 Subscribed Capital and Capital Reserves

	Number of shares	Number of treasury shares	Subscribes capital/treasury shares (in EURm)	Capital reserves (in EURm)	Total
As of January 1, 2017	404,990	0	0.4	53.0	53.4
Proceeds from shares issued	24,279	0	0.0	25.2	25.2
Share buyback	0	–400	0.0	–0.4	–0.4
Equity-settled share-based payment transactions	0	0	0.0	0.4	0.4
Utilization of free capital reserve	0	0	0.0	–32.6	–32.6
As of December 31, 2017	**429,269**	**–400**	**0.4**	**45.6**	**46.0**
Proceeds from shares issued	7,583,677	0	7.6	165.0	172.6
Share split	18,047,064	–32,508	18.0	–18.0	0.0
Share buyback	0	–374	0.0	–0.4	–0.4
Transaction costs, net of tax	0	0	0.0	–6.0	–6.0
Equity-settled share-based payment transactions	0	0	0.0	1.0	1.0
Utilization of free capital reserve	0	0	0.0	–61.8	–61.8
As of December 31, 2018	**26,060,010**	**–33,282**	**26.0**	**125.4**	**151.4**

Total equity increased by EUR 102.9m to EUR 150.2m, mainly due to the capital increase and share premium received in the course of the IPO. The loss for the period reduced equity.

In the context of drawing up the Statement of Financial Position as of December 31, 2018, an amount of EUR 61.8m was reversed from the free capital reserves (2017: EUR 32.6m) and offset against home24 SE's loss for the year. Accordingly, the equity items were restated for both years for the purpose of the Consolidated Financial Statements.

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. With legal effect as of March 12, 2018, the Company acquired 374 further treasury shares for a total purchase price of EUR 0.4m 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 Annual General 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 Annual General 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 Annual General 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 Annual General 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 of EUR 165.0m was generated and allocated to the capital reserves. Transaction costs of EUR 6.0m arose in connection with the IPO and were recognized as a deduction from the 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 shadow 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.

The share capital entered in the commercial register as of December 31, 2018, therefore 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.

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

	Number of no-par value shares	Amount (in EUR)
Authorized Capital 2015/II	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

6.18 Other Financial Liabilities

In EURm	December 31, 2018	December 31, 2017
Non-current financial liabilities		
Government grants	0.5	0.5
Total	**0.5**	**0.5**
Current financial liabilities		
Refund liabilities from expected returns	1.5	1.5
Debtors with credit balances	0.8	1.0
Foreign currency forwards	0.0	0.2
Other	1.3	2.2
Total	**3.6**	**4.9**

6.19 Other Non-financial Liabilities

In EURm	December 31, 2018	December 31, 2017
Non-current non-financial liabilities		
Deferred income	0.0	1.0
VAT liabilities	0.0	0.2
Total	**0.0**	**1.2**
Current non-financial liabilities		
Employee benefit liabilities	3.8	3.1
VAT liabilities	0.8	1.3
Liabilities from share-based payment	0.0	1.4
Other taxes	0.1	0.1
Total	**4.7**	**5.9**

The deferred rent subsidy item reported under non-current non-financial liabilities in the previous year was offset against right-of-use assets as part of the application of IFRS 16 ‘Leases’.

6.20 Borrowings

Borrowings solely comprise bank loans. The bank loans include EUR 2.3m (2017: EUR 1.9m) in short-term bank overdrafts, thereof EUR 2.3m at a floating interest rate (2017: EUR 1.6m) and EUR 0.0m at a fixed interest rate (2017: EUR 0.3m), and EUR 1.0m in fixed-interest redeemable loans with a term of five years.

6.21 Trade Payables

Information on the liquidity risks to which the Group is exposed with regard to trade payables is outlined in note 7.

6.22 Advance Payments Received

Advance payments received of EUR 14.6m (2017: EUR 14.2m) result from contracts with customers that were entered into with the prepayment option.

6.23 Provisions

The change in provisions is shown below:

In EURm	Restoration obligation	Other	Total
As of January 1, 2017	0.0	0.8	0.8
Utilization	0.0	–0.8	–0.8
Addition	0.9	0.6	1.5
As of December 31, 2017	**0.9**	**0.6**	**1.5**
As of January 1, 2018	0.9	0.6	1.5
Utilization	0.0	–0.4	–0.4
Addition	0.5	0.4	0.9
As of December 31, 2018	**1.4**	**0.6**	**2.0**

EUR 1.4m of provisions are due in more than one year (2017: EUR 0.9m). All other provisions are expected to be used during the course of the year.

Provisions for restoration obligations relate to future obligations to return warehouse and other leasehold improvements to their original condition. Other provisions include, inter alia, provisions for litigation.

6.24 Leases

The Group's leases primarily relate to office and warehouse spaces as well as sales floors for outlets and showrooms, which home24 groups as "Property." Other leases are reported under "Other." The terms of the leases for "Property" run for one to 13 years and for "Other" from one to two years.

Some of the Group's property leases include extension and termination options. Such lease terms are used to obtain for the Group the maximum operational flexibility with regard to the leases held. The majority of the existing extension and termination options can only be exercised by the Group and not by the respective lessor.

In determining the duration of leases, management takes into account all facts and circumstances that constitute a financial incentive to exercise the extension options. Changes in lease terms resulting from the exercise of extension or termination options are only included in the lease term if an extension or non-exercise of a termination option is sufficiently probable.

The leases mainly involve fixed lease payments due monthly.

In the 2018 financial year, applying IFRS 16 resulted in the following presentation in the Statement of Financial Position and Statement of Comprehensive Income.

LEASES IN THE STATEMENT OF FINANCIAL POSITION

In EURm	Property	Other	Total
Right-of-use assets as of January 1, 2018	34.0	0.1	34.1
Additions	11.1	0.0	11.1
Currency translation	–0.3	0.0	–0.3
Depreciation	–7.2	–0.1	–7.3
Right-of-use assets as of December 31, 2018	**37.6**	**0.0**	**37.6**

In EURm	December 31, 2018
Current lease liabilities	7.7
Non-current lease liabilities	31.1
Total	**38.8**

The following table shows the contractually agreed (undiscounted) lease payments plus the expected extension options as of December 31, 2018:

In EURm	Up to 1 year	Between 1 and 5 years	More than 5 years	Contractually agreed cash outflows	Carrying amount at December 31, 2018
Lease liabilities	7.7	22.6	10.7	**41.0**	**38.8**

LEASES IN THE STATEMENT OF COMPREHENSIVE INCOME

In EURm	2018
Interest expenses from lease liabilities (included in finance costs)	0.6
Depreciation on right-of-use assets (included in selling and distribution costs and administrative expenses)	7.3
Expenses for short-term leases (included in selling and distribution costs and administrative expenses)	0.1

The total cash outflow from leases in the financial year amounted to EUR 7.6m.

6.25 Notes to the Statement of Cash flows

Cash and cash equivalents presented in the statement of cash flows correspond to the cash and cash equivalents shown in the Statement of Financial Position and solely comprise bank balances, cash in hand and short-term demand deposits.

The amounts of interest paid and received in the 2018 financial year totaled EUR 3.2m (2017: EUR 2.8m) and EUR 0.0m (2017: EUR 0.1m), respectively.

The following summary shows the changes in liabilities from financing activities:

In EURm	January 1, 2018	First time application of IFRS 16	New contracts/ Reassessment acc. to IFRS 16.39 ff.	Cash flows	Currency effects	Other changes	December 31, 2018
Borrowings	1.9	0.0	0.0	1.7	–0.3	0.0	3.3
Lease liabilities	0.0	35.3	10.7	–7.6	–0.3	0.7	38.8

In EURm	January 1, 2017	First time application of IFRS 16	New contracts/ Reassessment acc. to IFRS 16.39 ff.	Cash flows	Currency effects	Other changes	December 31, 2017
Borrowings	0.0	0.0	0.0	2.0	–0.1	0.0	1.9

The cash difference in borrowings totaling EUR 1.7m (2017: EUR 2.0m) is attributable to EUR 6.2m from draw down (2017: EUR 4.3m) and to EUR 4.5m from repayment (2017: EUR 2.3m) of bank loans, and in the financial year to draw down (EUR 7.5m) and repayment (EUR 7.5m) of a shareholder loan.

The other changes in lease liabilities relate mainly to the unwinding of a discount on the lease liabilities.

Further information on the development of the Consolidated Statement of Cash Flows are provided in section 3.4.3 of the Combined Management Report.

6.26 Financial Instruments

As of the closing date, financial assets and liabilities are divided into the following measurement categories:

In EURm	Measurment category pursuant to IFRS 9	December 31, 2018	December 31, 2017
Financial assets			
Trade receivables	AC	16.7	11.1
Other financial assets	AC	11.2	6.6
Cash and cash equivalents	AC	108.6	19.9
Financial liabilities			
Trade payables	AC	56.2	42.3
Borrowings	AC	3.3	1.9
Other financial liabilities	AC	4.1	5.2
Foreign currency forwards	FVTPL	0.0	0.2

FVTPL = At fair value through profit or loss
AC = Amortized cost
FLAC = Financial liabilities measured at amortized cost

The fair value of trade receivables and trade payables, other financial assets and financial liabilities, cash and cash equivalents and borrowings nearly corresponds to their respective carrying amount, mainly due to their short terms and/or variable interest. Foreign currency forwards are recognized in the Statement of Financial Position at fair value.

The fair value of foreign currency forwards is measured using a measurement model with inputs observable on the market (Level 2 of the fair value measurement hierarchy in IFRS 13). It is determined based on the present values of future payments due using the yield curves for the relevant currencies applicable as of the reporting date.

FAIR VALUE MEASUREMENT

The fair values recognized or reported for assets and liabilities in the Financial Statements are classified according to the fair value hierarchy below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Measurement parameters other than quoted prices included in Level 1 that are observable for the asset or liability either directly (prices) or indirectly (derived from prices).

Level 3: Measurement parameters for assets or liabilities not based on observable market data.

7. FINANCIAL RISK MANAGEMENT

In the course of its ordinary activities, the Group is exposed to credit risks, market risks (including currency risk, interest rate risk and other price risks) and liquidity risks. The primary objectives of the financial risk management functions are to establish risk limits, and ensure that exposure to risks stays within these limits.

The financial risk management is carried out by a central treasury department supervised by the Management Board. The Management Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk and investment of excess liquidity.

CREDIT RISK

Credit risk is the risk that a counterparty will fail to discharge its obligations under a financial instrument, causing a financial loss. The Group's maximum exposure to credit risk is the carrying amount of financial assets and receivables and the carrying amount of cash and cash equivalents.

In particular, the "purchase on account" method of payment gives rise to credit risk on trade receivables. To avoid credit losses, the Group implements an extensive risk management system. To decide whether home24 will offer customers payment methods such as purchase on account and for the purpose of monitoring credit risk, the Group checks its customers' creditworthiness using statistical methods based on payment history, for example, and with the help of external credit agencies, which provide home24 with assessments of the probability that new customers will meet their obligations. Outstanding receivables from customers are monitored on a regular basis. As of the balance sheet date, unsettled trade receivables resulting from the purchase on account method of payment amounted to EUR 11.1m in total (2017: EUR 3.4m).

Each customer receivable resulting from the purchase on account method of payment is assessed on the basis of the customer risk profile using external credit scores. In determining probabilities of default, data on the Group's own historical experience, current conditions and the maturity structure of the receivables are also taken into account. Trade receivables are usually written off if they are classified as uncollectible by external debt collection service providers or in the absence of a justified expectation that the contractual cash flows will be realized.

The expected credit loss is calculated over the entire lifetime of the receivable based on the simplified approach according to IFRS 9.5.5.15.

The following overview shows the Group's credit risk exposure for trade receivables determined using a provision matrix:

December 31, 2018	**Receivables < 30 days**	**Receivables between 30 – 60 days**	**Receivables between 60 – 90 days**	**Receivables > 90 days**	**Total**
Gross value (in EURm)	12.5	2.4	0.7	2.0	17.6
Expected credit loss rate	1%	5%	11%	27%	
Expected credit loss (in EURm)	**0.2**	**0.1**	**0.1**	**0.5**	**0.9**

December 31, 2017	Receivables < 30 days	Receivables between 30 – 60 days	Receivables between 60 – 90 days	Receivables > 90 days	Total
Gross value (in EURm)	9.5	0.8	0.3	1.7	12.3
Expected credit loss rate	1%	9%	17%	60%	
Expected credit loss (in EURm)	**0.1**	**0.1**	**0.1**	**0.9**	**1.2**

Impairment losses changed as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39. In line with standard industry practice, the Group has in the past included expected credit losses in the measurement of impairment, as a result of which the impairment measurement model remained unchanged year-on-year.

In EURm	2018	2017
As of January 1	1.2	2.7
Addition	1.1	0.1
Utilization	–1.4	–1.6
As of December 31	**0.9**	**1.2**

The remaining credit risk from other trade transactions is limited because cash is received at the time of the sale (prepayments, PayPal, credit card) or promptly after receipt of the order.

The Company's bank deposits are distributed amongst different banking partners. The main partners have a Standard&Poor's long-term rating of between A and BBB+ (2017: between A- and BBB+). The rating is reviewed regularly.

Impairment on cash and cash equivalents has been measured on a twelve-month expected loss basis and reflects the short maturities of the exposures. The Group considers that cash and cash equivalents have a low credit risk based on the external credit ratings. An allowance for expected credit losses of EUR 0.2m was recognized as of the December 31, 2018 reporting date.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risk limits usually have to be approved by management. Credit risks are continually monitored and reviewed.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes currency risk, interest rate risk and other price risks.

The Group is active internationally and especially exposed to foreign currency risk. The foreign currency risk stems from future business transactions as well as assets and liabilities in foreign currencies. Such exposures primarily exist in US dollars and Swiss francs, and to a smaller extent in other currencies.

In the context of the foreign exchange risk management related to the USD, the treasury department hedges risks of inventories bought in USD. Hedging is carried out exclusively with foreign currency forwards and swaps with a period matching that of the hedged item. Derivative financial instruments were entered into and settled in accordance with internal policies that define the scope of action, responsibilities, reporting and control. Activities in the LatAm segment are mainly carried out in the functional currency of the subsidiary, the Brazilian real.

In the following sensitivity analysis for currency risk it is assumed that one factor changes while all other factors remain constant. The following effects on consolidated earnings before taxes would result if the euro were to appreciate or depreciate by 10%:

In EURm	2018	2017
USD	1.0	0.9
CHF	0.3	0.2

Interest rate risk within the Group relates mainly to floating-rate bank loans. As in the previous year, however, this risk and other price risks did not represent a material risk for the Group in the current financial year.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by the management of the Company. Management monitors monthly rolling forecasts of the Group's cash flows. The Group also uses its negative working capital to create a stable financial foundation for further growth.

The liquidity of the Company includes cash and cash equivalents. The Group also has a EUR 4.0m revolving credit facility and a EUR 10.0m factoring facility, although these were unused as of the reporting date.

The remaining contractual maturities of the financial liabilities as of the reporting date, including estimated interest payments, are shown below. The amounts are undiscounted gross amounts inclusive of contractual interest payments. Projections of future new liabilities were not taken into account here. Financial liabilities repayable on demand are always allocated to the earliest possible time band.

December 31, 2018 In EURm	Up to 6 month	Between 6 – 12 month	Between 1 – 2 years	More than 2 years	Total
Borrowings	2.5	0.1	0.3	0.8	3.7
Trade payables	51.8	4.4	0.0	0.0	56.2
Other financial liabilities	3.6	0.0	0.0	0.5	4.1
Gross payments of derivative financial instruments					
Inflows	12.6	0.0	0.0	0.0	12.6
Outflows	–12.5	0.0	0.0	0.0	–12.5
Total	**58.0**	**4.5**	**0.3**	**1.3**	**64.1**

December 31, 2017* In EURm	Up to 6 month	Between 6 – 12 month	Between 1 – 2 years	More than 2 years	Total
Borrowings	1.9	0.0	0.0	0.0	1.9
Trade payables	42.3	0.0	0.0	0.0	42.3
Other financial liabilities	4.7	0.0	0.0	0.5	5.2
Gross payments of derivative financial instruments					
Inflows	9.5	0.0	0.0	0.0	9.5
Outflows	–10.5	0.0	0.0	0.0	–10.5
Total	**47.9**	**0.0**	**0.0**	**0.5**	**48.4**

* Items are shown in accordance with the adjusted structure of the Statement of Financial Position as of December 31, 2018; see note 5.

Gross payments of derivative financial instruments relate to foreign currency forwards. Cash inflows and outflows from the transactions are shown as gross amounts.

CAPITAL MANAGEMENT

The goal of the capital management of home24 Group remains the short-term solvency as well as securing the capital base to continuously finance the intended growth and long-term increase of enterprise value. This ensures that all companies in the Group are able to operate on a going-concern basis. Capital management is performed by continuously monitoring key financial indicators. The equity ratio at the closing date was 55% (2017: 39%).

8. SEGMENT REPORTING

The principal business activity of the Group is the marketing, sale and shipping of furniture and home furnishing in Europe and Latin America (LatAm). The business segments reflect the Group's management structure and the nature in which financial information is regularly reviewed by the ultimate decision maker, the Management Board of home24 SE.

The Group is split into two operating segments – Europe and LatAm. The Europe segment includes business activities in Germany, Switzerland, Austria, France, the Netherlands, Belgium and Italy. The LatAm segment includes business activities in Brazil.

The operating segments subject to mandatory reporting are strategic operating segments that are managed separately.

These operating segments also use the accounting policies that are detailed in the summary of significant accounting policies above.

The Group measures profitability based on adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted amounts include share-based payment and costs related to the IPO. Costs related to the IPO recognized in the Statement of Comprehensive Income consist of transaction costs that are incurred in connection with the listing of existing shares and other one-off expenses, mainly service fees for legal and other consulting services.

External revenue almost exclusively comprises income from the sale of furniture to end customers. There are no inter-segment sales.

No information on segment assets or liabilities is relevant for decision-making.

In EURm	Europe	LatAm	2018
External revenue	239.5	73.2	312.7
Adjusted EBITDA	–40.3	0.3	–40.0
Share-based payment			–10.2
Costs related to the IPO			–1.5
Amortization of intangible assets and depreciation of property and equipment and right-of-use assets			–17.9
Finance costs – net			–3.5
Loss before taxes			**–73.1**

In EURm	Europe	LatAm	2017
External revenue	216.3	59.4	275.7
Adjusted EBITDA	–19.7	–2.1	–21.8
Share-based payment			–12.0
Amortization of intangible assets and depreciation of property and equipment			–13.0
Finance costs – net			–3.2
Loss before taxes			**–50.0**

Germany accounted for 54% (2017: 54%) and Switzerland for 12% (2017: 12%) of total revenue. Most of the non-current assets are located in Germany.

9. TRANSACTIONS WITH RELATED PARTIES

home24 identifies the related parties of home24 SE in accordance with IAS 24.

TRANSACTIONS WITH ROCKET INTERNET SE AND KINNEVIK AB

Rocket Internet SE, Berlin, Germany, and Kinnevik Online AB, Stockholm, Sweden (through its subsidiary Kinnevik Internet Lux S.à r.l, Luxembourg), are the main shareholders of home24 SE. Both main shareholders have representatives on the Company’s Supervisory Board. home24 is included in the Consolidated Financial Statements of Rocket Internet SE as an associate.

In April/May 2018, GGC EUR S.à r.l, a fully consolidated subsidiary of Rocket Internet SE, 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 7.5m was drawn on. As of the reporting date of December 31, 2018, the amount had been repaid in full, and the financing agreement had been terminated after the Company’s IPO. Financing costs of EUR 0.4m were incurred in relation to the financing agreement during the reporting year.

home24 SE 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 0.1m (2017: EUR 0.0m). There were no outstanding liabilities to Rocket Internet SE at the two reporting dates of December 31, 2018 and December 31, 2017.

No reportable transactions existed with Kinnevik Online AB during the reporting period and in the prior-year period.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

In March 2018, the Company entered into agreements for the sale and transfer of 374 (before share split) shares of the Company with two entities wholly owned by current members of the Management Board. In exchange for these shares, the Company paid a total purchase price of EUR 0.4m.

Otherwise, there were no significant income and expenses with related parties during the 2018 financial year or in the prior-year period and no significant outstanding receivables or liabilities with related parties as of the reporting dates. All transactions with related parties were conducted at arm's length prices and terms.

10. DISCLOSURE EXEMPTION

The following commercial partnerships, which are affiliated, consolidated companies of home24 SE, and for which the Consolidated Financial Statements of home24 SE are the exempting Consolidated Financial Statements, make use of the exemption option in accordance with Section 264b HGB concerning preparation and disclosure:

- home24 eLogistics GmbH&Co. KG, Berlin
- home24 eCustomers GmbH&Co. KG, Berlin
- home24 eServices GmbH&Co. KG, Berlin

In accordance with Section 264 (3) HGB, home24 Outlet GmbH, Berlin, is exempt from the requirement to publish its Annual Financial Statements and to prepare Notes to the Financial Statements and a Management Report.

11. REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The non-share-based benefits (excluding fringe benefits) granted to the members of the Management Board for their Management Board work amounted to EUR 1.0m in the financial year ended (2017: EUR 0.5m). In addition, expenses for share-based payment awards granted to members of the Management Board amounted to EUR 4.2m (2017: EUR 6.3m) and 93,224 shares or share options were issued to members of the Management Board in the current financial year (2017: reduction of the number by 3,149). Further information on the share-based payment programs of home24 SE is provided in note 6.8. The determination of the remuneration of the Management Board and Supervisory Board of home24 SE is presented in the Remuneration Report on page 34ff.

The remuneration of the Supervisory Board amounted to EUR 0.3m (2017: EUR 0.2m).

12. SUBSIDIARIES

The Company held equity interests in the following subsidiaries as of December 31:

Subsidiaries	Registered seat	Purpose	Equity interest held 2018	2017
Mobly Comercio Varejista Ltda. and related holdings				
Jade 1216. GmbH	Berlin, Germany	Holding company	92.92%	92.92%
Jade 1412. GmbH	Berlin, Germany	Holding company	92.92%	92.92%
Juwel 181. VV UG	Berlin, Germany	Holding company	92.92%	92.92%
VRB GmbH&Co. B-197 KG*	Berlin, Germany	Holding company	82.83%	82.83%
Mobly Holding 1 Ltda.*	São Paulo, Brazil	Holding company	82.83%	0.00%
Mobly Holding 2 Ltda.*	São Paulo, Brazil	Holding company	82.83%	0.00%
Mobly Hub Transportadora Ltda*	São Paulo, Brazil	Non-operating	82.83%	0.00%
Mobly Brand Licenciamento Ltda*	São Paulo, Brazil	Non-operating	82.83%	0.00%
Mobly Comercio Varejista Ltda.*	São Paulo, Brazil	Online shop	82.83%	82.83%
Other subsidiaries				
SPV-4 Furniture Services GmbH	Berlin, Germany	Holding company	100.00%	100.00%
home24 Verwaltungs GmbH	Berlin, Germany	General partner	100.00%	100.00%
home24 eTrading GmbH	Berlin, Germany	Non-operating	100.00%	100.00%
home24 eLogistics GmbH&Co. KG	Berlin, Germany	Logistics	100.00%	100.00%
home24 eServices GmbH&Co. KG	Berlin, Germany	Non-operating	100.00%	100.00%
home24 eCustomers GmbH&Co. KG	Berlin, Germany	Services	100.00%	100.00%
home24 Polska S.A.	Wroclaw, Poland	Logistics	100.00%	100.00%
home24 Polska Sp z oo	Wroclaw, Poland	Logistics	100.00%	100.00%
Club of Style Ltd.	Hong Kong, China	Services	100.00%	100.00%
Club of Style (Shenzen) Ltd.	Shenzen, China	Services	100.00%	100.00%
Fashion4home Inc.	Dover, USA	Non-operating	100.00%	100.00%
Home&Living Holding AG i.L.	Zurich, Switzerland	Holding company	100.00%	100.00%
home24 Hong Kong Ltd.	Hong Kong, China	Services	100.00%	100.00%
home24 Outlet GmbH	Berlin, Germany	Retail	100.00%	100.00%
home24 Retail GmbH	Berlin, Germany	Services	100.00%	0.00%

* Group share calculated taking into account non-controlling interests at the intermediate holding company level

Jade 1216. GmbH, a direct subsidiary of home24 SE , holds interests in Jade 1412. GmbH and Juwel 181 VV. UG. Jade 1216. GmbH. It also holds an interest in VRB GmbH&Co. B-197 KG, which in turn holds an intrest in Mobly Comercio Varejista Ltda. via Mobly Holding 1 Ltda. und Mobly Holding 2 Ltda.

Non-controlling interests in Jade 1216. GmbH and VRB GmbH&Co. B-197 KG were recognized in equity with a carrying amount of EUR –12.1m as of December 31, 2018 (2017: EUR –11.4m). The loss allocated to this non-controlling interest amounted to EUR –0.9m in the financial year ended (2017: EUR –1.3m).

SUMMARIZED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The following tables contain summarized financial information about Jade 1216. GmbH and its direct and indirect subsidiaries.

Summarized Statement of Financial Position

In EURm	December 31, 2018	December 31, 2017
Non-current assets	6.5	3.7
Current assets	18.2	13.2
Total assets	**24.7**	**16.9**
Non-current liabilities	1.1	0.2
Current liabilties	88.3	77.0
Total liabilities	**89.4**	**77.2**
Net assets	**–64.7**	**–60.3**

Summarized Statement of Comprehensive Income

In EURm	2018	2017
Revenue	73.2	59.4
Loss for the period	–6.5	–8.3
Other comprehensive income/loss for the period, net of tax	0.8	0.6
Total comprehensive loss for the period	–5.7	–7.7

Summarized statement of cash flows

In EURm	2018	2017
Cash flow from operating activities	–8.4	–2.5
Cash flow from investing activities	–3.4	–1.9
Cash flow from financing activities	11.4	5.2

13. NUMBER OF EMPLOYEES

The average number of employees in the financial years is as follows:

	2018	2017
Women	507	443
Men	877	756
Total	**1,384**	**1,199**

14. AUDITOR'S FEE

In the current reporting period, the following fees for the auditor, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Berlin, were expensed:

In EURm	2018	2017
Audits of Annual Financial Statements	0.3	0.2
Other assurance services	0.5	0.0
Total	**0.8**	**0.2**

The other assurance services in the financial year ended were mainly incurred in connection with the IPO for issuing the comfort letter.

15. MANAGEMENT BOARD AND SUPERVISORY BOARD

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

CURRENT MANDATES

Name of the Management Board member	Mandates in accordance 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 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) BAUWERT Aktiengesellschaft (Supervisory Board) Dermapharm Holding SE (Supervisory Board) TAG Immobilien AG (Supervisory Board, Deputy Chairman) Zalando SE (Supervisory Board, Chairman)
Christoph Barchewitz (until May 14, 2018)	—
Franco Danesi (from May 14, 2018)	Bayport Management Limited (non-executive director) Black Earth Farming Ltd. (non-executive director) E-Motion Advertising Limited (non-executive director) G3 Good Governance Group Ltd. (non-executive director) Iroko Limited (non-executive director) Metro International S.A. (non-executive director)
Verena Mohaupt	Mos Mosh A/S (Advisory Board) Reinhold Fleckenstein Jeanswear GmbH (Advisory Board, Chairwoman) Rhenoflex GmbH (Advisory Board)
Alexander Samwer	Zalando SE (Supervisory Board)
Christian Senitz	—
Christian Scherrer (until June 13, 2018)	Urbanoga Ltd. (Supervisory Board)
Magnus Agervald (from June 13, 2018)	FH Gruppen AS (Board of Directors) AGE Advisory AB (deputy member of the Board of Directors)

16. CORPORATE GOVERNANCE DECLARATION

The declaration of the Management Board and Supervisory Board on the Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) is published 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

17. 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.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The Consolidated Financial Statements and the Combined Management Report of home24 SE are published in the electronic Federal Gazette. The Management Board approved the Consolidated Financial Statements and the Combined Management Report for publication on April 23, 2019.

Berlin, April 23, 2019

Marc Appelhoff   Christoph Cordes   Johannes Schaback

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report, which is combined with the Management Report of home24 SE, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Berlin, April 23, 2019

The Management Board

Marc Appelhoff   Christoph Cordes   Johannes Schaback

INDEPENDENT AUDITOR'S REPORT

To home24 SE

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions

We have audited the Consolidated Financial Statements of home24 SE, Berlin, its subsidiaries (the Group), which comprise the consolidated Statement of Comprehensive Income for the financial year from January 1 to December 31, 2018, the consolidated balance sheet as of December 31, 2018, the consolidated statement of changes in equity and the consolidated statement of cash flow for the financial year from January 1 to December 31, 2018, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. We have also audited the Group Management Report of home24 SE, which is combined with the Management Report of the Company, for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements, we have not audited the information included in the statement on corporate governance in accordance with Section 315d HGB contained in the Corporate Governance Report in the Group Management Report.

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

- the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and

- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group Management Report does not cover the content of the corporate governance statement.

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 Consolidated Financial Statements and of the Group Management Report.

Basis for the opinions

We conducted our audit of the Consolidated Financial Statements and of the Group 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 IDW. Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Group Management Report" section of our Auditor's Report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with 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 Consolidated Financial Statements and on the Group Management Report.

Key audit matters in the audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated 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 Consolidated 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 Group and is one of the most important performance indicators for the home24 Group.

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 IFRS 15. In order to identify anomalies regarding revenue and the development of revenue, we developed a segment-specific forecast of 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 selected posting ledger for 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 Sections 2.3 (Accounting and Valuation Methods) and 6.1 (Revenue) in the Notes to the Consolidated 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 Consolidated 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 IFRS Conceptual Framework and the relevant IFRSs.

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 Sections 2.3 (Accounting and Valuation Methods) and 6.14 (Inventories and Prepayments) in the Notes to the Consolidated 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 315d HGB contained in the Corporate Governance Report in the Group Management Report as well as the remaining components of the Annual Financial Report, with the exception of the audited Consolidated Financial Statements and Group Management Report as well as our Independent Auditor's Report, in particular:

- the responsibility statement contained in the "Responsibility Statement by the Management Board" section pursuant to Section 297 (2) Sentence 4 HGB and Section 315 (1) Sentence 5 HGB
- the Non-financial Report contained in the "Non-financial Report" section pursuant to Section 315b 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 Consolidated Financial Statements and on the Group 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 Consolidated Financial Statements, with the Group Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

Responsibilities of the executive directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group 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 Group Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and of the Group Management Report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated 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 Consolidated Financial Statements and on the Group 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 Consolidated Financial Statements and this Group 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 Consolidated Financial Statements and of the Group 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 Consolidated Financial Statements and of arrangements and measures relevant to the audit of the Group 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.

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the Auditor's Report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the Group 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 Consolidated 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 group 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 group 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 group entities the following services that are not disclosed in the Consolidated Financial Statements or in the Group Management Report:

- Issue of comfort letters in connection with home24's IPO

- Audit work in line with the audit instructions from an 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 an 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 and executives, 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.

CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) – international convention aimed at ensuring sustainable international trading in animals and plants listed in its annexes.

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.

EUTR (European Timber Regulation) – the entry into force of the EU Timber Regulation makes it unlawful to market illegally harvested timber or wood products made from this timber.

FLEGT (Forest Law Enforcement, Governance and Trade) – European Union action plan to tackle the global problem of illegal logging and trading in timber and wood products of illegal origin.

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

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 working capital – 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 and showrooms, share-based payment marketing expenses, other logistics and marketing expenses, employee benefits and expenses for temporary work obtained for central fulfillment and marketing activities including customer service, miscellaneous expenses and other depreciation.

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

Profit contribution – defined as gross profit less fulfillment expenses.

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

REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) – EU chemicals regulation governing the registration, evaluation, authorization and restriction of chemicals.

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

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

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

FINANCIAL CALENDAR 2019

May 28, 2019	Publication Quarterly Financial Report Q1
June 19, 2019	Annual General Meeting
September 3, 2019	Publication Half-year Financial Report H1
November 26, 2019	Publication Quarterly Financial Report Q3

IMPRINT

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