elumeo

Annual Report 2017

World-wide live TV and web shop sales of the elumeo Group

GROUP FIGURES 2017

EUR thousand [unless indicated otherwise]	01.01. - 31.12.2017		01.01. - 31.12.2016		2017 ./.2016
Revenue	67.560	100,0%	58.476	100,0%	15,5%
Product revenue by regions [absolutely and in % of product revenue]					
Germany	52.907	78,3%	44.284	75,7%	19,5%
Italy	10.001	14,8%	10.163	17,4%	-1,6%
Other countries	4.593	6,8%	3.980	6,8%	15,4%
Product revenue by distribution channels [absolutely and in % of product revenue]					
TV revenue	39.679	58,7%	37.750	64,6%	5,1%
eCommerce revenue	23.328	34,5%	17.105	29,3%	36,4%
B2B revenue	4.495	6,7%	3.572	6,1%	25,8%
[The following disclosures represent: absolute values and in % of revenue]					
Gross profit	29.826	44,1%	26.659	45,6%	11,9%
EBITDA	10	0,0%	-7.457	-12,8%	-100,1%
Total segment EBITDA	-276	-0,4%	-3.772	-6,5%	-92,7%
Depreciation and amortisation	-1.606	-2,4%	-1.588	-2,7%	1,1%
EBIT	-1.595	-2,4%	-9.045	-15,5%	-82,4%
Total segment EBIT	-1.882	-2,8%	-5.360	-9,2%	-64,9%
Earnings for the period	-2.135	-3,2%	-10.625	-18,2%	-79,9%
Total comprehensive income	-7.340	-10,9%	-12.547	-21,5%	-41,5%
Selling and administrative expenses	32.565	48,2%	36.185	61,9%	-10,0%
Total assets	54.709		62.089		-11,9%
Total equity [absolutely and in % of balance sheet total]	31.952	58,4%	38.975	67,0%	-18,0%
Working capital [absolutely and in % of balance sheet total]	28.518	52,1%	35.388	57,0%	-19,4%
Cash flow from operating activities	5.199	7,7%	-11.874	-37,0%	-143,8%
Cash flow from investing activities	-229	-0,3%	-973	-13,5%	-76,5%
Cash flow from financing activities	-2.005	-3,0%	-688	65,5%	191,4%
Items sold [pieces]	923.476		838.695		10,1%
Number of active customers (rounded)	82.062		84.587		-3,0%
Average number of items sold per active customer [pieces]	11,3		9,9		13,5%
Average sales price (ASP) [EUR]	73		70		4,9%
Revenue per active customer [EUR]	823		691		19,1%
Gross profit per item sold [EUR]	32		32		1,6%
New customer breakdown (Germany only) [in % of new customers]					
TV only	24,6%		30,1%		
Web only	59,2%		54,9%		
Others	16,2%		15,0%		

HIGHLIGHTS

16% sales growth

12% growth in gross profit

Positive EBITDA

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To our shareholders

Letter from the Chairman of the Executive Board

Dear Shareholders,

We made great progress in moving back towards profitability in 2107.

The sales measures in the German market have developed extremely successfully. In particular, the measures include new broadcasting formats and special shows on the collections from the various brands.
Comparable measures in the Italian market are also having an effect, albeit with a time lag. Our B2B activities have developed particularly well, contributing to a positive total segment EBITDA in the last three quarters.

The British Referendum of 23 June 2016 on Britain's exit from the EU and the accompanying continued weakness of the British pound (GBP) against the Thai baht (THB) ultimately convinced us to discontinue our operations in the UK. Our British subsidiary Rocks & Co. UK Ltd. could no longer be operated profitably. In 2017, this contributed around 11% (previous year 18%) to the consolidated sales of elumeo SE. We ceased to produce our own television programs in the United Kingdom in December 2017.

Overall, we were able to increase Group sales from continuing operations by 16% compared to the previous year. As a result, gross profit also developed positively, rising by 12% compared to the previous year.

Total segment EBITDA also developed well amounting to EUR -0.3 million for the year as a whole (previous year: EUR -3.8 million). As a result, the overall earnings performance excluding the British sales unit was very positive. This was largely due to the positive development of sales and gross profit. The savings achieved with respect to the distribution costs and in the area of personnel also contributed. At the same time, we were able to reduce our inventory from EUR 38.9 million as of 31 December 2016 to 33.5 million as of 31 December 2017.

We will continue to pursue initiatives that boost sales and strengthen the brand awareness of the elumeo Group in the future in order to continue to grow profitably. This will include increasingly being able to broadcast our programs in parallel in different languages and expanding our activities in the areas of social media and mobile commerce.

We thank you for your trust in our Company and look forward to continuing to work with you successfully in the future.

In March 2018

Wolfgang Boyé
(Chairman of the Executive Board)

The Executive Board of elumeo SE

Wolfgang Boyé, Chairman of the Executive Board

Wolfgang Boyé, born on 12 November 1969, is Chairman of the Executive Board of elumeo SE. The businessman is co-founder of Juwelo Deutschland GmbH, Berlin, one of the current subsidiaries of elumeo SE. Juwelo was founded following the MBO of Scholz & Friends Group, which was managed by Wolfgang Boyé. At that time, he was a member of the Executive Board of Scholz & Friends AG (Berlin) and before that CFO of United Visions Entertainment AG (Berlin). At Scholz & Friends, Wolfgang Boyé was in charge of TV activities and at United Visions, in addition to his finance portfolio, he was responsible for the successful IPO of the company in the year 2000. From 1995 to 2000, Wolfgang Boyé was project manager at The Boston Consulting Group in Moscow, Russia, and acted as a consultant in Munich. Prior to that, he graduated in Business Administration from the University of St. Gallen, majoring in Financial Management and Accounting.

Don Kogen, Vice Chairman of the Executive Board

Don Kogen, born on 12 September 1975, has over twenty years of experience in the gemstone and jewelry industry. He began his career at the age of 13 on a trip to Chanthaburi, Thailand, and today is a gemstone buyer and expert. In collaboration with experienced gemstone dealers, Don Kogen extended his knowledge of gemstones, learned the Thai language and familiarised himself with all facets of the Thai gemstone industry as well as the international gemstone trade. Back in 1998, Don Kogen seized the opportunity to make his idea of an efficient and affordable gemstone trading system a reality by launching the online shop Thaigem.com. It soon became a major player with a workforce that grew from three to more than three hundred in the space of just three years. Internationally renowned for his high level of specialist expertise, Don Kogen is an influential figure within the gemstone industry. For instance, he has been a member of the ICA (International Colored Gemstone Association) and represented Thailand several times at the GILC (Gemstone Industry Laboratory Conference).

He was also formally appointed as Ambassador for the CGA (Chanthaburi Gem and Jewelry Traders Association).

Boris Kirn, Chief Operating Officer

Boris Kirn, born on 13 October 1969, is one of the Managing Directors and an Executive Board member of elumeo SE and co-founder of Juwelo Deutschland GmbH, Berlin. He is in charge of developing processes and systems, in addition to overseeing the area of eCommerce and the international expansion of the Company. Previously Boris Kirn was co-founder and one of the Managing Directors of bietbox GmbH from 2005 to 2008. In addition, since the year 2000, Boris Kirn has been a Board member and was, since 2001, Managing Director of the German online and TV platform K1010 (known up until 2001 as K1010 AG, subsequently K1010 Entertainment GmbH and later K1010 Media GmbH, all based in Berlin). From 1994 to 2000, Boris Kirn worked for Hewlett-Packard as a consultant in Business Process Optimisation and as a project manager for Knowledge Management in Mountain View, California/USA. Boris Kirn studied European Business Administration from 1990 to 1994 at ESB Reutlingen/London, graduating with a double degree (BA (Hons.) and Dipl.-Betriebswirt) before completing his MBA in 1997 at Cambridge University.

Bernd Fischer, Chief Financial Officer and Speaker of the Executive Board

Bernd Fischer, born on 28 July 1969, is one of the Managing Directors, member and Speaker of the Executive Board at elumeo SE. Bernd Fischer was formerly CFO and Deputy Chairman of Spiele Max AG. There he played a crucial role in the restructuring and subsequent sale of the company to a strategic investor. After the takeover of Spiele Max AG by the publicly listed EMF Group, Bernd Fischer oversaw its expansion and the introduction of an in-house fashion brand. He had previously worked for many years as a successful trader with such companies as the Kingfisher Group (ProMarkt). Bernd Fischer began his professional career by working for the German auditing companies Dr. Knief & Partner and Curax Treuhand GmbH.

Thomas Jarmuske, Chief Merchandising Officer

Thomas Jarmuske, born on 7 May 1978, is one of the Managing Directors, an Executive Board member of elumeo SE and co-founder of Juwelo Deutschland GmbH, Berlin. Juwelo Deutschland GmbH is now a 100% subsidiary of elumeo SE. Thomas Jarmuske is in charge of Sales, Marketing and Merchandising.
Thomas Jarmuske was previously co-founder and one of the Managing Directors of bietbox GmbH from 2006 to 2008, with responsibility there for Sales, Marketing and Merchandising. From 2000 to 2006, he was Managing Director of K1010 Entertainment GmbH in Berlin.
After gaining his German university entrance qualification (Abitur) in 1997, Thomas Jarmuske began working at Media Port Berlin GmbH (subsequently United Visions Entertainment AG, both in Berlin) as a Management Assistant in charge of Media Marketing (marketing of a regional TV channel) from 1999 to 2000.

Deborah Cavill, Member of the Executive Board

Deborah Cavill, born on 1 August 1963, is a member of the Executive Board.
From her infancy, Mrs. Cavill has been surrounded by gemstones and jewelry. Her parents were well-known jewelers in the famous Jewelry quarter of Birmingham in the UK. Prior to her career as a model, TV presenter and fashion designer, she led a small trading company, which she eventually sold after it had recorded years of solid growth. In 1999, Deborah Cavill switched to the eCommerce field, while retaining the goal of returning to the jewelry sector.
In 2003, she turned her attention back to the design of jewelry, moved to Thailand and created jewelry pieces there for Gems TV, Rocks & Co., Juwelo and Lance Fischer. Her designs continue to be sold today in many countries of Europe, Asia and North America.

Deborah Cavill, Member of the Executive Board

Anette Bronder, born on 13 December 1967, is a member of the Executive Board.
Since August 2015, Mrs. Bronder has been on the Management Board of T-Systems and responsible for the Digital area. Prior to this, she was appointed Global Director of Vodafone Group Enterprise Solutions within the Enterprise Delivery and Operations division and she had held the position of Director Group Technology Enterprise Solutions at Vodafone Group Services in London. Before joining Vodafone, Anette Bronder was employed by Hewlett Packard, where she held various positions: from October 1996, for example, she was Director of Professional Services for Central & Eastern Europe as well as Director of HP Consulting Germany. Anette Bronder completed a Master's degree in Business and Social Sciences (majoring in Political Science) at the University of Stuttgart. Anette Bronder is also a member of the Supervisory Board of Ströer SE & Co. KGaA, a member of the Supervisory Board of the German Research Center for Artificial Intelligence (DFKI) and Chairwoman of the Supervisory Board of T-Systems Multimedia Solutions GmbH.

Roland F. Sand, Member of the Executive Board

Roland Sand, born on 3 August 1965, is a member of the Executive Board.
He is an independent advisor. Until January 2015, Mr. Sand was a Managing Director/Chairman at Jefferies International, responsible for the investment banking business in the German-speaking area (Head of Investment Banking Germany, Austria & Switzerland). From 2005 to 2010, he worked as a Managing Director/Co-Head of Investment Banking Germany and Austria at Credit Suisse. From 2001 to 2004, Mr. Sand was a Managing Director/Senior Investment Banker at JPMorgan. Prior to that, Mr. Sand held various positions at Deutsche Bank in Germany, Hong Kong and Singapore, including Regional Head of TMT Investment Banking Asia-Pacific. Mr. Sand holds a degree as Bankfachwirt (MBA/Diploma in International Banking, Finance and Management) and Bankkaufmann (Banking Certificate).
Roland Sand is also a non-executive Board member of Multiplx Ltd., the Chairman of the Advisory Board of GLYCOTOPE GmbH and Managing Director and Co-owner of goEwhere GmbH.

Capital market information

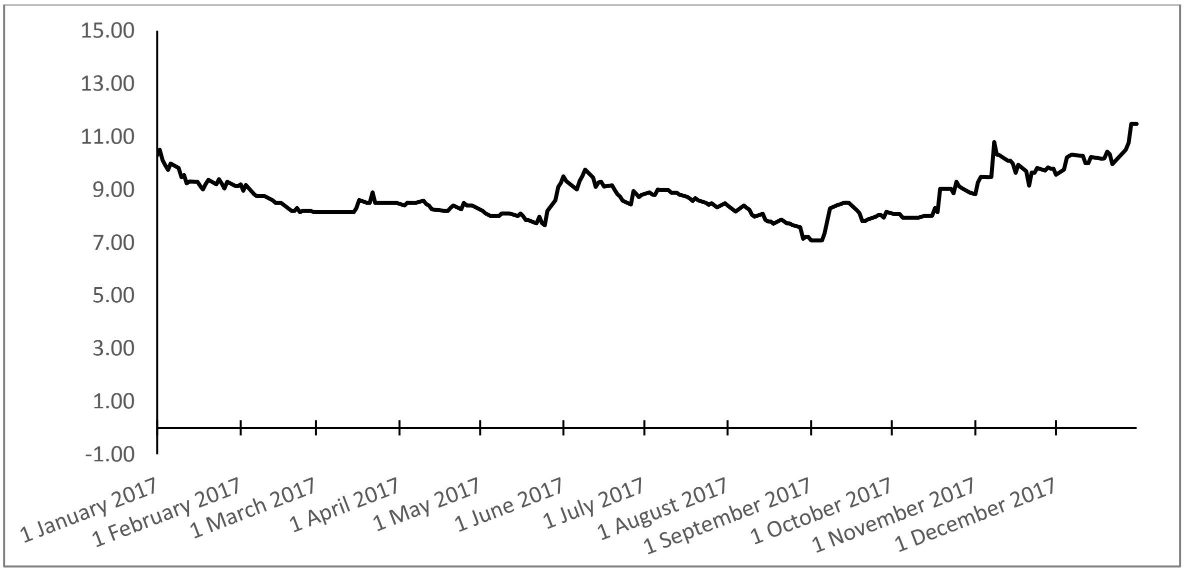
Basic data and key figures on the share of elumeo SE (Status: 31 December 2017)

WKN	A11Q05
ISIN	DE000A11Q059
Earnings per share in 2017	EUR -1.10
Number of shares outstanding	5,500,000
XETRA closing price on the reporting date	EUR 11.48
Market capitalisation	EUR 63.14 million

Share price development

The share of elumeo SE experienced a slight upward trend since the beginning of 2017. It reached its lowest point in 2017 on 1 September 2017 at a closing price of EUR 7.08. The price peaked at EUR 11.48 in 2017 on 29 December 2017.

Share of elumeo SE 01/01-31/12/2017 (XETRA, in EUR)



Shareholder structure (Status on 31 December 2017)

Shareholders of elumeo SE	Share-holdings
1. Ottoman Strategy Holdings (Suisse) SA	26.43%
2. Blackflint Ltd.	26.66%
3. Heliad Equity Partners GmbH & Co. KGaA	7.50%
4. Sycomore Asset Management SA	5.09%
5. Management (thereof Wolfgang Boyé directly 1.24%)	8.01%
6 Free float	25.39%

Consolidated Management Report 2017

Preliminary remarks

The consolidated financial statements of elumeo and its subsidiaries (together "elumeo" or the "elumeo Group") as of 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union. Unless otherwise noted, all information in the management report is based on the accounting policies used for the consolidated financial statements.
The information contained in the tables is in thousand euros (€), if no other unit is mentioned. All amounts referred to in thousands of euros in this management report have been commercially rounded. This also applies to the information derived therefrom, such as percentages. Rounding differences are therefore possible.

A. Foundations of the Group

Development
The elumeo Group with elumeo SE ("elumeo") as the parent Company, was established in October 2014 through the contribution of Juwelo Deutschland GmbH, Berlin, Germany ("Juwelo Deutschland") and its subsidiaries, and Silverline Distribution Ltd., Hong Kong, People's Republic of China ("Silverline") and its subsidiary PWK Jewelry Company Limited, Chanthaburi, Thailand ("PWK").

Business model
elumeo SE and its subsidiaries are active as producers and electronic retailers of gemstone jewelry. elumeo mainly sells its self-produced jewelry through direct sales channels. The vertically integrated value chain allows it to skip several middlemen, who are typical for the value chains of traditional jewelry vendors.
The elumeo Group operates a jewelry-manufacturing site in Chanthaburi, Thailand. It has high-performance procurement channels through an extensive network of gemstone suppliers and can choose from more than 50,000 designs and more than 500 different gem varieties. The product portfolio therefore includes a wide variety of gemstone jewelry.
The elumeo Group owns and operates two home shopping channels in Germany (Juwelo) and Italy (Juwelo). Broadcasting via the home shopping channel in the United Kingdom (Rocks & Co.) was discontinued on 18 December 2017 due to continued losses.
At the end of 2017, the elumeo Group's programs could be watched in around 73 million households in Europe. In addition, the elumeo Group sells its products online through web shops in Germany, the United Kingdom, France, Spain, the Netherlands, Belgium and the USA and via apps for smartphones and smart TV. Web streams of the TV shows and an online bidding agent (affiliated with the TV show) have been integrated into the web shop and apps. The sale to local TV stations for resale to consumers ("B2B business") represents an additional distribution channel in the USA.

Legal form and structure
elumeo SE manages the elumeo Group as a management holding company. The operational business of elumeo Group is handled by the subsidiaries Silverline and Juwelo Deutschland GmbH and their respective subsidiaries. Silverline holds all shares of PWK, with the exception of two shares that are held by natural persons for legal reasons, which operates the production site and delivers exclusively to European distributors.
Juwelo Deutschland GmbH (Juwelo Deutschland) and its subsidiaries Juwelo Italia s.r.l. (Juwelo Italia), Juwelo France S.A.S (Juwelo France) and Juwelo USA Inc. (Juwelo USA) as well as Rocks & Co. UK Ltd. (R&C UK) until 18 December 2017 are responsible for sales.

Segment reporting
Segment reporting follows the internal reporting structures and internal control criteria. The report formats can be divided into two operating segments and a segment called Group functions & eliminations. No reporting of asset ratios takes place, however, because no relevant indicators are used as control variables at the level of segment reporting. Juwelo Deutschland is the Group's longest-operating unit and can be considered a blueprint for further expansion into other countries thanks to its integration of all available channels (TV, Smart TV, Web, Mobile and Classic Web Shop).

The Italian business was historically established from the German organisation. Both companies are closely linked through joint purchasing and central merchandise planning. Central control functions such as accounting and controlling have been carried out centrally from Berlin for both territories together. In addition, there are relevant service contracts for the phone platform, for example, that are used by the two companies. In addition, schmuck.de G&S GmbH, which was newly established on 20 December 2017, will be added to this segment. In the future, the Company intends to offer an alternative online offer independent of TV shopping that will also serve as a portal for new customers. In another segment, we combine all of the other operating units. Besides R&C UK, this includes Rocks & Co Productions Ltd., which is available for sale. ("R&C"), Juwelo France and Juwelo USA as well as the external sales of Silverline and PWK. R&C was acquired in 2010 and was previously positioned independently and autonomously in terms of its structure. At present, it only broadcasts program content produced in Germany in the United Kingdom, without continuing to be involved in the Group's sales. In the third segment, we mainly combine Group-wide administrative functions. These include the expenses of elumeo SE and the respective costs of production and purchasing units in Asia. The previous internal reporting structure therefore always provided for a focus on the German-Italian business and their profitability. This is adjusted for any one-time special effects (Segment EBITDA) and based on the Group margin achieved in each case (margin without intercompany surcharges).

Segment Sales division Germany & Italy

Significant revenue growth was recorded in the Segment Sales division Germany and Italy in financial year 2017. While a significant increase in sales was recorded in Germany, the Italian market has stabilized. The measures taken in the past 18 months (program changeover, increased brand offer) are meeting with significantly delayed acceptance in Italy in contrast to the German market. Nevertheless, the development of earnings (Segment EBITDA) is very positive overall and has improved significantly compared to the previous year. The segment is now showing only a slightly negative contribution margin.

Segment Sales division Others

In December, elumeo SE decided to discontinue the loss-making business operations of the British subsidiary Rocks & Co. UK Limited. This stopped the continuous losses in Great Britain. The business previously reported in this segment in the United Kingdom was eliminated in accordance with IFRS 5 (discontinued operations). Excluding discontinued operations in the United Kingdom, business in the Other sales division developed as follows: In 2017, sales in the Other sales division were also 15% above the previous year's level. At 30.4%, gross profit developed disproportionately better than in the previous year. This was mainly due to the low-margin item transactions taken into account in the previous year. In contrast, sales in 2017 are essentially the result of a cooperation with an American TV station. Continuation of this cooperation is planned for 2018.

Segment Group functions & eliminations

To offset the administrative costs of production, gross profit was allocated to the segment in 2017, which was not allocated to the sales divisions Germany and Italy and Others.

Management and control

elumeo SE is a monistic European Company (Societas Europaea). The Executive Board is its governing body. It directs the Company's affairs, sets the general principles for its activities and monitors their implementation. The Executive Board also appoints the Managing Directors. They run the daily operations of the Company and represent the Company externally. The Executive Board members in financial year 2017 were Mr. Wolfgang Boyé, Mr. Don Rene Kogen, Mrs. Deborah Cavill, Mr. Roland Sand, Mrs. Anette Bronder, and the individually authorised Managing Directors Mr. Bernd Fischer, Mr. Boris Kirn, and Mr. Thomas Jarmuske.

Strategy and objectives of the Group

The goal of the elumeo Group is to transform high-quality jewelry into affordable luxury. With this mission, elumeo has, by its own estimation, succeeded in having one of the broadest product ranges in terms of the number of gem

variations and the price range.
The elumeo Group sells the jewelry that it produces itself under four brands that address different price segments. The brands Juwelo and Rocks & Co cover the main segment in the price range of EUR 29 to EUR 1,000. The higher-priced segment is addressed by the brand AMAYANI. Jewelry that costs less than EUR 29, on the other hand, is sold under the New York Gemstones brand. In addition, other brands were established to better address different groups of customers. The brand "Cavill" is aimed at budget-conscious customers with a preference for minimalist design. "Lance Fischer" is aimed at customers who prefer classic design that uses special materials. In addition, there are other collection-based brands that meet different criteria, allowing the customer to shop more specifically according to their needs.
Expanding its price leadership represents an essential part of the Company's strategy. By manufacturing its own products in Thailand, having a fully integrated value chain and electronic sales channels, elumeo can leverage economies of scale in a fragmented market and achieve significant cost benefits.
The electronic distribution channels include classic television with its own private channels and live shows, smart TV, the Internet, mobile devices, mobile apps and personal shopping. The TV shows produced by its own TV studios in German, Italian, and partially in English provide the elumeo Group with significant advantages over pure online retailers in terms of reach and market penetration. The offers and content are adapted regionally and in terms of the languages. The product portfolio in financial year 2017 comprised more than 500 gem varieties with over 50,000 product designs. elumeo also entered into cooperations that will sustainably improve awareness of the Company and its products and thus contribute positively to the business. This includes cooperation of the subsidiary Juwelo Deutschland with Kat Florence Design Limited concerning the luxury jewelry line KAT FLORENCE, which Sarah Jessica Parker promotes. elumeo has a priority right for this line of jewelry to make it exclusively available for purchase in Germany, Italy and the United Kingdom via shopping channels.
To continue its growth, the elumeo Group aims, on the one hand, to achieve vertical expansion by adding new distribution channels or sales formats, and on the other hand, by expanding its business to other countries. Access via mobile devices, in particular, is to be improved.

Control system – Financial performance indicators

The elumeo Group's business is largely controlled centrally. Key financial performance indicators include sales and segment EBITDA. With respect to adjustments, in particular non-cash one-time costs as well as such costs or income that will most likely not be incurred again will be eliminated. Further explanations can be found in the segment reconciliation. Another principal key performance indicator is the gross margin, which is adjusted by intercompany profits.

Control system – Non-financial performance indicators

Besides financial performance indicators, non-financial performance indicators are also used to manage the Company. Key indicators relate to our customers. New customer development is considered from the point of view of the source of the subscription (TV or online). A high share of so-called "online" customers is of importance to the future development. Furthermore, the number of active customers as well as average sales and gross revenue per piece of jewelry sold are considered non-financial performance indicators to manage the business.

Research and development

The elumeo Group does not conduct any research. Development activity is limited to working on the business software used, including web applications and user software such as mobile apps. Development costs are not capitalised because the recognition criteria were not met under IFRS.

B. Economic Report

Macroeconomic conditions in 2017

The gross domestic product (GDP) in the euro zone grew significantly in 2017 and rose by 2.6% in the year as a whole on the basis of information from Bloomberg. The strongest growth drivers included Spain, the Netherlands and Austria. In Germany, the economic situation was also characterised by good economic growth. Following a very strong first quarter increase of 0.9% compared to the previous quarter, growth remained at a good level of 0.6% in Q2, 0.7% in Q3 and 0.6% in Q4. Overall, the German economy thus once again ranked among the key growth drivers in the euro zone.

France, the second-largest economy in the euro zone, was also able to provide consistently good growth rates in all four quarters of 2017. Overall, French GDP growth in 2017 was almost twice as high as in 2016. After years of economic downturn, Italy also recorded GDP growth in all four quarters compared to the previous quarter, but growth in the quarters Q2 and Q4 was somewhat weaker compared to the other euro countries. In addition to these countries, the elumeo Group is also active in Great Britain, Belgium and Switzerland, all of which were able to record moderate economic growth in 2017.

Overview: Quarterly changes in seasonally adjusted economic figures

Real GDP in % versus previous quarter	1Q17	2Q17	3Q17	4Q17
Euro zone	0.6	0.7	0.7	0.6
Germany	0.9	0.6	0.7	0.6
France	0.6	0.6	0.5	0.6
Italy	0.5	0.3	0.4	0.3
Spain	0.8	0.9	0.8	0.7
Netherlands	0.6	1.5	0.4	0.8
Belgium	0.7	0.5	0.2	0.5
Austria	1.2	0.7	0.8	0.7
Switzerland	0.1	0.4	0.6	
United Kingdom	0.3	0.3	0.4	0.5

Source: Bloomberg

Otherwise, there were no significant changes in the overall economic environment.

Industry-specific conditions

The global jewelry market continues to grow, according to TechSci Research, a global market research and consulting firm. This trend should continue in the coming years. The world's annual jewelry turnover is expected to rise from EUR 256 billion in 2017 to EUR 370 billion in 2022. This corresponds to an average annual growth rate of 7.6% for this period. McKinsey's analysis of the global jewelry market also suggests a shift in sales channels in favour of eCommerce. Between 2013 and 2020, the global share of online trade in the jewelry market is predicted to double from 5% to 10%. Besides this development, McKinsey cites further key trends for the global jewelry industry: internationalisation and consolidation of a still nationally shaped market, an increase in brand jewelry (whereby the majority of jewelry will continue to be non-branded products), an increase in "hybrid consumption," i.e. the tendency to consume both high and low prices, and the acceleration of the value chain ("fast fashion").

The elumeo Group is primarily active in the European jewelry market. Valued at EUR 27.9 billion in 2017, the European jewelry market is the third largest jewelry market in the world, according to TechSci Research. Italy accounted for EUR 5.9 billion, France for EUR 5.4 billion, the United Kingdom for EUR 4.4 billion, Germany for EUR 3.8 billion, and other countries EUR 8.5 billion. With a market share of around 70.0%, Italy, France, Germany and the United Kingdom are the

largest markets in Europe. Between 2012 and 2017, the European jewelry market grew by 6.68% per year and is expected to grow by 5.65% annually between 2018 and 2022, according to TechSci Research.
The main direct sales channels of the elumeo Group include TV home shopping channels, online shops and apps for smartphones. According to a study conducted by Digital TV Research, the number of Internet-capable TV sets is expected to rise from 2010 at a growth rate of 25.1% to 965 million by 2020. Furthermore, according to the Zenith Mobile Advertising Forecast published in October 2017, smartphone penetration is steadily increasing. For the 52 core markets considered in the study, it is predicted that 66% of people will own a smartphone in 2018 (58% in 2016). Internet usage via smartphones continues to increase accordingly. Since 2011, mobile Internet usage has already doubled from 36% and is expected to account for 73% of all Internet usage in 2018. Online sales realized via smartphones also continue to increase. A report from BI Intelligence predicts that mobile revenue will increase to EUR 237.4 billion by 2020 and account for approximately 45% of total eCommerce revenue.

According to an analysis published in 2017 by the eCommerce Foundation, an umbrella organisation of many national e-commerce associations, the online retail business in Europe continues to develop very positively. From EUR 353 billion in 2013, e-commerce revenues increased to EUR 531 billion in 2016. An increase to EUR 603 billion is forecast for 2017. The United Kingdom accounted for the largest share of total online sales in 2016 at 37.1%, followed by Germany with 16.2% and France with 15.5%. The outlook also looks good in the coming years. Forrester Research forecasts average annual growth of 12.3% for Western European online retail business from 2017 to 2021. In a report published in 2016, the eCommerce Foundation also projects that the eCommerce share of the European gross domestic product (2015 at 2.59%) will double by 2020.

Overall, there have been no significant changes in the industry-specific conditions compared with the explanations in the 2016 Annual Report. Please refer to the 2016 Annual Report for further information.

C. Publication of the results for 2017

Principles

The basic principles of the elumeo Group described in the annual report for financial year 2016 ending on 31 December 2016 ("Annual Report 2016") essentially continue to remain valid.

Comparability of information

The scope of consolidated companies of the elumeo Group has changed as follows compared to 2016:

- Founding of the sales company schmuck.de G&S GmbH, Berlin, wholly owned by Juwelo Deutschland GmbH, Berlin, and incorporation of the company into the consolidated financial statements of elumeo SE since December 2017.

Explanations of alternative performance indicators

The elumeo Group uses alternative performance measures ("APMs") in its regular and mandatory publication, which are not covered in the applicable International Financial Reporting Standards ("IFRS"). For further information on the definition, use and limitations of the usability of these alternative performance indicators, as well as the accounting methods and reconciliations used, please visit http://www.elumeo.com/ir/publications/explanation-alternative-performance-measures.

Business development in 2017

Development of the Group

The financial year 2017 of the elumeo Group covers the period from 1 January to 31 December 2017 ("2017" or the "reporting period"). Financial year 2016 refers to the period from 1 January to 31 December 2016 ("2016," "py" or the "prior year").

By introducing various brands and collections, we were again able to significantly increase sales in 2017, especially in our core market Germany. Our wide range of different designs and price ranges is better defined by the brands and collections introduced and provides the customer with an overall better orientation with respect to our product variety. The development of brands and collections will play a key role in the future growth and acquisition of new customers. Another building block for future growth is the parallel broadcasting of our program in different languages. After initial tests in Germany, we are convinced that we can successfully launch it into other countries with our moving picture offer. The organisational and technical prerequisites will be created in 2018. In order to continue to increase profitability, it will also be necessary to increase the gross margin in the Group. This is to be achieved on the one hand by improved capacity utilisation of the factory. To this end, cooperations were started with US TV stations in 2017, which already accounted for 7% of sales in 2017. Secondly, through continuous improvement of our purchasing and production process within the established brands and collections. This will allow for differentiated purchasing, in which the acquired raw materials of the respective brand or collection will be assigned upon purchase. At the same time, placement in the program sequence will also take place. Thus, different price points can be planned in a more targeted manner.

Overall, the development in 2017 was characterised by the repositioning ("relaunch") of the German TV business, which delivered particularly positive impulses due to new promotional program formats. Similar repositioning has also taken place in Italy. However, the acceptance of new formats by our customers in Italy is taking much longer than in Germany and is developing only very slowly.

Earnings of the elumeo-Group

The elumeo Group's goal was to achieve profitable growth in 2017. The loss situation in 2016 with total segment EBITDA of EUR -3.8 million improved significantly in 2017 and the forecast was thus met. Revenues improved significantly by 15.5% from EUR 58.5 million in 2016 to EUR 67.6 million in 2017. This increase resulted from sales growth in Germany and increased revenues from B2B sales. In the last quarter of the reporting period, sales in Germany rose by 19.3% to EUR 14.2 million compared to the same quarter of the previous year. In Italy, sales in the fourth quarter of 2017 were down only slightly on the previous year at -0.5%. In the same period, sales in other countries increased by 129.6% to EUR 0.7 million. The number of active customers decreased slightly by 3.1% to EUR 81 thousand. The decline resulted mainly from the decline in active customers in Italy. This reflects the hesitant adoption of the new formats and collections. Experience has shown that these customers can be reactivated by implementing the appropriate measures. The average selling price of a piece of jewelry rose by 5% to EUR 73 in 2017 (PY: EUR 70). The composition of new customers in Germany moved further towards web customers. Thus, the percentage of new customers who register through this channel rose from 55% in 2016 to 59% in 2017.

In total, comprehensive income of EUR -7.4 million was generated in 2017 after EUR -12.5 million in 2016 (41.1%). The main financial indicator, earnings before interest, taxes, depreciation and amortisation adjusted for non-operative special influences (total segment EBITDA), improved to EUR 0.3 million in 2017 (2016: EUR -3.8 million).

The elumeo Group's expectations of achieving slight sales growth in 2017 were exceeded by achieving a total of 15.5% growth compared to the previous year. The gross profit margin remained stable as planned. The planned reductions with regard to range costs and personnel costs in particular were also successfully implemented. As a result, segment EBITDA developed quite positively.

The sales growth forecast for the sales division Germany & Italy was exceeded. Nevertheless, the positive segment EBITDA that the Company had targeted was not achieved in 2017. One of the main reasons was the allocation of Group charges to this segment in 2017 (see also the positive development of the Group Functions & Eliminations segment).

The significant reduction in sales revenue assumed for the Other Sales Business segment was clearly positive due to the discontinued operations in the United Kingdom. As expected, the earnings situation improved significantly. Sales of the discontinued operations in the United Kingdom declined significantly as expected.

Contrary to our original assumption, the earnings of the Group Functions & Eliminations segment developed much more positively. This was due to an extended range of intra-Group services, which were passed on accordingly.

Sales channels

TV sales increased by 5.1% from EUR 37.8 million in 2016 to EUR 39.7 million in 2017. At the same time, the eCommerce business grew by 36.4% from EUR 17.1 million in 2016 to EUR 23.3 million in 2017. The classic web shop business in Europe attributable to eCommerce sales grew by EUR 1.5 million or 20.7% to EUR 8.3 million in 2017 (2016: EUR 6.9 million). Our mobile apps and online bid agents are thus by far the fastest growing distribution channels. In 2017, growth amounted to 52.1% from EUR 9.8 million in 2016 to EUR 14.9 million in 2017. This shows once again the shift from the classic TV business to our online offering, which includes streaming, smart TV, apps and classic web shops.

Segments

The Segment Sales division Germany and Italy was able to achieve significant growth in sales compared with the previous year. Strong sales growth was achieved in Germany in particular. Repositioning ("the relaunch") in Italy, in particular the introduction of new broadcast formats, however, reduced the sales decline compared to the previous year, nevertheless the still weak sales in Italy are detracting from the overall positive development. As a result of the cost reductions, positive segment EBITDA could also be achieved. At EUR -0.2 million, this figure is only slightly negative.

In the Others sales business segment, sales rose by 15.4% from EUR 4.0 million in 2016 to EUR 4.6 million in 2017, mainly due to the sales recorded for B2B sales. Turnover from B2B sales in 2017 was essentially related to cooperations with TV stations in the US but also to merchandise left-overs, which we mainly concluded with dealers from Hong Kong. As a result of the positive sales development, a corresponding positive development also results for segment EBITDA.

Segment EBITDA in the Group functions & eliminations segment declined by EUR 0.1 million from EUR -0.7 million in 2016 to EUR -0.6 million in 2017. At the same time, the result remained in the low negative single-digit million range.

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016 restated*		YoY in %
Revenue	67,560	100.0%	58,476	100.0%	15.5%
Cost of goods sold	37,734	55.9%	31,817	54.4%	18.6%
Gross profit	**29,826**	**44.1%**	**26,659**	**45.6%**	**11.9%**
Selling expenses	23,669	35.0%	23,429	40.1%	1.0%
Administrative expenses	8,895	13.2%	12,756	21.8%	-30.3%
Other operating income	1,143	1.7%	528	0.9%	116.5%
Other operating expenses	0	0.0%	48	0.1%	-100.0%
Earnings before interest and taxes (EBIT)	**-1,595**	**-2.4%**	**-9,045**	**-15.5%**	**82.4%**
Interest income	0	0.0%	2	0.0%	-75.0%
Interest and similar expenses	-612	-0.9%	-598	-1.0%	-2.4%
Financial result	-612	-0.9%	-596	-1.0%	2.6%
Earnings before income taxes (EBT)	**-2,207**	**-3.3%**	**-9,641**	**-16.5%**	**77.1%**
Income tax	72	0.1%	-983	-1.7%	107.3%
Earnings for the period from continuing operations	**-2,135**	**-3.2%**	**-10,625**	**-18.2%**	**79.9%**

Cost of sales increased at a similar level as revenues and amounted to EUR 37.7 million in 2017, compared to EUR 31.8 million in 2016. The reason for the development of the gross profit margin at Group level was, on the one hand, the higher share of B2B sales but also a lower margin for some formats, in order to place these in the customer's perception. Gross profit amounted to EUR 29.8 million in 2017, compared to EUR 26.7 million in 2016, which corresponds to a gross profit margin of 44.1%, compared to 45.6% in 2016.

Selling expenses rose slightly by 1.0%, from EUR 23.4 million in 2016 to EUR 23.7 million in 2017, but in relation to sales, there was a significant reduction from 40.1% in 2016 to 35.0% in 2017, mainly as a result of marketing expenses and expenses for moderators and guests. On the other hand, a significant reduction was achieved, particularly in range costs. The reduction in selling expenses was largely due to the renegotiation of existing contracts for coverage costs for the transmission of the TV signal. At the same time, costs for the web shop area rose. These include, among other expenses, the costs for SEO marketing or hosting.

Administrative expenses mainly consisted of personnel costs and other material costs. Administrative expenses fell by 30.3% from EUR 12.8 million in 2016 to EUR 8.9 million in 2017. The main influencing factors were that no more losses resulted from currency translation due to an improved EUR/THB ratio. These amounted to EUR 0.0 million in 2017 (previous year: EUR 2.8 million). In addition, the reduction in personnel costs of EUR 0.8 million was another major factor in the reduction of administrative expenses. Income arising from currency translation in 2017 can be found under other operating income. Administrative expenses also include expenses incurred in advance. The corresponding income from the further charges can also be found in other operating income.

Other operating income increased to EUR 1.1 million in 2017 in connection with income from currency translation as well as disbursed costs from the cooperation with Kat Florence. Income from currency translation mainly resulted from the translation of intragroup receivables denominated in foreign currencies at the balance sheet date. Their amount is subject to regular fluctuations depending on the development of the respective exchange rates. Other operating expenses fell slightly year-on-year.

Total segment EBITDA

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Total segment EBITDA	**-276**	**-0.4%**	**-3,772**	**-6.5%**	**92.7%**
Effects from foreign currency translation	577	0.9%	-2,832	-4.8%	120.4%
Equity-settled share-based remuneration	-317	-0.5%	-465	-0.8%	31.8%
Non-recurring expenses/income from terminations for severance payments and paid release from work of employees	40	0.1%	-340	-0.6%	111.8%
Non-recurring expenses related to the restructuring of the business in the United Kingdom	0	0.0%	-48	-0.1%	100.0%
Net losses from disposal of assets	-13	0.0%	0	0.0%	n.a
Segment reconciliation items	287	0.4%	-3,685	-6.3%	107.8%
EBITDA	**10**	**0.0%**	**-7,457**	**-12.8%**	**100.1%**
Depreciation and amortization on property, plant and equipment and intangible assets	-1,606	-2.4%	-1,588	-2.7%	-1.1%
EBIT	**-1,595**	**-2.4%**	**-9,045**	**-15.5%**	**82.4%**

With regard to the internal management and external communication of current and future earnings development, the sustained profitability of the operating business of the elumeo Group is of particular importance. For this reason, the result of interest, taxes, depreciation and amortisation (total-segment adjusted EBITDA) adjusted for non-operative special items, serves as a key financial indicator for the presentation and management of operating earnings. In order to calculate total segment EBITDA, EBITDA before special items is adjusted by one-off and / or non-operative (special) items by type and amount. The non-operating items are classified for each item in the consolidated income statement. Adjusted for these items, the total segment EBITDA in 2017 was EUR -0.3 million, well below the previous year's figure of EUR -3.8 million. The main influences were foreign currency translation of EUR +0.6 million (2016: EUR -2.8 million) and costs for share-based payments (stock option programme).

Overall, earnings before interest and taxes (EBIT) in 2017 totalled EUR -1.6 million (2015: EUR -9.0 million).

Earnings after taxes for continuing operations amounted to EUR -2.1 million in 2017 and EUR -10.6 million in 2016, which corresponds to earnings per share of EUR -0.4 in 2017, compared to EUR -1.9 in 2016. Consolidated total income increased to EUR -7.3 million in 2017, compared to EUR -12.5 million in 2016.

Asset position

ASSETS EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Non-current assets					
Intangible assets	755	1.4%	925	1.5%	-18.4%
Property, plant and equipment	9,374	17.1%	11,244	18.1%	-16.6%
Other financial assets	394	0.7%	522	0.8%	-24.5%
Other non-financial assets	1,871	3.4%	2,020	3.3%	-7.4%
Deferred tax assets	1,866	3.4%	1,465	2.4%	27.3%
Total non-current assets	**14,258**	**26.1%**	**16,177**	**26.1%**	**-11.9%**
Current assets					
Inventories	33,548	61.3%	38,933	62.7%	-13.8%
Trade receivables	2,963	5.4%	3,473	5.6%	-14.7%
Receivables due from related parties	224	0.4%	279	0.4%	-19.7%
Other financial assets	43	0.1%	82	0.1%	-47.8%
Other non-financial assets	1,675	3.1%	1,309	2.1%	27.9%
Cash and cash equivalents	1,512	2.8%	1,837	3.0%	-17.7%
Total current assets	**39,965**	**73.1%**	**45,912**	**73.9%**	**-13.0%**
Assets held for sale	485	0.9%	0	0.0%	n.a
Total assets	**54,709**	**100.0%**	**62,089**	**100.0%**	**-11.9%**

The balance sheet total as of 31 December 2017 decreased by 11.9% compared to 31 December 2016 to EUR 54.7 million. On the assets side of the balance sheet, property, plant and equipment changed significantly as a result of depreciation and write-downs as well as inventory assets due to a significant reduction in the number of gemstones.

EQUITY & LIABILITIES

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Equity					
Issued capital	5,500	10.1%	5,500	8.9%	0.0%
Capital reserve	34,179	62.5%	33,862	54.5%	0.9%
Retained earnings/losses	-11,452	-20.9%	-5,408	-8.7%	-111.7%
Foreign currency translation reserve	3,725	6.8%	5,022	8.1%	-25.8%
Total equity	**31,952**	**58.4%**	**38,975**	**62.8%**	**-18.0%**
Non-current liabilities					
Financial debt	3,382	6.2%	4,011	6.5%	-15.7%
Other non-current financial liabilities	273	0.5%	573	0.9%	-52.4%
Provisions	676	1.2%	602	1.0%	12.3%
Other non-financial liabilities	25	0.0%	25	0.0%	0.0%
Summe non-current labilities	**4,355**	**8.0%**	**5,211**	**8.4%**	**-16.4%**
Current liabilities					
Financial debt	7,577	13.9%	8,904	14.3%	-14.9%
Other financial liabilities	304	0.6%	311	0.5%	-2.3%
Provisions	547	1.0%	684	1.1%	-19.9%
Liabilities due to related parties	7	0.0%	11	0.0%	-32.7%
Trade payables	7,340	13.4%	6,181	10.0%	18.7%
Advance payments received	158	0.3%	111	0.2%	42.0%
Tax liabilities	100	0.2%	0	0.0%	n.a
Other non-financial liabilities	1,236	2.3%	1,701	2.7%	-27.4%
Summe current liabilities	**17,270**	**31.6%**	**17,903**	**28.8%**	**-3.5%**
Liabilities directly associated with assets held for sale	1,132	2.1%	0	0.0%	n.a
Total equity & liabilities	**54,709**	**100.0%**	**62,089**	**100.0%**	**-11.9%**

On the liabilities side of the balance sheet, shareholders' equity decreased as of 31 December 2017 due to the negative result, which also includes the results from discontinued operations in the United Kingdom.
Both non-current and current financial liabilities decreased due to repayments. Due to the reporting date, trade payables were higher than in the previous year. At EUR 22.7 million, current assets are significantly higher than current liabilities (previous year: EUR 28.0 million).

Financial position

Consolidated statement of cash flows
from 1 January to 31 December 2017

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	YoY in %
Earnings before taxes (EBT) of continued operations	**-2,207**	**-9,641**	**77.1%**
Earnings before taxes (EBT) of discontinued operations	-3,892	-4,463	12.8%
Earnings before taxes (EBT)	**-6,099**	**-14,105**	**56.8%**
= Net cash flow from operating activities of continued operations	**+5,199**	**-11,874**	**143.8%**
= Net cash flow from operating activities from discontinued operations	-3,224	+1,951	-265.2%
= Net cash flow from investing activities of continued operations	**-229**	**-973**	**76.5%**
= Net cash flow from investing activities from discontinued operations	-2	-55	96.6%
= Net cash flow from financing activities of continued operations	**-2,005**	**-688**	**191.4%**
= Net cash flow from financing activities from discontinued operations	-8	+3	-354.9%
= Cash and cash equivalents on end of period	**+1,511**	**+1,836**	**-17.7%**

Cash flow from operating activities in 2017 showed a positive cash inflow of EUR +5.2 million. This was supported in particular by the reduction of inventories and overall improvement in working capital.

Non-cash expenses mainly resulted from exchange rate related changes in the individual items of the consolidated balance sheet.

In 2017, the elumeo Group invested around EUR 0.2 million (2016: EUR 1.0 million) in property, plant and equipment and intangible assets. This relates mainly to replacement investment costs.

The cash flow from financing activities in 2017 mainly resulted from the repayment of financial liabilities, which in turn were generated from the improved operating cashflow. As of 31 December 2017, the elumeo Group had cash and cash equivalents (cash on hand and sight deposits with banks) of EUR 1.5 million (31 December 2016: EUR 1.8 million). As of the balance sheet date, the elumeo Group had unused credit lines amounting to EUR 1.8 million. The elumeo Group was able to meet its financial obligations at all times.

D. Economic situation of elumeo SE

Preliminary remarks

elumeo SE is the parent Company of the elumeo Group. Due to the subsidiaries directly and indirectly held by it, its business development is fundamentally subject to the same risks and opportunities as the Group. These are presented in detail in the Risk and Opportunity Report. The expectations regarding the development of elumeo SE also correspond essentially to the Group expectations described in the Forecast Report.

The following statements are based on the annual financial statements of elumeo SE, which have been prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act (Aktiengesetz). The annual financial statements and management report are published in the Federal Gazette and on the elumeo SE website. As part of the implementation of the Accounting Policy Act, we are adapting to the prevailing opinion on the disclosure of sales revenues. As a result, there are relevant shifts between sales revenues and other operating income, as well as between cost of materials and other operating expenses, which have no effect on earnings overall.

Business activity

elumeo SE and its subsidiaries (collectively "elumeo" or the "elumeo Group") are manufacturers and electronic retailers of gemstone jewelry. In addition, elumeo SE, as the parent Company of the elumeo Group, carries out holding functions, manages Group-wide liquidity management and provides additional services to Group companies, especially in the IT sector. The economic conditions of elumeo SE essentially correspond to those of the Group and are described in the Economic Report.

Earnings position

Due to the change in reporting the revenues of elumeo SE decreased from EUR 1,119 thousand in 2016 to EUR 0 thousand in 2017. At the same time, other operating income increased from EUR 63 thousand in 2016 to EUR 1,513 thousand in 2017. On balance the increase is mainly due to the provision of intercompany IT development services for sales companies of the elumeo Group. The services concern the maintenance and further development of the enterprise software used consisting of company-internal web applications and user software such as mobile apps and smart TV apps. Personnel expenses decreased slightly from EUR 886 thousand in 2016 to EUR 868 thousand in 2017. In addition to Managing Directors, the Company employed an average of around 7.8 employees (full-time equivalents (FTE)) in financial year 2017 (previous year: 7.5 FTE). Personnel expenses also include the remuneration of an average of approximately 3.0 FTE (previous year: 3.0 FTE) Managing Directors, including an option programme.
Depreciation on intangible assets of fixed assets and property, plant and equipment increased from EUR 26 thousand in 2016 to EUR 30 thousand in 2017.
Due to the discontinuation of our UK business, claims in the amount of EUR 969 thousand from the British subsidiaries were written off in 2017.
On an adjusted basis other operating expenses fell slightly from EUR 1,147 thousand in 2016 to EUR 1,118 thousand in 2017. Reduced consulting services were the main reason for this. The overall increase of other operating expenses is related to other operating income.In addition, other operating expenses mainly include the deferred costs for the preparation and audit of the individual and consolidated financial statements and the annual general meeting for the 2017 financial year and the remuneration of the Executive Board members.
Interest and similar expenses in 2017 amounted to EUR 270 thousand (2016: EUR 300 thousand). Earnings before taxes of elumeo SE declined from EUR -1,013 thousand in 2016 to EUR -1,700 thousand in 2016 due to write-downs on current assets. Overall, elumeo SE recorded a net loss of EUR -1,700 thousand in 2017 after EUR -1,012 thousand in 2016. Taking into account the loss carried forward from the previous year, the balance sheet loss amounted to EUR -8,830 thousand in 2017.

Asset and financial position

The fixed assets of elumeo SE decreased from EUR 40.7 million in 2016 to EUR 37.6 million in 2017 mainly due to the repayment of loans to affiliated companies. This mainly includes loans to affiliated companies with interest-bearing financial claims against the subsidiary Juwelo Deutschland GmbH from the loan of funds. On the one hand, the funds come from the proceeds collected during the course of the exchanges and on the other hand from loans granted by a credit institution. As of the balance sheet date, all loans reported showed a remaining term of one to three years. Intangible assets decreased by EUR 23 thousand due to depreciation.

Current assets decreased from EUR 1.6 million in 2016 to EUR 0.4 million in 2017 due to depreciation on receivables from affiliated companies. Equity of EUR 32.7 million is slightly below the previous year. The equity ratio increased slightly to 85.8 (previous year 81.1%).

Liabilities fell due to the repayment of loans from EUR 7.6 million in 2016 to EUR 5.0 million in 2017.

The balance sheet total of elumeo SE fell accordingly from EUR 42.4 million in 2016 to EUR 38.1 million in 2017. Overall, the economic and financial development of elumeo SE is significantly dependent on that of the elumeo Group. We refer to the corresponding information in the Group Management Report.

E. Supplementary Report

No events of particular significance to the Company's net assets, financial position and results of operations occurred after the end of the financial year.

F. Risk and Opportunity Report

Risk Management System

elumeo SE is regularly exposed to various risks and opportunities. These can have both positive and negative effects on the Group's assets, financial and earnings situation. The risk management system applies to all areas of the elumeo Group. Strategic and operational events and actions, which have a significant impact on the existence and the economic situation of the Company, are considered risks. These also include external factors such as the competitive situation, the regulatory development in the area of broadcasting and television and other factors that can compromise the achievement of corporate goals. The main risks and rewards are listed below.

The aim is Group-wide standardisation of the risk and opportunity assessment. Opportunities should be used to increase earnings and to improve the financial situation. Risks are taken only to the extent that these have no foreseen particularly negative impact on the Company's development. All employees should review their actions in terms of preventing risks that endanger the Company's existence.

Internal Control System

In reference to section 315 no. 4 German Commercial Code (HGB), an explanation of the structure of the internal control and risk management system is provided as part of the accounting process.

The internal control and risk management system has an appropriate structure and processes that are defined accordingly. It is set up so that timely, uniform and accurate accounting for all business processes and transactions is guaranteed. For consolidation of the companies included in the consolidated financial statements, the internal control system ensures that legal standards, accounting regulations and internal instructions for accounting are followed. Changes therein are continuously analysed for their relevance and impact on the consolidated financial statements and considered accordingly. The finance department of elumeo Group actively supports all business units and subsidiaries, both in developing common guidelines and instructions for accounting-related processes and in monitoring operational and strategic objectives. Besides the defined controls, automated and manual coordination processes, separation between executive and controlling functions and compliance with directives and operating instructions are an integral part of the internal control system.

The Group companies are responsible for compliance with the applicable guidelines and accounting processes as well as the proper and timely execution of preparation. In the accounting process, the subsidiary companies are supported by headquarters' personnel.

To ensure compliant consolidated financial statements, the appropriate measures are implemented in the accounting process. In particular, these measures are aimed at identifying and assessing risks and limiting and controlling identified risks.

Basic methodology

Risks are assessed according to their probability of occurrence and the potential financial loss risk. The arithmetic mean of the sum of the probability of occurrence and loss potential is then given a relevance of the overall risk between 1 = very low and 4 = high.

Risk assessment – Classes of Probability of Occurrence

Class	Probability of Occurrence	
1	very low	(0%-25%)
2	low	(25%-50%)
3	medium	(50%-75%)
4	high	(75%-100%)

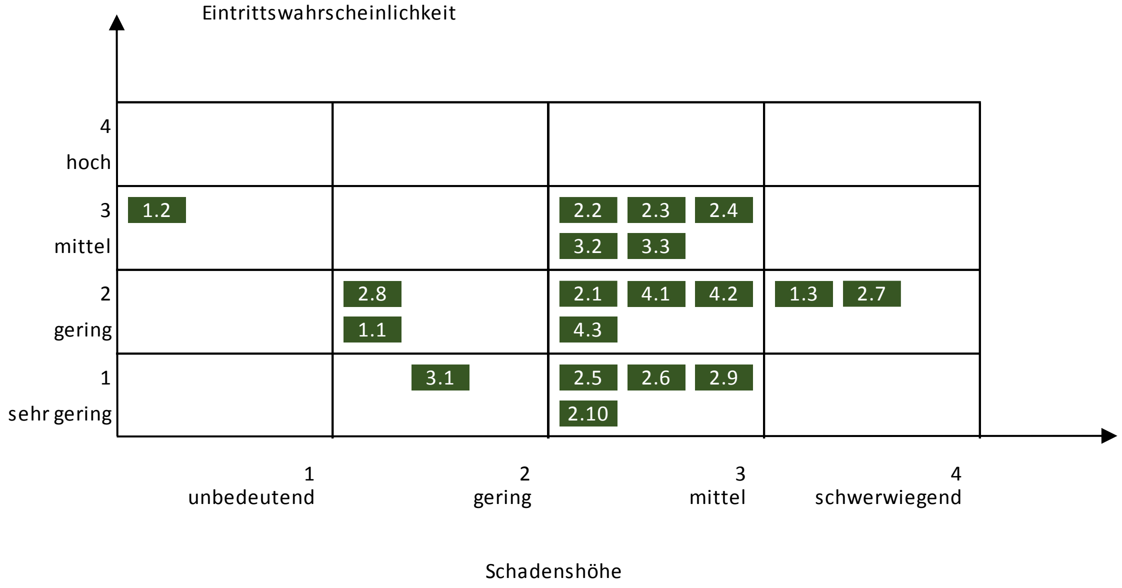
Risk assessment – Risk Classes

Class	Impact	
1	EUR 0.05 – EUR 0.1 million	not significant
2	>EUR 0.1 – EUR 0.5 million	low
3	>EUR 0.5 – EUR 1.0 million	medium
4	>EUR 1.0 million	Significant

Risk Overview – Excerpt of major risks

		Probability of Occurrence	Impact
1.	Economic and strategic risks		
1.1	Macroeconomic risks	low	low
1.2.	Competitive risks	medium	not significant
1.3.	Growth risks	low	significant
2.	Operational risks		
2.1.	Design (up-to-datedness of products)	low	medium
2.2.	Reputational risk (quality and ethics)	medium	medium
2.3.	Procurement risks	medium	medium
2.4.	Inventory risks	medium	medium
2.5.	Broadcasting	very low	medium
2.6.	Personnel risks	very low	medium
2.7.	IT and information risks	low	significant
2.8.	Returns	low	low
2.9.	General insurance protection and accident risks	very low	medium
2.10	Takeover risks	very low	medium
3.	Financial and liquidity risks		
3.1.	Default risk	very low	low
3.2.	Liquidity risk	medium	medium
3.3.	Currency risks	medium	medium
4.	Fiscal, regulatory and legal risks		
4.1.	Data protection	low	medium
4.2.	Money laundering prevention	low	medium
4.3.	Tax risks	low	medium

Risk Overview – Risk Matrix



EBITDA is a key indicator for the elumeo Group. Therefore, risks are ranked as part of quantification at a materiality threshold of EUR 500 thousand. The damage potential is taken into account before safeguarding measures are taken. It cannot be excluded that previously unidentified risks or those with little relevance to the overall risk have a negative impact on the financial position and results of operations in the future, despite all the measures taken.

Explanation of the main risks

1. Economic and Strategic Risks

1.1 Macroeconomic risks

The current economic forecast of the Ifo Institute[1] forecasts strong GDP growth in 2018 for the euro zone. At the same time, however, there are warnings of increasing levels of indebtedness in certain areas of the financial markets. Should there be a reassessment of risk premiums, this could lead to a worsening of the situation on the money and capital markets. Downside macroeconomic risks also come from the fragile banking sectors of some countries (including Italy), which continue to be burdened by a relatively high proportion of bad loans.

In addition, there are macroeconomic risks to the European economy in the form of political developments that can lead to unstable governance, insecurity or economic disintegration. In addition to the still unclear outcome of the Brexit negotiations, in 2018, especially in export-oriented countries like Germany, the risk of increasing protectionist and nationalist tendencies abroad weighs heavily.

Other risks to the elumeo Group are the price development of the EUR against other currencies, in particular the US dollar and the Thai baht. Strong fluctuations can have a significant impact on the margin.

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[1] Eurozone Economic Outlook, 10 January 2018

1.2 Competitive risks

The national and international competitiveness of the elumeo Group is uncertain and there is no guarantee that the elumeo Group will be able to maintain its business model in its present form and achieve profitable growth.

The jewelry industry and the electronic retailing industry are highly competitive and the elumeo Group could be exposed to additional competition if existing or new competitors enter into similar business models by starting Internet-based or TV-based offering of fine jewelry. Consequently, there is a risk that the elumeo Group will not be able to respond appropriately to the changed competitive environment or be unable to compete against other jewelry manufacturers or retailers.

The management of elumeo Group monitors the current competitive situation regularly and analyses countermeasures if necessary.

1.3 Growth risks

There is a risk that the elumeo Group will be unable to manage its further growth efficiently. This could slow down or even prevent the expansion of the business of the elumeo Group and have an adverse effect on the financial position and the results of the elumeo Group.

With the expansion of the product and service range of the elumeo Group and the adoption and application of technological progress, especially in terms of the changing user behaviour with respect to mobile phones and Smart TVs, there is a risk that not enough attention will be given to responding to changing customer needs and changes in demand behaviour. This could limit the growth of the elumeo Group and prevent it from remaining profitable.

The management of the elumeo Group uses various tools to monitor the acceptance of its product and service offerings and customer satisfaction and is therefore able to respond appropriately to changes in customer behaviour.

2. Operational Risks

2.1 Design (up-to-datedness of products)

A wide range of styles is necessary to ensure the long-term success of our business. By using a database with over 50,000 design versions in conjunction with historical sales data, we try to meet the respective market practices and current trends. Current trends are pursued through market monitoring and, if necessary, new designs are developed or existing designs modified.

2.2 Reputational risk (quality and ethics)

Approximately 80% of the jewels sold are manufactured in our factory in Thailand. Detailed quality controls after each step ensure a high level of craftsmanship. Defective or faulty products influence customer satisfaction and may adversely affect the repeat purchase rate.

The elumeo Group has implemented various measures to ensure that our suppliers provide us solely with products that have been produced and sold under fair and sustainable social, environmental and economic conditions. Should elumeo nevertheless be brought into connection with dubious terms or dubious sources, this could adversely affect our reputation and our brands. To this end, we have, in addition to clear contractual arrangements, middlemen who inspect the mines on our behalf and verify the origins of the gems we purchase.

2.3 Procurement risks

The regular supply and viability of our supply chain depends to a high degree on our purchasing team in Chanthaburi. Delays with certain requested gemstones or mines that do not provide us with more gemstones could have a negative impact on our revenues. We counteract this by offering a high number of gemstone varieties that we can process flexibly at our factory. Moreover, the elumeo Group is exposed to price fluctuations and the limited availability of raw materials and production materials (such as precious gemstones, precious metals, energy and components). An increase in prices or a lack of availability of such raw materials could have a negative effect on the assets, financial and earnings situation of the elumeo Group.

2.4 Inventory risks

Due to the full integration of the value chain, we have to adjust production to revenue expectations. This is done by means of daily detailed revenue planning in conjunction with forecasts and projections about the expected consumption of our merchandise. At the same time, the inventory risk is mitigated by the high material component of precious metal and gemstones.

2.5 Transmission mode

The TV business with about 60% still made a significant contribution to our overall performance in financial year 2017. Through corresponding contracts, we secure ourselves the necessary bandwidth in order to broadcast our TV program.

2.6 Personnel risks

The elumeo Group's employees are the key driver for the future success of the Group. Being able to find qualified and motivated employees, in particular, for our future expansion, will be a key success factor. Recruitment will therefore be of key importance in order to ensure the quality and creativity of our product.

2.7 IT and information risks

Essential components of our IT structure are managed by a separate team of developers. The consistent focus on the needs of our Group ensures a high degree of efficiency. The scalability of the systems to suit future expansion, in particular, will play a significant role. Analysis of customer behaviour allows us to continuously optimise our range and adapt processes.

2.8 Returns

Increased product returns that are significantly above the Company's expectations could raise our costs and harm our business and results of operations. Warehouse logistics at elumeo are set up so that quick processing is possible even when there is a high number returns. The Company also has appropriate liquidity reserves available in order to be able to issue refunds.

2.9 General insurance protection and accident risks

Our insurance coverage relating to risks such as operational and accident risks may not cover all risks and/or prove to be inadequate. The Company continuously checks whether insurance gaps exist and is in regular contact with its insurance companies.

2.10 Takeover risks

The elumeo Group is exposed to risks relating to the acquisition of companies, businesses, assets, partnerships, cooperations and joint ventures. Due diligence examinations are performed with such transactions, to reduce risks, for example.

3. Financial and Liquidity Risks

Due to the types of payment that are used (advance payment, credit cards, cash on delivery and purchases by placing orders with no risk), there are no relevant payment defaults. Interest rate risks can be expected to continue to be low due to the expected development in Germany. For Thailand, we do not anticipate any significant change in interest rates either.

3.1 Default risk

Default risk is the risk that customers or other parties fail to meet their contractual obligations and pay their bills. This may result from the payment history or the economic situation of the customer and other parties or due to fraud. Default risk arises primarily regarding receivables from customers and receivables from related parties.

The default risk for receivables from goods and services is low because the goods are normally delivered either against payment, credit card payment or cash on delivery. The default risk is accounted for by a rating based on experience and a valuation allowance account that takes the age structure into account. Bad debts are fully adjusted on an individual basis. With receivables from goods and services, there is no significant concentration of credit risk.

In addition, there is a default risk for cash to the effect that financial institutions cannot meet their obligations. This credit risk is limited in that investments are made at various banks with good credit.

The maximum exposure is the carrying value of these financial assets on each reporting date.

3.2 Liquidity risk

Liquidity risk is the risk that the elumeo Group will be unable to settle its financial liabilities at maturity. For this reason, the main aim of liquidity management is to ensure solvency at all times. Ongoing planning of liquidity needs and monitoring of liquidity reduces this risk. Liquidity bottlenecks can nevertheless occur if the targets are not met and credit lines expire. Credit lines in the amount of EUR 5.0 million, for which there is currently no carryover agreement, expire as of 30 June 2018. Full repayment of the credit lines could also lead to sales activities that have a negative impact on the Company's profitability. Management expects that a substantial share of the current credit line will be extended. At the same time, provision is made if a prolongation does not happen as expected. As part of the elumeo Group's early risk detection system, liquidity risk continued to be included as a potential threat to its continued existence. However, based on the above considerations, management does not assume that there is a specific threat to its existence.

3.3 Currency risks

The elumeo Group is exposed to currency risks from the British pound (GBP), US dollar (USD) and Thai baht (THB). Hedging of this risk through derivative hedging instruments has not yet been considered necessary because of many single transactions that are not projectable and because there were only minor net risks from GBP, THB and USD transactions. Nevertheless, margin risks arise as a result of devaluations of the currencies in the sales territories in relation to the functional currency of the Thai baht (THB). These arise due to the then higher acquisition costs in the sales territories due to the currency difference.

4. Fiscal, Regulatory and Legal Risks

The elumeo Group's business is subject to regulatory requirements and risks and involves uncertainties regarding legal and regulatory conditions in the countries the elumeo Group operates in, particularly in Thailand and China. The elumeo Group also remains exposed to tax risks.
Especially for a listed company such as the elumeo Group, compliance with the law is essential.

4.1 Data protection

Data protection is becoming increasingly important. As a result, issues of online business models arise because these involve the use of customer data. The EU Data Protection Regulation that will apply from 2018 on will need to be considered in this context. A data protection officer will attend to this topic for the elumeo Group.

4.2 Money laundering prevention

The business processes in the elumeo Group are structured in such a way that the risk of money laundering is minimised. The tightened requirements of the newly enacted Money Laundering Act, which came into force in 2017, are being met. The money laundering officer of the elumeo Group constantly monitors any necessary measures.

4.3 Tax risks

The elumeo Group is exposed to tax risks, e.g. regarding so-called "transfer-pricing," value-added tax (VAT) requirements, an investment promotion privilege and income tax exemption in Thailand or complex restructurings in the Group in a short period of time, and, thus, the tax burden of elumeo could increase due to changes in tax law or their application or interpretation, or as a result of future tax audits by tax authorities.

Chances

Growth market online jewelry

According to a study conducted by TechSci Research, the global jewelry market is expected to grow from EUR 256 billion to EUR 370 billion between 2017 and 2022, an annual average rate of 7.6%. It can be assumed that the share of mail order in the jewelry market will continue to increase. In the study "A multifaceted future: The jewelry industry in 2020" by McKinsey & Company, a doubling of the global share of online trading in the jewelry market is assumed between 2013 (4-5%) and 2020 (10%). Based on the sales figures of TechSci Research, the online jewelry market would thus increase from EUR 10.7 billion in 2017 to EUR 30.9 billion in 2022. In addition, McKinsey forecasts an increase in the sales share of brand jewelry. Here the elumeo Group has good opportunities to benefit from this development through its own brands such as AMAYANI, LANCE FISCHER or CAVILL.

Development of the eCommerce market

The trend toward eCommerce at the expense of retail stores seems unbroken overall. The elumeo Group believes that the eCommerce market – similar to many industry studies – will continue to grow by a double digit percentage annually and that the elumeo Group can benefit disproportionately from this development because of its leading European market position.
Within eCommerce growth, especially online sales via smartphones are steadily increasing. BI Intelligence predicts that global mobile commerce sales will increase to EUR 237.4 billion by 2020, accounting for approximately 45% of total eCommerce revenue. With its steadily further developed app and optimised presentation of web shops for smartphones, the elumeo Group sees itself in a very good starting position here.

Chances in B2B business

The elumeo Group intends to further expand its B2B business with external sales partners in 2018. The focus here is on the world's largest jewelry market USA (market size in 2017 according to TechSci: EUR 67 billion). In addition to direct revenues from the B2B business, the elumeo Group could also benefit from the fact that its own brand brands, such as AMAYANI, LANCE FISCHER or CAVILL, are becoming increasingly well-known due to third-party revenues in the USA and are thereby strengthening its own local sales channels.

Staff and expertise potential

The elumeo Group assumes that the Company's key employees will remain loyal to the Company overall, and expects that in case of loss of certain persons they can be adequately replaced in the medium term. By creating a positive work environment and offering occupational training opportunities and an incentive-based compensation system, employee retention is further promoted.

The expertise of highly qualified staff, which has partially been employed by the Group for quite a long time, allows for reliable and speedy implementation of Company strategies, in particular further expansion and internationalisation. The management also has extensive, longstanding and detailed market and industry knowledge.

G. Forecast report

Macroeconomic and sector-related situation

The Ifo Institute assumes in its current economic forecast [1] that the good economic growth in the euro zone will continue again in 2018. Growth of 0.6% is expected in Q1 2018 compared to the same quarter of the previous year, with a slight slowdown to 0.5% expected for Q2 2018. The main drivers of expansion are said to be investments and higher private consumption.

While the prospects for the stationary retail market are looking rather bleak in the years to come, online sales are projected to continue to grow very dynamically in the years ahead, according to the current forecast by the market research company Forrester Research. For the period 2016 to 2021, average annual growth of 12% is projected in the Western European countries relevant to the elumeo Group. Online sales are expected to grow most strongly in Italy and Spain.

According to a study conducted by TechSci Research, the European jewelry market can be expected to continue to grow. Average annual growth of 5.65% is forecast for 2018 to 2022. There also appears to be above-average growth in the e-commerce sales channel in the jewelry sector. Between 2013 and 2020, the global share of online trade in the jewelry market is predicted to double from 5% to 10%. McKinsey also cites other key trends that will continue to shape the jewelry industry in the years to come: internationalisation and consolidation of a still national market. Expectations call for an increase in brand jewelry (whereby the majority of jewelry will continue to be non-branded products), an increase in "hybrid consumption," i.e. the tendency to consume both high and low prices, and the acceleration of the value chain ("fast fashion"), including vertical integration.

Development of the Group

For the Group, we expect slight revenue growth accompanied by an improved gross profit margin in 2018. We expect the cost base to improve in relation to revenues. We forecast clearly positive segment EBITDA for 2018. In the course of the year in particular, we expect to see a steady improvement in quarterly results.

For the sales division Germany & Italy, our management is aiming to achieve moderate single-digit revenue growth in 2018, as well as positive segment EBITDA in the low single-digit million euro range. Significant impetus is expected to come from the development of the gross profit margin in 2018.

In the Other Sales Business segment, we expect a single-digit increase in revenues with a slightly improved margin and an overall improvement in EBITDA in 2018 due to the development of B2B revenues.

Negative segment EBITDA at the level of 2017 in the Group Functions & Eliminations segment (no revenues) is expected for 2018.

In order to ensure the Group's solvency at all times, corresponding reductions in inventories are also planned for 2018. If the Company's profitability cannot be increased or working capital cannot be improved, which are scenarios that are considered to be highly unlikely, this could jeopardise the Group's solvency at any time. The top priority in 2018 will be the positive development of the elumeo Group's profitability while at the same time improving liquidity. Following the successful restructuring, the Group's management expects to achieve overall positive total-segment EBITDA in the low single-digit million euro range in 2018.

H. Remuneration Report

The following Remuneration Report is an integral part of the Management Report and explains in accordance with the statutory requirements, the principles of the remuneration system and the compensation components of the Executive

[1] Eurozone Economic Outlook, 10 January 2018

Board of elumeo SE.
The Company has a one-tier governance structure with the Executive Board as the central management and control body. The functional division of responsibilities within the Executive Board takes place between the Managing Directors and the Non-Managing Directors.
Based on the resolution of the Extraordinary General Meeting held on 7 April 2015, no breakdown of the total remuneration is provided in accordance with section 285 no. 9a German Commercial Code (Handelsgesetzbuch, "HGB") and section 314 (1) no. 6a HGB for the individual members of the Executive Board.

Principles of the remuneration system for the Executive Board

The remuneration components of the Executive Board should be oriented in accordance with the legal requirements and the recommendations of the German Corporate Governance Code in terms of the normal level and structure of remuneration at comparable companies in Germany and abroad, but also the business situation and the future development of the Company. The remuneration should also take into account the tasks and performance of the Executive Board and the basic salary structure in the Company and be oriented towards an incentive effect in view of committed work and a sustained company development.
The total remuneration of the Managing Directors consists of a fixed basic annual salary, fringe benefits and long-term variable remuneration in the form of a stock option programme. The fixed remuneration consists of a fixed agreed, performance-related basic annual salary that is paid in twelve equal monthly instalments. The fringe benefit entitlement to benefits in kind pertains to receiving a company car and D&O insurance. The long-term variable remuneration component with incentive effect is intended to ensure alignment of the sustainable performance of the Managing Directors with the shareholders' interests in a positive development of the share price.
The total remuneration of non-executive members of the Executive Board is governed by section 15 of the Articles of Incorporation and includes a fixed annual salary. The remuneration depends on the responsibilities and scope of activities of the respective non-executive members. As a result, the Chairman and Deputy Chairman of the Executive Board receive a higher salary than the other non-executive members. The non-executive members of the Executive Board, who are Chairmen of a committee constituted by the Executive Board, but not at the same time the Chairman or Deputy Chairman of the Executive Board, shall receive an additional EUR 12,500.00 for each full financial year of committee presidency. The non-executive members of the Board of Directors shall be reimbursed for any expenses they incur in connection with the performance of their duties as members of the Board, as well as any VAT that is to be paid. For non-executive members of the Executive Board who pay limited taxes with a gross agreement in accordance with section 50a (1) EStG, the withholding taxes plus the solidarity surcharge will be paid by the Company.
With an intra-year entry into or departure from the Executive Board, a proportionate reduction of the annual remuneration is always calculated based on the specific duration of activity in full months.
In case of incapacity for work of the Managing Directors on account of illness and in the event of participation in a medical procedure of the social security funds, the Company will pay a subsidy from the 7th to the end of the 20th week, which corresponds to the difference between the monthly salary payments and the statutory gross social security contributions. If a Managing Director dies during the course of his or her activity, his widow and children, if they have not yet completed their 27th year of life and are still in vocational training, are entitled to the payment of the income-independent remuneration for the month in which he died and the next six months. There is no entitlement to severance payments.

Components of the remuneration system of the Executive Board

Non share-based remuneration (performance-based remuneration)

The Managing Directors and non-executive members of the Executive Board received total fixed annual remuneration pursuant to section 285 no. 9a German Commercial Code (Handelsgesetzbuch, "HGB") and section 314 para. 1 no. 6 HGB of EUR 698 thousand (previous year: EUR 692 thousand) in financial year 2017, exclusively for their activities as organ members of the Company. The remuneration granted to non-executive Executive Board members was partly not accompanied by a payment in financial year 2017. The amounts in question were deferred until 31 December 2017.

Fringe benefits

According to their contracts, the Managing Directors are entitled to a company car, which may also be used for private trips. The operating and maintenance costs of the company car and accident insurance are borne by the Company. The intrinsic value of the private use will be taxed at the expense of the Managing Directors. In financial year 2017, individual Managing Directors received benefits in kind from the use of a company car in the amount of EUR 11 thousand (previous year: EUR 11 thousand). The Company also took out D&O insurance with a reasonable insurance sum and a deductible for the Managing Directors and the non-executive Managing Directors in the amount specified in section 93 para. 2 AktG and bears these costs.

Share-based payment (remuneration with a long-term incentive effect)

The Managing Directors were granted no further option rights in financial year 2017.

Other services

In financial year 2017, a non-executive member of the Executive Board received EUR 125 thousand (previous year EUR 85 thousand) for professional services as a TV presenter.

Other notes

Every professional (secondary) activity of a Managing Director outside of the elumeo Group requires the prior written consent of the Executive Board. Furthermore, the service contract includes a non-compete obligation within the meaning of section 88 AktG (German Stock Corporation Act).

For every member of the Executive Board, the costs of liability insurance (D&O insurance) are assumed under the provisions of the German Stock Corporation Act as an additional compensation component, which the Company arranges for the members of the Executive Board. Insurance is taken out with a reasonable sum insured and a deductible of 10% of the respective damages, but not more than 150% of the fixed annual remuneration.

Besides the service contracts of the Managing Directors, there are no other service or employment contracts with related companies or subsidiaries of the Company.

I. Declaration of corporate governance

The management of elumeo SE ("elumeo") as a listed, monistic German Societas Europeae (SE), is primarily guided by the SE Regulation (Council Regulation (EC) no. 2157/2001 from 8 October 2001 on the Statute of a European company, in its current amended version), the SE Implementation Act, the Companies Act to the extent that it is referred to, and the requirements of the German Corporate Governance Code.

In the Declaration of Corporate Governance pursuant to section 289 f of the German Commercial Code (HGB), we refer to our statement pursuant to Art. 9 para. 1 lit. c) (ii) SE Regulation, section 22 para. 6 SEAG in connection with section 161 of the German Stock Corporation Act (AktG), (Declaration of Conformity), and explain our relevant corporate governance practices that are practiced beyond the statutory requirements; Furthermore, we describe how the Executive Board works and explain the composition of the Executive Board's Committees and how they work.

Declaration pursuant to Art. 9 para. 1 lit. c) (ii) SE Regulation, section 22 para. 6 SEAG in connection with section 161 of the German Stock Corporation Act

elumeo considers responsible and transparent corporate governance to be the basis for long-term economic success. This also includes open, timely and consistent information and communication with our shareholders, business partners, employees and the public. Here, we are guided by the German Corporate Governance Code introduced in 2002 in its current version. The Executive Board and Managing Directors work together closely for the benefit of the entire Company to ensure efficient management and control of the Company geared toward sustained value creation through good corporate governance.

The Executive Board has issued the Declaration of Compliance with the German Corporate Governance Code required by section 161 of the German Stock Corporation Act (AktG). The exact text of the Declaration of Conformity is available on elumeo SE's website (http://www.elumeo.com/investor-relations/corporate-governance-kodex).

You will find further details on how elumeo practices corporate governance in the current Corporate Governance Report, which is also part of this Declaration of Corporate Governance.

Relevant management practices

We consider sustainability, integrity and good corporate governance to be the key components of our ethical Company culture. They shape our behaviour towards customers, suppliers, employees, shareholders and society at large.

The actions of our governing body and our employees are determined by the values, principles and rules of responsible corporate management, our self-image and our strategy. Objectives are defined and communicated as part of the strategic determinations of the Executive Board. Here, when it comes to doing our work, we rely on the personal responsibility and initiative of our managers and employees, with whom we have agreed to clear management principles.

To ensure maximum transparency, we inform our shareholders, financial analysts, shareholders' associations, the media and the interested public regularly and promptly about the situation of the Company and significant business changes. This reporting by our Company complies with the rules defined in the Code: elumeo informs its shareholders four times a year on how the business is developing, its financial position, results of operations and related risks.

In accordance with the statutory requirements, the Company's Managing Directors ensure to the best of their knowledge that the financial statements and the combined management report present a true and fair view and describe the material opportunities and risks.

The financial statements and management report of elumeo SE and the consolidated financial statements and management report for the elumeo Group are published within 90 days after the end of each financial year. During the financial year, shareholders and third parties are also informed by publishing the half-year financial report and the first and third quarter financial reports.

The work of the Executive Board and the Managing Directors and the composition and work of the Executive Board Committees

elumeo SE has a monistic Company management and control structure. The tier system is characterised according to Art. 43-45 of the SE Regulation in connection with section 20ff. SEAG by the fact that a single organ, the Executive Board, is responsible for the leadership of an SE. elumeo exercises its statutory right to delegate the daily management to Managing Directors, whereby all Managing Directors were also members of the Executive Board during the financial year. The Annual General Meeting is yet another organ.

The Executive Board manages the Company, determines the principles of its business and monitors their implementation by the Managing Directors. It appoints and dismisses Managing Directors, determines the compensation system and sets the respective remuneration. The Executive Board was comprised of eight members on 31 December 2017. The Executive Board members were elected at the Annual General Meeting. For details on the members of the Executive Board, please refer to the notes.

Board meetings are held at least every three months. To perform its duties, the Executive Board has established two

Committees and regularly receives reports on their work. The principles of cooperation of the Executive Board and the duties of its Committees are further defined by its rules of procedure.

The Nomination Committee consists of three members. It proposes appropriate candidates for election to the Executive Board to the Executive Board at the Annual General Meeting.

The Audit Committee consists of three members, the majority of whom must be members of the Executive Board, who are not Managing Directors. The Chairman of the Audit Committee may not at the same time be the Managing Director of the Company or have been within the last two years or be Chairman of the Executive Board and must have expertise in the areas of accounting or auditing pursuant to section 100 para. 5 of the German Stock Corporation Act (AktG) and internal control procedures. The Audit Committee is specifically responsible for accounting issues and monitoring the accounting process, the effectiveness of the internal control system, risk management and the risk management system, internal auditing, compliance and auditing. It shall provide the Executive Board with a founded recommendation on the selection of the auditor, which shall include at least two candidates in the cases of the call for tenders for the auditing mandate. The Audit Committee monitors the independence of the auditor and also deals with the issuing of the audit assignment to the auditor, the determination of the audit areas and the fee agreement.

The current composition of the Committees can be found in the notes.

The Managing Directors manage the affairs of the Company in accordance with the applicable laws, this Statute, the Rules of Procedure of the Executive Board and its bylaws. Two of these individuals represent the Company or one Managing Director and an authorised signatory. On 31 December 2017, three Managing Directors had been appointed to whom all powers of individual representation were granted.

The Managing Directors are to inform the Executive Board regularly, promptly and comprehensively on all Company issues concerning planning, the development of the business, the risk situation, risk management and compliance of the elumeo Group and of any special occurrences at the elumeo Group, in particular if business performance deviates from the established Company planning, also stating the reasons.

The Managing Directors must disclose any conflicts of interest to the Executive Board immediately and inform the other Managing Directors and Executive Board members thereof. All transactions between the Company and / or its affiliates on the one hand and a Managing Director and his related persons or personally related activities on the other hand must stand up to a third-party comparison (at arms' length). The assumption of a paid or unpaid outside activity, honorary posts and Board, Supervisory, Advisory or similar mandates requires the prior written consent of the Company's Executive Board, which can be revoked at any time. In financial year 2017, there was no conflict of interest with the Managing Directors of elumeo SE.

The principles of cooperation between the Managing Directors of elumeo SE are governed by the rules of procedure for the Managing Directors.

Competence profile and diversity concept for the Executive Board

The competence profile and diversity concept for the Executive Board is as follows:

Social skills: Board members are expected to play a role as team players in overseeing the Managing Directors. This requires practical business experience, assertiveness and social skills. Members should bring along innovative thinking and / or know-how in promoting innovative processes. Alternatively, the strong ability to oversee the corporate strategy through excellent knowledge of the relevant market, products or other market participants is expected.

Expert know-how: Executive Board members are expected to have expertise in at least one of the following areas: jewelry, finance, e-commerce, television or distribution in any of the markets in which the elumeo Group operates or which is a strategic goal of the Group. The Chair of the Audit Committee should have expertise in the application of accounting principles and internal control procedures. He should be independent and not a former member of the Executive Board whose appointment has ended less than two years prior to his appointment as Chairman of the Audit

Committee.

Diversity: The Executive Board should reflect the diversity of today's society. There can be no discrimination, for whatever reason. Different educational and professional backgrounds are seen as beneficial to realizing the required diversity. Against this backdrop, an age limit of a maximum of 70 years is considered justified. However, skills and know-how are given priority by the Executive Board. Therefore, a candidate's application should not be rejected on the basis of strict consideration of each and every aspect, including gender, education, practical experience or any other aspect. The target percentage of female members of the Executive Board is set separately. Regarding the maximum length of membership, the Executive Board considers a limit of twenty years to be appropriate.

Number of independent Executive Board members: According to the laws, the Executive Board is not allowed to have more than fifteen members. The statutes of elumeo SE also limit the number to ten members. By nature, the Managing Directors, i.e. the members of the Executive Board, are not independent. The SE Act requires that the majority of the members of the Executive Board be non-executive members. As long as the Executive Board consists of eight members, as is currently the case, there are five non-executive members. These five non-executive members of the Executive Board should always have a sufficient number of independent members, taking into account the shareholder structure of elumeo SE. In view of the fact that the majority shareholders Blackflint Ltd. and Ottoman Strategy Holdings (Suisse) S.A. are represented by one to two non-executive members of the Executive Board, a total of two independent members of five non-executive members of the Executive Board are considered appropriate. These two non-executive members of the Executive Board were Roland Sand and Anette Bronder in financial year 2017.

Stipulations on promoting the participation of women in management positions

As a result of the law on equal participation of women and men in management positions in the private and public sector issued in May 2015, elumeo SE is required to set targets for the share of women at the level of the Executive Board, the Managing Directors and the subsequent management level. In addition, it had to determine until when the respective proportion of women should be reached. The law stipulates that the implementation period can be up to five years. elumeo SE is proud to employ a high proportion of women on all management levels of its subsidiaries on average. elumeo actively promotes the compatibility of family and work through, for example, part-time and half-day models, flexible working hours and home office days. elumeo SE itself has no management levels, given its small number of employees below the Managing Directors. The share of women was 25% at the level of the Executive Board, and 0% with respect to the Managing Directors on 31 December 2017. To remain prudent, the Executive Board decided to take the current ratio and thus the target of 25% for the Executive Board and 0% for the Managing Directors as the target for the number of women to be achieved by 30 June 2022. Nevertheless, the Company hopes to be able to fill any possible vacant positions with qualified women in the future.

Compliance Management System

In the elumeo Group, all employees are required to comply with applicable laws and company-internal rules and principles (compliance). In order to promote rules of conduct, the Executive Board of elumeo has issued guidelines (Code of Conduct) applicable throughout the Group and distributed them to all employees of the elumeo Group. On the basis of the Code of Conduct, all employees commit themselves to comply with the applicable rules and to behave ethically correctly. Executives, in particular the managers of the respective Group companies, have a special responsibility to monitor adherence to the compliance rules and to assume an exemplary role. The Code of Conduct contains binding rules for all employees of the elumeo Group, is regularly reviewed and adjusted as necessary. It is an important basis of the compliance management system. Regular internal monitoring and random checks on the functionality of the system are another important building block. Within the framework of compliance risk management, potential risks are evaluated regularly. The Compliance Officer examines any compliance violations and reports directly to the Chairman of the Executive Board and the Audit Committee. This Officer is supported by the Compliance Committee, consisting of the Head of Corporate Finance and Risk Management, the Money Laundering Officer and the Data Protection Officer. Every employee is encouraged to report possible compliance violations to the Compliance Officer or his / her supervisor. The elumeo Group has set up an internal whistleblower hotline to enable anonymous reporting of serious breaches.

J. Sustainability Report / Non-Financial Group Statement

Our mission and our key stakeholders

Our mission is to make high-quality jewelry affordable for everyone.

We see it as a great opportunity that we can eliminate price-increasing intermediate steps through our own coverage of almost the entire value chain – from design to production to sales – and offer end customers high-quality jewelry at significantly lower prices. We are convinced that this also gives us the opportunity to provide our employees with fair and family-friendly working conditions at every step along the value chain, thereby fulfilling our social responsibility as an employer. The topic of sustainability occupies us at all levels of the value chain.

As a publicly traded company, shareholders and our employees are naturally very interested in the sustainability of our economic activities. The third important stakeholder group is our customers, who follow our communication on sustainability issues with great interest.

Sustainability management

At elumeo, the strategic responsibility for sustainability is borne by the Executive Board, which is supported by the Group Legal Department. Because of the flat hierarchies, all employees can proactively propose measures on sustainability at all times.

Given the Company's relatively small size, limited scope of business, and relatively recent history as a listed company, we decided to produce the sustainability report based on our own considerations but without applying a recognized standard.

We have identified the following three topics as the main topics for the management and thus the report on sustainability: employees, the supply chain and raw materials as well as integrity. By contrast, environmental concerns only play a subordinate role in view of the business model, so that no separate concept is pursued for this purpose.

Our employees

The elumeo Group could not be successful without dedicated and creative employees. Therefore, fair working conditions for all workers and the promotion of a safe working environment are important. We have kept the familiar and open way of working from our start-up time and give our employees the greatest possible flexibility. An exchange of employees from different locations strengthens our integrative corporate culture and promotes cooperation as a team. Most employees work in our factory in Thailand. Very specialized professionals work here, whose experience and expertise we depend on. We rebuilt the manufactory in Chanthaburi, Thailand, in 2015 according to the latest standards. A canteen and a kindergarten, where children of different ages are cared for by age, and help with homework for schoolchildren is offered. This makes us a highly appreciated employer in the region. All stakeholders can gain insight into our manufactory and the working conditions at the visitor center located here.

Inclusion and diversity are not just buzzwords for the elumeo Group. They are lived out. The majority of our employees are female (Group-wide 43.9%). The diversity of nationalities, religions, familial constellations or sexual orientations are not recorded, but are positively noticeable at all locations.

Supply chain and raw materials

A major sustainability risk in the area of gemstones and jewelry is the unethical extraction of processed raw materials, in particular through violations of human rights, such as child labour or the exploitation of labour. One of our advantages is that we manufacture our own jewelry for the most part. In this way, we control the working conditions under which our jewelry is made and can ensure compliance with our high internal standards. Purchasing is essentially limited to raw materials, especially gold and silver, as well as precious stones. Here we select our suppliers very carefully. Purchasing decision makers usually work with suppliers for many years. This has allowed us to develop a network of reputable suppliers. The gold we use is all certified conflict-free by the LBMA (Good Delivery List). In addition, we insist on the contractual assurance of compliance with common ethical standards and regularly check our contractual partners for not being accused of violating nationally and internationally applicable sanctions. Our compliance management system ensures, with the help of a whistleblowing hotline, for instance, that any doubts about the reliability of suppliers are brought directly to the attention of the Compliance Officer of the elumeo Group and the Audit Committee, as well as to those responsible for environmental, social and governance issues.

Integrity

Ethical trading and integrity are of paramount importance to us. The elumeo Group not only meets the legal requirements but also applies the highest ethical standards. Our corporate culture is characterised by responsibility, respect and trust. Lawful conduct is the foundation of our daily work and ultimately of our success. Therefore, the Executive Board has adopted a Code of Conduct. It describes our ethics and compliance standards as a global Company and serves as a guide for senior executives and employees. We expect all executives and employees of the elumeo Group worldwide to adhere strictly to ethical business conduct and to act in accordance with the principles of the Code of Conduct at all times. We do not tolerate unethical or unlawful behaviour.

The purpose of the Code of Conduct is to help everyone in the elumeo Group understand their personal responsibilities clearly. It applies to all members of the elumeo Group; from Board members to executives and employees. The Code of Conduct establishes a minimum requirement. Insofar as statutory provisions, ordinances or regulations, be they local, national or international, take a more stringent position with regard to the content mentioned in the Code of Conduct, these must be observed and adhered to. In the event of a conflict between the Code of Conduct and a compulsory local regulation, the regulation will prevail.

With regard to our integrity, the Code of Conduct also deals in particular with the topics of money laundering prevention, anti-corruption measures, competition and antitrust law, our relationships with business partners and suppliers and guidelines for social media. In order to ensure compliance within the elumeo Group, the Executive Board has established compliance guidelines and a compliance management system and established a compliance organization. Part of this is also an internal system for the anonymous reporting of possible violations (whistleblowing). All executives and employees worldwide are encouraged to participate in our ongoing efforts to analyse our compliance risks and improve our compliance management system.

K. Takeover provisions in accordance with sections 289 a and 315 a of the German Commercial Code (HGB)

As a listed Company whose shares with voting rights are traded on an organised market within the meaning of section 2 (7) of the German Securities and Takeover Act (WpÜG), elumeo SE is obliged to disclose certain information referred to in sections 289 a and 315 a of the German Commercial Code (HGB) in its management report or Group management report. This information is intended to help third parties interested in acquiring a listed company to get a better feeling for the company, its structure and potential obstacles to a takeover.

Composition of subscribed capital

The subscribed capital of elumeo SE was a total of EUR 5,500,000 on 31 December 2017 (31 December 2016: EUR 5,500,000) and was divided into 5,500,000 no-par shares with a theoretical share of EUR 1.00 per share in the subscribed capital. All shares are linked to the same rights and obligations. Each share carries one vote at the Company's General Meeting. The shares are fully entitled to dividends for financial years beginning on 1 January 2015.

Restrictions on voting rights or the transfer of shares

The Executive Board has no information on any restrictions on exercising voting rights or restrictions on the transferability of the shares, which go beyond the legal requirements.

Shareholdings in capital that exceed 10.0% of the voting rights

As of 31 December 2017, the following shareholders held direct or indirect shareholdings in the capital of elumeo SE that exceeded 10.0% of the voting rights: Ottoman Strategy Holdings (Suisse) SA, Zug, Switzerland (directly), Blackflint Ltd., Paphos, Cyprus (directly), Serifos Foundation, Vaduz, Liechtenstein (indirectly), UV Interactive Services GmbH, Berlin (indirectly) and Mr. Wolfgang Boyé, Berlin (indirectly).

For further information on announcements pursuant to section 21 (1) WpHG, please refer to section [I. Other disclosures: Voting rights notifications pursuant to § 21 para. 1 German Securities Trading Act (WpHG)] of the Notes to the consolidated financial statements.

Shares with special rights that confer powers of control

No shares with special rights that confer powers of control have been issued.

Voting rights control for employee shareholdings

No control over voting rights is exercised in the event that employees participate in the capital of elumeo SE.

Appointment and dismissal of members of the Executive Board and Managing Directors; Amendments to the Statutes

With regard to the appointment and dismissal of members of the Executive Board, we refer to the applicable statutory provisions in sections 28 and 29 of the SEAG. In addition, section 9 (2) of the Statutes of elumeo SE states that the members of the Executive Board shall be elected by the General Meeting by simple majority. With regard to the appointment and dismissal of Managing Directors, we refer to the applicable statutory provisions in section 40 of the SEAG. Moreover, section 16 (1) of the Statutes of elumeo SE states that the Executive Board shall appoint one or more Managing Directors. It may appoint one of these Managing Directors to serve as Chief Executive Officer and one or two of them Deputy Chief Executive Officers. Managing Directors may be dismissed at any time by decision of the Executive Board by simple majority in accordance with section 16 (4) of the Statutes of elumeo SE.

The regulations on amending the Statutes in accordance with article 9 1 lit. c) (ii) of the SE Regulation are governed by sections 133 and 179 of the German Stock Corporation Act (AktG). The Executive Board is authorised to resolve on amendments to the Statutes which only concern the wording (section 11 (4) of the Statutes of elumeo SE).

Powers of the Executive Board to issue or buy back shares

The Executive Board was authorised by resolution of the Extraordinary General Meeting on 7 April 2015 to increase the subscribed capital of elumeo SE by a total of EUR 2,000,000 by issuing up to 2,000,000 new no-par value bearer shares in exchange for cash and/or cash in kind (Authorized Capital 2015) by 6 April 2020. The Executive Board is authorised to determine the further content of share rights and the terms of issue. Existing shareholders have subscription rights when new shares are issued.

The Executive Board was also authorised to issue convertible bonds or warrant bonds up until 6 April 2020 denominated in the bearer's name in a total amount of up to EUR 150.0 million and to issue to the bearers or creditors conversion rights or option rights to subscribe to up to 1,600,000 new no-par value bearer shares with a pro-rata share in the issued capital of up to EUR 1,600,000 (Contingent Capital 2015/I). As of 31 December 2017, no bonds had been issued.

Furthermore, the Executive Board was authorised to grant options to subscribe to up to 400,000 new, no-par value bearer shares of the Company (Stock Option Programme 2015) up until 6 April 2020. In this context, the subscribed capital of the Company may be conditionally increased by up to EUR 400,000 by issuing new shares (Contingent Capital 2015/II). The Contingent Capital 2015/II can only be used to grant new shares to the holders of option rights from the 2015 Stock Option Programme ("SOP 2015"). Shareholders always have subscription rights to the convertible bonds and bonds with warrants, nevertheless, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude the subscription rights either completely or partially in certain cases by resolution of the Annual General Meeting. The Company was authorised by resolution of the Extraordinary General Meeting on 7 April 2015 in accordance with section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to acquire up to 10.0% of its own shares as of the date of the resolution up until 6 April 2020. As of 31 December 2017, no treasury shares were held. The authorisation may be exercised by the Company in whole or in part, once or several times, in pursuit of one or several purposes. The shares may also be purchased on the stock exchange by using derivatives or via a tender offer to all shareholders, and/or a public invitation to submit offers for sale. Acquired own shares may be resold again or be withdrawn without any further resolution. When reselling its treasury shares, the Executive Board is authorised to exclude the shareholders' subscription rights either entirely or partly in certain cases by resolution of the Annual General Meeting.

Significant agreements that are conditional upon a change of control following a takeover bid

elumeo SE has not signed any significant agreements that contain provisions relating to a change of control. elumeo SE has a secured joint credit agreement that was comprised of two term loans in the amount of EUR 5,000 thousand as of 31 December 2017. In case of change of control over elumeo SE ("Change of Control") to the effect that the voting rights differ from the defined shareholder structure by at least 25.0% points at the time that the contract was signed, the lender may demand that the credit agreement be ended and require repayment of all outstanding amounts.

Compensation agreements that have been met for the Executive Board or the employees in the event of a takeover bid

No such agreements have been reached for the members of the Executive Board or the employees of elumeo SE in the event of a takeover bid.

L. Overall assessment

Overall, the Managing Directors assess the course of financial year 2017 and the economic situation of the elumeo Group as positive. The discontinuation of sales activities in the United Kingdom eliminated a significant cause of losses in previous years. With the restructuring, we expect to see a gradual positive development with respect to earnings. In the case of a continuously positive development in Germany and the targeted reduction in losses in Italy, the Managing Directors are looking forward to the year 2018 and the following years. In addition, the expansion of the B2B business offers further opportunities to strengthen the elumeo Group economically. The elumeo Group continues to grow strongly in the area of eCommerce, and is therefore further expanding its market position as the leading European electronic retailer of gemstone jewelry in this strategically important area.

M. Closing statement in accordance with section 312 (3) AktG (German Stock Corporation Act)

In accordance with section 312 (3) AktG (German Stock Corporation Act), we, the Managing Directors of elumeo SE, declare that the Company was not disadvantaged with respect to the legal transactions conducted by way of relations with affiliated companies made or omitted based on the circumstances that were known to us at the time the transaction was made or not made and received adequate consideration for each legal transaction.

Berlin, 19 March 2018

elumeo SE

The Managing Directors

Bernd Fischer | Thomas Jarmuske | Boris Kirn

Consolidated Financial Statements

Consolidated statement of income

for the financial years from 1 January to 31 December 2017 and 2016

EUR thousand | % of revenue	Note	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016 restated*		YoY in %
Revenue	(1.)	67,560	100.0%	58,476	100.0%	15.5%
Cost of goods sold	(2.)	37,734	55.9%	31,817	54.4%	18.6%
Gross profit		**29,826**	**44.1%**	**26,659**	**45.6%**	**11.9%**
Selling expenses	(3.)	23,669	35.0%	23,429	40.1%	1.0%
Administrative expenses	(4.)	8,895	13.2%	12,756	21.8%	-30.3%
Other operating income	(5.)	1,143	1.7%	528	0.9%	116.5%
Other operating expenses		0	0.0%	48	0.1%	-100.0%
Earnings before interest and taxes (EBIT)		**-1,595**	**-2.4%**	**-9,045**	**-15.5%**	**82.4%**
Interest income		0	0.0%	2	0.0%	-75.0%
Interest and similar expenses		-612	-0.9%	-598	-1.0%	-2.4%
Financial result	(6.)	-612	-0.9%	-596	-1.0%	2.6%
Earnings before income taxes (EBT)		**-2,207**	**-3.3%**	**-9,641**	**-16.5%**	**77.1%**
Income tax	(8.)	72	0.1%	-983	-1.7%	107.3%
Earnings for the period from continuing operations		**-2,135**	**-3.2%**	**-10,625**	**-18.2%**	**79.9%**
Earnings for the period from discontinued operations	(7.)	**-3,908**	**-5.8%**	**-4,899**	**-8.4%**	**20.2%**
Earnings for the period		**-6,043**	**-8.9%**	**-15,523**	**-26.5%**	**61.1%**
Earnings of shareholders of elumeo SE		*-6,043*	*-8.9%*	*-15,523*	*-26.5%*	*61.1%*
Earnings per share in EUR (basis and diluted) applied to:						
- **Earnings of shareholders total**	(10.)	**-1.10**		**-2.82**		**61.1%**
- Earnings of shareholders from continuing operations	(10.)	-0.39		-1.93		79.9%
- Earnings of shareholders from discontinued operations	(10.)	-0.71		-0.89		20.2%

* Due to a correction of errors, selected amounts deviate from the amounts disclosed in the Consolidated Financial Statements 2016 (see section B. Basic principles of the Consolidated Financial Statements | Correction of errors).

Consolidated statement of comprehensive income

for the financial years from 1 January to 31 December 2017 and 2016

EUR thousand | % of revenue	Note	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Earnings for the period		**-6,043**	**-8.9%**	**-15,523**	**-26.5%**	**61.1%**
Items which will be reclassified to the consolidated statement of income in subsequent periods:						
Differences from foreign currency translation of foreign subsidiaries		-1,419	-2.1%	1,755	3.0%	-180.8%
Other comprehensive income from continuing operations	(11.)	**-1,419**	**-2.1%**	**1,755**	**3.0%**	**-180.8%**
Differences from foreign currency translation of foreign subsidiaries		121	0.2%	1,222	2.1%	-90.1%
Other comprehensive income from discontinued operations	(11.)	**121**	**0.2%**	**1,222**	**2.1%**	**-90.1%**
Total comprehensive income		**-7,340**	**-10.9%**	**-12,547**	**-21.5%**	**41.5%**
Total comprehensive income of shareholders of elumeo SE		*-7,340*	*-10.9%*	*-12,547*	*-21.5%*	*41.5%*

Consolidated statement of financial position

as of 31 December 2017 and 2016

ASSETS EUR thousand | % of balance sheet total	Note	31 Dec 2017		31 Dec 2016		YoY in %
Non-current assets						
Intangible assets	(12.)	755	1.4%	925	1.5%	-18.4%
Property, plant and equipment	(13.)	9,374	17.1%	11,244	18.1%	-16.6%
Other financial assets	(17.)	394	0.7%	522	0.8%	-24.5%
Other non-financial assets	(18.)	1,871	3.4%	2,020	3.3%	-7.4%
Deferred tax assets	(29.)	1,866	3.4%	1,465	2.4%	27.3%
Total non-current assets		**14,258**	**26.1%**	**16,177**	**26.1%**	**-11.9%**
Current assets						
Inventories	(14.)	33,548	61.3%	38,933	62.7%	-13.8%
Trade receivables	(15.)	2,963	5.4%	3,473	5.6%	-14.7%
Receivables due from related parties	(16.)	224	0.4%	279	0.4%	-19.7%
Other financial assets	(17.)	43	0.1%	82	0.1%	-47.8%
Other non-financial assets	(18.)	1,675	3.1%	1,309	2.1%	27.9%
Cash and cash equivalents	(19.)	1,512	2.8%	1,837	3.0%	-17.7%
Total current assets		**39,965**	**73.1%**	**45,912**	**73.9%**	**-13.0%**
Assets held for sale	(7.)	485	0.9%	0	0.0%	n.a
Total assets		**54,709**	**100.0%**	**62,089**	**100.0%**	**-11.9%**

Consolidated statement of financial position

as of 31 December 2017 and 2016

EQUITY & LIABILITIES

	Ziffer	31.12.2017		31.12.2016		YoY in %
Equity						
Issued capital	(20.)	5,500	10.1%	5,500	8.9%	0.0%
Capital reserve	(20.),(21.)	34,179	62.5%	33,862	54.5%	0.9%
Retained earnings/losses		-11,452	-20.9%	-5,408	-8.7%	-111.7%
Foreign currency translation reserve	(11.)	3,725	6.8%	5,022	8.1%	-25.8%
Total equity		**31,952**	**58.4%**	**38,975**	**62.8%**	**-18.0%**
Attributable to shareholders of elumeo SE		*31,952*	*58.4%*	*38,975*	*62.8%*	*-18.0%*
Non-current liabilities						
Financial debt	(22.)	3,382	6.2%	4,011	6.5%	-15.7%
Other non-current financial liabilities	(23.)	273	0.5%	573	0.9%	-52.4%
Provisions	(24.)	676	1.2%	602	1.0%	12.3%
Other non-financial liabilities	(27.)	25	0.0%	25	0.0%	0.0%
Summe non-current labilities		**4,355**	**8.0%**	**5,211**	**8.4%**	**-16.4%**
Current liabilities						
Financial debt	(22.)	7,577	13.9%	8,904	14.3%	-14.9%
Other financial liabilities	(23.)	304	0.6%	311	0.5%	-2.3%
Provisions	(24.)	547	1.0%	684	1.1%	-19.9%
Liabilities due to related parties	(25.)	7	0.0%	11	0.0%	-32.7%
Trade payables		7,340	13.4%	6,181	10.0%	18.7%
Advance payments received		158	0.3%	111	0.2%	42.0%
Tax liabilities	(26.)	100	0.2%	0	0.0%	n.a
Other non-financial liabilities	(27.)	1,236	2.3%	1,701	2.7%	-27.4%
Summe current liabilities		**17,270**	**31.6%**	**17,903**	**28.8%**	**-3.5%**
Liabilities directly associated with assets held for sale	(7.)	1,132	2.1%	0	0.0%	n.a
Total equity & liabilities		**54,709**	**100.0%**	**62,089**	**100.0%**	**-11.9%**

Consolidated statement of changes in equity

for the financial year from 1 January to 31 December 2017

Reason for change		Attributable to shareholders of elumeo SE				
EUR thousand	Note	Issued capital	Capital Reserve	Retained losses	Foreign currency translation reserve	Total equity
1 January 2017		**5,500**	**33,862**	**-5,408**	**5,022**	**38,975**
Equity-settled share-based remuneration	(21.)		317			**317**
Other comprehensive income	(11.)				-1,297	**-1,297**
Earnings for the period				-6,043		**-6,043**
Total comprehensive income				-6,043	-1,297	**-7,340**
31 December 2017		**5,500**	**34,179**	**-11,452**	**3,725**	**31,952**

for the financial year from 1 January to 31 December 2016

Reason for change		Attributable to shareholders of elumeo SE				
EUR thousand	Note	Issued capital	Capital Reserve	Retained earnings	Foreign currency translation reserve	Total equity
1 January 2016		**5,500**	**33,397**	**10,115**	**2,045**	**51,057**
Equity-settled share-based remuneration	(21.)		465			**465**
Other comprehensive income	(11.)				2,977	**2,977**
Earnings for the period				-15,523		**-15,523**
Total comprehensive income				-15,523	2,977	**-12,547**
31 December 2016		**5,500**	**33,862**	**-5,408**	**5,022**	**38,975**

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Consolidated statement of cash flows

for the financial years from 1 January to 31 December 2017 and 2016

EUR thousand	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	YoY in %
Earnings before taxes (EBT) from continuing operations		**-2,207**	**-9,641**	**77.1%**
Earnings before taxes (EBT) from discontinued operations		-3,892	-4,463	12.8%
Earnings before taxes (EBT)		**-6,099**	**-14,105**	**56.8%**
+/- Depreciation and amortisation on non-current assets	(12.),(13.)	+1,606	+1,588	1.1%
+/- Increase/decrease in provisions	(24.)	+41	+683	-94.0%
+/- Equity-settled share-based remuneration	(21.)	+317	+465	-31.8%
+/- Other non-cash expenses/income		-1,310	+1,610	-181.4%
+/- Loss/gain on disposal of non-current assets	(13.)	+13	+0	>1.000%
- Non-cash current interest income		-0	-0	-5.0%
- Interest expenses paid related to prior accounting periods		-73	-299	75.7%
+ Non-cash current interest expenses		+33	+102	-67.8%
+ Proceeds from income tax		0	+5	-100.0%
- Income tax paid	(26.)	-0	-164	100.0%
-/+ Increase/decrease in inventories	(14.)	+4,584	-2,512	282.5%
-/+ Increase/decrease in other assets		-377	-1,476	74.5%
+/- Increase/decrease in other liabilities		+2,572	-2,234	215.1%
= Net cash flow from operating activities from continuing operations	(28.)	**+5,199**	**-11,874**	**143.8%**
= Net cash flow from operating activities from discontinued operations	(7.)	-3,224	+1,951	-265.2%

Consolidated statement of cash flows
(continuation)

for the financial years from 1 January to 31 December 2017 and 2016

EUR thousand		Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	YoY in %
-	Payments for investments in intangible assets	(12.)	-6	-121	94.8%
-	Payments for investments in property, plant and equipment	(13.)	-225	-853	73.6%
	and property, plant and equipment		+3	0	n.a
=	**Net cash flow from investing activities from continuing operations**	(28.)	**-229**	**-973**	**76.5%**
=	Net cash flow from investing activities from discontinued operations	(7.)	-2	-55	96.6%
+	Proceeds from increase in financial debt	(22.)	+2,273	+1,755	29.6%
-	Payments for the redemption of financial debt	(22.)	-3,989	-2,170	-83.8%
-	Payments (net) for redemption of financial liabilties	(23.)	-288	-272	-6.0%
=	**Net cash flow from financing activities from continuing operations**	(28.)	**-2,005**	**-688**	**191.4%**
=	Net cash flow from financing activities from discontinued operations	(7.)	-8	+3	-354.9%
+/-	Net increase/decrease in cash and cash equivalents		-268	-11,635	97.7%
+/-	Effects of foreign currency translation on cash and cash equivalents		-15	-26	41.9%
+/-	Changes in cash and cash equivalents relassified as part of a disposal group		-43	0	n.a
+	Cash and cash equivalents on beginning of period		+1,836	+13,498	-86.4%
=	**Cash and cash equivalents on end of period**		**+1,511**	**+1,836**	**-17.7%**
Reconciliation of cash and cash equivalents					
	Cash and cash equivalents	(19.)	+1,512	+1,837	-17.7%
-	Current account overdrafts	(22.)	-1	-0	-304.9%
=	**Cash and cash equivalents at end of period**		**+1,511**	**+1,836**	**-17.7%**

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Notes to the Consolidated Financial Statements

A. Information on the elumeo Group

Company, registered office, incorporation and commercial register of the reporting parent company

elumeo SE, Erkelenzdamm 59/61, 10999 Berlin, Germany ("company" or "elumeo SE")

The company was founded under the company name "Atrium 66. Europäische VV SE" as a European Company (SE) on 5 March 2014 and is registered in the commercial register in Berlin-Charlottenburg in the B division under no. 157 001 B. The name of the company was changed to "elumeo SE" and the statutes of the Company were revised by shareholder resolution at the Extraordinary General Meeting on 9 July 2014.

elumeo SE is a publicly listed Company in the legal form of a European Company (Societas Europaea) and the parent company of the elumeo Group. The company has a single-tier governance structure with the Executive Board as the central executive and controlling body.

The elumeo Group was legally formed on 23 October 2014 through the contributions of

- Juwelo TV Deutschland GmbH, Berlin, Germany – the company was renamed Juwelo Deutschland GmbH ("Juwelo Deutschland") by resolution of the shareholders on 12 January 2017 – and its subsidiaries Juwelo Italia s.r.l., Rome, Italy ("Juwelo Italia"), Rocks & Co Productions Ltd., Birmingham (formerly Warwick), United Kingdom ("R&C P"), and JTV Services GmbH, Berlin, Germany ("JTVS"), as well as
- Silverline Distribution Ltd., Hong Kong, People's Republic of China ("Silverline"), and its subsidiary Porn Wong Kitt Company Limited, Bangkok, Thailand – whose company name was changed to PWK Jewelry Company Limited ("PWK") on 14 December 2016 –

into elumeo SE. The contributions represent a "common control transaction." As common control transactions are expressly excluded from the scope of IFRS 3 *Business Combinations* and the IFRSs do not contain any guidelines for the accounting of such transactions, the transaction was recognised pursuant to the pooling of interest method.

Nature of operations of the elumeo Group

The elumeo Group is active in designing, producing and selling jewelry, jewelry articles, precious gemstones and related products via the Internet, catalogues, television, retail and other especially electronic distribution channels and in providing related services. To this end, elumeo SE holds participations in companies in Germany and abroad. The elumeo Group primarily sells self-produced, handmade gemstone jewelry at competitive prices through direct sales channels such as home shopping television channels, web shops, personal shopping assistants and via mobile apps and smart TV apps. The diverse range of products is mainly produced in Thailand and distributed in the geographical markets of Germany, Austria, Switzerland, Italy, the United Kingdom ("UK"), France, Spain, the Netherlands, Belgium and the United States of America ("USA"). The main means of distribution are live interactive offerings that enable customers to bid against each other to compete for the pieces of jewelry presented and set the price. The sale to local TV stations in the US for resale to consumers (B2B business) represents an additional distribution channel.

On 18 December 2017, the elumeo Group published the decision of its Executive Board to discontinue the lossmaking sales business in the United Kingdom.

Approval of the Consolidated Financial Statements

The Executive Board approved publication of the Consolidated Financial Statements on 19 March 2018.

B. Basic principles of the Consolidated Financial Statements

Application of IFRSs

The Consolidated Financial Statements of elumeo SE for the financial year ended as of 31 December 2017 were prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union. In addition, the provisions of § 315a para. 1 German Commercial Code (Handelsgesetzbuch, "HGB") were taken into account.

The Consolidated Financial Statements take into account all IFRSs that had been issued as of the reporting date and requiring application in the European Union.

General information

The Consolidated Financial Statements comprise the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows. The Consolidated Financial Statements are generally prepared based on the recognition of assets and liabilities at amortised cost. The consolidated statement of income is prepared using the cost of sales format. A consolidated statement of comprehensive income is prepared to reconcile the earnings for the period (net income after taxes) in the consolidated statement of income to the consolidated comprehensive income. The consolidated statement of financial position classifies assets and liabilities into current or non-current components in accordance with their maturities.

As of 18 December 2017, elumeo SE published an ad-hoc notification in accordance with Art. 17 MAR and § 4 para. 1 sentence 1 no. 1a WpAIV with the content to discontinue its loss-making sales business in the United Kingdom. As a result, the business activities of the indirectly controlled subsidiaries Rocks & Co UK Ltd., Birmingham, United Kingdom ("R&C UK") and Rocks & Co Productions Ltd., Birmingham, United Kingdom ("R&C P"), are included in the Consolidated Financial Statements of elumeo SE for the financial year ending 31 December 2017 as a discontinued operation (also referred to as "Sales business in the United Kingdom") in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Discontinued operations are not included in the earnings from continuing operations and are presented in the consolidated statement of income in a separate item as *Earnings for the period from discontinued operations*. The assets and liabilities related to the discontinued operations, which are not carried forward by other companies of the elumeo Group, are disclosed in the consolidated statement of financial position as of 31 December 2017 under separate items as *Assets held for sale* and as *Liabilities directly associated with assets held for sale*. The discontinued operations are not included in the detailed information on the composition of cash flows from operating, investing and financing activities and are presented separately in the consolidated statement of cash flows as *Net cash flow from discontinued operations*. All disclosures contain the amounts of continuing operations, unless otherwise stated.

The Consolidated Financial Statements are prepared in euros (EUR). Disclosures are made in thousands of euros ("EUR thousand") or millions of euros ("EUR million"). Due to the application of IFRS 5, the consolidated statements of income differ from the presentation of the Consolidated Financial Statements published on 23 March 2017 for the year ended 31 December 2016 ("Consolidated Financial Statements 2016" or "previous year"). Unless otherwise stated, the comparative disclosures in parentheses refer to the Consolidated Financial Statements 2016 prepared in accordance with IFRS 5. In addition, individual comparative data may refer to the annual comparison between the years 2017 and 2016 ("YoY").

For computational reasons, rounding differences may occur in tables or text notes with regard to exact values (monetary figures, percentages, etc.).

Correction of errors

In financial year 2017, the elumeo Group determined that in the consolidated statement of income of the Consolidated Financial Statements published on 23 March 2017, depreciation of selected property, plant and equipment attributable to the elumeo Group's administrative division was reported under selling expenses. There were no effects on earnings after taxes, the consolidated statement of financial position or the consolidated statement of cash flows.

The error was corrected by reducing the selling expenses and by increasing the administrative expenses by depreciation in the amount of EUR 151 thousand. From the amount of depreciation that was reclassified, EUR 134 thousand were attributable to continuing operations and EUR 17 thousand to discontinued operations.

Explanations of alternative performance indicators

The elumeo Group uses alternative performance measures ("APMs") in its financial reporting that are not covered by the IFRSs that are to be applied. For further information on the definition, use and limitations of the usability of these alternative performance indicators, as well as the accounting methods and reconciliations used, please visit http://www.elumeo.com/ir/publications/explanation-alternative-performance-measures.

C. Amended standards and interpretations of the IASB

Applicable standards

IFRS accounting is based on the accounting standards of the International Accounting Standards Board ("IASB") which have been adopted by the Commission of the European Community as part of the endorsement proceedings for the European Union.

New accounting standards of the IASB to be applied for the first time

The following new standards, interpretations and amendments to the IAS/IFRSs that are of practical relevance for elumeo SE were applied as required or voluntarily during the reporting period.

Standard/Interpretation		Publication by the IASB	Application date IASB	Effects on the elumeo Group
IAS 7	Statement of Cash Flows (Initiative on improving the disclosure requirements - Amendments to IAS 7)	29 Jan 2016	1 Jan 2017	significant
IAS 12	Recognition of deferred tax assets on unrealised losses (Amendments to IAS 12)	19 Jan 2016	1 Jan 2017	not significant
IFRSs	Annual improvements to the IFRSs, 2014-2016 cycle	8 Dec 2016	1 Jan 2017	not significant

IAS 7 – Statement of Cash Flows Disclosure Initiative

In January 2016, clarifications were made to IAS 7 through the IASB's Disclosure Initiative (amendments to IAS 7). These relate to supplementary disclosures which make it possible to assess changes in financial liabilities (cash flow from financing activities), including changes affecting cash and non-cash changes (gains and losses from currency translation, for example). The standard is to be applied for the first time to financial years beginning on or after 1 January 2017.

The elumeo Group has presented the required disclosures in accordance with IAS 7 in section [H.(28.)].

IAS 12 – Income Taxes: Recognition of deferred tax assets for unrealised losses

In January 2016, the IASB amended IAS 12. In particular, it clarifies the recognition of deferred tax assets on unrealised losses.

A deferred tax asset is only recognised for deductible differences to the extent that it is probable that future taxable income will be available against which a deductible temporary difference can be used. When assessing this, it must be considered whether applicable tax laws restrict the offsetting of tax losses. If this is the case, the assessment must be made separately for the deductible temporary differences of the same type. Furthermore, the amendment contains guidelines on how an entity should determine taxable income in the future and to what extent the realisation of assets above their book value can be taken into account. The amendments are effective for annual periods beginning on or after 1 January 2017.

The elumeo Group applied the amendment retroactively. Their application, however, has no effect on the net assets, financial position and results of operations of the Group.

IFRS 12 – Clarification of Disclosures on Investments in Affiliates

In December 2016, amendments to IFRS 12 were made by the IASB as part of the improvements to IFRSs. This clarifies the scope of the standard to the extent that the disclosure requirements are in principle also required for subsidiaries, joint arrangements, associates and unconsolidated structured entities held for sale, distribution or discontinued operations as classified under *IFRS 5 Non-current Assets and Discontinued Operations*. The changes are to be applied for the first time to financial years beginning on or after 1 January 2017.

Although the elumeo Group classified the sales business in the United Kingdom as a discontinued operation as of 31 December 2017, the changes to IFRS 12 had no impact on the Consolidated Financial Statements.

In addition, the IASB published further standards and/or amendments to standards which are to be applied for the first time in the current financial year 2017, but which have no material effect on the Consolidated Financial Statements of the elumeo Group.

New accounting standards of the IASB that are not yet applicable

Standards, interpretations and amendments to the IAS/IFRSs that are of practical relevance to elumeo SE that were announced up to the date of the publication of these Consolidated Financial Statements, but not yet requiring application are presented below. Unless otherwise indicated, these require application for financial years beginning on or after the indicated application date.

Standard/Interpretation		Publication by the IASB	Application date IASB	Probable effects on the elumeo Group
IFRS 9:	Financial instruments	12 Nov 2009/ 28 Oct 2010/ 16 Dec 2011/ 19 Nov 2013/ 24 Jul 2014	1 Jan 2018	significant
IFRS 15	Revenue from Contracts with Customers	28 May 2014	1 Jan 2018	significant
IFRS 16:	Leases	13 Jan 2016	1 Jan 2019	significant

IFRS 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9. The new standard harmonises the guidelines for the classification and measurement of financial assets and financial liabilities and introduces a new model for the impairment of financial assets. Classification is based primarily on the company's business model and the cash flows of the financial instrument under review. IFRS 9 contains a measurement model that requires recognition of expected losses in addition to incurred losses. Furthermore, the provisions on hedge accounting published in November 2013 were included in the final version of IFRS 9, thus replacing the previous provisions of IAS 39 *Financial Instruments: Recognition and Measurement*. The standard, which has now been approved as part of the EU endorsement proceedings, requires first-time application in financial years beginning on or after 1 January 2018.

The elumeo Group does not expect the first-time application of the standard to result in any material changes in the presentation or recognition of financial assets and liabilities.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to the recognition of revenue from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration which the entity expects to receive in exchange for transferring goods or services to the customer. Revenue is recognised when the customer receives the power of disposal over the goods or services. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard, which has not yet been approved in the EU endorsement proceedings, is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for financial years beginning on or after 1 January 2018, with early adoption permitted.

When the jewelry (goods) is sold to the customer, revenues of the elumeo Group are currently recorded on delivery of the goods to the customer, which is defined as the specific point in time at which the customer accepts the significant risks and opportunities (transfer of ownership). Revenue is recognised at this point in time, provided that its amount and costs can be reliably determined, that the contractually agreed consideration (fixed remuneration) has already been received or is probable and the elumeo Group has no further right to dispose of the goods.

According to IFRS 15, revenue is recognised as soon as the customer has obtained control of the goods. The transfer of risks and opportunities is not explicitly required by IFRS 15 to recognise revenue. The timing of the recognition of revenue in the elumeo Group is generally comparable to the date of IFRS 15. As a result, the elumeo Group does not expect any material effects on the recognition of revenues in the Consolidated Financial Statements.

The customers of the elumeo Group are generally allowed to return goods (right of return). Revenue is currently recognised as long as a reliable estimate of expected customer returns is possible and all other revenue recognition criteria are met.

In accordance with IFRS 15, revenue is recognised for contracts with a right of return if it is probable that the cumulative revenues will not be substantially corrected. Expected customer returns are estimated in the elumeo Group on the basis of reliable historical experience, so that the revenue to be recognised can be determined with sufficient certainty.

The consideration in consideration of the customer for the transfer of goods is clearly agreed in the elumeo Group. Overall, the determination of the transaction price in accordance with IFRS 15 has no effect on the Consolidated Financial Statements.

The elumeo Group is currently conducting a detailed review of the effects of the application of IFRS 15 on the Consolidated Financial Statements and intends to implement the new standard by the prescribed reporting date. The modified retrospective application is intended to maintain the amounts reported under the previously applicable standards and, if necessary, the Consolidated Financial Statements by recognising the cumulative effects of the application of IFRS 15 in the form of an adjustment to the opening balance of equity at the date of initial application (beginning of reporting period).

The elumeo Group assumes that the application of the simplifications for fulfilled contracts will not have any practical relevance since the performance obligation of the elumeo Group generally falls on a clearly defined date. Overall, no material effects from the application of IFRS 15 on the Consolidated Financial Statements are expected.

IFRS 16 – Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognise, measure, present and disclose leases. IFRS 16 (contrary to IAS 17) provides the lessee with a uniform accounting model. Under the new accounting model, the lessee has to recognise the assets and liabilities from all leases in the balance sheet. This does not apply to leases with a term of up to twelve months nor to leases that relate to assets of low value through a choice option. For lessors, IFRS 16 continues to classify leases as operating or finance leases.

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognise, measure, present and disclose leases. For lessors, IFRS 16 continues to classify leases as operating or finance leases.

The elumeo Group has begun assessing the possible impact on the Consolidated Financial Statements. Basically effects have been identified in that new assets and liabilities from operating leases for the use of premises as well as the distribution and transmission of television programs would have to be accounted for in the elumeo Group. The scope of operating leases for which the future accounting is to be finally verified is in general based on the (gross) minimum payment obligations from non-terminable contractual agreements described in section [I.: Other financial obligations]. It has not yet been decided whether the existing exception rules will be used. With regard to the finance leases of the elumeo Group, no material effects are expected.

In addition, the IASB has released other standards and amendments to standards requiring future application (for example amendments to IFRS 2: Classification and measurement of share-based payment), but these will not have any impact on the elumeo Group's Consolidated Financial Statements.

D. Principles of consolidation

Scope of consolidation

The Consolidated Financial Statements as of 31 December 2017 include the financial statements of the parent company, elumeo SE, and those of its directly or indirectly controlled subsidiaries. Pursuant to IFRS 10 *Consolidated Financial Statements*, elumeo SE controls an investee only if it has all of the following characteristics:

- power over the investee (i. e. the company has existing rights that give it the ability to direct the relevant activities of the investee),
- an exposure or rights to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investee's returns.

Control is normally assumed if there is a majority of voting rights. In order to support this assumption, or if elumeo SE holds less than the majority of voting rights or similar rights of an investee, the company considers all relevant facts and circumstances in order to assess whether it controls an investee. These include:

- the company's voting rights and potential voting rights,
- the contractual agreements with the remaining holders of voting rights in the investee, and
- rights arising from other contractual agreements.

If new facts and circumstances indicate that there have been changes with respect to one or more characteristics of control, then the company re-assesses whether or not it exercises control over the investee. The consolidation of an investee begins when elumeo SE obtains control over the investee and ends when elumeo SE loses control over the investee. Assets, liabilities, income and expenses of an investee which were acquired or disposed of during the course of a financial year are included in the Consolidated Financial Statements from the day on which elumeo SE obtained control over the investee up to the day on which control over the investee ended.

A change in the equity interest in an investee without loss of control is recognised as an equity transaction.

If the company loses control over an investee, the corresponding assets (including goodwill), liabilities, non-controlling interests and other equity components are deconsolidated, whereby a resulting gain or loss is recognised in the consolidated statement of income. Any non-controlling interest remaining in the elumeo Group is revalued at fair value.

The scope of consolidation changed in financial year 2017 as follows:

- Founding of the sales company schmuck.de G&S GmbH, Berlin, wholly owned by Juwelo Deutschland GmbH, Berlin.

As a result, the number of consolidated companies in the elumeo Group increased to 10 as of 31 December 2017 (31 December 2016: 9 companies). For more information about the scope of consolidation, please refer to section [I.: Supplementary disclosures in accordance with the German Commercial Code (HGB) | Shareholdings].

The two subsidiaries affected by the discontinuation of the sales business in the United Kingdom are included in the group of consolidated companies until either elumeo SE ceases to control the subsidiaries or the subsidiaries are winded up.

Reporting date of the Consolidated Financial Statements

The Consolidated Financial Statements for the financial year 2017 comprise the reporting period from 1 January to 31 December 2017 ("financial year," "reporting year," or "reporting period"). All companies included in the Consolidated Financial Statements have a financial year identical to the calendar year.

Accounting and valuation principles

The financial statements of the companies included in the Consolidated Financial Statements are prepared pursuant to the uniform accounting policies of the parent.

Elimination of intercompany balances

Intercompany receivables and liabilities are offset during the elimination of intercompany payables and receivables. Elimination differences are recognised through profit or loss in the consolidated statement of income if they arise in the reporting period.

Elimination of intercompany income and expenses

Intercompany income and expenses are offset and intercompany profits are eliminated during the elimination of intercompany profits. Elimination differences are recognised through profit or loss in the consolidated statement of income if they arise in the reporting period.

Elimination of income and expenses between continuing and discontinued operations may alternatively be undertaken from an economic perspective, to the extent that a more meaningful presentation of the financial impacts in the consolidated statement of income should be required.

Functional currency, reporting currency and currency translation

Foreign currency is translated based on the functional currency concept pursuant to IAS 21 *The Effects of Changes in Foreign Exchange Rates* using the modified spot rate method. The currency of the primary economic environment in which an entity operates and in which it primarily generates or uses cash and cash equivalents is referred to as its functional currency. The functional currency of the parent company, elumeo SE, is the EUR. The Consolidated Financial Statements are prepared in EUR as the reporting currency.

Foreign currency transactions are initially translated by the Group companies into their functional currency using the spot rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency on each reporting date using the spot rate prevailing on the closing date. All translation differences are recognised through profit or loss in the consolidated statement of income. Expenses and income are disclosed as net item.

The assets and liabilities of subsidiaries whose financial statements are prepared in a functional currency other than the EUR are translated into EUR on the reporting date using the exchange rate on that date. Income and expenses in the statement of income are translated as of the reporting date using the weighted average rate of the reporting period. The equity of subsidiaries is translated using the respective historical exchange rate(s). Currency translation differences from the translation of financial statements presented in foreign currency are recognised in other comprehensive income and in equity in the foreign currency translation reserve.

The exchange rates used for the foreign currencies material to the elumeo Group when preparing the Consolidated Financial Statements are listed below:

Currency	Exchange rate on reporting date			Average exchange rate		
EUR	**31 Dec 2017**	31 Dec 2016	YoY in %	**1 Jan - 31 Dec 2017**	1 Jan - 31 Dec 2016	YoY in %
British pound (GBP)	1.1267	1.1687	-3.6%	1.1415	1.2247	-6.8%
Thai baht (THB)	0.0256	0.0265	-3.4%	0.0261	0.0256	2.0%
US dollar (USD)	0.8347	0.9498	-12.1%	0.8872	0.9041	-1.9%

As a consequence of the referendum on the withdrawal of the United Kingdom from the European Union ("Brexit") on 23 June 2016, the GBP exchange rate fell against the functional currency EUR of the elumeo Group as well as against the major foreign currencies USD and THB that play an important role in production-side procurement.

As of 1 January 2017, the functional currency of Silverline Distribution Ltd. was changed from USD to EUR. Hereby, it was taken into account that the predominant trade relationships, in particular the procurement of finished goods from the inter-group manufacturing company PWK and the distribution of goods and merchandise to the sales company Juwelo Deutschland GmbH, are denominated in EUR.

Business combinations

Business combinations are billed using the acquisition method. The acquisition costs in connection with company or business acquisitions are eliminated against the pro-rata fair value of the assets acquired and liabilities assumed as of the acquisition date. Any positive difference arising from the elimination is capitalised and presented as goodwill. Gains on bargain purchases are recognised immediately as profit in the consolidated statement of income. The acquisition date is the date on which control is obtained over the acquired company or business.

There were no business combinations in financial year 2017.

E. Accounting and valuation principles

Classification to current and non-current assets and liabilities

The elumeo Group generally classifies its assets and liabilities as current and non-current assets and liabilities in the consolidated statement of financial position.

An asset is classified as current if:

- realisation of the asset is expected within the normal business cycle or the asset is held for sale or utilisation within this period,
- the asset is held primarily for trading,
- realisation of the asset is expected within twelve months following the reporting date, or
- the asset is cash or a cash equivalent unless the exchange or utilisation of the asset for satisfying an obligation is restricted for a period of at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current if:

- the liability is expected to be settled within the normal business cycle,
- the liability is held primarily for trading,
- settlement of the liability is expected within twelve months following the reporting date, or
- the elumeo Group does not have an unrestricted right to postpone settlement of the liability by at least twelve months after the reporting date.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are generally presented as non-current assets or liabilities.

Discontinued operations and assets held for sale

The elumeo Group classifies assets or disposal groups as held for sale if the associated carrying amount is not realised through continued use. Assets or disposal groups classified as held for sale are valued at the lower of carrying amount and fair value less costs to sell.

The classification criteria as held for sale are considered to be met only if the cessation of use of the assets or disposal groups is highly probable and the asset or disposal group can be disposed of immediately in its present condition. With regard to the measures necessary to implement the cessation of use, it should be noted that it is unlikely that significant changes will be made to cessation of use or that the decision to discontinue the use will be reversed. The management must have decided to carry out the planned cessation of use, which is expected to take place within one year from the date of classification.

Property, plant and equipment and intangible assets classified as held for sale are not amortised. Assets and liabilities classified as held for sale are shown as separate items in the consolidated statement of financial position.

All assets and liabilities classified as held for sale in these Consolidated Financial Statements are related to a disposal group classified as a discontinued operation.

A disposal group is classified as a discontinued operation if it is a component of a company or group that is either already disposed of or classified as held for sale or its use is discontinued, and:

- constitutes a separate material business or geographical area of business,
- is part of a single agreed plan to divest or discontinue use of a separate material business or geographical area of business; or
- is a subsidiary acquired solely for the purpose of resale.

Discontinued operations are not included in the earnings from continuing operations and are disclosed in the consolidated statement of income as a separate item *Earnings for the period from discontinued operations*.

For more information on discontinued operations, please refer to section [G.(7.)].

Intangible assets

Purchased intangible assets with finite useful lives are measured at cost less straight-line amortization (amortised cost) over the expected useful life of the asset. Depreciation is carried out over the expected useful life.

Intangible assets with indefinite useful lives are tested for impairment at least once a year and are not subject to scheduled amortisation (impairment only approach). The useful life is reviewed annually to access whether the estimate of an indefinite useful life remains justified. If not, the estimate is changed from an indefinite to a finite useful life on a prospective basis.

Property, plant and equipment

Buildings are measured at cost less straight-line depreciation (amortised cost) over the expected useful life of the asset. Depreciation is carried out over the expected useful life.

Owned land is measured at cost without depreciation (impairment only approach).

Buildings on company owned land and own land are used solely for operational purposes.

Leasehold improvements in leased buildings are recognised at cost and amortised over the residual terms of the underlying lease agreements, taking into account renewal options, or if applicable, over the shorter useful life.

Buildings are measured at cost less straight-line depreciation (amortised cost) over the expected useful life of the asset. Depreciation is carried out over the expected useful life.

Buildings under construction and other property, plant and equipment ("assets under construction") for production, sales or administrative purposes are recognised at cost less recognised impairment losses if applicable.

Impairment of intangible assets, property, plant and equipment and other non-financial assets

Depreciation periods and methods

Depreciation and amortisation are generally determined based on operational estimates, on a straight-line basis over the following normal useful lives:

Useful life	Years
Intangible assets	2-5
Buildings on company owned land	20
Leasehold improvements in leased buildings	10
Technical plant and machinery	5-15
Other business and office equipment	3-10

The depreciation periods and methods for assets with finite useful lives are reviewed at least at the end of each reporting period and adjusted prospectively if required. The changes in the depreciation period and/or methods due to necessary changes to the asset's expected normal useful life or the expected utilisation of their future economic benefit are treated as changes in accounting estimates.

Assets are derecognised either as a result of a disposal or if no economic benefits are expected from their further use or disposal. A gain or loss from the disposal of an asset is determined as the difference between the net realisable value and the residual carrying amount of the asset and recognised through profit or loss in the consolidated statement of income in the reporting period in which the asset is derecognised.

Impairment testing

On each reporting date, the elumeo Group examines whether there are indications of an impairment (impairment indicators) for non-financial assets presented in the consolidated statement of financial position. If such impairment indicators are discernible or if an annual review is required, an impairment test is conducted. If an asset is impaired, an impairment loss is recognised. In order to determine the amount of the corresponding impairment loss, the recoverable amount of the asset is determined. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

The fair value less costs to sell is the amount that could be obtained by selling an asset in a transaction at market conditions between knowledgeable and willing parties. The value in use is determined on the basis of the expected discounted future cash inflows. This is based on a market-oriented pre-tax interest rate that reflects the risks of the asset that are not yet reflected in the estimated future cash flows.

If the recoverable amount of an asset is estimated to be lower than its carrying amount, it is written down to its recoverable amount. The impairment loss is recognised immediately in the statement of income. If a write-down is reversed in a subsequent period, the carrying amount of the asset is adjusted in accordance with the recoverable amount determined. The write-up cap is determined by the amount of the amortised cost that would have resulted if no impairment had been recognised in previous periods. The reversal is recognised immediately in the statement of income.

Leases – Group as the lessee

The elumeo Group is the lessee of property, plant and equipment. The determination of whether an agreement is a lease is made based on the economic substance of the agreement on the asset as of the date the agreement is concluded. The determination requires an estimate of whether satisfaction of the contractual arrangement is dependent on the use of a certain asset or a group of assets and whether the agreement grants a right to the use of the asset, even if this right is not expressly set forth in the agreement.

Leases are classified as finance leases if all risks and rewards typically incidental to ownership are essentially transferred to the lessee by the underlying lease terms. All lease transactions in which the elumeo Group, as the lessee, is considered to be the beneficial owner due to certain criteria are recognised as finance leases pursuant to IAS 17 *Leases*. All other leases are classified as operating leases.

Leased assets which are economically asset purchases with long-term financing are classified as finance leases. They are recognised using the fair value of the leased asset or the lower present value of the minimum lease payments as of the acquisition date. The corresponding financial liability is presented in the consolidated statement of financial position as a lease liability under other financial liabilities. The technical plant and machinery from finance leases presented under property, plant and equipment in the elumeo Group's consolidated statement of financial position as of 31 December 2017 are depreciated on a straight-line basis over an expected useful life of eight years.

For operating leases, the leased asset is not capitalised. Instead, the lease payments (rental expenses) are expensed on a straight-line basis over the term of the lease in the consolidated statement of income. Significant operating leases in the elumeo Group concern the leasing of business and office premises.

Deferred taxes

Deferred taxes are determined using the liability method based on the provisions of IAS 12 *Income Taxes*. Deferred taxes are recognised due to temporary differences (temporary concept) between the carrying amounts recognised in the IFRS Consolidated Financial Statements and the amounts recognised in the tax accounts if these differences will result in future tax relief or tax burdens. In doing so, deferred taxes are measured based on the tax rates and tax provisions expected to be applicable in the future when the differences reverse. Deferred tax assets on temporary differences and tax loss carryforwards are only recognised if their recoverability appears sufficiently certain in the near future.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of:

- deferred tax liabilities arising on initial recognition of goodwill or an asset or liability from a transaction that is not a business combination and that does not affect either the accounting profit or the taxable profit as of the transaction date,
- deferred tax liabilities from taxable temporary differences that arise in connection with investments in subsidiaries if the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is sufficiently probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilised, with the exception of:

- deferred tax assets on deductible temporary differences arising on initial recognition of an asset or liability from a transaction that is not a business combination and that does not affect either the accounting profit or the taxable profit as of the transaction date,
- deferred tax assets from deductible temporary differences that arise in connection with investments in subsidiaries if it is probable that the temporary differences will not reverse in the foreseeable future or insufficient taxable profit will be available against which the temporary differences can be offset.

The carrying amount of deferred tax assets is reviewed on each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available against which the deferred tax asset can be utilised. Unrecognised deferred tax assets are reviewed on the reporting date and recognised to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered with sufficient probability.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. As of 31 December 2017 and 2016, no netting was carried out as there were no deferred tax liabilities.

Inventories

Under inventories, the Group accounts for assets that are to be used in production (raw materials, consumables and supplies) which are already being used in the production process as of the balance sheet date (unfinished goods) or are being held for sale (finished goods and merchandise). In addition, advance payments on inventories are recognised.

Inventories are recognised at the lower of cost and net realisable value. Costs that are incurred in order to bring the product to its current location or to turn it into its current state are accounted for as follows:

- Raw materials: purchase costs based on the first-in-first-out principle,
- Unfinished and finished goods: production costs include direct material and labour costs as well as an appropriate share of the production overheads calculated based on normal capacity, but excluding borrowing costs,
- Merchandise: purchase costs based on the first-in-first-out principle

The net realisable value is the estimated selling price less the costs incurred prior to sale. Impairment to net realisable value takes place, if applicable, for stocks with low turnover or on the basis of foreseeable sales possibilities for the respective products.

Financial instruments

<u>General information</u>

A financial instrument is a contract, which at the same time gives rise to a financial asset for one company and a financial liability or equity instrument for another company. Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the elumeo Group is party to a financial instrument. Financial assets are derecognised when the rights to receive payments from these financial assets expire or the financial assets are transferred with all material risks and opportunities. Financial liabilities are derecognised if the contractual obligations are settled, cancelled or expire.

Financial assets

The elumeo Group only has financial assets that can be classified as "loans and receivables." Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Upon initial recognition, they are assessed at fair value. The transaction costs that are incurred are included in the initial measurement. Subsequently they are accounted for at amortised cost. This category includes trade receivables, receivables due from related parties, other financial assets and cash and cash equivalents.

Impairment of non-financial assets

The elumeo Group assesses at each reporting date whether there is evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is only considered impaired if, as a consequence of one or more events that occurred after the initial recognition of the value of the asset, there is objective evidence of impairment and that the loss event has an impact on the expected future cash flows of the financial asset or group of financial assets. An impairment loss is recognised as loss in the consolidated statement of income.

Impairments on trade receivables are to be made on the basis of general allowances, which are calculated with the help of sales channel and country-specific allowance rates based on historic default ratios and other value-influencing factors.

Receivables are to be derecognised along with the associated allowances when they are classified as uncollectible on the one hand and all collateral has been taken and utilised on the other hand. If the amount of the estimated impairment loss increases or decreases in a subsequent period due to an event occurring after the impairment was recognised, the previously recognised impairment loss is recognised as profit as an increase or decrease by adjusting the allowance account. If a derecognised receivable is later reclassified as collectible due to an event occurring after derecognition, the corresponding amount is to be recognised immediately in other operating income.

Financial liabilities

The financial liabilities of the elumeo Group are exclusively those of the category "Financial liabilities measured at amortised cost." Upon initial recognition, these are assessed at fair value plus directly attributable transaction costs and subsequently remeasured using the effective interest method. Financial liabilities, trade payables, debtors with credit balances, liabilities due to related parties and other financial liabilities are allocated to this category.

Offsetting financial instruments

Financial assets and liabilities are only netted and thus the net amount disclosed in the consolidated statement of financial position when:

- there is currently an enforceable legal right to offset the recognised amounts and
- an intention exists to settle on a net basis or to realise the respective asset.

Fair value measurement

In determining the fair value, the elumeo Group generally assumes that a transaction that takes place in the framework of the sale of an asset or the transfer of a liability, either takes place on the:

- principal market for the asset or liability or
- the most advantageous market for the asset or liability, if no major market is available.

The fair value of an asset or liability is assessed based on assumptions that market participants would make in setting the price of the asset or liability. Here, it is assumed that market participants act in their most favourable economic interest. In the Consolidated Financial Statements, the fair value for the assessment and the disclosure requirements are generally determined on this basis. The following exceptions apply:

- share-based payments under IFRS 2 *Share-based Payment,*
- leases pursuant to IAS 17 and
- valuation approaches similar to the fair value concept, but that do not equate to it completely (for example, net realisable value in accordance with IAS 2 *Inventories* or value in use in accordance with IAS 36 *Impairment of Assets*).

The elumeo Group uses valuation methods that are appropriate under the circumstances and for which data is available to a sufficient extent in order to measure the fair value. Here observable input parameters are preferable to not observable input parameters.

The fair value is not always available as a market price. It needs to be determined regularly based on various valuation parameters. All assets and liabilities for which the fair value is determined are classified depending on the availability and importance of observable input parameters in the fair value hierarchy described below. The classification is based on the observable parameters of the lowest level, which is essential to the overall fair value measurement:

- Level 1: Input parameters are listed in active markets (adopted unchanged) for identical assets and liabilities.
- Level 2: Valuation method by which the lowest input parameter that significantly affects the measurement is observable either directly or indirectly.
- Level 3: The method by which the lowest input parameter that significantly affects the measurement is not observable.

For assets and liabilities that are measured at fair value in the consolidated statement of financial income on a recurring basis, the elumeo Group assesses if any transfers between the levels of the fair value hierarchy have occurred.

For information on assets held for sale and liabilities directly associated with assets held for sale (of the discontinued operations), which are in principle measured at fair value in the consolidated statement of financial position, please refer to section [G.(7.)].

For information on financial assets and financial liabilities, which are not measured at fair value in the consolidated statement of financial position, but for which the fair value is disclosed, please refer to section [H.(30.)].

As of the reporting dates, the elumeo Group does not measure any assets or liabilities within the scope of IFRS 13 at a fair value, which deviates significantly from its respective carrying amount.

Issued capital

The costs directly attributable to the issuance of ordinary shares are recognised as a deduction from equity. Where applicable, income tax related to the transaction costs of an equity transaction is accounted for in accordance with IAS 12 *Income Taxes*.

Employee benefits

Short-term employee benefits

Obligations arising from short-term employee benefits are recognised as an expense if the associated work is rendered. A liability is to be recognised for the amount expected to be paid if the elumeo Group currently has a legal or constructive obligation to pay this amount due to an employee's work performance and the obligation can be reliably estimated.

Share-based payments

Share-based payments with compensation in the form of equity instruments to employees of the company and others who provide similar services are measured in accordance with IFRS 2 at the fair value of the equity instrument on the grant date. The fair value is recognised as an expense over the period in question, with a corresponding increase in equity, in which employees acquire an unqualified entitlement to compensation (vesting period). The amount to be recognised as an expense is subsequently adjusted in such a way as to reflect the number of commitments for which the corresponding service and performance conditions are met as expected. As a result, the amount recognised as an expense is based on the number of commitments that meet the relevant conditions at the end of the vesting period. For share-based payments with non-exercise conditions (e. g. capital market-dependent performance conditions), the fair value is determined on the date of granting taking these conditions into account. There is no need to adjust the differences between expected and actual results. For more information on determining the fair value of share-based payment at the elumeo Group, please refer to section [H.(21.)].

The costs of equity-settled share-based payments are measured using an appropriate valuation model at fair value on the date on which the equity-settled remuneration is granted.

No share-based cash-settled payment transactions had taken place as of the reporting date.

Termination benefits

Termination benefits are recognised as an expense if the elumeo Group recognises restructuring costs or can no longer withdraw the offer of such benefits.

Provisions

Provisions are formed in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* when the elumeo Group has a current (legal and/or constructive) obligation as a result of a past event, an outflow of resources embodying economic benefits to settle the obligation is probable and the amount of the obligation can be estimated reliably.

The amount of provisions is estimated as closely as possible by taking all discernible risks from the obligation into consideration. The settlement amount with the highest single-event probability is generally assumed. Non-current provisions with a term of more than one year, if material, are discounted to the reporting date.

Obligations to employees resulting from the termination of an employment contract by the employer (termination) as a result of restructuring or other measures are recognised if they have already been concretised as of the reporting date or in cases where severance or compensation payments have not yet been agreed if they are clearly foreseeable.

Contingent liabilities, commitments and other financial obligations

Contingent liabilities represent an obligation whose existence depends on the occurrence of one or more future events that cannot be influenced entirely by the elumeo Group. Secondly, they include existing obligations for which an outflow of assets or the amount of the outflow of assets cannot be sufficiently reliably determined with predominantly high probability.

Contingent liabilities, commitments and guarantees as well as other financial obligations are not recognised in the consolidated statement of financial position, but explained separately in the notes.

Segment reporting

The Executive Board of elumeo SE considers the allocation of resources and the assessment of performance of individual business activities as the primary decision maker for the elumeo Group. Identification of segments and selection of the key performance indicators that are shown have been made in accordance with IFRS 8 *Operating Segments* generally in accordance with the internal control and reporting system (management approach). The key performance indicators used to make estimates are derived from the Consolidated Financial Statements prepared under IFRS.

For further information about the segments of the elumeo Group, please refer to section [I.: Segment reporting].

Recognition of income and expenses

Recognition of revenue and other operating income in accordance with IAS 18 *Revenue* takes place at the time that the service is rendered, provided it is probable that the economic benefits will flow to the elumeo Group and the revenue can be reliably measured. Earnings are assessed at the fair value of the services received or the consideration to be claimed taking into consideration the contractually defined terms of payment, whereby taxes or other duties are not taken into consideration. Revenues are reduced by any sales discounts granted.

Realisation of revenue is also subject to the fulfilment of the following recognition criteria:

- With respect to the sale of goods to customers, the performance is in principle rendered at the time at which the goods have been transferred to the beneficial ownership of the customer. The transfer of beneficial ownership is not linked to the transfer of legal ownership.
- If rights to return products are agreed upon when products are sold, the revenue is only realised if corresponding empirical values are available. Based on this experience from the past, the expected returns can be estimated and accrued to reduce sales.

Operating expenses are recognised when the service is used or when the time of its cause is recognised in the consolidated statement of income.

Interest is accrued as income or expense in the consolidated statement of income using the effective interest method.

Research and development costs

The elumeo Group conducts no research aimed at gaining new scientific and technical knowledge. Development activities are limited to the maintenance and development of the business software used, which consists of company web applications and user software, as well as mobile apps and smart TV apps. The costs incurred for development activities, which include mainly personnel costs, were not capitalised, but rather recognised as expense in the consolidated statement of income account because the activation conditions in total did not exist.

Expected customer returns

The elumeo Group presents the anticipated returns of merchandise in the consolidated statement of income on a gross basis and reduces the full amount of revenues that are expected to be returned. At the same time, the corresponding expenses recognised upon shipping of the goods sold are corrected to correctly account for the expected returns.

Current and deferred income taxes

Income tax for the reporting period consists of current and deferred taxes. Tax is recognised in the consolidated statement of income, unless it relates to items that are recognised directly in equity or in other comprehensive income. Income taxes relating to items that are recognised directly in equity are not recognised in the consolidated statement of income, but rather directly in equity or in other comprehensive income in the consolidated statement of comprehensive income.

F. Significant discretionary decisions, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires that management makes discretionary decisions, assumptions and estimates that have an impact on the asset, financial and earnings position presented in the Consolidated Financial Statements and on related disclosures. Although these discretionary decisions, assumptions and estimates are made to the best knowledge of management, based on current events and activities, there is a possibility that the actual results may differ from these discretionary decisions, assumptions and estimates.

Discretionary judgments in applying accounting and valuation principles

Important discretionary judgments by management were made especially in regard to the following areas:

- valuation of inventories (see section [E.: Inventories] and section [H.(14.)]) and
- recognition and measurement of provisions for customer returns (see section [E.: Expected customer returns] and section [H.(24.)]).

Furthermore, the discontinued sales business in the United Kingdom have been classified as a discontinued operation within the meaning of IFRS 5, as management believes that this is a separate significant business line or geographical area. The following facts were decisive for this discretionary decision:

- The share of revenue generated in the United Kingdom (2017: EUR 8.5 million) in total elumeo Group revenue (2017: EUR 76.0 million) is material.
- The share of earnings in the United Kingdom (earnings for the period from discontinued operations) (2017: EUR -3.9 million) in earnings for the period of elumeo Group (2017: EUR -6.0 million) is material.
- At around 9.2%, the proportion of employees working in the United Kingdom in total employees of the Group's European sales activities is significant.
- The discontinued sales business concerns a separate geographical area.

In determining earnings for the period and net cash flows from discontinued operations, qualified discretionary judgments, estimates and assumptions were required, in particular, to allocate selected items in the statement of income, assets and liabilities, as well as with respect to the future business development of the elumeo Group.

For more information on discontinued operations, please refer to section [G.(7.)]

Main sources of uncertainties

In the following, the most important assumptions concerning the future as well as other key sources of uncertainties in connection with estimates on the reporting date are stated. These may give rise to significant risks, which may require an adjustment of the assets and liabilities recognised in the consolidated statement of financial position:

- impairment of intangible assets (see section [E.: Intangible assets] and section [H.(12.)]),
- useful life of tangible assets (see section [E.: Tangible assets] and section [H.(13.)]) and
- recognition and measurement of equity-settled share-based payments at fair value (see section [E.: Share-based payments] and section [H.(21.)],
- Recognition and measurement of provisions, contingent liabilities and claims (see section [E.: Provisions] and section [H.(24.)] as well as

All discretionary decisions, assumptions and estimates are based on actual conditions and assessments of the Executive Board on the reporting date and the expected future development of the business of the elumeo Group, taking into consideration the expected development of its economic environment. If during the regular review it is determined that these framework conditions have developed differently, the assumptions and the carrying amounts of the assets and liabilities recognised in the consolidated statement of financial position will be restated.

G. Notes to the consolidated statement of comprehensive income

In accordance with IFRS 5, the following disclosures include the amounts attributable to continuing operations, unless otherwise indicated.

(1.) Revenue

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Revenue from product sales	67,501	99.9%	58,427	99.9%	15.5%
Other revenue	59	0.1%	49	0.1%	20.5%
Revenue	**67,560**	**100.0%**	**58,476**	**100.0%**	**15.5%**

The following table shows the composition of product sales by region (recorded by the registered office of the selling company):

EUR thousand | % of revenue from product sales	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Germany	52,907	78.4%	44,284	75.8%	19.5%
Italy	10,001	14.8%	10,163	17.4%	-1.6%
Other countries	4,593	6.8%	3,980	6.8%	15.4%
Revenue from product sales	**67,501**	**100.0%**	**58,427**	**100.0%**	**15.5%**

The following table illustrates the revenue from product sales by sales channel:

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Television and other channel revenue	39,679	58.8%	37,750	64.6%	5.1%
eCommerce-Vertrieb	23,328	34.6%	17,105	29.3%	36.4%
B2B revenue	4,495	6.7%	3,572	6.1%	25.8%
Revenue from product sales	**67,501**	**100.0%**	**58,427**	**100.0%**	**15.5%**

(2.) Cost of goods sold

The cost of goods sold can be broken down as follows:

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Material costs	35,507	52.6%	26,663	45.6%	33.2%
Change in inventory of finished goods, work in progress and merchandise	-2,418	-3.6%	1,228	2.1%	-296.9%
Personnel expenses	4,181	6.2%	3,475	5.9%	20.3%
Depreciation and amortisation	465	0.7%	451	0.8%	3.0%
Cost of goods sold	**37,734**	**55.9%**	**31,817**	**54.4%**	**18.6%**

(3.) Selling expenses

The selling expenses include the following expenses:

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016 restated*		YoY in %
Broadcasting and channel rental costs	8,369	12.4%	9,291	15.9%	-9.9%
Personnel expenses	6,297	9.3%	6,297	10.8%	0.0%
Expenses for external personnel services	1,190	1.8%	1,479	2.5%	-19.5%
Sales and marketing expenses	2,407	3.6%	1,852	3.2%	30.0%
Depreciation and amortisation	407	0.6%	398	0.7%	2.4%
Other selling expenses	4,999	7.4%	4,112	7.0%	21.6%
Selling expenses	**23,669**	**35.0%**	**23,429**	**40.1%**	**1.0%**

* Due to a correction of errors, selected amounts deviate from the amounts disclosed in the Consolidated Financial Statements 2016 (see section B. Basic principles of the Consolidated Financial Statements | Correction of errors).

(4.) Administrative expenses

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016 restated*		YoY in %
Personnel expenses	3,714	5.5%	4,489	7.7%	-17.3%
Depreciation, amortisation and impairment loss	734	1.1%	739	1.3%	-0.7%
Equity-settled share-based payments	317	0.5%	465	0.8%	-31.8%
Losses from foreign currency translation	0	0.0%	2,832	4.8%	-100.0%
Other administrative expenses	4,131	6.1%	4,230	7.2%	-2.4%
Administrative expenses	**8,895**	**13.2%**	**12,756**	**21.8%**	**-30.3%**

* Due to a correction of errors, selected amounts deviate from the amounts disclosed in the Consolidated Financial Statements 2016 (see section B. Basic principles of the Consolidated Financial Statements | Correction of errors).

Personnel expenses include the expenses for employees for the maintenance and development of business software consisting of in-house web applications and user software such as mobile apps and smart TV apps.

The net losses from foreign currency translation in 2016 include net expenses of around EUR 3,064 thousand from foreign currency translation of intercompany monetary items and the elimination of intercompany income and expenses. These foreign currency translation gains and losses must be disclosed in the consolidated statement of income. For further information on the composition of net foreign currency effects (with third parties) from financial instruments in the elumeo Group, please refer to section [H.(30.)].

(5.) Other operating income

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Income from cost recharges to distribution partners	491	0.7%	444	0.8%	10.7%
Income from the reversal of allowances for doubtful accounts	30	0.0%	4	0.0%	590.4%
Gains from foreign currency translation	577	0.9%	0	0.0%	n.a
Other income resulting from past reporting periods	1	0.0%	39	0.1%	-96.3%
Miscellanous other operating income	44	0.1%	41	0.1%	6.2%
Other operating income	**1,143**	**1.7%**	**528**	**0.9%**	**116.5%**

The income from expenses invoiced to sales partners resulted from the reimbursement of operating expenses by the cooperation partner Kat Florence Design Limited. The reimbursed expenses result from a cooperation agreement signed in 2016 and mainly comprise personnel and sales costs.

Net income from currency translation includes net income of around EUR 503 thousand from foreign currency translation of intragroup monetary items and elimination of intercompany income and expenses.

(6.) Financial result

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Interest income from bank balances	0	0.0%	1	0.0%	-86.7%
Other interest and similar income	0	0.0%	0	0.0%	-40.1%
Interest income	**0**	**0.0%**	**2**	**0.0%**	**-75.0%**
Interest expenses from financial debt (bank loans and overdrafts)	-583	-0.9%	-562	-1.0%	-3.7%
Interest expenses from finance lease liabilities	-29	0.0%	-36	-0.1%	19.7%
Other interest and similar expenses	0	0.0%	0	0.0%	n.a
Interest expenses	**-612**	**-0.9%**	**-598**	**-1.0%**	**-2.4%**
Financial result	**-612**	**-0.9%**	**-596**	**-1.0%**	**-2.6%**

(7.) Discontinued operations

On 18 December 2017, the elumeo Group announced its decision to discontinue its loss-making sales business in the United Kingdom. The operative sales business (broadcasting) was discontinued on 18 December 2017. The remaining administrative activities are to be closed within one year of the reporting date. The sales business (including related administrative activities) was therefore classified as a discontinued operation as of 31 December 2017. Assets and liabilities directly associated with discontinued operations are classified as held for sale, provided that they cannot be used by other continuing operations of the elumeo Group. As part of its classification as a discontinued operation, the United Kingdom sales business is no longer included in the segment Sales division Others.

Statement of income of discontinued operations

Earnings for the period from discontinued operations are as follows:

EUR thousand | % of revenue	**1 Jan - 31 Dec 2017**		1 Jan - 31 Dec 2016		YoY in %
Revenue	8,474	100.0%	12,983	100.0%	-34.7%
Cost of goods sold	7,318	86.4%	8,447	65.1%	-13.4%
Gross profit	**1,156**	**13.6%**	**4,536**	**34.9%**	**-74.5%**
Selling expenses	2,468	29.1%	6,058	46.7%	-59.3%
Administrative expenses	2,568	30.3%	2,941	22.6%	-12.7%
Other operating expenses	12	0.1%	0	0.0%	n.a
Earnings before interest and taxes (EBIT) from discontinued operations	**-3,892**	**-45.9%**	**-4,463**	**-34.4%**	**12.8%**
Earnings before income taxes (EBT) from discontinued operations	**-3,892**	**-45.9%**	**-4,463**	**-34.4%**	**12.8%**
Income tax	-16	-0.2%	-435	-3.4%	96.2%
Earnings for the period from discontinued operations	**-3,908**	**-46.1%**	**-4,899**	**-37.7%**	**20.2%**
Earnings of shareholders of elumeo SE	*-3,908*	*-46.1%*	*-4,899*	*-37.7%*	*20.2%*
Earnings per share in EUR (basis and diluted) applied to the earnings of shareholders from discontinued operations	**-0.71**		**-0.89**		**20.2%**

Assets and liabilities held for sale

The main groups of assets and liabilities of the discontinued operation classified as held for sale are composed as follows:

EUR thousand | % of balance sheet total	31 Dec 2017	
Assets		
Property, plant and equipment	0	0.0%
Trade receivables	216	0.4%
Other financial assets	159	0.3%
Other non-financial assets	67	0.1%
Cash and cash equivalents	43	0.1%
Assets held for sale	485	0.9%
Liabilities		
Other financial liabilities	-9	0.0%
Provisions	-260	-0.5%
Liabilities due to related parties	0	0.0%
Trade payables	-170	-0.3%
Other non-financial liabilities	-694	-1.3%
Liabilities directly associated with assets held for sale	-1,132	-2.1%
Net assets directly associated with discontinued operations	**-647**	-1.2%

Property, plant and equipment as of 31 December 2016 had a carrying amount of EUR 360 thousand.

Trade receivables of EUR 216 thousand relate to receivables due from end customers and payment processing service providers (31 December 2016: EUR 165 thousand).

Other financial assets include EUR 156 thousand in security deposits (31 December 2016: EUR 161 thousand) and EUR 3 thousand in receivables due from employees (31 December 2016: EUR 0 thousand).

Other non-financial assets include EUR 64 thousand for advance payments made (31 December 2016: EUR 140 thousand), EUR 3 thousand for debit-crediting customers (31 December 2016: EUR 9 thousand) and EUR 0 thousand for tax receivables (31 December 2016: EUR 126 thousand).

Other financial liabilities of EUR 9 thousand relate to credit card liabilities (31 December 2016: EUR 17 thousand).

Provisions of EUR 17 thousand relate to expected customer returns (31 December 2016: EUR 61 thousand), EUR 215 thousand to obligations to employees from severance payments and paid release from work (31 December 2016: EUR 42 thousand) and EUR 28 thousand to restoration obligations for leased office premises (31 December 2016: EUR 0 thousand).

As of 31 December 2016, liabilities due to related parties totalled EUR 11 thousand trade payables EUR 1,117 thousand.

Other non-financial liabilities consist of the following:

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Debtors with credit balances	300	0.5%	298	0.5%	0.4%
Other accrued liabilities	19	0.0%	12	0.0%	62.7%
Liabilities from value added tax	324	0.6%	334	0.5%	-3.0%
Liabilities from other taxes	28	0.1%	40	0.1%	-30.6%
Miscellanous other liabilities	24	0.0%	13	0.0%	81.9%
Other non-financial liabilities	**694**	**1.3%**	**697**	**1.1%**	**-0.4%**

Fair value of assets and liabilities

The carrying amounts of assets and liabilities approximately correspond to the fair value as of the reporting dates. Management estimates that no significant transaction or disposal costs are to be taken into account in the measurement of fair value. Fair value measurement in accordance with IFRS 13 was fundamentally based on the use of observable input factors (level 2 of fair value hierarchy).

For the assets, which are in general measured at amortised cost, the elumeo Group determined that the carrying amounts at the time of the above classification approximately corresponded to the respective fair values. The assessment of the fair value with respect to cash and cash equivalents, trade receivables and other (non-financial) assets is primarily based on the short period to maturity of these instruments and with respect to other financial assets (security deposits) supplementary on interest rate conditions, which reflect normal market conditions.

For the liabilities, which are in general measured at amortised cost or the respective settlement amount, the elumeo Group assessed that the carrying amounts at the time of the above classification approximately correspond to the respective fair values, primarily as a result of the short period to maturity of these instruments.

Impairment of property, plant and equipment

Immediately before the sales business in the United Kingdom was classified as a discontinued operation, the recoverable amount of property, plant and equipment (leasehold improvements and office equipment) was determined. Initially, no impairment requirement was identified. As a result of the above classification, an impairment loss of EUR 323 thousand was recognised as of 18 December 2017 and the carrying amounts of each respective group of assets were reduced to a fair value of GBP 1.00 each. Impairment losses were recognised in the consolidated statement of income under the earnings for the period from discontinued operations (herein under administrative expenses).

As of 31 December 2017, no further impairment loss was recognised.

Net cash flows from discontinued operations

The net cash flows from discontinued operations are presented as a separate item in the consolidated statement of cash flows. As a result of the economic view of trade relationships, net cash flows include, in addition to the assets and liabilities classified as held for sale, the utilisation of selected assets and liabilities of the elumeo Group. The net cash flow from operating activities includes depreciation on property, plant and equipment in the amount of EUR 49 thousands (previous year: EUR 149 thousand) and impairment losses on property, plant and equipment in the amount of EUR 323 thousand (previous year: EUR 0 thousand)

(8.) Income tax

The current taxes paid or owed in each country on earnings as well as deferred taxes are recognised as income tax. Income tax is comprised of trade tax and corporation tax plus the solidarity surcharge in Germany and the corresponding foreign taxes on earnings.

Income tax is calculated for financial year 2017 as follows:

EUR thousand | % of revenue	**1 Jan - 31 Dec 2017**		1 Jan - 31 Dec 2016		YoY in %
Current income tax expense (-)/income (+): Germany	0	0.0%	1	0.0%	-100.2%
Current income tax: other countries	-345	-0.5%	-240	-0.4%	-43.6%
Deferred tax expense (-)/income (+)	417	0.6%	-744	-1.3%	156.0%
Income tax directly recognised as income or expense	**72**	**0.1%**	**-983**	**-1.7%**	**107.3%**

The total tax rate for the parent company elumeo SE, including the statutory corporate tax rate (15.00%) plus the solidarity surcharge (5.50%) and trade tax (14.35%), totals 30.175% for financial years 2017 and 2016. The expected income tax that would have resulted from applying the overall tax rate of 30.175% of elumeo SE on earnings before taxes (EBT) of the elumeo Group can be reconciled to the actual income tax as follows:

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	YoY in %
Earnings before income tax (EBT) from continued operations	-2,207	-9,641	77.1%
Earnings before income tax (EBT) from discontinued operations	-3,892	-4,463	12.8%
Earnings before income tax (EBT)	**-6,099**	**-14,105**	**56.8%**
Total domestic income tax rate of elumeo SE	30.175%	30.175%	0.0%
Expected tax income (+)/expense (-)	1,840	4,256	-56.8%
Utilization of non-capitalised tax loss carryforwards	292	980	-70.2%
Unrecognised deferred tax assets on current local tax losses	-5,690	-5,415	-5.1%
Tax increase (-) due to interim profit elimination	1,277	-976	230.8%
Income tax rate differences	2,398	3,397	-29.4%
Non-deductible expenses and tax-free income, net	360	-3,281	111.0%
Tax increase due to equity-settled share-based payments [IFRS 2]	-96	-140	31.8%
Tax increase due to investment promotion programmes	-245	-240	-2.0%
Tax increase due to tax audits and taxes for previous years	-100	0	n.a
Effects of changes in income tax rates	19	0	n.a
Offsetable tax income (+)/expense (-)	0	1	-100.0%
Actual income tax (Effective tax rate: 0,9% in 2017 | -10,1% in 2016)	**55**	**-1,419**	**103.9%**
Income tax directly recognised as income or expense	72	-983	107.3%
Income tax attributable to discontinued operations	-16	-435	96.2%
Income tax	**55**	**-1,419**	**103.9%**

As of 31 December 2017, the preliminary amount of tax loss carryforwards in Germany, for which no deferred tax assets were recognised, totalled around EUR 36.2 million (31 December 2016: EUR 23.0 million) for corporate tax purposes and around EUR 35.2 million (31 December 2016: EUR 22.4 million) for trade tax purposes. Abroad, there are preliminary tax loss carryforwards of around EUR 31.5 million (31 December 2016: EUR 26.9 million), of which approximately EUR 14.3 million is attributable to discontinued operations. The elumeo Group currently assumes that the tax loss carryforwards attributable to discontinued operations will not be utilisable in the future. In addition, the elumeo Group expects that it will not be able to use tax loss carryforwards amounting to around EUR 8.5 million due to a pending tax review at a subsidiary and due to local tax circumstances. Tax loss carryforwards are generally limited to use by the company whose operations incurred the tax losses and do not expire under current local tax law. Due to the respective domestic and foreign legal regulations, the tax loss carryforwards in the elumeo Group can be offset indefinitely against future taxable income of the respective companies.

Deferred tax assets as of 31 December 2017 and 2016 relate to the elimination of intercompany profits contained in intercompany deliveries of finished goods and merchandise, insofar as they have not yet been realised on the reporting date through the sale of goods to the end customer. The deferred tax assets reported were determined based on the respective corporate tax rate for the company that receives the delivery and realises the sales to the third-party (end customer). As a result of the regular review of the transfer price model of the elumeo Group, the tax strategy of the elumeo Group, including transfer prices, was adjusted starting in the financial year 2017. As a result, a part of the historical intercompany profits of the elumeo Group has been shifted from the seller to the buyer. The deferred tax expenses resulting from the reduction in deferred tax assets from intercompany profits were already recognised in the consolidated statement of income as of 31 December 2016.

As in the previous year, the elumeo Group did not recognise additional income or withholding tax on cumulative earnings of foreign subsidiaries or on temporary differences arising from participations in foreign subsidiaries due to foreign currency fluctuations, as the respective earnings are to remain completely reinvested in these operations. As of 31 December 2017, the assessment basis for the temporary differences on which no deferred tax liabilities were recognised amounted to around EUR 39.1 million (31 December 2016: EUR 34.2 million).

(9.) Personnel expenses

Personnel expenses (excluding expenses for equity-settled share-based payments) of the elumeo Group are comprised as follows for financial year 2017:

EUR thousand | % of revenue	1 Jan - 31 Dec 2017		1 Jan - 31 Dec 2016		YoY in %
Wages and salaries	12,673	18.8%	12,722	21.8%	-0.4%
Social security contributions	1,519	2.2%	1,540	2.6%	-1.4%
Personnel expenses	**14,192**	**21.0%**	**14,262**	**24.4%**	**-0.5%**

The social security contributions include contributions to the statutory pension insurance of EUR 652 thousand (previous year: EUR 671 thousand).

Personnel expenses in the financial year 2016 include expenses for redundancies for accrued and paid severance payments as well as the release of employees with payment of remuneration up to the end of the employment contract in the amount of EUR 340 thousand. The accrued liabilities recognised as of 31 December 2016 were not fully utilised in financial year 2017. As a result, non-recurring income of EUR 40 thousand was recognised under personnel expenses (administrative expenses).

(10.) Earnings per share

Basic earnings per share basically correspond to the earnings attributable to shareholders divided by the weighted average number of outstanding shares during the reporting period.

Basic and diluted earnings per share are as follows:

Earnings and number of Shares	Unit	**1 Jan - 31 Dec 2017**	1 Jan - 31 Dec 2016	YoY in %
Earnings of shareholders of elumeo SE from continued operations	EUR thousand	-2,135	-10,625	79.9%
Earnings of shareholders of elumeo SE from discontinued operations	EUR thousand	-3,908	-4,899	20.2%
Earnings of shareholders of elumeo SE	EUR thousand	-6,043	-15,523	61.1%
Average number of outstanding shares	thousands	5,500	5,500	0.0%
Earnings per share from continuing activities (basic and diluted)	EUR	**-0.39**	**-1.93**	**79.9%**
Earnings per share from discontinued activities (basic and diluted)	EUR	-0.71	-0.89	20.2%
Earnings per share (basic and diluted)	EUR	**-1.10**	**-2.82**	**61.1%**

In the 2017, 2016 and 2015 financial years, the Executive Board issued option rights to purchase shares of elumeo SE from a total of five tranches from the Stock Option Programme 2015 (“SOP 2015”). The exercise of the option rights of each tranche after expiry of the vesting period is linked to capital market-based performance targets.

The performance targets for the first tranche (“Tranche I/2015”) and the second tranche (“Tranche II/2015”) issued in financial year 2015 as well as the fifth tranche issued in financial year 2017 (“Tranche V/2015”) have not been met as of the balance sheet date. The potential shares are therefore not to be taken into account in determining the diluted earnings per share, regardless of any possibly pro rata vesting that has already been made.

The performance targets of the third tranche issued in the 2016 financial year (“Tranche III/2015”) and the fourth tranche issued in the financial year 2017 (“Tranche IV/2015”) were met as of the balance sheet date. As of the balance sheet date, however, no option rights are exercisable because the service time criterion was not met. According to the International Accounting Standard IAS 33 *Earnings per share*, potential shares are only to be considered dilutive if their conversion into shares reduces earnings per share or increases the loss per share (IAS 33.41). If, however, the conversion to shares results in an increase in earnings per share or a reduction in the loss per share, this is a case of dilution protection and the diluted earnings per share must be adjusted to the amount of basic earnings per share (IAS 33.43). The number of potential shares which would have to be taken into account in the event of non-existent dilution protection is 57.471 shares (notional free shares).

As a result, the diluted earnings per share correspond to the basic earnings per share.

(11.) Other comprehensive income

Earnings for the period in the consolidated statement of income can be reconciled with total comprehensive income in the consolidated statement of comprehensive income by including other comprehensive income. Other comprehensive income includes only foreign currency translation differences arising from the translation of the equity of foreign subsidiaries at the respective historical exchange rate(s) as well as of the financial statements prepared in foreign currencies and are recognised directly in equity in the foreign currency translation reserve.

The other result of the discontinued operations is shown as a separate item in the consolidated statement of comprehensive income in the Consolidated Financial Statements for 2017.

H. Notes to the consolidated statement of financial position

(12.) Intangible assets

The following tables show the development of intangible assets in financial years 2017 and 2016:

EUR thousand	Intangible assets
Historical cost	
Balance as of 1 Jan 2017	**1,314**
Additions	6
Foreign currency translation differences	-1
Balance as of 31 Dec 2017	**1,319**
Amortisation	
Balance as of 1 Jan 2017	**389**
Additions	176
Foreign currency translation differences	0
Balance as of 31 Dec 2017	**564**
Carrying amount	
Balance as of 31 Dec 2016	**925**
Balance as of 31 Dec 2017	**755**

EUR thousand	Intangible assets
Historical cost	
Balance as of 1 Jan 2016	**1,193**
Additions	121
Foreign currency translation differences	1
Balance as of 31 Dec 2016	**1,314**
Amortisation	
Balance as of 1 Jan 2016	**182**
Additions	207
Foreign currency translation differences	0
Balance as of 31 Dec 2016	**389**
Carrying amount	
Balance as of 31 Dec 2015	**1,011**
Balance as of 31 Dec 2016	**925**

Intangible assets mainly comprise purchased licenses as well as user, office and ERP software, which are depreciated using the straight-line method over their estimated useful lives.

Furthermore, the elumeo Group recognises a purchased internet domain, which, in the opinion of the management, has an indefinite useful life. This assessment is based on the following considerations:

- As of the reporting date, there is no indication as to when the domain will cease to generate economic benefit. Therefore, a finite useful live cannot reliably be estimated. This assessment is not to be mistaken with an indefinite useful live.
- As a result of the increasing importance of the eCommerce business and the overall prevailing Internet age, management estimates that the use of the internet will continue to form an essential part of personnel shopping behaviour beyond the year 2030.
- Legal protection and power of control over the domain are secured by property rights without any time limitation.
- The domain represents a non-deteriorating asset. Replacement investments will not be required to ensure long-term utilisation.

(13.) Property, plant and equipment

The following table shows the development of property, plant and equipment in financial year 2017:

EUR thousand	Own land and buildings, leasehold improvements	Construction in progress	Plant and machinery	Other equipment, furniture and fixtures	Plant and machinery (Finance Lease)	Total property, plant and equipment
Historical cost						
Balance: 1 Jan 2017	**7,739**	**0**	**2,482**	**4,123**	**1,204**	**15,547**
Additions	8	0	75	132	2	216
Disposals	-6	0	0	-55	0	-61
Foreign currency translation differences	-219	0	-36	-83	-5	-342
Reclassified as part of a disposal group	-374	0	0	-11	0	-385
Balance: 31 Dec 2017	**7,149**	**0**	**2,522**	**4,105**	**1,201**	**14,976**
Depreciation						
Balance: 1 Jan 2017	**922**	**0**	**1,377**	**1,836**	**169**	**4,303**
Additions	283	0	343	703	150	1,479
Impairment	320	0	0	3	0	323
Disposals	-3	0	0	-42	0	-45
Foreign currency translation differences	-13	0	-18	-41	-1	-73
Reclassified as part of a disposal group	-374	0	0	-11	0	-385
Balance: 31 Dec 2017	**1,136**	**0**	**1,701**	**2,448**	**318**	**5,603**
Carrying amount						
Balance: 31 Dec 2016	**6,816**	**0**	**1,105**	**2,287**	**1,035**	**11,244**
Balance: 31 Dec 2017	**6,013**	**0**	**821**	**1,657**	**883**	**9,374**

Additions to and disposals of tangible assets of foreign subsidiaries whose financial statements are prepared in a functional currency other than the EUR are translated on the reporting date using the weighted average exchange rate of the reporting period.

The investments in financial year 2017 mainly consisted of replacement investments.

The impairments relate to leasehold improvements (EUR 320 thousand) and office fittings (EUR 3 thousand) of R&C UK in the United Kingdom and are fully allocable to the discontinued operation.

The following table shows the development of property, plant and equipment in financial year 2016:

EUR thousand	Own land and buildings, leasehold improvements	Construction in progress	Plant and machinery	Other equipment, furniture and fixtures	Plant and machinery (Finance Lease)	Total property, plant and equipment
Historical cost						
Balance: 1 Jan 2016	**6,618**	**803**	**2,231**	**3,660**	**1,225**	**14,536**
Additions	152	0	249	519	0	920
Disposals	0	0	0	-76	0	-76
Reclassifications	806	-807	2	0	0	0
Foreign currency translation differences	163	4	1	20	-21	167
Balance: 31 Dec 2016	**7,739**	**0**	**2,482**	**4,123**	**1,204**	**15,547**
Depreciation						
Balance: 1 Jan 2016	**646**	**0**	**1,001**	**1,194**	**19**	**2,860**
Additions	273	0	383	723	151	1,530
Disposals	0	0	0	-66	0	-66
Foreign currency translation differences	3	0	-8	-14	-2	-21
Balance: 31 Dec 2016	**922**	**0**	**1,377**	**1,836**	**169**	**4,303**
Carrying amount						
Balance: 31 Dec 2015	**5,972**	**803**	**1,230**	**2,466**	**1,205**	**11,676**
Balance: 31 Dec 2016	**6,816**	**0**	**1,105**	**2,287**	**1,035**	**11,244**

(14.) Inventories

Inventories on the respective reporting dates are as follows:

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Raw materials, consumables and supplies	6,422	11.7%	13,283	21.4%	-51.6%
Unfinished goods	2,258	4.1%	1,558	2.5%	45.0%
Finished goods and merchandise	24,868	45.5%	24,081	38.8%	3.3%
Advance payments	0	0.0%	11	0.0%	-100.0%
Inventories	**33,548**	**61.3%**	**38,933**	**62.7%**	**-13.8%**

The carrying amount of inventories reported as of the end of the previous reporting period, which were sold in the reporting period under review, are recognised as expense in the consolidated statement of income. As a result of the production being integrated into the elumeo Group, inventories pass through various production stages on their way from raw materials to finished goods. In connection with a fragmented raw material input (gemstones), a vast number of jewelry manufactured and the requirements of the intercompany profit elimination, a detailed breakdown of the overall changes in inventories requires disproportionate effort. In addition, the overall conclusion thus derived provides only limited information with respect to the management and control system of the elumeo Group, in particular since the Group's jewelry has in general a high stable value and is not subject to typical sales patterns or product life cycles. The level of inventories is controlled based on complex clusters of gemstone and product categories and show cycles. In conclusion, the elumeo Group refrains from determining and disclosing the amount of inventories recognised as of 31 December 2016, which were recognised as expense in the consolidated statement of income in financial year 2017.

The elumeo Group reviewed inventories for possible impairment. As a result, it was determined that the net realisable value of inventories exceeded the acquisition and production costs of the elumeo Group. As in the previous year, there was no need for impairment as of the balance sheet date.

As of 31 December 2017, financial debt (EUR 5,000 thousands) is secured in the full amount by collateral in the form of a storage assignment of inventories (merchandise) of a subsidiary.

(15.) Trade receivables

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Receivables due from end customers an payment merchants	2,017	3.7%	1,358	2.2%	48.5%
Receivables from B2B business	871	1.6%	1,485	2.4%	-41.4%
Receivables due from cooperation partners	76	0.1%	630	1.0%	-88.0%
Trade receivables	**2,963**	**5.4%**	**3,473**	**5.6%**	**-14.7%**

Trade receivables are due from the end customers of the sales companies. Depending on the payment method, trade receivables are due immediately, within up to 14 days or with instalment purchases within the agreed terms. The receivables from the B2B business and from cooperation partners are also due in the short term.

In the financial year, EUR 2 thousand (previous year: EUR 2 thousand) were recorded for expenses from additions to valuation allowances for receivables in the consolidated statement of income. In addition, EUR 3 thousand (previous year: EUR 4 thousand) were realised in income from the reversal of valuation allowances for collectible receivables, which were fully impaired as of 31 December 2016. On the reporting date, the trade receivables of the elumeo Group were thus impaired by EUR 9 thousand (31 December 2016: EUR 10 thousand) in total.

Expenses from the write-off of trade receivables due to uncollectible amounts in the reporting period amounted to EUR 65 thousand (previous year: EUR 4 thousand). As in the previous year, the elumeo Group has no considerable overdue trade receivables for which any valuation allowances were recorded.

The expenses from additions to value allowances and derecognition of receivables are recognised under administrative expenses.

In financial year 2015, the elumeo Group concluded a trading agreement with two cooperating payment service providers. The purpose of the contract is the expansion of the payment system of the subsidiary Juwelo TV, essentially by the payment methods "purchase" and "instalment payment." The requirements of IAS 39 for the derecognition of the assigned receivables had been met as of 31 December 2017 as in the previous year. As a result of the assignment, the contractual right to receive the cash flows from the financial asset is transferred to the debt purchaser (factor). In addition, all risks and rewards incidental to the ownership of the financial asset are transferred. In particular, the risk of default, meaning the risk of the customer's insolvency, is completely with the factor (real factoring with open claims assignment). There is no "continuing commitment" to the transferred asset as defined by IFRS 7 *Financial Instruments: Disclosures*. In financial year 2017, gross claims (including VAT and after returns) in the amount of around EUR 17.5 million (previous year: around EUR 14.0 million) were settled by factoring transactions by the factor. The purchase price discounts (debt discounts) recorded for this purpose are recorded under selling expenses.

(16.) Receivables due from related parties

The receivables due from related parties of EUR 224 thousand (31 December 2016: EUR 279 thousand), which are all due within one year, relate to trade receivables from the purchase and sale of merchandise in financial year 2014. The receivables are due from the precursor companies of the production and distribution companies of the elumeo Group. Their business operations were shifted to non-Group third parties as a result of the past restructuring of the value chain of the elumeo Group. The payment of the receivables to the elumeo Group shall be made subject to the cash flows of the respective companies.

In the reporting period, no value allowances were recognised on receivables due from related parties, since they are basically due in the short-term and there are, as in the previous year, no significant risks of the receivables possibly becoming uncollectible.

For more information about transactions with related parties, please refer to section [I.: Related party disclosures].

(17.) Other financial assets

Other financial assets comprise the following:

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Security deposits and other warranties	2	0.0%	56	0.1%	-96.2%
Receivables due from employees	41	0.1%	26	0.0%	55.4%
Current other financial assets	**43**	**0.1%**	**82**	**0.1%**	**-47.8%**
Security deposits and other warranties	385	0.7%	513	0.8%	-24.8%
Receivables due from employees	9	0.0%	9	0.0%	-8.6%
Non-current other financial assets	**394**	**0.7%**	**522**	**0.8%**	**-24.5%**
Other financial assets	**437**	**0.8%**	**604**	**1.0%**	**-27.7%**

Security deposits and other warranties include cash funds in the amount of EUR 215 thousand that are held in separate accounts (31 December 2016: EUR 172 thousand), which must be kept as contractually agreed collateral for leases and similar obligations. In the reporting year, no impairment losses on other financial assets were recognised because they have either a short-term maturity or bear interest and there are no significant risks of the assets possibly becoming uncollectible.

(18.) Other non-financial assets

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Receivables from taxes	1,156	2.1%	774	1.2%	49.4%
Tax advance payments	240	0.4%	248	0.4%	-3.4%
Deferred expenses	118	0.2%	270	0.4%	-56.2%
Other advance payments	132	0.2%	7	0.0%	>1.000%
Creditors with debit balances	3	0.0%	9	0.0%	-70.4%
Miscellanous other receivables	26	0.0%	1	0.0%	>1.000%
Current other non-financial assets	**1,675**	**3.1%**	**1,309**	**2.1%**	**27.9%**
Receivables from taxes	1,031	1.9%	899	1.4%	14.7%
Tax advance payments	840	1.5%	1,118	1.8%	-24.9%
Deferred expenses	0	0.0%	4	0.0%	-100.0%
Non-current other non-financial assets	**1,871**	**3.4%**	**2,020**	**3.3%**	**-7.4%**
Other non-financial assets	**3,545**	**6.5%**	**3,330**	**5.4%**	**6.5%**

As of 31 December 2016, current miscellaneous other receivables included a receivable in connection with a pending litigation for which an individual valuation allowance in the full amount was recognised (EUR 44 thousand). In the financial year 2017, other operating income from the partial receipt of the individually impaired receivables in the amount of EUR 27 thousand was realised.

(19.) Cash and cash equivalents

Cash and cash equivalents include bank balances and cash.

(20.) Equity

Issued capital

Issued capital of elumeo SE on 31 December 2017 totalled EUR 5,500,000 (31 December 2016: EUR 5,500,000) and is divided into 5,500,000 no-par value bearer shares with a theoretical share in the issued capital of EUR 1.00 per share. The company is authorised pursuant to § 71 para. 1 no. 8 of the German Stock Corporation Act (AktG) to acquire treasury shares in a volume of up to 10.0% of the capital issued as of the date of the decision up until 6 April 2020. No treasury shares were held again on 31 December 2017.

Capital reserve

The capital reserve amounted to EUR 34,179 thousand on 31 December 2017 (31 December 2016: EUR 33,862 thousand). In financial year 2017, the capital reserve was allocated exclusively from share-based payment in accordance with IFRS 2 of EUR 317 thousand (previous year: EUR 465 thousand). Please refer to section [H.(21.)] for further information on the share-based payment.

Retained losses

The accumulated retained losses reported as of 31 December 2017 comprises the accumulated loss carryforwards from previous years in the amount of EUR -5,408 thousand and the current earnings for the period in the amount of EUR -6,043 thousand.

Authorised Capital, Contingent Capital, convertible bonds and bonds with warrants

The Executive Board was authorised by resolution of the Extraordinary General Meeting on 7 April 2015 to increase the issued capital of elumeo SE by a total of EUR 2,000,000 by issuing up to 2,000,000 new no-par value bearer shares in exchange for cash and/or cash in kind (Authorized Capital 2015) by 6 April 2020.

The Executive Board was also authorised to issue convertible bonds or warrant bonds up until 6 April 2020 denominated in the bearer's name in a total amount of up to EUR 150.0 million and to issue to the bearers or creditors conversion rights or option rights to subscribe to up to 1,600,000 new no-par value bearer shares with a pro-rata share in the issued capital of up to EUR 1,600,000 (Contingent Capital 2015/I). As of 31 December 2017, no bonds had been issued.

Furthermore, the Executive Board was authorised to grant options to subscribe to up to 400,000 new, no-par value bearer shares of the company (Stock Option Programme 2015) up until 6 April 2020. In this context, the issued capital of the company may be conditionally increased by up to EUR 400,000 by issuing new shares (Contingent Capital 2015/II). The Contingent Capital 2015/II can only be used to grant new shares to the holders of option rights from the 2015 Stock Option Programme ("SOP 2015").

The Executive Board issued the following option rights from the SOP 2015 by 31 December 2017:

- 1 July 2015: a total of 151,000 option rights to subscribe for 151,000 shares with a pro-rata share in the issued capital of EUR 151,000 (Tranche I/2015) and after the end of the vesting period exercise price of EUR 25.00 of the shares payable upon exercise of stock options,
- 23 December 2015: 10,000 option rights to purchase 10,000 shares with a pro-rata share in the issued capital of EUR 10,000 (Tranche II/2015). The payable exercise price was EUR 19.64 per share,
- 18 July 2016: 128,500 option rights to purchase 128,500 shares with a pro-rata share in the issued capital of EUR 128,500 (Tranche III/2015). The payable exercise price was EUR 6.39 per share,
- 30 August 2017: 8,000 option rights to purchase 8,000 shares with a pro-rata share in the issued capital of EUR 8,000 (Tranche IV/2015). The payable exercise price was EUR 7.72 per share,
- 20 November 2017: 10,000 option rights to purchase 10,000 shares with a pro-rata share in the issued capital of EUR 10,000 (Tranche V/2015). The payable exercise price was EUR 9.95 per share.

Due to the premature departure of employees, the number of option rights outstanding as of 31 December 2017 differs from the number of option rights originally issued.

(21.) Share-based payments

Preliminary remarks

The share-based payments pledged by elumeo SE from the SOP 2015 represent equity-settled payments involving the company's own equity instruments.

Stock Option Programme 2015

The option rights issued from the SOP 2015 entitle the Managing Directors and senior executives of elumeo SE and the Managing Directors and select employees of subsidiaries of elumeo SE to acquire a total of 257,879 shares of elumeo SE (31 December 2016: 245,065 shares) as of the reporting date. The option rights become exercisable subject to the condition that the beneficiaries firstly serve the required service period of each individual partial tranche, secondly, the capital market-based performance target set out in the SOP 2015 is met, thirdly, the standstill period has elapsed, and fourthly a fixed overall gain from the exercise of option rights is not exceeded (exercise barrier). Each option right entitles to subscribe for one share with a pro-rata share in the issued capital of EUR 1.00 per share. The issue of remuneration commitments from the SOP 2015 has not been completed as of the reporting date.

The number of outstanding option rights under the SOP 2015 developed as follows:

Reason for change	Number of option rights	Weighted average exercise price in EUR
Number of option rights outstanding on 1 January 2017	**245,065**	**15.33**
Option rights granted during the reporting period	18,000	8.96
Option rights forfeited during the reporting period	-5,186	13.15
Number of option rights outstanding on 31 December 2017	**257,879**	**14.93**
Number of option rights outstanding on 1 January 2016	**136,875**	**24.61**
Option rights granted during the reporting period	128,500	6.39
Option rights forfeited during the reporting period	-20,310	21.33
Number of option rights outstanding on 31 December 2016	**245,065**	**15.33**

The equity-settled remuneration commitments made by elumeo SE were granted at different points in time. The beneficiaries may exercise non-forfeitable exercisable option rights at any time within ten years (beginning on the date of granting). The option rights may be exercised against payment of the exercise price.

As of 31 December 2017, the weighted average remaining term until the expiry date of the outstanding option rights is approximately 8.10 years (31 December 2016: approximately 9.00 years). As of the reporting date, no option rights may be exercised. The weighted average fair value of an option granted in the financial year 2017 (here: Tranche IV/2015 and Tranche V/2015) is EUR 4.08 (previous year: EUR 3.40 (here: Tranche III/2015). The fair value of an option right is made up of the intrinsic value and fair value multiplied by the probability of the expected achievement of the service condition. The fair value of the outstanding option rights of the five tranches in total as of the reporting date amounted to EUR 1,492 thousand (31 December 2016: EUR 1,445 thousand) as of the grant date, assuming full completion of the vesting period.

The fair value of the option rights on the grant date was calculated using a Black-Scholes option pricing model.

The scenario-weighted input parameters used for the valuation of the option rights granted are summarised below:

Weighted parameters SOP 2015 for the option rights granted in financial year 2017	Tranche IV/2015	Tranche V/2015
Weighted average share price in EUR	7.71	9.67
Weighted average exercise price in EUR	7.72	9.95
Expected volatility in %	44.75%	43.50%
Expected option term in years	6.85	6.85
Expected dividend in %	0.00%	0.00%
Risk-free interest rate with equivalent term incl. risk-premium in %	1.79%	1.74%
Weighted average rate of fluctuation in %	15.00%	0.00%

Weighted parameters SOP 2015 for the option rights granted in financial year 2016	Tranche III/2015
Weighted average share price in EUR	6.86
Weighted average exercise price in EUR	6.39
Expected volatility in %	45.00%
Expected option term in years	6.85
Expected dividend in %	0.00%
Risk-free interest rate with equivalent term incl. risk-premium in %	1.70%
Weighted average rate of fluctuation in %	7.59%

The input parameters that form the basis of the valuation model were derived as follows:

- The share value applied was determined transaction-based on the basis of historical share purchases.
- The expected volatility is based on historical data of listed peer group companies.
- The expected option terms and the probability of the term-dependent scenario calculations were estimated.
- The term-equivalent, risk-free interest rate was calculated based on the Svensson method and increased by a risk premium due to the overall low interest rate level and the current capital market situation.

In financial year 2017, expenses of EUR 317 thousand (previous year: EUR 465 thousand) were recognised for equity-settled share-based payments from the SOP 2015.

(22.) Financial debt

Financial debt includes the following items:

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Bank liabilities:					
Bank overdrafts	1	0.0%	0	0.0%	304.9%
Interest liabilities	17	0.0%	65	0.1%	-74.6%
Current loans and current portion				0.0%	
of non-current loans	7,560	13.8%	8,838	14.2%	-14.5%
Current financial debt	**7,577**	**13.9%**	**8,904**	**14.3%**	**-14.9%**
Bank liabilities:					
Loans	3,382	6.2%	4,011	6.5%	-15.7%
Non-current financial debt	**3,382**	**6.2%**	**4,011**	**6.5%**	**-15.7%**
Financial debt	**10,959**	**20.0%**	**12,915**	**20.8%**	**-15.1%**

In financial year 2015, elumeo SE was granted two working capital loans with a total credit line totalling EUR 7,500 thousand. The credit lines were fully used as of 31 December 2016. With addendum to the loan agreement of 22 June 2017, the total credit line was gradually decreased to EUR 6,000 thousand as of 30 June 2017 and to EUR 5,000 thousand as of 30 September 2017. As of 30 June 2017, elumeo SE repaid a total of EUR 1,500 thousand and on 30 September 2017 EUR 1,000 thousand. The term of the remaining working capital loan in the amount of EUR 5,000 thousand was extended until 30 June 2018. The fully utilised credit line is subject to variable interest expenses with an interest premium of 4.00% points p.a. on the 3-month Euribor interest rate (minimum interest rate: 4.00% p.a.).

As of the previous year's reporting date, collateral from subsidiaries of elumeo SE was still granted in full for the loan liabilities in the form of a storage assignment of inventories (merchandise) and joint and several warrantees. The collateral risk associated with inventories amounts to the amount of the loan (EUR 5,000 thousand).

For financial year 2018, there is a liquidity risk in that the final maturity working capital loan of elumeo SE in the amount of EUR 5,000 thousand is repayable as of 30 June 2018. As in the previous year, the company is making efforts to complete a follow-up financing or a prolongation the financing. With regard to the assessment of the liquidity situation, in particular in view of the final maturity bank loan of elumeo SE, reference is made to the comments in section [I. Management of financial risks] as well as section [F.: Explanation of the main risks | 3.2.] of the joint consolidated management report.

The decline in non-current financial liabilities results from the scheduled repayment of the investment loan (annuity loan) from PWK. The loan is used to finance the acquisition of the production site in Chanthaburi, Thailand, has a ten-year contract and an variable interest rate with a 1.50 percentage points discount on the minimum loan rate (MLR) of 6.025% p.a. interest as of the reporting date (31 December 2016: 6.275% p.a.). The investment loan is secured by a mortgage on the property acquired at the production site in Chanthaburi including buildings and by personal guarantees from related parties. Collateralisation still existing on the previous year's balance sheet date through further land charges on various properties belonging to a related party was replaced in the financial year 2017 by land charges on various properties belonging to another related party, including the buildings located there.

The working capital credit line granted to PWK for current refinancing purposes (THB 120.0 million) was utilised as of the reporting date with EUR 2,073 thousand or approx. 67.5%. The interest rate is variable with an interest rate discount of 1.00 percentage points on the so-called Money Market Rate (MMR) of 5.08% per annum as of the reporting date (31 December 2016: MMR 5.13%).

For further information about the segments of the elumeo Group, please refer to section [I.: Management of financial risks].

(23.) Other financial liabilities

Other financial liabilities comprise the following:

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Current portion of non-current finance lease liabilities	298	0.5%	288	0.5%	3.6%
Credit card liabilities	5	0.0%	23	0.0%	-76.8%
Miscellaneous other financial liabilities	0	0.0%	0	0.0%	n.a
Current other financial liabilities	**304**	**0.6%**	**311**	**0.5%**	**-2.3%**
Finance lease liabilities	273	0.5%	573	0.9%	-52.4%
Miscellaneous other financial liabilities	0	0.0%	0	0.0%	n.a
Non-current other financial liabilities	**273**	**0.5%**	**573**	**0.9%**	**-52.4%**
Other financial liabilities	**577**	**1.1%**	**884**	**1.4%**	**-34.8%**

The non-current and current portions of the interest-bearing finance lease liabilities relate to semi-automated picking, warehousing and conveying systems (technical equipment) at Juwelo Deutschland and R&C UK, which were acquired in financial year 2015. The elumeo Group recognised a financial liability due to the lessor in the amount of the acquisition cost (before interest expenses) under other financial liabilities. Financing is arrange for over a contract period of 48 months in monthly annuities. Due to the fundamental structure of the underlying leases, in particular the interest and repayment terms, the carrying amounts as of the balance sheet dates approximately correspond to the fair values. In financial year 2017, no investments were made as part of finance leases.

The finance lease liability recognised at R&C UK as of 31 December 2017, as well as associated technical assets, are not attributable to discontinued operations, but will in future be used by other companies of the elumeo Group.

For further information on other financial liabilities, please refer to section [I.: Management of financial risks].

(24.) Provisions

Provisions developed as follows in financial years 2017 and 2016:

EUR thousand	Carrying amount 1 Jan 2017	Addi-tions	Reversal	Usage	Foreign currency effects	Reclassi-fied as part of a disposal group	Carrying amount 31 Dec 2017
Expected customer returns	301	565	0	-300	-2	-17	547
Liabilities due to employees from severance payments and paid release from work	382	229	-40	-353	-4	-215	0
Removal obligations from rented premises	0	29	0	0	0	-28	0
Current provisions	**684**	**822**	**-40**	**-653**	**-6**	**-260**	**547**
Liabilities due to employees from benefits related to to retirement	602	103	0	-7	-22	0	676
Non-current provisions	**602**	**103**	**0**	**-7**	**-22**	**0**	**676**
Provisions	**1,285**	**925**	**-40**	**-660**	**-27**	**-260**	**1,223**

EUR thousand	Carrying amount 1 Jan 2016	Addi-tions	Reversal	Usage	Foreign currency effects	Reclassi-fied as part of a disposal group	Carrying amount 31 Dec 2016
Expected customer returns	36	304	0	-36	-3	0	301
Liabilities due to employees from severance payments and paid release from work	0	384	0	0	-2	0	382
Removal obligations from rented premises	6	0	0	-6	-1	0	0
Current provisions	**42**	**689**	**0**	**-41**	**-6**	**0**	**684**
Liabilities due to employees from benefits related to to retirement	466	116	0	-2	21	0	602
Non-current provisions	**466**	**116**	**0**	**-2**	**21**	**0**	**602**
Provisions	**508**	**805**	**0**	**-43**	**15**	**0**	**1,285**

Other non-current provisions include payment obligations of EUR 676 thousand (31 December 2016: EUR 602 thousand) to employees of foreign subsidiaries of the elumeo Group. All provisions generally have a remaining term of more than five years. The usage of EUR 7 thousand results from the resignation of a managing director of a foreign subsidiary.

In addition, the elumeo Group records obligations arising from the right of its customers to return products within a period of up to 14 days after receipt of delivery. Within the scope of the end-of-year business 2017, the right to return was significantly expanded at select distribution companies as in the previous year. As a result, current provisions for expected customer returns amounted to a total of EUR 547 thousand on 31 December 2017 (31 December 2016: EUR 301 thousand). The amount of the provision was estimated on the basis of historical experience. All provisions have a remaining term of less than one year.

The current provisions in the amount of EUR 340 thousand for redundancy payments and the exemption of employees with continued payment until the end of the employment relationship recognised in connection with personnel restructuring measures as of 31 December 2016 were not fully utilised in the financial year 2017. Overall, personnel expenses (administrative expenses) for financial year 2017 included income from other periods of EUR 40 thousand. As of 31 December 2017, there are no corresponding provisions.

(25.) Liabilities due to related parties

Liabilities due to related parties exist for a non-managing member of the Executive Board arising from fees for services as a freelance television presenter as in the previous year.

The liabilities are due within one year.

For more information about transactions with related parties, please refer to section [I.: Related party transactions].

(26.) Tax liabilities

As of 31 December 2017, the elumeo Group recognises accrued tax liabilities for potential risks in connection with a pending tax audit at foreign subsidiary. The elumeo Group assumes that the estimated tax liabilities will be due within one year.

(27.) Other non-financial liabilities

The other non-financial liabilities consist of the following on the relevant reporting date:

EUR thousand | % of balance sheet total	31 Dec 2017		31 Dec 2016		YoY in %
Debtors with credit balances	176	0.3%	437	0.7%	-59.7%
Other accrued liabilities	415	0.8%	451	0.7%	-7.9%
Liabilities from value added tax	367	0.7%	440	0.7%	-16.7%
Liabilities from other taxes	113	0.2%	165	0.3%	-31.5%
Liabilities to employees	130	0.2%	164	0.3%	-20.3%
Miscellanous other liabilities	34	0.1%	44	0.1%	-21.9%
Current other non-financial liabilities	**1,236**	**2.3%**	**1,701**	**2.7%**	**-27.4%**
Other accrued liabilities	25	0.0%	25	0.0%	0.0%
Non-current other non-financial liabilities	**25**	**0.0%**	**25**	**0.0%**	**0.0%**
Other non-financial liabilities	**1,261**	**2.3%**	**1,726**	**2.8%**	**-27.0%**

(28.) Notes to the consolidated statement of cash flows

The consolidated statement of cash flows was prepared in compliance with IAS 7 *Statement of Cash Flows* and shows the changes in the level of unrestricted cash and cash equivalents of the elumeo Group due to inflows and outflows during the reporting period under review.

According to IAS 7, cash flows are reported separately according to their source and use in operating activities, investing and financing activities. The inflows and outflows from operating activities are derived indirectly based on earnings before income taxes (EBT). The inflows and outflows from investing and financing activities are determined directly. Cash and cash equivalents include unrestricted cash and bank balances.

The elumeo Group has decided to present a consolidated statement of cash flows in which the detailed information on the composition of cash flows from operating, investing and financing activities exclusively includes the cash inflows and outflows from continuing operations (net cash flows from continuing operations). The cash inflows and outflows from discontinued operations are presented separately for each activity in a separate cumulative item.

The net cash flow from operating activities from continuing operations included a significantly improved negative earnings before tax (EBT) of EUR -2,207 thousand (previous year: EUR -9,641 thousand), an increase in other assets of EUR -377 thousand (previous year: EUR -1,476 thousand) and payments from accrued interest expenses of the previous year of EUR -73 thousand (previous year: EUR -299 thousand). In addition, non-cash income/expenses and transactions in the amount of EUR -1,310 thousand (previous year: EUR +1,610 thousand) were recognised. Cash outflows were opposed by depreciation on fixed assets amounting to EUR +1,606 thousand (previous year: EUR +1,588 thousand), a decrease in inventories by EUR +4,584 thousand (previous year: EUR -2,512 thousand) and an increase in other liabilities by EUR +2,572 thousand (previous year: EUR -2,234 thousand). In addition, net cash flow includes non-cash deferred tax income of EUR 417 thousand (previous year: deferred tax expenses of EUR -744 thousand) (consolidated statement of income), which was netted with the change in deferred tax asset attributable to continuing operations (consolidated statement of financial position). The net presentation of the two items (EUR 0 thousand) is included under the item increase/decrease in other assets. Overall, net cash flow from operating activities from continuing operations in 2017 was EUR +5,199 thousand after EUR -11,874 thousand in 2016.

Net cash flow from investing activities from continuing operations in 2017 totalled EUR -229 thousand (previous year: EUR -973 thousand).

Net cash flow from financing activities from continuing operations comprises proceeds from increase in financial debt in the amount of EUR +2,273 million (previous year: EUR +1,755 million) and repayments of financial debt and other financial liabilities amounting to EUR -4,278 thousand (previous year: EUR -2,443 thousand).

In addition, as a result of reclassifications as part of a disposal group (discontinued operations), cash and cash equivalents of the elumeo Group declined by EUR -43 thousand as of 31 December 2017.

Cash and cash equivalents as of the balance sheet date result from the positive components of unrestricted bank account balances and cash in the amount of EUR 1,512 thousand (31 December 2016: EUR 1,837 thousand) and from the negative components of current overdrafts of EUR -1 thousand (31 December 2016: EUR -0.3 thousand). In addition, EUR 1,764 thousand of unused credit lines were available as of the balance sheet date.

Changes in liabilities from financing activities

EUR thousand	Carrying amount 1 Jan 2017	Cash flow from financing activities	Foreign currency translation effects (OCI)	Changes in fair value measurement	Other	Reclassified as part of a disposal group	Carrying amount 31 Dec 2017
Current other financial liabilities (excluding the following item)	6	-1	0	0	0	0	5
Current portion of non-current finance lease liabilities	288	-287	-1	0	299	0	298
Non-current finance lease liabilities	573	0	-2	0	-299	0	273
Current financial debt (excluding the following item)	65	0	-1	0	-48	0	17
Current loans and current portion of non-current loans	8,838	-1,716	-73	8	502	0	7,560
Non-current loans	4,011	0	-127	0	-502	0	3,382
Liabilities from financing activities of continuing operations	**13,782**	**-2,005**	**-203**	**8**	**-48**	**0**	**11,534**
Current other financial liabilities	17	-8	0	0	0	-9	0
Liabilities from financing activities of discontinued operations	**17**	**-8**	**0**	**0**	**0**	**-9**	**0**
Total liabilities from financing activities	**13,799**	**-2,012**	**-203**	**8**	**-48**	**-9**	**11,534**

The item Foreign currency translation effects (OCI) (other comprehensive income) includes the foreign currency translation differences arising from the translation of the financial statements prepared in foreign currencies. In the financial years 2017 and 2016, the changes in liabilities from financing activities do not include any foreign currency translations effects that are recognised as expense in the consolidated statement of cash flows.

The item Other includes the effects of the reclassification of non-current components of financial liabilities (investment loan and working capital loans) and of other financial liabilities (leasing liabilities) to current liabilities as well as accrued and unpaid interest on interest-bearing loans. The elumeo Group classifies interest paid as cash flow from operating activities.

EUR thousand	Carrying amount 1 Jan 2016	Cash flow from financ-ing activities	Foreign currency trans-lation effects (OCI)	Changes in fair value measure-ment	Other	Reclassi-fied as part of a disposal group	Carrying amount 31 Dec 2016
Current other financial liabilities (excluding following item)	19	-13	0	0	0	0	6
Current portion of non-current finance lease liabilities	286	-259	-5	0	266	0	288
Langfristige sonstige finanzielle Verbindlichkeiten (ohne nachfolgenden Posten)	196	-193	-3	0	0	0	0
Non-current finance lease liabilities	875	0	-12	0	-290	0	573
Current financial debt (excluding following item)	50	0	1	0	15	0	65
Current loans and current portion of non-current loans	1,057	-223	50	0	7,954	0	8,838
Non-current loans	11,771	0	156	38	-7,954	0	4,011
Liabilities from financing activities of continuing operations	**14,254**	**-688**	**187**	**38**	**-9**	**0**	**13,782**
Current other financial liabilities	14	3	0	0	0	0	17
Liabilities from financing activities of discontinued operations	**14**	**3**	**0**	**0**	**0**	**0**	**17**
Total liabilities from financing activities	**14,268**	**-685**	**187**	**38**	**-9**	**0**	**13,799**

(29.) Deferred taxes

Deferred taxes arise from differences between the carrying amount recognised in the IFRS Consolidated Financial Statements and the carrying amount recognised for tax purposes as well as from tax loss carryforwards to the extent to which future utilisation is expected.

Deferred tax assets of EUR 1,866 thousand as of 31 December 2017 (31 December 2016: EUR 1,465 thousand) resulted exclusively from the elimination of intercompany profits included in inventories. The increase is the result of slightly higher inventories of finished goods and merchandise as well as shifts in the country-specific composition of inventories. In addition, the actual implementation of the new transfer pricing model led to the recognition of deferred tax assets, which were overall slightly above the estimates anticipated as of 31 December 2016. For more information, please refer to [G.(8.)].

(30.) Further disclosures on financial instruments

Fair value of financial instruments

The following table shows the carrying amounts and fair values of the elumeo Group's financial instruments broken down by the classes of measurement categories as well as the categories of financial instruments in accordance with IAS 39:

EUR thousand		Category acc. IAS 39	
Financial assets	Carrying amount	Loans and receivables	Fair value
Statement of financial position as of 31 Dec 2017			
Non-current assets:			
Other financial assets	394	394	394
Current assets:			
Cash and cash equivalents	1,512	1,512	1,512
Trade receivables	2,963	2,963	2,963
Receivables due from related parties	224	224	224
Other financial assets	43	43	43
Total	**5,136**	**5,136**	**5,136**
Statement of financial position as of 31 Dec 2016			
Non-current assets:			
Other financial assets	522	522	522
Current assets:			
Cash and cash equivalents	1,837	1,837	1,837
Trade receivables	3,473	3,473	3,473
Receivables due from related parties	279	279	279
Other financial assets	82	82	82
Total	**6,192**	**6,192**	**6,192**

For assets classified as "Loans and receivables", which are in general measured at amortised cost, it is assumed that the carrying amounts as of the reporting dates correspond approximately to their fair values.

The assessment of the fair value with respect to cash and cash equivalents, trade receivables, receivables due from related parties and current other financial assets is primarily based on the short period to maturity of these instruments and with respect to other financial assets supplementary on interest rate conditions, which reflect normal market conditions.

EUR thousand		Category acc. IAS 39	
Financial liabilities	Carrying amount	Financial liabilities measured at amortised cost	Fair value
Statement of financial position as of 31 Dec 2017			
Non-current financial liabilities:			
Financial debt	3,382	3,382	3,382
Other financial liabilities	273	273	273
Current financial liabilities:			
Financial debt	7,577	7,577	7,577
Payables due to related parties	7	7	7
Trade payables	7,340	7,340	7,340
Other financial liabilities	304	304	304
Debtors with credit balances	176	176	176
Total	**19,059**	**19,059**	**19,059**
Statement of financial position as of 31 Dec 2016			
Non-current financial liabilities:			
Financial debt	4,011	4,011	4,011
Other financial liabilities	573	573	573
Current financial liabilities:			
Financial debt	8,904	8,904	8,904
Payables due to related parties	11	11	11
Trade payables	6,181	6,181	6,181
Other financial liabilities	311	311	311
Debtors with credit balances	437	437	437
Total	**20,428**	**20,428**	**20,428**

The non-current financial debt includes interest-bearing loans. The interest rate conditions reflect normal market conditions, as a result of which, the carrying amounts correspond approximately to the respective fair values.

The current financial liabilities include interest-bearing financial debt due to banks for which a discount from the nominal value or the redeemable amount (debt discount) was paid in some cases when they were granted. The fair value of the respective loan liabilities was determined based on the effective interest method using the most current interest rate conditions. As a result of the short period to maturity of the loan, the carrying amount corresponds approximately to the fair value.

The other financial liabilities include interest-bearing finance lease liabilities. The interest rate conditions reflect normal market conditions, as a result of which, the carrying amounts correspond approximately to the respective fair values.

For trade payables and other current liabilities, which are allocated to the category “Financial liabilities measured at amortised cost”, it was estimated that, as a result of the short period to maturity of these instruments, the carrying amounts as of the reporting dates correspond to their fair values.

There were no derivative financial instruments in financial years 2017 and 2016.

Fair value hierarchy in accordance with IFRS 13

The following tables illustrates the fair value measurement of the financial instruments of the elumeo Group, which are not measured at fair value in the consolidated statement of financial position, but for which the fair value is disclosed:

EUR thousand	Measurement of fair value in accordance with IFRS 13 by applying input paramenters of ...			
Assets, for which a fair value is disclosed (Loans and receivables)	Total	Level 1 (quoted prices in active markets)	Level 2 (signficant other observable input parameter)	Level 3 (signficant un-observable input parameter)
Statement of financial position as of 31 Dec 2017				
Non-current assets:				
Other financial assets	394	0	394	0
Current assets:				
Cash and cash equivalents	1,512	0	1,512	0
Trade receivables	2,963	0	2,963	0
Receivables due from related parties	224	0	224	0
Other financial assets	43	0	43	0
Total	**5,136**	**0**	**5,136**	**0**
Statement of financial position as of 31 Dec 2016				
Non-current assets:				
Other financial assets	522	0	522	0
Current assets:				
Cash and cash equivalents	1,837	0	1,837	0
Trade receivables	3,473	0	3,473	0
Receivables due from related parties	0	0	0	0
Other financial assets	82	0	82	0
Total	**5,914**	**0**	**5,914**	**0**

EUR thousand Liabilities, for which a fair value is disclosed (other financial liabilities measured at amortised cost)	Measurement of fair value in accordance with IFRS 13 by applying input paramenters of ... Total	Level 1 (quoted prices in active markets)	Level 2 (signficant other observable input parameter)	Level 3 (signficant un-observable input parameter)
Statement of financial position as of 31 Dec 2017				
Non-current financial liabilities:				
Financial debt	3,382	0	3,382	0
Other financial liabilities	273	0	273	0
Current financial liabilities:				
Financial debt	7,577	0	7,577	0
Payables due to related parties	7	0	7	0
Trade payables	7,340	0	7,340	0
Other financial liabilities	304	0	304	0
Debtors with credit balances	176	0	176	0
Total	**19,059**	**0**	**19,059**	**0**
Statement of financial position as of 31 Dec 2016				
Non-current financial liabilities:				
Financial debt	4,011	0	4,011	0
Other financial liabilities	573	0	573	0
Current financial liabilities:				
Financial debt	8,904	0	8,904	0
Payables due to related parties	11	0	11	0
Trade payables	6,181	0	6,181	0
Other financial liabilities	311	0	311	0
Debtors with credit balances	437	0	437	0
Total	**20,428**	**0**	**20,428**	**0**

Net result from financial instruments

The net gains or losses from financial assets and financial liabilities of continuing operations include the following effects from interest payments, valuation allowances, write-offs and currency translation effects which were recognised as profit or loss in the consolidated statement of income:

EUR thousand	Net gains/losses		
Financial assets	Net interest income	Net currency translation effects	Valuation allowances/ write-offs
Statement of financial position as of 31 Dec 2017			
Cash and cash equivalents	0	-17	0
Trade receivables	0	-72	-64
Other financial assets	0	0	0
Total	**0**	**-89**	**-64**

EUR thousand	Net gains/losses		
Financial liabilities	Net interest expenses	Net currency translation effects	Valuation allowances/ write-offs
Statement of financial position as of 31 Dec 2017			
Financial debt	-583	0	0
Trade payables	0	163	0
Other financial liabilities	-29	0	0
Total	**-612**	**163**	**0**

I. Other notes

Management of financial risks

In the course of its ordinary business activities, the elumeo Group is exposed to a variety of financial risks: default risks, liquidity risks and market risks (including interest rate risk and foreign exchange rate risk). Financial risk management is aimed at limiting the risks arising from business operations, and which result from potential negative impacts on earnings and the liquidity situation, by monitoring and taking appropriate action.

<u>Market risks</u>

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market prices. Market risks include the currency risk, interest rate risk and other price risk. In the course of its ordinary activities, the elumeo Group is primarily exposed to market risk in the form of changes in foreign exchange rates and interest rates.

Currency risks

IFRS 7 basically defines currency risk as the risk of changes in foreign exchange rates. Foreign exchange rate risk arises on monetary financial instruments that are denominated in a foreign currency, i. e. in a currency other than the functional currency in which they are measured. The foreign currency represents the variable risk factor. Risks arising from translation to the reporting currency do not constitute risks.

The currency risk can generally be grouped into two types of risk: translation risk and transaction risk. Translation risk describes the risk of changes in items recognised in the statement of financial position or the statement of income of a subsidiary as a result of changes in exchange rates when translating the separate financial statements of the local entity to the functional currency of the elumeo Group. The changes resulting from currency fluctuations arising from the translation of items in the statement of financial position are recognised in equity.

Transaction risk exists in that fluctuations in exchange rates may lead to changes in the value of future cash inflows or outflows denominated in foreign currencies. The elumeo Group makes purchases in foreign currencies on a daily basis. No currency hedges are applied to these transactions.

In financial year 2017, the primary translation risk and transaction risk to which the elumeo Group was exposed involved currency risk relating to the British pound (GBP), which also materialised in 2016, the Thai baht (THB) and the US dollar (USD). The hedging of these risks was initially considered unnecessary due to no large number of individual transactions planned and the absence of inventory risk from GBP, THB and USD transactions with non-Group third parties. As a result of the Brexit vote in 2016, however, the GBP/EUR fell sharply, leading to a substantial loss in purchasing power compared to the main currencies THB and USD for the production company in Thailand's output streams.

The elumeo Group was not yet able to fully estimate the impact of Brexit in the Consolidated Financial Statements 2016. In particular, it was also not possible to assess the extent to which the increase in production costs due to foreign currency effects could be extended to the end customer in whole or in part through possible price elasticity effects. In the financial year 2017, the elumeo Group was forced to conclude that the gross profit margins of its sales business in the United Kingdom plummeted again. As a result of the existing fixed cost structures, which could not be further reduced to extent actually required, the Executive Board of the elumeo Group decided on 18 December 2017 to discontinue its business activities in the United Kingdom. With the exception of existing foreign currency positions as of the reporting date, the elumeo Group will therefore no longer be exposed to significant foreign currency risks from the GBP in the future.

Fortunately, the EUR was able to recover in financial year 2017 compared to the previous reporting dates. However, the Executive Board does not expect that a further significant appreciation will occur in the short or medium term. Since the price development of some input factors of production is directly linked to demand from the EUR (e. g. gold) and thus partially offset purchasing power gains/losses, it is unlikely that the earnings situation of the elumeo Group will be eased further. In addition, it must be observed to what extent future currency fluctuations will affect the ability to redeem the non-current financial debt (investment loans) denominated in THB.

The foreign currency sensitivity of the elumeo Group is calculated by aggregating all foreign currency exposures denominated in a currency other than the Group's functional currency. The fair values of the foreign currency exposures are measured at the exchange rates prevailing on the reporting date and at the rates assumed by the sensitivity analysis. The difference between these two rates represents the impact on the elumeo Group's consolidated earnings and equity.

In the financial year 2017, net foreign currency translation gains from continuing operations of EUR 577 thousand (previous year: net losses of EUR -2,832 thousand) were recognised in the consolidated statement of income. The losses were primarily attributable to intercompany foreign currency receivables and liabilities as well as the consolidation of earnings and liabilities. Discontinued operations were allocated exclusively the foreign currency translation results recognised in the respective financial statements. Net foreign currency translation gains from continuing operations recognised net income from negative currency translation differences from continuing operations of EUR -1,419 thousand (previous year: positive goodwill of EUR 1,755 thousand) recognised directly in equity.

The foreign currency exposures of the elumeo Group (here including discontinued operations) from the foreign currency positions of financial instruments (before intragroup assets and liabilities) in GBP, THB and USD are as follows:

EUR thousand	31 Dec 2017	31 Dec 2016	YoY in %
Financial items in GBP			
Trade receivables	0	33	-100.0%
Other financial assets	0	211	-100.0%
Other non-financial assets	0	134	-100.0%
Cash and cash equivalents	88	36	142.0%
Other financial liabilities	-52	-99	47.5%
Provisions	0	-103	100.0%
Trade payables	-11	-1,058	98.9%
Other non-financial liabilities	-109	-727	85.1%
Assets held for sale	401	0	n.a
Liabilities directly associated with assets held for sale	-1,282	0	n.a
Foreign currency exposure in GBP	**-966**	**-1,573**	**38.6%**

EUR thousand	31 Dec 2017	31 Dec 2016	YoY in %
Financial items in THB			
Other financial assets	32	31	0.8%
Other non-financial assets	1,031	899	14.7%
Cash and cash equivalents	2	69	-97.7%
Financial debt	-5,959	-5,371	-11.0%
Provisions	-642	-572	-12.2%
Trade payables	-1,083	-615	-76.0%
Other non-financial liabilities	-68	-67	-2.0%
Foreign currency exposure in THB	**-6,688**	**-5,626**	**-18.9%**

EUR thousand	31 Dec 2017	31 Dec 2016	YoY in %
Financial items in USD			
Trade receivables	870	1,519	-42.7%
Other financial assets	3	4	-12.1%
Cash and cash equivalents	231	31	657.3%
Other financial liabilities	0	0	n.a
Trade payables	-2,116	213	<-1.000%
Other non-financial liabilities	-1	-6	90.2%
Foreign currency exposure in USD	**-1,011**	**1,759**	**-157.5%**

The following table shows the effects of a ± 10.0% change in the exchange rates on the consolidated statement of income (including discontinued operations) and equity:

EUR thousand		**1 Jan - 31 Dec 2017**		1 Jan - 31 Dec 2016	
Currency	Foreign currency effect	Equity	Earnings	Equity	Earnings
GBP	10.0% increase in EUR exchange rate	351	194	121	-461
	10.0% decrease in EUR exchange rate	-351	-194	-121	461
THB	10.0% increase in EUR exchange rate	-4,450	-862	-3,734	-969
	10.0% decrease in EUR exchange rate	4,450	862	3,734	969
USD	10.0% increase in EUR exchange rate	44	27	-513	903
	10.0% decrease in EUR exchange rate	-44	-27	513	-903

(The figures stated under equity comprise both the amounts recognised in the foreign currency translation reserve that do not affect earnings and those that do affect earnings in the consolidated statement of income).

Interest rate risk

IFRS 7 defines interest rate risk as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Hence interest rate risk comprises the effects of positive or negative changes in interest rates on earnings, equity or cash flows in the current reporting period or in future reporting periods.

The elumeo Group is exposed to interest rate risk in the form of financial investments (cash and cash equivalents) and financial liabilities, which are comprised mainly of borrowings (financial debt). Due to the currently continuing low level of interest rates for financial investments with short-term interest rate lockins, the elumeo Group does not currently invest its available cash equivalents at fixed interest rates. Cash funds are held as sight deposits with banks having good credit ratings. The elumeo Group attempts to reduce the interest rate risk arising from financing activities by borrowing financial liabilities that are (partially) subject to variable interest rates.

According to IFRS 7, the elumeo Group must conduct a sensitivity analysis to present the impact of possible changes in market interest rates on the Group's consolidated earnings and equity. In the elumeo Group, changes in market interest rates particularly impact the interest expenses arising from the floating-rate financial debt to be repaid in instalments or at the maturity date presented in section [H.(22.)]. Assuming a change in the relevant prevailing market interest rates of ±1.0 percentage points, interest expenses would have appeared as follows:

	Consolidated statement of comprehensive income		Equity	
EUR thousand	+1.00% p.a.	-1,00% p.a.	+1.00% p.a.	-1,00% p.a.
31 December 2017	132	-58	-132	58
31 December 2016	132	-55	-132	55

Since 2 June 2016, a minimum interest rate of 4.00% p.a. has been agreed for elumeo SE's working capital loan (EUR 5,000 thousand), which was fully utilised as of 31 December 2017. The credit lines incurred interest at the minimum rate over the entire interest period due to the fact that the 3-month Euribor rate was partly negative. A lower market interest rate would not have significantly lowered interest expenses.

Default risk

Default risk refers to the risk of default on a financial instrument by a customer or another contractual party that causes the assets, financial investments or claims recorded in the consolidated statement of financial position to be impaired. The maximum default risk corresponds to the carrying amount of these assets.

The default risk of trade receivables is low due to the fact that goods are usually supplied in exchange for prepayment, credit card payment or cash on delivery or through intermediary payment service providers who bear the default risk. Moreover, the default risk is limited by the large number of geographically diverse customers. The default risk is accounted for by a rating based on experience and a valuation allowance account that takes the age structure into account. Bad debts are fully impaired individually in case of default and recognised as an expense in the consolidated statement of income.

Default risks exist with respect to the receivables due from the intermediary payment processing service providers. Default risk is mitigated by selecting partners with good to very good credit ratings, who are regularly monitored.

In B2B business, there is generally an increased default risk for trade receivables. On the one hand, the default risk is concentrated on a smaller number of major customers. In addition, the delivery of goods takes place against granting significantly longer (normal market) payment terms, so that goods will be regularly sold already to end customers of the wholesaler and thus a right of recourse is excluded. The default risk is taken into account through close cooperation with major customers and a delivery model in the nature of commission.

With trade receivables, there is no significant concentration of default risks.

Default risks also exist in receivables due from related parties as well as other financial assets.

In addition, there is a default risk for cash to the effect that financial institutions cannot meet their obligations. The maximum exposure is the carrying amount of the respective financial assets on each reporting date. This risk is mitigated by the fact that investments are made with diverse large financial institutions with high credit ratings.

Despite continuous monitoring, the elumeo Group cannot fully exclude the possibility of a loss due to the default of a contractual party. The maximum default risk for all classes of financial assets is the amount of the sum of the respective carrying amounts, without taking into account any collateral.

Financing and liquidity risk

Financing and liquidity risk entails the risk that the elumeo Group could encounter difficulties in meeting its obligations associated with financial liabilities when they fall due. Therefore, the primary objective of liquidity management is to ensure solvency at all times. The Group reduces its financing and liquidity risk by constantly updating the projected liquidity requirements and by monitoring liquidity. The elumeo Group manages its liquidity by maintaining a sufficient reserve of cash and cash equivalents in addition to the cash inflows from operating activities.

The maturity structure of the financial liabilities and the associated future cash outflows as of the respective reporting date are illustrated in the tables below. The tables show the contractually agreed (undiscounted) repayments of principal and the interest of the primary financial liabilities at their negative fair values. The presentation includes all of the financial instruments held by the elumeo Group as of 31 December 2017 and 31 December 2016 for which payments had already been contractually agreed or cash outflows reasonably certain. Amounts in foreign currencies were translated at the spot rate as of the reporting date. The amounts applicable to floating-rate financial instruments were calculated by taking into account the most recent interest rate determined on or before the reporting date. Financial liabilities that are repayable on demand are always allocated to the period in which the earliest repayment of principal is possible. Budget figures for new future financial liabilities are not taken into account.

	Carrying amount	Contractual cash flows					
	31 Dec 2017	2018		2019 - 2022		after 2022	
EUR thousand		Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Liabilities due to related parties	7	0	-7	0	0	0	0
Trade payables	7,340	0	-7,340	0	0	0	0
Debtors with credit balances	176	0	-176	0	0	0	0
Other financial liabilities	577	-17	-304	-5	-273	0	0
thereof finance lease liabilities	571	-17	-298	-5	-273	0	0
Financial debt	10,959	-280	-7,577	-419	-2,179	-53	-1,203
Total	**19,059**	**-297**	**-15,404**	**-425**	**-2,451**	**-53**	**-1,203**

As of 31 December 2017, there are also contractually agreed payment obligations from (non-interest-bearing) financial liabilities amounting to EUR 478 thousand (mainly trade payables and debtors with credit values (customer credits)) reclassified as part of a disposal group and classified as available for sale in the consolidated statement of financial position.

	Carrying amount	Contractual cash flows					
	31 Dec 2016	2017		2018 - 2021		after 2021	
EUR thousand		Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Liabilities due to related parties	11	0	-11	0	0	0	0
Trade payables	6,181	0	-6,181	0	0	0	0
Debtors with credit balances	437	0	-437	0	0	0	0
Other financial liabilities	884	-29	-311	-23	-573	0	0
thereof finance lease liabilities	861	-29	-288	-23	-573	0	0
Financial debt	12,915	-367	-8,904	-569	-2,122	-138	-1,889
Total	**20,428**	**-396**	**-15,844**	**-591**	**-2,695**	**-138**	**-1,889**

For financial year 2018, there is a substantial liquidity risk in that the final maturity working capital loan of elumeo SE in the amount of EUR 5,000 thousand is to be repaid as of 30 June 2018. The company is making efforts to conclude follow-up financing or loan renewals, as in the previous year. No such commitments were issued by credit institutions as of the date of publication of these Consolidated Financial Statements. In the business plan of the elumeo Group for financial year 2018, the Executive Board therefore generally assumes the redeem the financial debt. The main risks with regard to ensuring adequate future capital are the under-execution or non-fulfilment of the assets, financial and earnings planning or the emergence of unplanned short-term financial obligations.

Collateral was provided in full for loan liabilities by subsidiaries of elumeo SE in the form of a security assignment for inventories (merchandise) and joint and several guarantees. The company assumes that similar collateral will be granted as part of refinancing. In general, there is the potential risk that the collateral might possibly be claimed. However, as a result of the restructuring, the earnings situation of the elumeo Group has already improved significantly in the financial year 2017. In addition, management expects the loss-making sales business in the United Kingdom to improve its earnings and financial position in the 2018 financial year. In conjunction with the repayments already made, the overall liquidity risk has been reduced compared to the previous year.

For further information regarding the assessment of the liquidity situation, particularly against the backdrop of the final bank loans of elumeo SE, please refer to the comments in section [F.: Explanation of the main risks | 3.2] in the Condensed Group Management Report.

Capital management

Capital management at the elumeo Group aims to ensure short-term solvency, to secure the capital base in order to permit continuous financing of the Group's growth plans and to achieve a long-term increase in enterprise value. It also involves ensuring that all companies included in the elumeo Group are able to operate on a going-concern premise. In addition, capital management serves to ensure an adequate credit rating and a good equity ratio. In financial years 2017 and 2016, there were no adjustment measures or modifications to the aims of capital management.

Capital management is monitored on an ongoing basis using a variety of performance indicators and key figures, including the equity ratio on a consolidated basis. The equity ratio of the elumeo Group as determined under IFRS shall not fall below 50.0% of the balance sheet total. As of the reporting date, the equity ratio was 58.4% (31 December 2016: 62.8%).

Legal risks

The elumeo Group is exposed to a variety of legal risks based on its current and previous business activities. These risks include, among others, risks associated with regulations on product liability, the environment, the capital markets, anti-corruption, competition, labour law and compliance. In this context, the elumeo Group could be prosecuted for violations of the law by one or more employees or third parties.

As of the reporting date, the elumeo Group was not involved in any legal disputes which would significantly impact the Group's financial assets, position or cash flows.

Segment reporting

Segment reporting is presented in accordance with the internal reporting structures and internal controlling criteria and complies with the principles of financial reporting in accordance with IFRS. As a result of the discontinuation of the sales business in the United Kingdom, the Executive Board is currently reviewing the possibilities of changing segment reporting.

Presentation of segments

Organisation-driven, cross-entity integration and difference in the respective functions of the value chain form the basis for the identification of the reportable segments. The business activities of the elumeo Group are differentiated into the three operational segments Sales division Germany & Italy, Sales division Others and Group Functions & Eliminations.

Sales division Germany & Italy

Within the elumeo Group, the subsidiary Juwelo Deutschland has been operating for the longest time and in terms of development of its sales channels and the life cycle of the business model serves as an exemplary blueprint for the expansion into other countries. The Italian operations were founded out of the business activities of Juwelo Deutschland which has led to significant organisational links, particularly in the form of joint procurement and merchandise, centralised and shared controlling and support functions (e. g. Accounting, Controlling) as well as cross-entity service contracts with third party suppliers. Therefore, the operations are reported as a separate segment Sales division Germany & Italy.

Sales division Others

As part of the classification as a discontinued operation, the sales business in the United Kingdom is no longer part of segment reporting and therefore no longer included in the segment Sales division Others.

The segment Sales division Others now comprises the sales activities of the operating entities in the US and the third-party customer business of the Group-owned manufacturing and distribution companies. The segment particularly comprises B2B business.

Group functions & eliminations

The segment Group Functions & Eliminations aggregates the Group-wide administrative, controlling and management functions, particularly in the form of the parent company elumeo SE, as well as the eliminations of the remaining intercompany business relationships. In addition, the segment includes the administrative expenses of the Group-owned production facility and supplier companies, whereby a gross profit is allocated to the companies in such a way as to ensure full cost coverage with respect to their intercompany businesses.

Primary decision-maker and definition of segment result

The Executive Board of elumeo SE is the joint chief decision maker of the Group and ensures sustainable allocation of resources to the segments. The Executive Board assesses the success of the segments and establishes performance targets for the future based on the revenue, gross profit and segment EBITDA (adjusted earnings figure). The adjusted earnings figure Segment EBITDA is basically defined as earnings after interest, taxes and depreciation and amortisation (EBITDA) after adjustment for segment transfer items. In assessing the operating performance of the segments, the following segment transfer items are generally identified as non-operational items:

- gains and losses from the disposal of assets,
- effects from foreign currency translation,
- impairments and write-downs and the reversal of impairments of assets,
- acquisition-related expenses, depreciation and income
- equity transaction costs,
- expenses for equity-settled share-based payments,
- expenses and income from discontinued operations as well as
- one-time or extraordinary, by their nature and amount, expenses and income (non-recurring effects) outside of ordinary business activity (for example, restructuring, business relocation, insurance claims, litigation), the values of which can generally be clearly identified and taken directly from accounting.

In determining the Segment EBITDA, selected inter-segment transactions are eliminated in such a way as if expenses and income under review would have already been incurred as part of the regular expense and income items of the respective segments (economic approach to supply and service relationships). Furthermore, the gross profit of the elumeo Group which exceeds full cost coverage of the Group-owned production facility and supplier companies with respect to their intercompany business is allocated to the individual segments.

Financial decisions and decision-making with respect to financial investment of cash is not made on segment level but on company level supplementary to selected Group-wide coordination. Therefore, the financial result of the elumeo Group is not allocated to the segments.

The Executive Board does not receive regular information on assets, liabilities and cash flows of individual segments, as a consequence of which the segments are not assessed on the basis of such information.

Segment information

The following tables show the development of the segment-specific financial performance indicators of the continuing operations in financial years 2017 and 2016 or the year-on-year change (YoY):

	1 Jan - 31 Dec 2017					
EUR thousand | % of (segment) revenue	Revenue		Gross profit		Segment-EBITDA	
Sales division Germany & Italy	62,968	93.2%	26,123	41.5%	-220	-0.3%
Sales division Others	4,593	6.8%	1,189	25.9%	558	12.1%
Group functions & eliminations	0	0.0%	2,515	n.a.	-614	n.a.
Total	**67,560**	**100.0%**	**29,826**	**44.1%**	**-276**	**-0.4%**

	1 Jan - 31 Dec 2016					
EUR thousand | % of (segment) revenue	Revenue		Gross profit		Segment-EBITDA	
Sales division Germany & Italy	54,496	93.2%	23,389	42.9%	-3,460	-6.3%
Sales division Others	3,980	6.8%	912	22.9%	406	10.2%
Group functions & eliminations	0	0.0%	2,359	n.a.	-718	n.a.
Total	**58,476**	**100.0%**	**26,659**	**45.6%**	**-3,772**	**-6.5%**

	1 Jan - 31 Dec YoY					
EUR thousand | in %	Revenue		Gross profit		Segment-EBITDA	
Sales division Germany & Italy	8,472	15.5%	2,734	11.7%	3,240	93.6%
Sales division Others	613	15.4%	277	30.4%	152	37.5%
Group functions & eliminations	0	n.a	157	6.6%	104	14.5%
Total	**9,084**	**15.5%**	**3,167**	**11.9%**	**3,496**	**92.7%**

Total segment EBITDA from continuing operations of EUR -276 thousand improved significantly in 2017 (previous year: EUR -3,772 thousand). The segment reconciliation items eliminated in determining segment EBITDA in 2017 include income from net gains from foreign currency translation of EUR 577 thousand (previous year: net losses of EUR -2,832 thousand), expenses from the SOP 2015 of EUR -317 thousand (previous year: EUR -456 thousand), off-period income from the derecognition of unused accrued liabilities from severance payments and exemption of employees of EUR 40 thousand (previous year: expenses of EUR -340 thousand) and expenses from net losses from asset disposals of EUR -13 thousand (previous year: EUR 0 thousand).

Segment Sales division Germany & Italy

Revenue of EUR 62,968 thousand or approx. 93% of the total revenue of the elumeo Group were generated in the segment Sales division Germany & Italy in 2017 (previous year: EUR 54,496 thousand or approx. 93%). This corresponds to an increase in sales of EUR 8,472 thousand or +15.5% YoY.

Gross profit in 2017 was EUR 26,123 thousand and thus +11.7% YoY (previous year: EUR 23,389 thousand), so that for the segment a slight decline in the gross profit margin of 42.9% of segment revenue in 2016 to 41.5% was recorded in 2017. One reason was the decline in the gross profit margin due to the placement of new product offerings.

With a deficit of EUR -220 thousand in 2017, segment EBITDA significantly improved compared to the previous year (EUR -3,460 thousand). The Segment EBITDA margin thus amounted to -0.3% (previous year: -6.3%).

Segment Sales division Others (Asia, US, UK no longer included)

Revenue in the segment Sales division Others amounted to EUR 4,593 thousand in 2017 or approx. 7% of the total revenue of the elumeo Group (previous year: EUR 3,980 thousand or approx. 7%) and thus increased by EUR 613 thousand or +15.4% YoY.

Due to the general increase in revenue, gross profit increased by EUR 277 thousand or +30.4% YoY to EUR 1,189 thousand in 2017 (previous year: EUR 912 thousand). This corresponds to a gross profit margin of 25.9% of segment revenue in 2017 (previous year: 22.9%).

Segment EBITDA totalled EUR 558 thousand in 2017 (previous year: EUR 406 thousand). The segment EBITDA margin was 12.1% (previous year: 10.2%).

Segment Group functions & eliminations

To compensate for the administrative and financing costs of production, the segment was allocated gross profit of EUR 2,515 thousand in 2017 (previous year: EUR 2,359 thousand), which was therefore not allocated to the segments Sales division Germany & Italy and Sales division Others.

Segment reconciliation to Group earnings

The total segment EBITDA of the three reportable segments can be reconciled to earnings after taxes from continuing operations or the earnings for the period of the elumeo Group as follows:

	01.01. - 31.12.2017		01.01. - 31.12.2016		YoY in %
Total segment EBITDA	**-276**	**-0.4%**	**-3,772**	**-6.5%**	**92.7%**
Effects from foreign currency translation	577	0.9%	-2,832	-4.8%	120.4%
Equity-settled share-based remuneration	-317	-0.5%	-465	-0.8%	31.8%
Non-recurring expenses/income from terminations for severance payments and paid release from work of employees	40	0.1%	-340	-0.6%	111.8%
Non-recurring expenses related to the restructuring of the business in the United Kingdom	0	0.0%	-48	-0.1%	100.0%
Net losses from disposal of assets	-13	0.0%	0	0.0%	n.a
Segment reconciliation items	287	0.4%	-3,685	-6.3%	107.8%
EBITDA	10	0.0%	-7,457	-12.8%	100.1%
Depreciation and amortization on property, plant and equipment and intangible assets	-1,606	-2.4%	-1,588	-2.7%	-1.1%
EBIT	-1,595	-2.4%	-9,045	-15.5%	82.4%
Financial result	-612	-0.9%	-596	-1.0%	-2.6%
Income tax	72	0.1%	-983	-1.7%	107.3%
Earnings for the period from continuing operations	**-2,135**	**-3.2%**	**-10,625**	**-18.2%**	**79.9%**
Earnings for the period from discontinued operations	**-3,908**	**0.0%**	**-4,899**	**0.0%**	**20.2%**
Earnings for the period	**-6,043**	**-8.9%**	**-15,523**	**-26.5%**	**61.1%**

In financial year 2017 and 2016, total revenue and total gross profit of the segments correspond to the revenue and gross profit from continuing operations.

Related party disclosures

The elumeo Group identifies the group of related parties in accordance with IAS 24 *Related Party Disclosures.*

Major related parties of elumeo SE include:

- all subsidiaries included in the Consolidated Financial Statements of elumeo SE,
- the shareholder Mr. Wolfgang Boyé, Berlin, Germany, and the holding companies he controls either directly or indirectly, which in turn hold investments in related companies of elumeo SE, in particular:
    - UV Interactive Services GmbH, Berlin, Germany ("UVIS"), in which Mr. Boyé holds 100.0% of the shares,
    - the shareholder Blackflint Ltd., Paphos, Cypress ("BFL"), in which UVIS holds 100.0% of the shares,
- the Serifos Foundation, Vaduz, Liechtenstein ("Serifos"), which holds 100.0% of the shares in the shareholder Ottoman Strategy Holdings (Suisse) SA, Zug, Switzerland ("OSH"), as well as selected members of the Jamratkittiwan family as beneficiaries of Serifos,
- River City Company Limited, Chanthaburi, Thailand ("RCCL"), a company in which 100.0% of the shares are held by Mr. Teerasak Jamratkittiwan, a member of the Jamratkittiwan family,
- Moving Colours Limited, Dubai, United Arab Emirates, which is a precursor to the production company of the elumeo Group under the indirect control of OSH and has engaged in significant business activities with the elumeo Group in past financial years, and
- the members of the Executive Board of elumeo SE.

In financial year 2014, the elumeo Group still executed significant transactions with related parties in connection with its operating activities (purchase of finished goods and merchandise). The companies from which the merchandise was procured continued to be classified as related parties as of the reporting dates. After restructuring the value chain and establishing the elumeo Group as a legal entity on 23 October 2014, comparable transactions were no longer executed. Consequently, no merchandise was purchased from related parties. The amounts relating to receivables due from related parties for which payment had not yet been received in full as of 31 December 2017 and 31 December 2016 are reported under the corresponding line items in the consolidated statement of financial position.

In financial year 2017, the following transactions were executed with related parties:

- The elumeo Group recorded selling expenses of EUR 203 thousand (previous year: EUR 125 thousand after one-off credits) for TV broadcasting services rendered by UVIS. In addition, revenue of EUR 11 thousand (previous year: EUR 11 thousand) was generated from the provision of supporting broadcasting services for UVIS. All trade payables due to UVIS arising over the course of the financial year have been fully paid as of 31 December 2017.
- Selling expenses include sales commissions paid to a non-managing member of the Executive Board in the amount of EUR 110 thousand (previous year: EUR 0 thousand) for freelance services as a TV presenter.

  The resulting outstanding liabilities of EUR 7 thousand as of the reporting date (31 December 2017: EUR 0 thousand) are recognised under liabilities due to related parties.

In addition, earnings for the period from discontinued operations include fees (selling expenses) attributable to the same non-managing member of the Executive Board for freelance services as a TV presenter of EUR 15 thousand (previous year: EUR 85 thousand). All liabilities resulting therefrom have been fully paid as of the reporting date (31 December 2016: EUR 11 thousand).

- By resolution of the Executive Board of 12 January 2017, the appointment of the Executive Board member Boris Kirn as a Managing Director was extended until 13 February 2021 and his service contract was revised accordingly.
- By resolution of the Executive Board of 5 December 2017, the appointment of the Executive Board member Bernd Fischer as a Managing Director was extended until 21 July 2020 and his service contract was revised accordingly.
- In financial years 2016 and 2015, a Managing Director received a total of 37,000 option rights from Tranches I/2015 (17,000 option rights) and III/2015 (20,000 option rights) of the SOP 2015. The granted option rights had an estimated fair value of EUR 213 thousand on the granting date, assuming full vesting. In 2017, expenses of EUR 52 thousand were recorded under administrative expenses (previous year: EUR 53 thousand).
- In the financial year 2017, the collateralisation of the investment loan and other PWK loans in the form of land mortgages on various properties of a related party was replaced by land mortgages on the real estate (including buildings) of the RCCL. Both companies are closely related to Mr. Teerasak Jamratkittiwan.

In financial year 2016, the following transactions were also recorded with related parties (previous year's comparative information):

- As of 18 July 2016, a family member of a non-managing member of the Executive Board in her role as an employee of a subsidiary of elumeo SE was granted a total of 1.500 option rights from the SOP 2015. The employee has left the subsidiary as of 31 December 2016. At the time granted, the option rights had an estimated fair value of EUR 5 thousand assuming full vesting. Taking into account the forfeiting of non-vested option rights, expenses of EUR 0.3 thousand were recorded in financial year 2016.
- In December 2015, a family member of a non-managing member of the Executive Board was appointed Managing Director of R&C. The Managing Director had resigned from office by 31 December 2016. In addition to the remuneration for his role as executive body (including a compensation payment) in financial year 2016, a total of 15,000 option rights from Tranche I/2015 and Tranche II/2015 of the SOP 2015 were granted to the Managing Director in 2015 with a fair value of EUR 150 thousand at the time of granting. Taking into account the forfeiting of non-vested option rights, expenses of EUR 25 thousand (previous year: EUR 17 thousand) were recorded in financial year 2016.

In financial year 2017, the following significant transactions were furthermore carried out jointly by affiliated companies of the elumeo Group with effects on non-Group third parties:

- On 15 February 2017, a new agreement was reached with the affiliate of a subsidiary to distribute the TV signal in the United Kingdom. With effect from 1 February 2017, an agreement was signed for the repayment of existing liabilities (trade payables) under the previous contract. In this context, the contracting parties to the elumeo Group have stated that they are jointly and severally guaranteeing in GBP for all gross payments contractually agreed with the contractor. The original amount has been repaid in full with a final payment on 1 January 2018. In addition, elumeo SE declared to the supplier that, in the event the shares in the indirectly controlled subsidiary are sold, it guarantees for the payment of an amount agreed by contract and owed by the intermediate directly controlled parent company to the supplier.

- As of 31 March 2017, the business operations of R&C P (with the exception of a single broadcast license) were transferred to R&C UK. In the course of this, all contractual relationships of R&C P were transferred to R&C UK.
- On 16 November 2016, the rights and obligations arising from the existing rental contract between R&C and the landlord (lessor) for business premises were transferred to R&C UK. elumeo SE and R&C agreed to guarantee to the lessor for all gross payments in GBP agreed by contract until 31 March 2030 (other financial obligations).

Other financial obligations

Operating leases

The elumeo Group has obligations arising from operating leases for leased properties and – in an immaterial amount – for movable items of other business and office equipment. The lease agreements have remaining terms of between less than one year and up to approximately three years. Some of the leases include renewal options and price adjustment clauses, which, however, do not impact their classification as operating leases.

Lease expenses and other leasing costs of the continuing operations in the financial year amounted to EUR 476 thousand (previous year: EUR 473 thousand). The future minimum gross lease payments of continuing operations as of 31 December 2017 and 2016 due from non-cancellable, significant operating leases are shown in the following table:

EUR thousand	Remaining term < 1 year	1-5 years	> 5 years	Total
31 Dec 2017	662	708	0	**1,370**
31 Dec 2016	622	576	0	**1,198**

As of 16 November 2016, the rights and obligations from the existing operating lease agreement on the premises in Birmingham between R&C P and the landlord were transferred to R&C UK. Elumeo SE and R&C P have jointly guaranteed to the landlord for all agreed upon minimum gross payments in British pounds (GBP) up to 31 March 2030, in the amount of approximately EUR 3.2 million as of 31 December 2017 (31 December 2016: EUR 3.5 million). The premises were used by the discontinued operations. The management of the elumeo Group is currently in discussion with the landlord about the premature termination of the lease. By the date of publication of these Consolidated Financial Statements, no corresponding commitments were made by the landlord.

Other financial obligations

The elumeo Group has other payment obligations from non-terminable contractual agreements regarding the multiplexing, distribution and transmission of its broadcasted TV programmes. The contracts have remaining terms of less than one year and up to about six years. Some of them include renewal options and price adjustment clauses.

The future minimum gross payments of the continuing operations as of 31 December 2017 and 2016 as a result of non-cancellable, significant TV broadcasting contracts are shown in the following table:

	Remaining term			
EUR thousand	< 1 year	1-5 years	> 5 years	Total
31 Dec 2017	11,353	22,895	0	**34,248**
31 Dec 2016	10,483	23,125	634	**34,242**

The future minimum gross payments were determined based on the earliest possible termination date of the respective contracts or, in case renewal options are likely to be exercised, the one-time extension of the contract term.

In addition, contractually agreed minimum gross payments in connection with discontinued operations amounting to approximately EUR 1,794 thousand (31 December 2016: EUR 5,001 thousand before later agreement of shorter termination periods) exist as of 31 December 2017. The management of the elumeo Group is currently discussing the premature termination of the underlying contractual arrangements. By the date of publication of these Consolidated Financial Statements, no corresponding commitments were made by contracting parties.

Supplementary disclosures in accordance with the German Commercial Code (HGB)

Shareholdings

elumeo SE holds 100.0%[3] of the shares in the following companies, either directly or indirectly via intermediate subsidiaries:

Company	Registered office	Functional currency	Total equity	Issued capital	Earnings of period	Note
EUR thousand			**31 Dec 2017**	**31 Dec 2017**	**1 Jan - 31 Dec 2017**	
Juwelo Deutschland GmbH	Berlin	EUR	-22,643	226	-11,842	1
schmuck.de G&S GmbH	Rom	EUR	0	25	0	1
Juwelo Italia s.r.l.	Rom	EUR	48	10	-3,245	1
Juwelo France SAS	Paris	EUR	25	50	-12	1
Rocks & Co Productions Ltd.	Birmingham	GBP	0	11,267	1,180	1,2
Rocks & Co UK Ltd.	Birmingham	GBP	-3,512	0	-3,115	1,2
Juwelo USA, Inc.	Wilmington	USD	-444	0	-266	1,2
Silverline Distribution Ltd.	Hong Kong	EUR	2,912	1	-2,440	1,2
PWK Jewelry Company Ltd.	Bangkok	THB	44,503	7,676	8,621	1,2,3

[1] The disclosure represents the financial statement as prepared for consolidation purposes (uniform Group accounting principles).

[2] The disclosures on equity are based on foreign currency translation using the exchange rate on the balance sheet date and do not explicitly consider the effects from allocations to the foreign currency translation reserve.

[3] A total of 2 out of 30.000.000 shares are held by third parties.

By shareholder resolution of 20 December 2017, schmuck.de G&S GmbH, Berlin, was founded, whose shares are fully held by Juwelo Deutschland GmbH. The entry in the commercial register of Berlin-Charlottenburg in department B, number 193 357 B took place on 6 February 2018.

Application of exemption rules

Juwelo TV Deutschland GmbH makes use of the option of exemption specified in § 291 para. 2 HGB and does not prepare Consolidated Financial Statements or a group management report.

Number of employees

The average number of employees by region developed as follows:

Full-time equivalents (FTE)	**1 Jan - 31 Dec 2017**	1 Jan - 31 Dec 2016	YoY in %
Europe	300	352	-14.8%
Asia and other countries	843	827	2.0%
Total	**1,144**	**1,179**	**-3.0%**

The disclosure for the Europe region in 2017 include approximately 26.5 FTEs (previous year: 46 FTEs) attributable to the discontinued operation in the United Kingdom.

Disclosure in accordance with the declaration of compliance of the Executive Board of elumeo SE pursuant to Art. 9 para. 1c (ii) SE Regulation in connection with § 161 AktG to the German Corporate Governance Code.

In accordance with § 22 para. 6 of the SE Implementing Act (SEAG) in conjunction with § 161 of the Stock Corporation Act (AktG), the Executive Board of a single-tier SE listed on a stock exchange in Germany is legally required to submit an annual declaration stating whether the officially published recommendations of the Government Commission German Corporate Governance Code have been complied with. The companies are moreover required to disclose any recommendations of the Code that have not been complied with, and the reason why not.

The full text of the Statement of Compliance by the Executive Board of elumeo SE is available for download from the company's website at http://www.elumeo.com/ir/corporate-governance/corporate-governance-code.

Notifications of voting rights

In financial year 2017, elumeo SE received a notification in accordance with §§ 21 seq. WpHG. Mr. Bernd Förtsch announced that the 5% threshold had been exceeded by acquiring shares with voting rights on 20 October 2017. The reported share of voting rights amounts to 7.50% (§§ 21, 22 WpHG) (412,500 shares held indirectly). In addition, Mr. Bernd Förtsch acquired instruments in accordance with § 25 para. 1 WpHG with voting rights of 2.48% (136,500 instruments held indirectly). Total voting rights are held directly by the shareholder Heliad Equity Partners GmbH & Co. KGaA, Frankfurt/Main.

Information on the Executive Board

The Executive Board

The company has a one-tier governance structure with the Executive Board as the central management and control body. The Executive Board of elumeo SE is composed of Executive Managing Directors and non-executive board members. During financial year 2017, the following individuals were Managing Directors or non-executive members of the Executive Board:

Managing directors	Profession	End of appointment
Bernd Fischer (sole powers of representation since 13. Feb 2015)	Merchant	21 July 2020
Thomas Jarmuske (sole powers of representation since 14 Jun 2015)	Merchant	28 May 2020
Boris Kirn (sole powers of representation since 13 Feb 2015)	Merchant	13 February 2021

Executive Board	Profession	Latest end of appointment
Wolfgang Boyé (Chairman of the Board) (since 21 July 2014)	Merchant	21 July 2020
Don Kogen (Vice-Chairman of the Board) (since 13 February 2015)	Merchant	13 February 2021
Anette Bronder (since 29 May 2015)	Merchant	29 May 2021
Deborah Cavill (since 21 July 2014)	Merchant	21 July 2020
Bernd Fischer (since 21 July 2014: Member of the Executive Board, (since 21 Juli 2014: Appointment as Managing director)	Merchant	21 July 2020
Thomas Jarmuske (since 7 April 2015: Member of the Executive Board, (since 14 June 2015: Appointment as Managing director)	Merchant	7 April 2021
Boris Kirn (since 13 February 2015: Member of the Executive Board, (since 13 February 2015: Appointment as Managing director)	Merchant	13 February 2021
Roland Sand (since 7 April 2015)	Merchant	1 April 2021

Shareholdings of the Executive Board and Managers' Transactions reportable pursuant to Article 19 MAR

As of the balance sheet date, the direct shareholdings of the members of the Management Board individually amounted to no more than 2.56% (31 December 2016: 2.56%) and no more than 7.10% (31 December 2016: 7.10%) of the shares issued by elumeo SE.

Members of the Executive Board and their relatives are obliged pursuant to Art. 19 MAR to report transactions in shares of elumeo SE (so-called Managers' Transactions) to the Federal Financial Supervisory Authority and elumeo SE. elumeo SE is obliged to publish these transactions without delay after notification.

In the financial year 2017, the following Managers' Transactions were communicated by the controlling shareholders:

- On 20 October 2017, OSH sold a total of 550,000 shares in elumeo SE at a price of EUR 6.50 per share in an over-the-counter transaction.
- On 20 October 2017, OSH granted a total of 225,000 non-tradable options on shares held by elumeo SE in an over-the-counter transaction.

For further information on Managers' Transactions, please refer to the publications on the company's website at http://www.elumeo.com/ir/latest-notifications/directors-dealings.

Remuneration

The Managing Directors and non-executive members of the Executive Board received total fixed annual remuneration pursuant to section 285 no. 9a German Commercial Code (Handelsgesetzbuch, "HGB") of EUR 698 thousand (previous year: EUR 692 thousand) in financial year 2017, exclusively and for their activities as organ members of the company. In addition, a non-executive member of the Executive Board received EUR 125 thousand (previous year EUR 85 thousand) for professional services as a TV presenter.

In the financial year 2017, the Managing Directors were granted no new option rights (previous year: 20,000 option rights of Tranche 2015/III with a fair value as of the granting date, assuming full vesting, of EUR 68 thousand). The fair value of the 37,000 option rights issued to the Managing Directors in the financial years 2015 and 2016 totalled EUR 213 thousand on the granting date. In the financial year 2017, EUR 52, thousand (previous year: EUR 53 thousand) was recognised in the consolidated statement of income.

Based on the resolution of the Extraordinary General Meeting held on 7 April 2015, no breakdown of the total remuneration is provided in accordance with section 314 (1) no. 6a German Commercial Code (Handelsgesetzbuch, "HGB") for the individual members of the Executive Board.

For more information on the remuneration of members of the Executive Board, please refer to the comments in the Compensation Report, which is part of the Condensed Group Management Report.

Mandates of the members of the Executive Board

The following members of the Executive Board of elumeo SE held the following memberships on other Supervisory Board and other comparable domestic and foreign supervisory bodies during financial year 2017:

Member of the Executive Board Mandate	Commercial enterprise
Anette Bronder	
Member of the Supervisory Board (Chairwoman) Member of the Supervisory Board	• T-Systems Multimedia Solutions GmbH, Dresden • Ströer SE & Co. KGaA, Cologne • Telekom IT Deutsche Telekom AG, Bonn • Deutsche Forschungszentrum für Künstliche Intelligenz GmbH (DFKI), Kaiserslautern (German Research Center for Artificial Intelligence)
Roland Sand	
Member of the Advisory Board (Chairman) Non-Executive Board Member	• Glycotope GmbH, Berlin • Mutlpx Ltd, Kingston, UK

Committees of the Executive Board

Committees
Audit committee Mr Roland Sand (Chairman) Ms Deborah Cavill Mr Don Kogen
Nominations committee Mr Wolfgang Boyé (Chairman) Ms Deborah Cavill Mr Don Kogen

Fees for examination and consulting services in accordance with § 314 (1) No. 9 HGB

The fees recognised as expenses in the reporting year for the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin

- for audit services (Individual and Consolidated Financial Statements) EUR 215 thousand (previous year: EUR 215 thousand).

Expenses and income relating to past accounting periods

In the consolidated statement of income, income and expenses relating to other periods are regularly recorded under those items and, if necessary, offset against which they are to be allocated.

The non-period income recognised in the financial year 2017 and amounting to EUR 163 thousand (previous year: EUR 92 thousand) essentially results from the reversal of excess deferred liabilities in the previous year and from refunds for the previous year advance payments made for expenses.

Expenses not recognised in financial year 2017 and totalling EUR 109 thousand (previous year: EUR 62 thousand) relate to expenses from retrospective invoices of suppliers and service providers (selling and administrative expenses) sufficiently high deferred liabilities.

Subsequent events

There were no other results of particular significance that occurred after the balance sheet date and that have a material effect on the financial, earnings and asset position of the elumeo Group.

Berlin, 19 March 2018

elumeo SE

The Managing Directors

Bernd Fischer | Thomas Jarmuske | Boris Kirn

INSURANCE OF LEGAL REPRESENTATIVES

Declaration according to § 37v (2) no. 3 WpHG

"We assure to the best of our knowledge that the Consolidated Financial Statements give a true and fair view of the net assets, financial position and operating results of the elumeo Group in accordance with the applicable accounting principles, while the business performance including the earnings and situation in the Management Report of the elumeo Group are presented in such a way as to give a true and fair view of the actual opportunities and risks of the anticipated development of the elumeo Group."

Berlin, 19 March 2018

elumeo SE

The Managing Directors

Bernd Fischer	Thomas Jarmuske	Boris Kirn

To elumeo SE

Report on the audit of the consolidated financial statements and of the combined management report

Opinions

We have audited the consolidated financial statements of elumeo SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2017, consolidated statement of financial position as of 31 December 2017, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of elumeo SE for the fiscal year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the consolidated non-financial statement contained in section J. “Sustainability report of the combined management report” or the consolidated corporate governance statement contained in section I. “Declaration of corporate governance” of the combined 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 Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the fiscal year from 1 January to 31 December 2017, and

- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined 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 group non-financial statement or the group statement on corporate governance referred to above.

Pursuant to Sec. 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 combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the combined 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 combined 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 fiscal year from 1 January to 31 December 2017. 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. Impairment testing of inventories

Reasons why the matter was determined to be a key audit matter

Finished goods and merchandise, work in progress and raw materials, consumables and supplies are disclosed in the statement of financial position item “inventories” in the consolidated financial statements of elumeo SE, and together they make up 61% of total assets.

To assess recoverability, the net realisable value of inventories is calculated. The net realisable value is the expected sales revenue less the costs yet to be incurred before the sale. The net realisable value is calculated on the basis of various assumptions made by the Executive Board of elumeo SE. These assumptions entail significant estimation uncertainty as the net realisable value hinges on the specific properties of the gemstones and there are no listed prices for precious stones.

In light of the judgment exercised in measurement and the high materiality of inventories for the consolidated financial statements, impairment testing of inventories was a key audit matter.

Auditor’s response

In the course of our audit, we analysed the process of defining gemstone properties as part of the procurement process and the process controls implemented in terms of their measurement effectiveness.

To determine the net realisable value of raw materials, consumables and supplies and work in progress and to assess the value share of gemstones in individual articles, we made use of the sales statistics published by GemGuide, one of the leading companies for gemstone pricing, for individual types of gemstones assorted by quality.

To determine potential impairments of finished goods, we examined the turnover rate of this inventory and the average historical sales margin generated by the Group in order to identify inventories with a low turnover rate or a negative historical sales margin.

Furthermore, we compared net sales revenue generated in the first quarter of 2018 on a sample basis with the carrying amounts of finished goods capitalised as of 31 December 2017.

Our audit procedures did not lead to any reservations concerning the impairment testing of inventories.

Reference to related disclosures

We refer to the disclosures in section E. “Accounting and valuation principles” in the notes to the consolidated financial statements for the accounting policies applied in connection with inventories and to the disclosures in section H. (14.) of the notes to the consolidated financial statements for inventories. We refer to the disclosures in section F. “Discretionary decisions and uncertainties in connection with estimates” of the notes to the consolidated financial statements for the related information on the executive director’s use of judgment and the root causes of estimation uncertainty.

2. Revenue recognition

Reasons why the matter was determined to be a key audit matter

In fiscal year 2017, the elumeo Group recognized significant revenue in the Germany & Italy sales segment, the Other sales business segment and Group functions and eliminations segment. Revenue stems from the sale of gemstone jewellery.

Revenue is recognized when the risks associated with the sale of the article are passed on to the buyer, taking into account returns and/or services when they are performed.

We deem revenue recognition to be complex due to the diversity of the distribution channels and to the various geographical sales destinations and the associated heterogeneous process and control environment. Due to the complexity, which goes hand in hand with an increased risk of material misstatement, we have identified revenue recognition as one of the key audit matters.

Auditor’s response

During our audit, we considered, based on the criteria defined in IAS 18 “Revenue”, the recognition and measurement requirements applied in the consolidated financial statements of elumeo SE for revenue recognition. Our response included the issue of whether the significant opportunities and risks were passed on to the buyers upon sale of the articles. We analysed the process implemented by the executive directors of elumeo SE as well as the accounting policies for revenue recognition, taking particular care to account appropriately for the rights of return. We tested the effectiveness of internal controls in terms of revenue recognition and the correct recognition of revenue in the TV business and eCommerce business.

We carried out substantive audit procedures on the B2B business by reconciling revenue entries with payments received on a sample basis. We obtained a sample of balance confirmations for revenue that did not yet have matching payments received at the time we were carrying out our audit procedures.

Furthermore, we examined revenue from the TV business and the eCommerce business in the Germany & Italy sales segment for a correlation with cost of materials, analysing inconsistencies between the gross margin generated and the expected gross margin during the fiscal year. We carried out analytical procedures of revenue in terms of accrual basis accounting by comparing the expected revenue with revenue recorded as of the reporting date. Furthermore, we reconciled individual revenue procedures in the TV business and the eCommerce business on a sample basis with payments received and delivery notes.

We examined the calculation of expected returns of articles of jewellery and the recognition of this revenue using actual returns.

Our audit procedures did not lead to any reservations concerning revenue recognition.

Reference to related disclosures

The disclosures relating to the accounting policies for revenue are continued in section E. "Accounting valuation and principles" under the subsection "Recognition of income and expenses". Comments on the structure of revenue can be found in section G. "Notes to the consolidated statement of comprehensive income" under note (1.) "Revenue" in the notes to the consolidated financial statements.

Other information

The Executive Board is responsible for the executive board report. In all other respects, the executive directors are responsible for the other information.

The other information comprises

- the consolidated corporate governance statement contained in section I. "Declaration of corporate governance" of the group management report
- the declaration of corporate governance code contained in section I. "Declaration of corporate governance" of the group management report
- The non-financial statement contained in section J. "Sustainability report" of the group management report
- The responsibility statement by the executive directors and the executive board 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.

Responsibilities of the executive directors and the Executive Board for the consolidated financial statements and the combined 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 Sec. 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 combined 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 combined management report 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 Executive Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined 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 combined 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 combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 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 combined 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 (systems) 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 opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 Sec. 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 combined 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 combined 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 combined 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 23 May 2017. We were engaged by the Executive Board on 4 December 2017. We have been the group auditor of elumeo SE without interruption since fiscal year 2014.

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).

German Public Auditor responsible for the engagement

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

Berlin, 21 March 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Glöckner	Kokotov
Auditor	Auditor

Imprint

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The Annual report is available in English and German. In case of differences, the German version is authoritative. The present Annual Report of elumeo SE as well as the interim reports are available in digital form as a digital version online at www.elumeo.com in the section "Investor Relations / Publications / Financial Reports."

Forward-looking statements and forecasts

This report contains forward-looking statements. These statements are based on current experience, assumptions and predictions of the Executive Board and the information currently available to them. Forward-looking statements are not to be understood as guarantees of future developments and results. Future developments and results are dependent on a variety of factors. They involve various risks and uncertainties and are based on assumptions that may prove inaccurate. These risk factors include, in particular, the factors mentioned in the Risk Report. We undertake no obligation to update the forward-looking statements made in this report.