elumeo

Annual Report 2016

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

GROUP FIGURES 2016

EUR thousand [otherwise indicated]	01.01. - 31.12.2016		01.01. - 31.12.2015		2016 ./.2015
Revenue	71.459	100%	72.606	100%	-2%
Product revenue by regions [absolutely and in % of product revenue]					
Germany	44.284	62%	45.055	62%	-2%
Italy	10.163	14%	13.080	18%	-22%
United Kingdom	12.982	18%	14.013	19%	-7%
Other countries	3.980	6%	388	1%	926%
Product revenue by distribution channels [absolutely and in % of product revenue]					
TV revenue	43.326	61%	54.181	75%	-20%
eCommerce revenue	24.511	34%	18.354	25%	34%
B2B revenue	3.572	5%	0	25%	0%
[The following disclosures represent: absolute values and in % of revenue]					
Gross profit	31.195	44%	33.438	46%	-7%
EBITDA	-11.771	-16%	-7.715	-11%	53%
Total Segment - EBITDA	-7.772	-11%	-4.505	-6%	73%
Adjusted EBITDA	-3.352	-5%	194	0,3%	-1828%
Depreciation and amortization	-1.737	-2%	-985	-1%	76%
EBIT	-13.508	-19%	-8.700	-12%	55%
Total Segment - EBIT	-9.510	-13%	-5.490	-1%	73%
Adjusted EBIT	-5.090	-7%	-790	-1%	544%
Earnings for the period	-15.523	-22%	-8.922	-12%	74%
Total comprehensive income	-12.547	-18%	-8.365	-12%	50%
Selling and administrative expenses	45.184	63%	40.690	56%	11%
Total assets	62.089		76.153		-18%
Total equity [absolutely and in % of balance sheet total]	38.975	63%	51.057	67%	-24%
Working capital [absolutely and in % of total assets]	35.388	57%	34.891	46%	1%
[The following disclosures represent: absolute values and in % of revenue]					
Cashflow from operating activities	-9.922	-14%	-26.858	-37%	-63%
Cashflow from investing activities	-1.028	-1%	-9.805	-14%	-90%
Cashflow from financing activities	-685	-1%	47.581	66%	-101%
Items sold [pieces]	894.407		1.018.830		-12%
Number of active customers (rounded)	98.000		97.000		1%
Average number of items sold per active customer [pieces]	9,1		10,5		-13%
Average sales price (ASP) [EUR]	80		71		12%
Revenue per active customer [EUR]	730		749		-3%
Gross profit per item sold [EUR]	35		33		6%
New customer breakdown (Germany only)					
[in % of new customers]					
TV only	30%		40%		
Web only	55%		47%		
Others	15%		13%		

HIGHLIGHTS

73% regular customers

More than 50% new customers from WEB

Classic Webshop revenues increased by around 50%

TABLE OF CONTENTS

To our shareholders

Letter from the Chairman of the Executive Board

Dear Shareholders,

2016 was a particularly challenging year for us to report on, both positively and negatively.

In the first half of the year, we launched a few sales activities in the German market that had a positive impact on revenue in our most important sales market. The measures included, in particular, new broadcasting formats and special programmes on the KAT FLORENCE collection as well as expansion of our US business, which we started in 2015.

The free ring size format enables the customers of the elumeo subsidiary Juwelo Deutschland GmbH to read in a graphic display exactly which ring sizes are currently available. This option can also be used via the app or livestream on the Internet. In the daily show "Creation Of The Day," Juwelo Deutschland GmbH offers an exclusive collection in which customers can individually help determine the details. The intensified sale of the KAT FLORENCE collection was also driven by KAT FLORENCE's new web shop (www.katflorence.com), which was launched in July 2016, and the opening of the KAT FLORENCE store in the heart of London. This has enabled us, as an exclusive sales partner for the most important European sales markets, to position KAT FLORENCE as a high-end brand in the market.

In contrast to the numerous promotional measures that we introduced in 2016, the overall market development in Europe is causing considerable uncertainty. The British referendum of 23 June 2016 on the withdrawal of the UK from the EU prompted us to revise our 2016 forecasts. Due to the depreciation of the British pound (GBP) against the functional currency of our Group's own factory, the Thai baht (THB), we were unable to profitably operate our British subsidiary, Rocks & Co. Productions Ltd., any longer. In 2016, it contributed around 18% of the Group turnover of elumeo SE. The Group figures for financial year 2016 are therefore significantly impacted by currency translation effects (EUR -3.041 thousand vs. EUR -1,244 thousand in 2015).

We therefore decided to restructure our business in the United Kingdom. To this end, we have renegotiated, in particular, the contracts for the broadcasting of our TV programme in the United Kingdom, streamlined the business and reorganised our personnel. The extraordinary expenses incurred in connection with the restructuring of the business in the United Kingdom and extraordinary expenses for severance pay in the case of terminations and releasing employees totalled EUR 445 thousand. The restructuring was successfully completed at the end of the 2016 financial year; we therefore hope there will be a significant decline in the burdens on the UK business in the future.

The positive impact of the measures implemented in Germany at the end of the year gives us confidence in the further development of our business in the German market. The implementation of a comparable package of measures in Italy is also showing initial positive effects in the Italian market, which are expected to continue in 2017.

All in all, despite the macroeconomic turbulence, we managed to keep our Group revenues at roughly the previous year's level (a change of -1.6% compared to the previous year).

The gross profit margin was increased in all product segments in 2016. The margin with products from our own production steadily increased in the course of the year and reached an average of 48.6% in 2016 after 48.1% in 2015. Due to the larger share of higher-priced products, which we are not producing in-house, and the significant devaluation of the British pound to the Thai baht, the gross profit margin at Group level in 2016 could not be maintained at the 2015 level and declined from 46.1% in 2015 to 43.7% in 2016. Overall gross profit developed positively, however, despite a challenging second half of 2016. The cumulative segment EBITDA developed similarly. Here, we were able to significantly reduce the loss.

In the future, we will also take further initiatives that will boost sales and strengthen awareness of the elumeo Group's brands and will again enable us to achieve profitable growth. This is particularly true for the markets in Italy and the United Kingdom. In addition, with the decision to also market our products through business partners in the future (B2B), we have already set the course for optimising the capacity utilisation of our Group-wide production.

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

In March 2017

Wolfgang Boyé
(Chairman of the Executive Board)

The Executive Board of elumeo SE

Wolfgang Boyé, Chairman of the Board

Wolfgang Boyé, born on 12 November 1969, is Chairman of the Executive Board of elumeo SE. The business man is co-founder of Juwelo TV 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 former 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 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 in Thailand, and today he 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 Board member of elumeo SE and co-founder of Juwelo TV Deutschland GmbH. 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 Board

Bernd Fischer, born on 28 July 1969, is one of the Managing Directors, member and Speaker of the Board at elumeo SE. Bernd Fischer was formerly CFO and Deputy Chairman of Spiele Max AG, where 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 German auditing companies Knief & Partner and Curax Treuhand GmbH.

Thomas Jarmuske, Chief Merchandising Officer

Thomas Jarmuske, born on 7 May 1978, is one of the Managing Directors and Board member of elumeo SE and co-founder of Juwelo TV Deutschland GmbH. Juwelo TV Deutschland is one of the current subsidiaries 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, Ms. 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.

Anette Bronder, **Member of the Executive Board**

Anette Bronder, born on 13 December 1967, is a member of the Executive Board.
Since August 2015 Anette 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 Chairman 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 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 Multplx Ltd. and the Chairman of the Advisory Board of GLYCOTOPE GmbH and Managing Director and Co-owner of goEwhere GmbH.

Capital market information

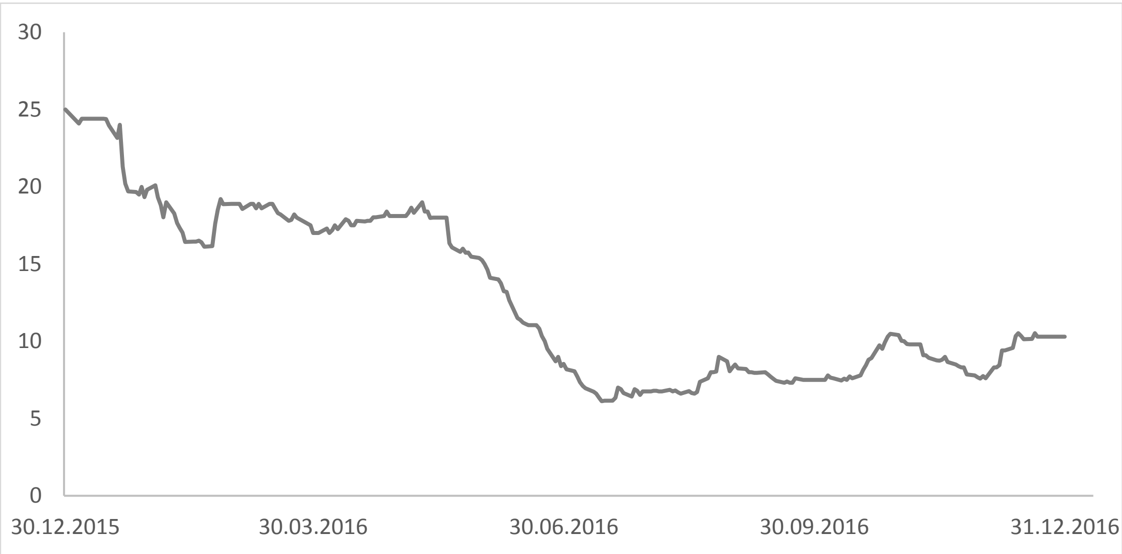
Basic data and key figures on the share of elumeo SE (Status: 31 December 2016)

WKN	A11Q05
ISIN	DE000A11Q059
Earnings per share 2016	EUR -2.45
Number of shares outstanding	5,500,000
XETRA closing price on the reporting date	EUR 10.31
Market capitalisation	EUR 56.71 million

Share price development

The share of elumeo SE has been following a downward trend since the beginning of 2016 and reached its lowest point in 2016 on 14 July 2016 with a closing price of EUR 6.12. The share price reached its peak of EUR 24.58 on 8 January 2016.

Share of elumeo SE 01/01-31/12/2016 (XETRA, in EUR)



Shareholder structure (Status on 31 December 2016)

Shareholders of elumeo SE	Shareholdings
1. Ottoman Strategy Holdings (Suisse) SA	36.43%
2. Blackflint Ltd.	26.66%
3. Sycomore Asset Management SA	5.09%
4. Management (thereof Wolfgang Boyé directly 1.24%)	8.92%
5. Free float	22.90%

Consolidated Management Report

Preliminary remarks

The consolidated financial statements of elumeo and its subsidiaries (together "elumeo" or the "elumeo Group") as of 31 December 2016 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. Its vertically integrated value chain allows the elumeo Group to produce less inexpensively and more quickly than many of its competitors. This 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 three home shopping channels in Germany (Juwelo), Italy (Juwelo) and in the United Kingdom (Rocks & Co.).

At the end of 2016, the elumeo Group's programmes 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.

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 individuals for legal reasons, which operates the production site and delivers exclusively to our European sales companies.

Juwelo Deutschland GmbH (Juwelo Germany) and its subsidiaries Rocks & Co. Productions Ltd. (R&C), Juwelo Italia s.r.l. (Juwelo Italia), Juwelo France S.A.S (Juwelo France) and Juwelo USA Inc. (Juwelo USA) 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 another segment, we combine all of the other operating units. Besides R&C, this also includes Rocks & Co. UK Limited ("R&C UK"), which was newly founded in 2016, Juwelo France and Juwelo USA and external sales of Silverline and PWK. R&C was acquired in 2010 and was previously positioned independently and autonomously in terms of its structure. 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 (adjusted EBITDA) and based on the Group margin achieved in each case (margin without intercompany surcharges).

Segment Sales division Germany & Italy

EUR 54.5 million in sales was generated in the sales division Germany & Italy in financial year 2016 (previous year EUR 58,2 million). This corresponds to approximately 76% (previous year: 80%) of total Group sales. Gross profit was EUR 23.4 million in 2016 (previous year EUR 26.5 million), so that the sales division Germany & Italy posted a gross margin of 43.0% (previous year: 45.5%). EBITDA was EUR -3.1 million in the financial year (previous year: EUR 1.2 million). This corresponds to an EBITDA margin of -5.7% (previous year: 2.1%).

Segment Sales division Others

Sales in the sales division Others amounted to EUR 17.0 million in 2016 (previous year: EUR 14.4 million), representing a 24% share of total Group sales. Here, gross profit in the financial year amounted to EUR 5.3 million (previous year: EUR 4.7 million). Due to the price decline of the British pound versus the Thai baht as well as the higher proportion of B2B sales, the gross profit margin for the sales division Others is 31.4% in 2016. The higher sales and increased gross profit also impacted EBITDA, which amounted to EUR -4.0 million (previous year: EUR -5.2 million). The EBITDA margin correspondingly amounted to -23.3% (previous year: -36.1%).

Segment Group functions & eliminations

For covering the administrative expenses of production, the segment has been attributed with gross profit of EUR 2.5 million in 2016 (previous year: EUR 2.3 million) that has not been assigned to the sales divisions Germany & 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 2016 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 R&C 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 brand New York Gemstones. In addition, the establishment of further brands is planned for the future in order to better address different groups of addressees.

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 English, German and Italian 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 2016 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, for 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, adjusted EBITDA and division 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 explanation can be found in the table showing the adjusted EBITDA and in the division 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 2016

The gross domestic product (GDP) in the euro zone continued to grow in 2016 and rose by 1.7% in the year as a whole on the basis of information from Bloomberg.

Among the strongest growth drivers were Spain, the Netherlands and the United Kingdom, where the GDP growth was above average also in the third quarter and fourth quarter with 0.6% and 0.7% respectively compared to previous year periods, despite the British government's announcement that it intends to withdraw from the European Union.

In Germany, the economic situation was characterised by solid economic growth. After a strong first half-year of 0.7% in first quarter and 0.5% in the second quarter, GDP growth stagnated in the summer, but rose again by 0.4% in the fourth quarter. Overall, the German economy thus once again ranked among the key growth drivers in the euro zone.

The second-largest economy in the euro zone, France, posted good year-on-year growth of 0.7% in the first quarter, but then stagnated in the second and third quarters. At the end of 2016, GDP grew again by 0.4%.

Just as in France, GDP also grew solidly in Italy in the first quarter, but then stagnated in the second quarter and only increased moderately by 0.3% in the third quarter and 0.2% in fourth quarter in the second half of the year.

In addition to these countries, the elumeo Group is also active in Austria, Belgium and Switzerland, all of which were able to record moderate economic growth in 2016.

Overview: Quarterly changes in seasonally adjusted economic figures

Real GDP in% versus previous quarter	1Q16	2Q16	3Q16	4Q16
Euro zone	0.5	0.3	0.4	0.4
Germany	0.7	0.5	0.1	0.4
France	0.7	-0.1	0.2	0.4
Italy	0.4	0.1	0.3	0.2
Spain	0.8	0.8	0.7	0.7
Netherlands	0.7	0.7	0.8	0.5
Belgium	0.1	0.5	0.2	0.5
Austria	0.4	0.3	0.5	0.5
Switzerland	0.3	0.6	0.1	0.1
United Kingdom	0.3	0.6	0.6	0.7

Source: Bloomberg

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

Industry-specific conditions

The global jewelery market is still growing. According to an analysis by McKinsey & Company, this trend is also expected to continue in the coming years. The world's annual jewelry turnover is expected to rise from EUR 148 billion in 2013 to EUR 250 billion in 2020. This corresponds to an average annual growth rate of 7.8% for this period.

McKinsey also expects a change in sales channels in favour of eCommerce. Between 2013 and 2020, the global share of online trade in the jewelery market is predicted to double. Online jewelry sales are expected to rise from EUR 6.7 billion to EUR 25.0 billion, in other words at an annual growth rate of 20.8%.

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 jewelery (whereby the majority of jewelery 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 jewelery market. According to TechSci Research, a global market research and consulting firm, the European jewelery market is the third largest market in the world and accounts for one fifth of the world's total market. The European jewelery market generated annual turnover of EUR 36.7 billion in 2012. Italy accounted for EUR 8.1 billion, France for EUR 7.0 billion, the United Kingdom for EUR 5.5 billion, Germany for EUR 5.1 billion, and EUR 11.0 billion in other countries. With a market share of 70.0%, Italy, France, Germany and the United Kingdom are the largest markets in Europe. Between 2008 and 2012, the European jewelery market grew by 2.3% per year and is expected to grow by 4.1% annually between 2013 and 2018, 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 connected TV sets is expected to rise from 2010 at a growth rate of 25.1% to 965 million by 2020. According to Statista, the number of smartphones sold is also expected to rise from 0.7 billion units in 2013 to 1.9 billion units in 2018. BI Intelligence expects global sales of smartphones to triple by 2020 and account for 45% of total e-commerce sales. In 2016, mobile commerce amounted to EUR 75 billion and accounted for 21% of e-commerce sales.

According to 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 246 billion in 2011, e-commerce revenues increased to EUR 455 billion in 2015. In addition, the United Kingdom accounted for the largest share of total online sales in 2015 at 34.5%, followed by France with 14.3% and Germany with 13.1%. 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. The Ecommerce Foundation also projects that the e-commerce share of the European gross domestic product (2015 at 2.59%) will double by 2020.

Overall, there have been no major changes in the industry-specific framework conditions.

C. Publication of the results for 2016

Principles
The basic principles of the elumeo Group described in the annual report for financial year 2016 ending on 31 December 2015 ("Annual Report 2015") essentially continue to remain valid.
Comparability of information
The scope of consolidated companies of the elumeo Group has changed as follows compared to 2015:

- Founding of the sales company Rocks & Co UK Ltd., Birmingham, wholly owned by Juwelo Deutschland GmbH, Berlin, and incorporation of the company into the consolidated financial statements of elumeo SE since October 2016,
- Merger of JTV Services GmbH, Berlin, (the transferring legal entity) by way of merger by dissolution without liquidation into Juwelo Deutschland GmbH, Berlin (the absorbing legal entity) retroactive to 1 January 2016

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 2016

Development of the Group

The financial year 2016 of the elumeo Group covers the period from 1 January to 31 December 2016 ("2016" or the "reporting period"). Financial year 2015 refers to the period from 1 January to 31 December 2015 ("2015," "py" or the "prior year").

The elumeo Group's goal was to achieve profitable growth in 2016. This objective was only partly achieved, however. The loss situation of the second half of 2015 with total segment EBITDA of EUR -6.4 million was significantly reduced in 2016. Total segment EBITDA improved to EUR -4.1 million in the second half of 2016 and was thus significantly above the previous year. At the same time, total segment EBITDA for the reporting period is EUR -7.8 million compared to EUR -4.5 million in the previous year, in which segment EBITDA for the Group was higher in total due to the profitable first half of 2015.

Increasing the gross profit margin is one building block for achieving profitable growth. By switching from a consignment warehouse-based procurement model to a new model for the procurement of precious gemstones by various local external agents operating directly on site, the gross profit margin of the products procured and produced under the new model was increased significantly overall. In 2016, the gross profit margin of these products was approximately 10 percentage points higher, based on the acquisition and manufacturing costs of the factory (excluding incidentals such as freight and duty), compared to products manufactured using the old purchase model. At the same time, the high share of higher-priced items (especially Kat Florence), which are not produced in-house, resulted in a reduction in the gross margin in 2016 overall. As a result, the overall objective of increasing the gross profit margin to over 50% could not be achieved. The gross profit margin decreased instead from 46.1% in 2015 to 43.7% in 2016. Gross profit declined by 6.7% from EUR 33.4 million to EUR 31.2 million compared to the previous year, rising in the second half of 2016 from EUR 13.6 million in the previous year's comparable period by 13.5% to EUR 15.4 million.

Inventories fell slightly by EUR 1.5 million from EUR 40.4 million in 2015 to EUR 38.9 million in 2016. The reduction was not as significant as originally projected due to the overall more sluggish development of sales.

Overall, the development in 2016 was characterised by the repositioning ("relaunch") of the German TV business, which delivered particularly positive impulses mainly in the second half of the year due to new promotional programme formats. Similar repositioning has also been carried out for Italy, but only in the second half of the year. Furthermore, acceptance of new formats by the customer requires much more time than the experiences in Germany have shown. Business in the United Kingdom was positive in 2016 despite the British referendum of 23 June 2016, compared to the previous year, which was impacted by the relocation of the local distribution company R & C. The increase in sales of + 4.2% in local currency compared with the previous year is negative overall, however, due to the exchange rate development of the British pound to the euro.

Revenues were slightly down by -1.6% from EUR 72.6 million in 2015 to EUR 71.5 million in 2016. The slight decline is due to the decline in sales in Germany in the first quarter of 2016, the development in Italy and the depreciation of the British pound against the euro. In the last quarter of the reporting period, sales in Germany rose by 2.1% to EUR 11.9 million compared to the same quarter of the previous year. In Italy, elumeo reduced the sales decline in the fourth quarter of 2016, which was only 16.9% higher than a year earlier, compared with a decline of 19.6% in the third quarter of 2016 compared to the same quarter of the previous year. In the same period, sales in the United Kingdom decreased by 13.9% to EUR 3.1 million in 2016 from EUR 3.6 million in 2015, despite currency-neutral growth in sales of 2.0% due to the British pound's price depreciation. The number of active customers rose slightly from around 97,000 in 2015 to around 98,000 in 2016. The average selling price of a piece of jewelry rose significantly by 12% to EUR 80 in 2016. 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 47% in 2015 to 55% in 2016.In total, comprehensive income of EUR -12.5 million was generated in 2016 after EUR -8.4 million in 2015 (-50%).

The main financial indicator, adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA), declined to EUR -3.4 million (previous year: EUR 0.2 million) in 2016.

Sales channels

TV sales declined by 20.0% from EUR 54.2 million in 2015 to EUR 43.3 million in 2016. At the same time, the e-commerce business grew 33.5% from EUR 18.4 million in 2015 to EUR 24.5 million in 2016. The classic web shop business in Europe attributable to eCommerce sales grew by EUR 2.6 million or 48.7% to EUR 7.9 million in 2016 (2015: EUR 5.3 million). 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. Together with the proceeds from other sales, in particular the sales of business customers ("B2B sales") recorded for the first time in financial year

2016 in the amount of EUR 3.6 million, the negative trend in the TV business was partly compensated for. Revenue from classic web shops was again the strongest growth segment in our Group at 48.7%.

Segments

In contrast to the original expectations, the Sales segment Germany and Italy was unable to achieve growth in sales compared with the previous year. Sales in Germany were slightly below the previous year (-1.7%). This was primarily the result of the weak first quarter of 2016 in Germany. Repositioning ("relaunch") in Italy, in particular the introduction of new broadcast formats, however, reduced the sales decline to -22.3% compared to the previous year. Nevertheless, the weak sales in Italy remained the main cause of the decline in sales of the entire segment in financial year 2016. Due to the fixed cost structure, no positive segment EBITDA could be achieved. At EUR -3.1 million, this is well below the previous year.

In the Other sales business segment, sales rose by 17.8% from EUR 14.4 million in 2015 to EUR 17.0 million in 2016, mainly due to the first-time sales recorded for B2B sales. Turnover from B2B sales in 2016 related to merchandise left-overs, which we mainly concluded with dealers from Hong Kong. The positive sales performance in the United Kingdom shows no effect due to currency fluctuations. The reduction in segment EBITDA in the Other sales business segment from EUR -5.2 million to EUR -3.9 million results not only from the aforementioned B2B business, but also from an improved segment result of Rocks & Co. in the United Kingdom.

Segment EBITDA in the Corporate Function and Elimination segment decreased by EUR 0.2 million from EUR -0.5 million in 2015 to EUR -0.7 million in 2016. At the same time, the result remained in the low negative single-digit million range.

EUR thousand | % of revenue	Note	**1 Jan - 31 Dec 2016**		1 Jan - 31 Dec 2015		YoY in %
Revenue	(1.)	71.459	100,0%	72.606	100,0%	-1,6%
Cost of goods sold	(2.)	40.264	56,3%	39.168	53,9%	2,8%
Gross profit		**31.195**	**43,7%**	**33.438**	**46,1%**	**-6,7%**
Selling expenses	(3.)	29.638	41,5%	27.816	38,3%	6,6%
Administrative expenses	(4.)	15.545	21,8%	12.873	17,7%	20,8%
Other operating income	(5.)	528	0,7%	79	0,1%	569,7%
Other operating expenses	(6.)	48	0,1%	1.528	2,1%	-96,9%
Earnings before interest and taxes (EBIT)		**-13.508**	**-18,9%**	**-8.700**	**-12,0%**	**-55,3%**
Interest income		2	0,0%	355	0,5%	-99,5%
Interest and similar expenses		-598	-0,8%	-649	-0,9%	7,9%
Financial result	(7.)	-596	-0,8%	-294	-0,4%	102,7%
Earnings before income taxes (EBT)		**-14.105**	**-19,7%**	**-8.994**	**-12,4%**	**-56,8%**
Income tax	(8.)	-1.419	-2,0%	73	0,1%	<-1.000%
Earnings for the period		**-15.523**	**-21,7%**	**-8.922**	**-12,3%**	**-74,0%**
Earnings of shareholders of elumeo SE		*-15.523*	*-21,7%*	*-8.922*	*-12,3%*	*-74,0%*
Earnings per share in EUR (basis and diluted)	(10.)	**-2,82**		**-1,88**		**-50,3%**

Cost of sales was in line with the sales revenues at a similar level and amounted to EUR 40.3 million in 2016 compared to EUR 39.2 million in 2015. The main reason for the development of the gross profit margin at the

Group level was the high proportion of higher-priced products in 2016, which were not produced in-house and therefore had a lower gross profit margin. Gross profit totalled EUR 31.2 million in 2016 compared to EUR 33.4 million in 2015. This corresponds to a gross profit margin of 43.7% compared to 46.1% in 2015Selling expenses rose by 6.6% from EUR 27.8 million in 2015 to EUR 29.6 million in 2016. The increase in selling expenses was largely due to higher costs for the web shop. These include, among other expenses, the costs for SEO marketing or hosting. At the same time, the transmission costs for the transmission of the TV signal were reduced slightly. Administrative expenses mainly consisted of personnel costs and other material costs. Administrative expenses rose by 20,8% from EUR 12.9 million in 2015 to EUR 15.6 million in 2016. The key influencing factors were setting up the Group's organisation and the filling of key positions at elumeo SE and its subsidiaries. In particular, expenses for losses from currency translation increased to EUR 3.0 million in 2016 (2015: EUR 1.2 million). They essentially result from the translation of intra-Group receivables on the reporting date. Their amount is subject to regular fluctuations, depending on the development of the respective exchange rates. The high expenses are mainly due to the political situation in the United Kingdom and the concomitant weakening of the British pound against the functional currency of the Group's plant, the Thai baht. In addition, expenses are also included in administrative costs. The corresponding income from continuing operations is included in other operating income.Other operating income increased by EUR 0.4 million to EUR 0.5 million in 2016. This relates to expenses incurred from the opening of the Kat Florence Boutique in London. Other operating expenses declined from EUR 1.5 million by 96.9% to EUR 0.1 million compared to 2015. In the prior year, they exclusively included one-time re-structuring, advisory and other material costs in connection with the establishment of the legal elumeo Group and the preparation of the IPO (IPO and restructuring costs).

Adjusted EBIT/EBITDA

from 1 January to 31 December 2016

EUR thousand | % of revenue	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
adjusted EBIT	**-5.151**	**-790**
Depreciation and amortization on property, plant and equipment and intangible assets	-1.737	-985
adjusted EBITDA	**-3.414**	**194**
Result of R&C from relocation of business activities	-4.359	-4.699
Effects from foreign currency translation	-3.041	-1.244
Equity-settled share-based remuneration	-465	-359
Non-recurring expenses from terminations for severance payments and paid release from work of employees	-445	0
Non.recurring expenses related to the restructuring of the business in the United Kingdom	-48	0
Directly attributable transaction cost recognised as expenses as well as other IPO and restructuring related expenses	0	-1.258
Non-recurring expenses attributable to relocation of R&C	0	-269
Segment reconciliation items	-8.357	-7.910
EBITDA (before special influences)	**-11.771**	**-7.715**
Depreciation and amortization on property, plant and equipment and intangible assets	-1.737	-985
EBIT (before special influences)	**-13.508**	**-8.700**
Income tax	-1.419	73
Financial result	-596	-294
Earnings for the period	**-15.523**	**-8.922**

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 (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 adjusted 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 EBITDA amounted to EUR -3.4 million in 2016 and was thus down from EUR 0.2 million in the previous year. The main influences were currency translation adjustments of EUR -3.0 million (2015: EUR -1.2 million) and costs for restructuring, especially from the United Kingdom. Adjusted EBITDA differs for the reporting period 2016 from the sum of the segment EBITDA by the adjusted result of the subsidiary R&C restructured in the meanwhile in the United Kingdom.

Overall, the result of operating activities (EBIT) amounted to EUR -13.5 million in 2016 (2015: EUR -8.7 million). Earnings before income taxes (EBT) are equivalent and amounted to EUR -14.1 million in 2016, while earnings before income taxes of EUR -9.0 million were achieved in 2015.

Earnings after income tax amounted to EUR -15.5 million in 2016 and EUR -8.9 million in 2015. This results in earnings per share of EUR -2.8 in 2016 compared to EUR -1.9 in 2015. Group profit fell to EUR -12.5 million in 2016 after EUR -8.4 million in 2015.

Asset position

EUR thousand | % of balance sheet total	31 Dec 2016		31 Dec 2015		YoY in %
Total non-current assets	16.177	26,1%	17.840	23,4%	-9,3%
Total current assets	45.912	73,9%	58.313	76,6%	-21,3%
Total assets	62.089	100,0%	76.153	100,0%	-18,5%

E Q U I T Y & L I A B I L I T I E S

EUR thousand | % of balance sheet total	31 Dec 2016		31 Dec 2015		YoY in %
Total equity	38.975	62,8%	51.057	67,0%	-23,7%
Summe non-current labilities	5.211	8,4%	13.333	17,5%	-60,9%
Summe current liabilities	17.903	28,8%	11.762	15,4%	52,2%
Total equity & liabilities	62.089	100,0%	76.153	100,0%	-18,5%

The balance sheet total as of 31 December 2016 decreased by 18.5% compared to 31 December 2015 from EUR 76.2 million to EUR 62.1 million.

On the assets side of the balance sheet, non-current assets totalled EUR 16.2 million as of 31 December 2016 compared to EUR 17.8 million on 31 December 2015.

Current assets declined by 21.3% from EUR 58.3 million as of 31 December 2015 to EUR 45.9 million as of 31 December 2016 mainly due to the reduced cash and cash equivalents. These were mainly reduced by operative cash outflows to EUR 1.8 million as of 31 December 2016 (31 December 2015: EUR 13.6 million).

On the liabilities side of the balance sheet, equity as of 31 December 2016 was reduced by 23.7% to EUR 39.0 million in total (31 December 2015: EUR 51.1 million) as a result of the negative result after income taxes. The equity ratio amounted to 62.8% as of 31 December 2016 compared to 67.0% as of 31 December 2015.

Non-current liabilities declined by 60.9% from EUR 13.3 million as of 31 December 2015 to EUR 5.2 million as of 31 December 2016. The difference is mainly due to the reclassification of a loan of EUR 7.5 million to current liabilities.

Current liabilities thus increased by 52.2% to EUR 17.9 million (31 December 2015: EUR 11.8 million). This led to an increase in financial debt of EUR 1.2 million as of 31 December 2015 to EUR 8.9 million as of 31 December 2016.

Financial position

Consolidated statement of cash flows

from 1 January to 31 December 2016

EUR thousand	Note	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Earnings before taxes (EBT)		-14.105	-8.994
= Cash flow from operating activities	(28.)	-9.922	-26.858
= Cash flow from investing activities	(28.)	-1.028	-9.805
= Cash flow from financing activities	(28.)	-685	+47.581
= Cash and cash equivalents on end of reporting period		+1.836	+13.498

The cash flow from operating activities showed lower cash outflow of EUR -9.9 million in 2016 than in 2015 (EUR -26.9 million). This is mainly due to a lower level of funding, which was particularly strong in the previous year of the increase in inventories.

Non-cash expenses rose to EUR 4.1 million in 2016 (2015: EUR 0.1 million). This amount is mainly attributable to exchange rate-related changes in the individual items of the consolidated balance sheet. Income tax payments fell from EUR 2.0 million to EUR 0.2 million in 2016 compared to 2015. In the prior year, a one-off tax payment was made in connection with the BOI investment promotion certificate. The net cash outflow from changes in inventories, other assets and other debts declined to EUR -2.5 million (2015: EUR 17.5 million).

The elumeo Group invested around EUR 1.0 million in 2016 (2015: EUR 11.0 million) in property, plant and equipment and intangible assets. As a result, cash flow from investing activities of EUR -1.0 million in 2016 showed a lower outflow of funds compared to EUR -9.8 million in 2015.

Cash flow from financing activities fell significantly to EUR -0.7 million in 2016 (2015: EUR 47.6 million). This was particularly marked by the proceeds from the IPO in the prior year, as well as by the taking on of financial debts.

As of 31 December 2016, the elumeo Group held a financial resources fund (bank deposits and sight deposits with banks) of EUR 1.8 million (31 December 2015: EUR 13.5 million). As of the balance sheet date, the elumeo Group had unutilised credit lines in the amount of EUR 3.1 million.

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 published on the elumeo SE website. With the implementation of the Accounting Implementation Act (BilRUG), sales revenues were redefined. For better comparability, therefore, the income statement of elumeo SE for the period from 1 January to 31 December 2015 is reorganized. As a result, the income situation is compared with the previous year according to the new classification according to (BilRUG). See also the table of the income statement of elumeo SE according to the earnings position.

Business activity

elumeo SE and its subsidiaries (collectively "elumeo" or the "elumeo Group") are manufacturers and electronic retailers of gemstone jewelery. 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

The sales revenues of elumeo SE increased from EUR 857 thousand in 2015 to EUR 1,119 thousand in 2016. 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 like mobile apps and smart TV apps. Personnel expenses rose from EUR 552 thousand in 2015 to EUR 886 thousand in 2016. In addition to Managing Directors, the company employed an average of around 7.5 employees (full-time equivalents (FTE)) in financial year 2016 (previous year: 3.0 FTE). Personnel expenses also include the remuneration of an average of approximately 3.0 FTE (previous year: 2,5 FTE) Managing Directors, including an option programme.

Depreciation on intangible assets of fixed assets and property, plant and equipment increased from EUR 11 thousand in 2015 to EUR 26 thousand in 2016.

Other operating expenses fell from EUR 4,995 thousand in 2015 to EUR 1,147 thousand in 2016. Other operating expenses for the year 2015 include expenses of EUR 4,344 thousand related to the restructuring of the elumeo Group and the preparation of the stock market approval of the shares of elumeo SE. Adjusted for this amount, expenses rose by EUR 496 thousand. The increase is mainly due to travel expenses, consultancy fees and administrative remuneration, as well as to the business which is pro rata temporis in 2015.

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 2016 financial year. Other interest and similar income resulted primarily from loans to the subsidiary Juwelo Deutschland GmbH and amounted to EUR 1,212 thousand (2015: EUR 564 thousand).

Interest and similar expenses resulted from the raising of bank loans and amounted to EUR 300 thousand in 2016 (2015: EUR 213 thousand). The profit before tax of elumeo SE improved from EUR -5,149 thousand in 2015 to EUR -1,013 thousand in 2016.

Overall, elumeo SE recorded a net loss of EUR 1.012 thousand in 2016 after EUR -5.149 thousand in 2015. Taking into account the loss carried forward from the previous year, the balance sheet loss amounted to EUR -7,130 thousand in 2016.

Asset and financial position

The assets of elumeo SE increased mainly from loans to affiliated companies from EUR 33.6 million in 2015 to EUR 40.7 million in 2016. 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 increased by EUR 51 thousand as a result of investments in analysis software.

Current assets declined from EUR 9.8 million in 2015 to EUR 1.6 million in 2016 due to reduced bank balances.
Equity of EUR 34.4 million remained at the previous year's level. The equity ratio is 81.1%.
Liabilities fell slightly from EUR 7.8 million in 2015 to EUR 7.6 million in 2016.
The balance sheet total of elumeo SE fell accordingly from EUR 43.5 million in 2015 to EUR 42.4 million in 2016.

E. Supplementary report

By resolution of the shareholders' meeting on 12 January 2017, Juwelo TV Deutschland-GmbH was renamed Juwelo Deutschland GmbH. The entry into the Commercial Register of the Amtsgericht Charlottenburg under HRB 72512B took place on 16 January 2017.
On 15 February 2017, a new agreement was signed with a supplier to transmit the TV signal in the United Kingdom.
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.

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 (2) no. 5 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

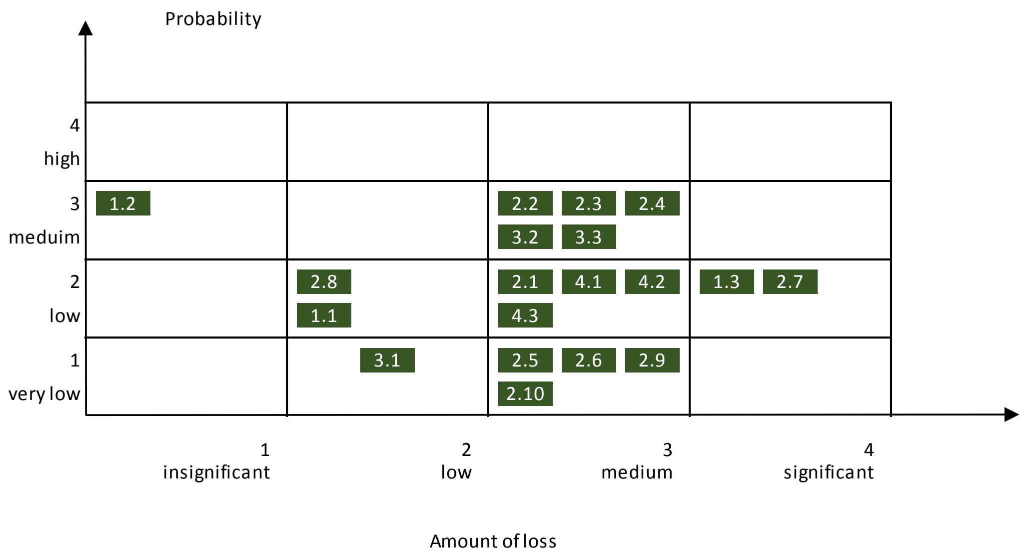
Class	Impact	
1	EUR 0.05 – EUR 0.1 million	insignificant
2	>EUR 0.1 million – EUR 0.5 million	low
3	>EUR 0.5 – EUR 1.0 million	medium
4	>EUR 1.0 million	significant

Risk Overview – Excerpt of major risks

		Probability of occurrence	Impact
1.	**Economic and strategic risks**		
1.1.	Overall economic risks	low	low
1.2.	Competitive risks	medium	insignificant
1.3.	Growth risks	low	significant
2.	**Operational risks**		
2.1.	Design (up-to-datedness of products)	low	medium
2.2.	Reputational risks (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 risks	very low	low
3.2.	Liquidity risks	medium	medium
3.3.	Currency risks	medium	medium
4.	**Tax, legal and regulatory risks**		
4.1.	Data protection	low	medium
4.2.	Moneylaundering 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

Current macroeconomic forecasts for the euro zone call for overall robust growth in the GDP, but the overall economic risks associated with this are extremely high, according to the Ifo Institute for Economic Research[1]. The global political landscape has changed considerably, especially with the Brexit referendum and the US presidential election. A prolonged level of political uncertainty, as well as increasing political and economic disintegration, such as a "hard Brexit" with a significant impact on the economic interdependence between the United Kingdom and the EU, would significantly affect the projected growth.

In addition, there are macroeconomic risks in the emergence of populist parties in France, the Netherlands and other European countries. Demands from these parties range from a revision of the EU treaties to the withdrawal of the respective country from the EU. The Ifo Institute does not exclude in its economic forecast that such parties could emerge as the winner in the 2017 upcoming parliamentary elections. Such an outcome could further shake confidence in the EU and have negative economic consequences for the whole world.

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

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 existing competitive situation regularly and analyses countermeasures if necessary.

1.3. Risks to growth

There is a risk that the elumeo Group will be unable to manage a 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 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 date 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 are 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 sales. 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 sales expectations. This is done by means of daily detailed sales 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 makes a significant contribution to our overall performance in financial year 2016. 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 might raise our costs and could 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 may 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, for example, to reduce risks.

3. Financial and Liquidity Risks

Due to the types of payment that are used (advance payment, credit cards, cash on delivery, 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. In the event of missed budget targets and the simultaneous phasing out of credit lines, liquidity bottlenecks can nevertheless occur. Credit lines in the amount of EUR 7.5 million, for which there is currently no carryover agreement, expire as of 30 June 2017. Full repayment of the credit lines could lead to sales activities that have a negative impact on the Company's profitability. The Management expects a substantial portion of the existing credit line to be prolonged. At the same time, provision is made if a prolongation does not happen as expected. Therefore, we have adapted the risk assessment and adjusted the probability of occurrence and the impact in the risk matrix from "low" to "medium." As part of the risk detection system of the elumeo Group, the liquidity risk has continued to be considered as a potential going-concern risk. Based on the above considerations, the management does not assume that a concrete going-concern risks exists.

3.3. Currency risk

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. Due to the sustained uncertainties in the markets, we have adapted the risk assessment and adjusted the probability of occurrence and the impact in the risk matrix from "low" to "medium."

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 May 2018 on will need to be considered in this context. Our 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. However, the national implementation of the Fourth EU Money Laundering Directive in the EU Member States planned for 2017 will have to be taken into account. The elumeo Group will make any adjustments necessary with the help of its money laundering officer.

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

A study by TechSci Research expects 4.1% average annual growth for the European jewelry market between 2013 and 2018. It can be assumed that the share of mail order sales in the jewelry market will continue to rise. In the study "A multifaceted future: The jewelry industry in 2020" by McKinsey & Company from 2014, a doubling of the global share of online trading in the jewelry market is assumed between 2013 (4-5%) and 2020 (10%). Online jewelry sales are expected to rise from EU 6.7 billion to EUR 25.0 billion, representing a CAGR of 20.8%. The proportion of inexpensive genuine jewelry should continue to increase. Furthermore, an increase in the sales share of brand jewelery is projected. Here, the elumeo Group will have good opportunities to benefit from this development through its own brands such as AMAYANI or the exclusively sold and branded luxury brand KAT FLORENCE advertised by Sarah Jessica Parker.

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 the elumeo Group in the long term should continue to benefit disproportionately from this development because of its leading European market position.
Similar growth is also expected in the area of mobile commerce. Mobile devices have contributed significantly to the strong growth of online retail. This also applies to the sale of jewelry because customers have convenient access to the products anywhere and anytime. In Western Europe, the trade turnover continues to rise sharply due to mobile devices, from approximately EUR 3.8 billion in 2011 to nearly EUR 47 billion in 2015. With an average growth rate of 18%, this revenue is expected to continue to rise to EUR 106.0 billion in 2020.[1]

Chances in B2B business

The elumeo Group sees chances in B2B business on the basis of initial experiences and intends to expand this further in 2017. The focus will be on the world's largest jewelry market USA (market size estimated 2017: EUR 55 billion). In addition to direct revenues from the B2B business, the elumeo Group could also benefit from the fact that its own brands, such as AMAYANI, are becoming increasingly well-known due to third-party sales 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

In its latest economic forecast[2], the Ifo Institute expects the moderate economic growth of 0.4% in the fourth quarter of 2016 in the euro zone to continue at the same growth rate in the first two quarters of 2017. The steady growth of private and public consumption are said to be the main drivers of this moderate upturn. The Ifo Institute attributes this to the overall rise in employment and higher nominal wages.

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.

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[1] Euromonitor International.

[2] Eurozone economic outlook, 11 Jan. 2017

According to a study conducted by TechSci Research, the European jewelry market can be expected to continue to grow at an average CAGR of 4.1% between 2013 and 2018. There also appears to be above-average growth in the e-commerce sales channel in the jewelry sector. McKinsey expects global online jewelry sales to rise from EUR 6.7 billion in 2013 to EUR 25.0 billion in 2020, an annual growth rate of 20.8%. McKinsey also says the jewelry market will follow several key trends in the years to come, such as internationalisation and consolidation of a still nationally shaped market, growth of brand name jewelry (whereby the majority of jewelry will continue to be dominated by unbranded products), an increase in hybrid consumption, in other words the tendency to purchase high price and more affordable jewelry, and "fast fashion," an acceleration of the value chain including vertical integration.

Development of the Group

By issuing its ad hoc announcement on 24 June 2016, elumeo SE revised all existing forecasts for 2016. Due to the still uncertain consequences of the planned departure of the United Kingdom from the European Union, no sales and earnings forecast was possible with regard to the British subsidiary Rocks & Co. Productions Ltd. and thus not for the entire Group either.

For the elumeo Group, we expect slight revenue growth for 2017 with a stable gross profit margin. We expect a significant reduction in costs. Savings are planned, in particular, in the area of broadcasting costs and personnel costs. For 2017, we are forecasting a significantly improved segment EBITDA.

Company management will strive to achieve a moderate increase in sales as well as a positive segment EBITDA in the low single-digit million range for the segment *Sales Germany & Italy* in 2017. A significant impetus is expected from the development in Italy in 2017.

In the *Others* segment, we expect in 2017 significantly reduced sales in the United Kingdom due to the significantly reduced TV signal in the United Kingdom, by reducing losses and, at the same time, improved EBITDA.

In the *Group functions & eliminations* segment (no sales revenues), negative segment EBITDA in the low single-digit million range is expected for 2017.

In order to be able to guarantee the Group's ability to pay at any time, reductions in inventories are necessary in 2017. If the profitability of the Company cannot be increased and an improvement in working capital cannot be achieved, this can jeopardize the Group's ability to pay at all times. Therefore, returning the elumeo Group to profitability while improving liquidity is a top priority in 2017. Following successful restructuring of the Group, the Company plans to reach operational breakeven in the first half 2017.

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 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 681 thousand (previous year: EUR 498 thousand) in financial year 2016, 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 2016. The amounts in question were deferred until 31 December 2016.

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 2016, 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 a total of 20,000 option rights from a newly issued stock option programme in financial year 2016. The option rights entitle them to subscribe to 20,000 shares in the Company with a proportionate amount of the subscribed capital of EUR 1.00 per share. The exercise price of the options is a uniform EUR 6.39 per option. The beneficiaries may earn the option rights granted in 16 sub-tranches over a period of four years. A sub-tranche is considered earned when the beneficiary was an employee of elumeo SE Group for the pro rata vesting period of the respective sub-tranche. Vested option rights do not expire when that person leaves the Group. Vested option rights can be exercised after the expiry of the standstill period (vesting period) within a limited period of ten years (starting from the date they were granted) provided that the share price on the five trading days before the first day of the respective exercise period is at least 130% of the exercise price. Option rights granted to Managing Directors in financial year 2016 had an estimated fair value of EUR 128 thousand at the time they were granted, assuming full vesting.

Other services

In financial year 2016, a non-executive member of the Executive Board received EUR 85 thousand (previous year EUR 80 thousand) for professional services as a TV presenter.

Other information

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 289a in connection with section 315 para. 5 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 www.elumeo.com/ir/corporate-governance/corporate-governance-code.
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 2016. 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 2016, 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 2016, 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.

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.

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, the Company also had to determine by when the respective share of women is to be achieved. The law stipulates that the implementation time for initial determination must not extend beyond 30 June 2017. The next implementation period can be up to five years.
elumeo SE is proud to employ a high percentage of women on average on all management levels of its subsidiaries. elumeo actively promotes work-life balance, for example by using part-time and half-day models, flexible working hours and home office days. elumeo SE itself has no management levels below the Managing Directors in light of its low number of employees. The share of women was 25% at the level of the Executive Board, and 0% with respect to the Managing Directors on 31 December 2016. 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 2017. Nevertheless, the company

hopes to be able to fill any possible vacant positions with qualified women in the future.

J. Takeover provisions in accordance with sections 289 (4) and 315 (4) 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 (4) and 315 (4) 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 2016 (31 December 2015: 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 2016, 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: Announcements 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 bonds with warrants in a total amount of up to EUR 150.0 million and to grant the holders or creditors conversion or option rights to purchase up to 1,600,000 new no-par value bearer shares with a proportionate amount of the subscribed capital of up to EUR 1,600,000 (Contingent Capital 2015/I) up until 6 April 2020. As of 31 December 2016, 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 2016, 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 7,500 thousand as of 31 December 2016. 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.

K. Overall assessment

Overall, the Managing Directors assess the course of financial year 2016 and the economic situation of the elumeo Group as positive. Despite the British referendum on exiting the EUR and the accompanying price declines, the negative development of the second half of 2015 could be clearly stopped. In particular, with the restructuring we have now completely carried out, we are expecting a corresponding improvement in earnings for the UK business. 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 2017 and the following years. In addition, the expansion of the B2B business offers further opportunities to strengthen the elumeo 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 jewelery in this strategically important area.

L. 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, 22 March 2017

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 2016 and 2015

EUR thousand | % of revenue	Note	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Revenue	(1.)	71,459	100.0%	72,606	100.0%	-1.6%
Cost of goods sold	(2.)	40,264	56.3%	39,168	53.9%	2.8%
Gross profit		**31,195**	**43.7%**	**33,438**	**46.1%**	**-6.7%**
Selling expenses	(3.)	29,638	41.5%	27,816	38.3%	6.6%
Administrative expenses	(4.)	15,545	21.8%	12,873	17.7%	20.8%
Other operating income	(5.)	528	0.7%	79	0.1%	569.7%
Other operating expenses	(6.)	48	0.1%	1,528	2.1%	-96.9%
Earnings before interest and taxes (EBIT)		**-13,508**	**-18.9%**	**-8,700**	**-12.0%**	**-55.3%**
Interest income		2	0.0%	355	0.5%	-99.5%
Interest and similar expenses		-598	-0.8%	-649	-0.9%	7.9%
Financial result	(7.)	-596	-0.8%	-294	-0.4%	102.7%
Earnings before income taxes (EBT)		**-14,105**	**-19.7%**	**-8,994**	**-12.4%**	**-56.8%**
Income tax	(8.)	-1,419	-2.0%	73	0.1%	<-1,000%
Earnings for the period		**-15,523**	**-21.7%**	**-8,922**	**-12.3%**	**-74.0%**
Earnings of shareholders of elumeo SE		*-15,523*	*-21.7%*	*-8,922*	*-12.3%*	*-74.0%*
Earnings per share in EUR (basis and diluted)	(10.)	**-2.82**		**-1.88**		**-50.3%**

Consolidated statement of comprehensive income

for the financial years from 1 January to 31 December 2016 and 2015

EUR thousand | % of revenue	Note	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Earnings for the period		**-15,523**	**-21.7%**	**-8,922**	**-12.3%**	**-74.0%**
Items which will be reclassified to the consolidated statement of income in subsequent periods:						
Differences from foreign currency translation of foreign subsidiaries		2,977	4.2%	557	0.8%	434.7%
Other comprehensive income	(11.)	**2,977**	**4.2%**	**557**	**0.8%**	**434.7%**
Total comprehensive income		**-12,547**	**-17.6%**	**-8,365**	**-11.5%**	**-50.0%**
Total comprehensive income of shareholders of elumeo SE		*-12,547*	*-17.6%*	*-8,365*	*-11.5%*	*-50.0%*

Consolidated statement of financial position

as of 31 December 2016 and 2015

ASSETS EUR thousand | % of balance sheet total	Note	31 Dec 2016		31 Dec 2015		YoY in %
Non-current assets						
Intangible assets	(12.)	925	1.5%	1,011	1.3%	-8.5%
Property, plant and equipment	(13.)	11,244	18.1%	11,676	15.3%	-3.7%
Other financial assets	(17.)	522	0.8%	420	0.6%	24.2%
Other non-financial assets	(18.)	2,020	3.3%	2,088	2.7%	-3.2%
Deferred tax assets	(29.)	1,465	2.4%	2,645	3.5%	-44.6%
Total non-current assets		**16,177**	**26.1%**	**17,840**	**23.4%**	**-9.3%**
Current assets						
Inventories	(14.)	38,933	62.7%	40,428	53.1%	-3.7%
Trade receivables	(15.)	3,473	5.6%	2,216	2.9%	56.8%
Receivables due from related parties	(16.)	279	0.4%	574	0.8%	-51.4%
Other financial assets	(17.)	82	0.1%	224	0.3%	-63.5%
Other non-financial assets	(18.)	1,309	2.1%	1,282	1.7%	2.2%
Cash and cash equivalents	(19.)	1,837	3.0%	13,590	17.8%	-86.5%
Total current assets		**45,912**	**73.9%**	**58,313**	**76.6%**	**-21.3%**
Total assets		**62,089**	**100.0%**	**76,153**	**100.0%**	**-18.5%**

Consolidated statement of financial position

as of 31 December 2016 and 2015

E Q U I T Y & L I A B I L I T I E S

EUR thousand | % of balance sheet total	Note	31 Dec 2016		31 Dec 2015		YoY in %
Equity						
Issued capital	(20.)	5,500	8.9%	5,500	7.2%	0.0%
Capital reserve	(20.),(21.)	33,862	54.5%	33,397	43.9%	1.4%
Retained earnings/losses		-5,408	-8.7%	10,115	13.3%	-153.5%
Foreign currency translation reserve	(11.)	5,022	8.1%	2,045	2.7%	145.5%
Total equity		**38,975**	**62.8%**	**51,057**	**67.0%**	**-23.7%**
Non-current liabilities						
Financial debt	(22.)	4,011	6.5%	11,771	15.5%	-65.9%
Other non-current financial liabilities	(23.)	573	0.9%	1,071	1.4%	-46.5%
Provisions	(24.)	602	1.0%	466	0.6%	29.0%
Other non-financial liabilities	(27.)	25	0.0%	25	0.0%	0.0%
Total non-current labilities		**5,211**	**8.4%**	**13,333**	**17.5%**	**-60.9%**
Current liabilities						
Financial debt	(22.)	8,904	14.3%	1,198	1.6%	643.2%
Other financial liabilities	(23.)	311	0.5%	568	0.7%	-45.3%
Provisions	(24.)	684	1.1%	42	0.1%	>1,000%
Liabilities due to related parties	(25.)	11	0.0%	100	0.1%	-89.5%
Trade payables		6,181	10.0%	7,422	9.7%	-16.7%
Advance payments received		111	0.2%	0	0.0%	n.a
Tax liabilities	(26.)	0	0.0%	164	0.2%	-100.0%
Other non-financial liabilities	(27.)	1,701	2.7%	2,269	3.0%	-25.0%
Total current liabilities		**17,903**	**28.8%**	**11,762**	**15.4%**	**52.2%**
Total equity & liabilities		**62,089**	**100.0%**	**76,153**	**100.0%**	**-18.5%**

Consolidated statement of changes in equity

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/ losses	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**

for the financial year from 1 January to 31 December 2015

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 2015		**4,000**	**0**	**19,037**	**1,489**	**24,525**
Capital increase		1,500	36,000			**37,500**
Transaction cost net of tax benefit			-2,962			**-2,962**
Equity-settled share-based remuneration	(21.)		359			**359**
Other comprehensive income	(11.)				557	**557**
Earnings for the period				-8,922		**-8,922**
Total comprehensive income				-8,922	557	**-8,365**
31 December 2015		**5,500**	**33,397**	**10,115**	**2,045**	**51,057**

Consolidated statement of cash flows

for the financial years from 1 January to 31 December 2016 and 2015

EUR thousand		Note	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Earnings before taxes (EBT)			**-14,105**	**-8,994**
+/-	Depreciation and amortisation on non-current assets	(12.),(13.)	+1,737	+985
+/-	Increase/decrease in provisions	(24.)	+777	-177
+/-	Equity-settled share-based remuneration	(21.)	+465	+359
+/-	Other non-cash expenses/income		+4,127	+61
+/-	Loss/gain on disposal of non-current assets	(13.)	+10	+109
-	Non-cash current interest income		-0	-3
-	Interest expenses paid related to prior accounting periods		-299	0
+	Non-cash current interest expenses		+102	+254
+	Proceeds from income tax		+5	+6
-	Income tax paid	(26.)	-164	-1,977
-/+	Increase/decrease in inventories	(14.)	+1,496	-19,009
-/+	Increase/decrease in other assets		-2,275	+945
+/-	Increase/decrease in other liabilities		-1,799	+584
=	**Cash flow from operating activities**	(28.)	**-9,922**	**-26,858**
-	Payments for investments in intangible assets	(12.)	-121	-404
-	Payments for investments in property, plant and equipment	(13.)	-907	-9,402
	and property, plant and equipment		0	+1
=	**Cash flow from investing activities**	(28.)	**-1,028**	**-9,805**
+	Proceeds from increase in financial debt	(22.)	+1,755	+15,670
-	Payments for the redemption of financial debt	(22.)	-2,170	-2,612
+	Proceeds from increase in financial liabilties	(23.)	-269	-15
+	Proceeds from capital increase net of transaction cost		0	+34,538
=	**Cash flow from financing activities**	(28.)	**-685**	**+47,581**
+/-	Net increase/decrease in cash and cash equivalents		-11,635	+10,918
+/-	Effects of foreign currency translation on cash and cash equivalents		-26	+149
+	Cash and cash equivalents on beginning of reporting period		+13,498	+2,431
=	**Cash and cash equivalents on end of reporting period**		**+1,836**	**+13,498**
Reconciliation of cash and cash equivalents				
	Cash and cash equivalents	(19.)	+1,837	+13,590
-	Current account overdrafts	(22.)	0	-92
=	**Cash and cash equivalents at end of period**		**+1,836**	**+13,498**

Table of contents

Notes to the consolidated financial statements

A. Information on the elumeo Group

Company, registered office, incorporation and commercial register of the 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 ("Juwelo Deutschland") – whose company name was changed to Juwelo Deutschland GmbH by shareholder resolution 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"), 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 ("PWK") – whose company name was changed to PWK Jewelry Company Limited 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 from more than 500 different gem varieties 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.

Approval of the consolidated financial statements

The Executive Board approved publication of the consolidated financial statements on 20 March 2017.

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 2016 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 financial position, consolidated statement of income, consolidated statement of comprehensive income, 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 total comprehensive income. The consolidated statement of financial position classifies assets and liabilities into current or non-current components in accordance with their maturities.

The consolidated financial statements are prepared in euros ("EUR"). Disclosures are made in thousands of euros ("EUR thousand") or millions of euros ("EUR million"). Unless otherwise indicated, the comparative figures presented in parentheses relate to the financial year ended as of 31 December 2015. In addition, individual comparative data may refer to the annual comparison between the financial years ended 31 December 2016 and 2015 ("YoY").

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

Notes on Alternative Performance Measures

The elumeo Group uses alternative performance measures ("APMs") in its financial reporting that are not covered by the applicable IFRSs. For further information on the definition, use and limitations of the usability of the alternative performance indicators, as well as the accounting methods used and the reconciliations, please refer to 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. The changes did not have any material impact.

Standard/Interpretation		Publication by the IASB	Application date IASB	Effects on the elumeo Group
IAS 1	Presentation of financial statements (Disclosure Initiative on improving the disclosure requirements - Amendments to IAS 1)	18 Dec 2014	1 Jan 2016	not significant
IAS 16/ IAS 18	Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)	12 May 2014	1 Jan 2016	not significant
IFRSs	Annual improvements to the IFRSs, 2012-2014 cycle	25 Sep 2014	1 Jan 2016	not significant

IAS 1 – Presentation of Financial Statements

In December 2014, the IASB provided clarification on IAS 1 by issuing its Disclosure Initiative (Amendments to IAS 1). The clarification sets out the overall requirements for financial statements, including the minimum requirements for their content, the presentation of the statement of financial position and the presentation of the statement of income and the other comprehensive income, particularly with respect to reportable subtotals and the order of disclosures.

IAS 16 / IAS 38 – Acceptable methods of depreciation and amortisation

In May 2014, the IASB published its clarification on acceptable depreciation and amortisation methods (amendments to IAS 16 and IAS 38). These essentially clarify that revenue-based depreciation methods are not permissible.

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 2016, 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 the 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	Expected effects on the elumeo Group
IAS 7	Statement of Cash Flows (Disclosure Initiative aimed at improving information provided to users of financial statements - Amendments to IAS 7)	29 Jan 2016	1 Jan 2017	significant
IFRS 9	Financial instruments	12 Nov 2009/ 28 Oct 2010/ 16 Dec 2011/ 19 Nov 2013/ 24 July 2014	1 Jan 2018	not significant
IFRS 15	Revenue from Contracts with Customers	28 May 2014	1 Jan 2018	fundamentally significant
IFRS 16	Leases	13 Jan 2016	1 Jan 2019	significant

IAS 7 – Statement of Cash Flows

In January 2016, clarifications were made to IAS 7 through the IASB's Disclosure Initiative (amendments to IAS 7). These mainly 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. The standard is to be applied for the first time to financial years beginning on or after 1 January 2017.

The elumeo Group has begun reviewing the effects of applying the amendments to IAS 7 to the consolidated financial statements and intends to present a transitional statement between the initial and final balance of the liabilities in the case of changes in financial liabilities.

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 new measurement model that requires recognition of expected losses in addition to incurred losses. Furthermore, the new 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. 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 control 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 now 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 jewelry articles (goods) are sold to the customer, the elumeo Group currently recognises revenues upon physical delivery of the jewelry articles (goods) to the customer, which is defined as the point in time, at which all major risks and opportunities are assumed to be transferred to the customer (transfer of title). The revenues are recognised at this point in time, provided that their amount and their cost can be reliably determined, the contractual consideration (fixed price) has been received or is sufficiently probable and the elumeo Group has no further rights to dispose over the jewelry articles.

According to IFRS 15, revenues are recognised once the customer gains control of the goods. The transfer of risks and opportunities is not a necessary condition for the recognition of revenues under IFRS 15. The point in time at which revenues are recognised by the elumeo Group is in principle comparable to the point in time defined under IFRS 15. As a result, the elumeo Group does not expect any material impacts on the recognition of revenues in the consolidated financial statements.

The customer of the elumeo Group is generally permitted to return the jewelry articles (right of return). The elumeo Group currently recognises revenues, provided that the expected customer returns can be reliably estimated and all remaining revenue recognition criteria are met.

Under IFRS 15, revenues from sales with a right of return are recognised, provided that it is sufficiently probable that the cumulative revenues do not need to be materially corrected. The estimation of the expected customer returns in the elumeo Group is based on reliable historical experience, as a result of which, revenue recognition can be reliably determined.

The consideration from the customer which the elumeo Group can expect to receive in return for the transfer of goods is clearly defined. In total, there are no impacts on the consolidated financial statements with respect to the determination of the transaction price under IFRS 15.

The elumeo Group is currently assessing the impact of IFRS 15 on the consolidated financial statements in detail and plans to adopt the new standard on the required effective date. Within the scope of the retrospective application, the elumeo Group plans to retain prior period figures as reported under the previous standards and, if necessary, to recognise the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of reporting period).

The elumeo Group expects that the practical expedient available for concluded contracts will be of no practical relevance as the contractual obligation of the elumeo Group in general is to be fulfilled at a specific point in time. In total, the elumeo Group does not expect any material impacts on the consolidated financial statements from the application of IFRS 15.

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, as opposed to IAS 17, provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. 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 future accounting needs to be assessed in final, will be geared to the minimum gross lease payments from non-cancellable contractual agreements illustrated 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 2016 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 2016 as follows:

- merger of the subsidiary JTV Services GmbH as the transferring legal entity by way of merger by dissolution without liquidation into Juwelo TV Deutschland GmbH (now Juwelo Deutschland GmbH) as the absorbing legal entity with effect on 1 January 2016,
- founding of the sales company Juwelo UK Limited, Birmingham, United Kingdom, 100.0% of whose shares are held by Juwelo Deutschland; on 21 December 2016, the name was changed to Rocks & Co UK Limited ("R&C UK").

As a result, the number of consolidated companies in the elumeo Group remained unchanged at 9 entities as of 31 December 2016 (31 December 2015: 9 entities). For more information about the scope of consolidation, please refer to section [I.: Supplementary disclosures in accordance with the German Commercial Code (HGB) | Shareholdings].

Reporting date of the consolidated financial statements

The consolidated financial statements for the financial year 2016 comprise the reporting period from 1 January to 31 December 2016 ("financial year", "reporting period" or "period under review"). 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 company.

Elimination of intercompany balances

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

Functional currency, reporting currency and currency translation

Foreign currency translation is 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 income or expense in the consolidated statement of income.

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 arising 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 2016**	31 Dec 2015	YoY in %	**1 Jan - 31 Dec 2016**	1 Jan - 31 Dec 2015	YoY in %
British pound (GBP)	1.1687	1.3589	-14.0%	1.2247	1.3782	-11.1%
Thai baht (THB)	0.0265	0.0255	4.0%	0.0256	0.0264	-2.8%
US dollar (USD)	0.9498	0.9183	3.4%	0.9041	0.9018	0.3%

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.

The translation of income and expenses in the income statement of the subsidiaries in the UK with the weighted average exchange rate for the reporting period has an impact on the earnings situation disclosed. Furthermore, translation of assets and liabilities denominated in foreign currencies using the closing rate as of the reporting date, in particular also with respect to the subsequent assessment of intra-Group receivables and liabilities, resulted in shifts in the presentation of the asset, financial and earnings position.

Business combinations

Business combinations are recognised 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 income 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 2016.

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.

Intangible assets

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

Property, plant and equipment

Buildings are measured at cost less straight-line depreciation (amortised cost). 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.

Other property, plant and equipment and other business and office equipment are measured at cost less straight-line depreciation (amortised cost). Depreciation is carried out over the expected useful life.

Buildings and other property, plant and equipment under construction ("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 income or expense 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 assess the amount of the impairment loss, the recoverable amount is determined. The recoverable amount is the higher of fair value less cost of disposal and value in use of the asset.

The fair value less cost of disposal is the amount which can be recovered from the sale of the asset in a transaction subject to normal market conditions between knowledgeable, willing parties. The value in use is determined based on the discounted future cash flows of the asset. The cash flows are discounted with a pre-tax market interest rate, which reflects the risks inherent in the asset to the extent to which the risks are not already reflected in the estimated future cash flows.

In case the recoverable amount of the asset is lower than its carrying amount, the latter is written down to the recoverable amount. The impairment loss shall be recognised immediately as an expense in the statement of income. If the value increases in a subsequent period, the carrying amount of the asset is adjusted to the new recoverable amount. The upper limit of the impairment loss reversal is determined by the amortised acquisition and production cost that would have been recorded if no impairment loss had been recognised in previous periods. The reversal of the impairment loss is recognised immediately as income in the statement of income.

Leases – Group as the lessee

The elumeo Group is the lessee of property, plant and equipment. The determination 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 2016 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, provided that 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 regulations expected to be applicable in the future when the differences reverse. Deferred tax assets on temporary differences and on 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 under IFRS 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 under IFRS 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 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 the elumeo Group has a legally enforceable right to set off the current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity. As of 31 December 2016 and 2015 no deferred tax liabilities existed that could have been offset.

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 acquisition or production 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 on the basis of 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 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 past overdue amounts 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.

Issued capital

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

Employee benefits

<u>Short-term employee benefits</u>

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.

<u>Share-based payments</u>

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.

The elumeo Group has not entered into commitments from share-based cash-settled payment transactions.

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 towards employees which arise from the notice of termination given by the employer as a result of restructuring measures are recognised, provided that on the reporting date any such obligation has either already been contractually agreed or, in case a severance payment or a paid release from work a has not yet been agreed, is 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 the 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 merchandise to customers, the performance is in principle rendered at the time at which the merchandise has 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 is 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. Discretionary decisions and uncertainties in connection with estimates

The preparation of financial statements in accordance with IFRS requires that management makes discretionary decisions, estimates and assumptions 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, estimates and assumptions 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, estimates and assumptions.

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).]) as well as
- recognition and measurement of provisions for customer returns (see section [E.: Expected customer returns] and section [H.(24).]).

Main sources of uncertainties

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 in the following. 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).]),
- recognition and measurement of equity-settled share-based payments at fair value (see section [E.: Employee benefits | Share-based payments] and section [H.(21).]) as well as
- recognition and measurement of provisions, contingent liabilities and claims (see section [E.: Provisions] and section [H.(24).]).

All discretionary decisions, estimates and assumptions are based on actual conditions and assessments of the Executive Board on the reporting date and on 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

(1.) Revenue

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Revenue from product sales	71,409	99.9%	72,535	99.9%	-1.6%
Other revenue	50	0.1%	71	0.1%	-28.7%
Revenue	**71,459**	**100.0%**	**72,606**	**100.0%**	**-1.6%**

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

EUR thousand | % of revenue from product sales	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Germany	44,284	62.0%	45,055	62.1%	-1.7%
Italy	10,163	14.2%	13,080	18.0%	-22.3%
United Kingdom	12,982	18.2%	14,013	19.3%	-7.4%
Other countries	3,980	5.6%	388	0.5%	926.2%
Revenue from product sales	**71,409**	**100.0%**	**72,535**	**100.0%**	**-1.6%**

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

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Television and other channel revenue	43,326	60.7%	54,181	74.7%	-20.0%
eCommerce-Vertrieb [1]	24,511	34.3%	18,354	25.3%	33.5%
B2B revenue	3,572	5.0%	0	0.0%	n.a
Revenue from product sales	**71,409**	**100.0%**	**72,535**	**100.0%**	**-1.6%**

[1] Revenues in 2015 include EUR 2.252 thousand from Juwelo.com, which was operated partly with an US Joint Venture Partner during the year. Since the incorporation of Juwelo USA, Inc. the business is operated on own account.

(2.) Cost of goods sold

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

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Material costs	35,279	49.4%	41,028	56.5%	-14.0%
Change in inventory of finished goods, work in progress and merchandise	1,058	1.5%	-6,017	-8.3%	117.6%
Personnel expenses	3,475	4.9%	4,020	5.5%	-13.5%
Depreciation and amortisation	451	0.6%	137	0.2%	229.1%
Cost of goods sold	**40,264**	**56.3%**	**39,168**	**53.9%**	**2.8%**

(3.) Selling expenses

The selling expenses include the following expenses:

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Broadcasting and channel rental costs	13,620	19.1%	13,921	19.2%	-2.2%
Personnel expenses	6,611	9.3%	6,495	8.9%	1.8%
Expenses for external personnel services	1,479	2.1%	1,406	1.9%	5.1%
Sales and marketing expenses	2,162	3.0%	1,332	1.8%	62.4%
Depreciation and amortisation	616	0.9%	277	0.4%	122.2%
Other selling expenses	5,151	7.2%	4,385	6.0%	17.5%
Selling expenses	**29,638**	**41.5%**	**27,816**	**38.3%**	**6.6%**

(4.) Administrative expenses

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Personnel expenses	6,241	8.7%	5,320	7.3%	17.3%
Depreciation and amortisation	671	0.9%	571	0.8%	17.6%
Equity-settled share-based payments	465	0.7%	359	0.5%	29.5%
Net losses from foreign currency translation	3,041	4.3%	1,244	1.7%	144.5%
Other administrative expenses	5,127	7.2%	5,380	7.4%	-4.7%
Administrative expenses	**15,545**	**21.8%**	**12,873**	**17.7%**	**20.8%**

The personnel expenses include expenses for the employees responsible for the maintenance and development of the business software in use, which consists of company web applications and user software, as well as mobile apps and smart TV apps.

The net losses from foreign currency translation include net expenses of around EUR 3,274 thousand from the foreign currency translation of intra-Group monetary items. The foreign currency risks and opportunities inherent herein must be disclosed in the consolidated statement of income. For further information on the composition of net currency translation effects (from third party transactions) 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 2016		1 Jan - 31 Dec 2015		YoY in %
Income from cost recharges to sales partners	444	0.6%	0	0.0%	n.a
Income from the reversal of allowances for doubtful accounts	4	0.0%	29	0.0%	-85.0%
Other income resulting from past reporting periods	39	0.1%	3	0.0%	>1,000%
Gains on disposal of non-current assets	0	0.0%	1	0.0%	-100.0%
Miscellanous other operating income	41	0.1%	46	0.1%	-10.3%
Other operating income	**528**	**0.7%**	**79**	**0.1%**	**569.7%**

The income from cost recharges 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.

(6.) Other operating expenses

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Non-recurring expenses related to the restructuring of the business in the United Kingdom	48	0.1%	0	0.0%	n.a
Directly attributable transaction cost recognised as expenses as well as other IPO and restructuring related expenses	0	0.0%	1,258	1.7%	-100.0%
Non-recurring expenses attributable to the relocation of R&C	0	0.0%	269	0.4%	-100.0%
Other operating expenses	**48**	**0.1%**	**1,528**	**2.1%**	**-96.9%**

The expenses related to the restructuring of the UK business comprise costs of legal advice.

(7.) Financial result

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Interest income from bank balances	1	0.0%	3	0.0%	-60.5%
Other interest and similar income	0	0.0%	352	0.5%	-99.9%
Interest income	**2**	**0.0%**	**355**	**0.5%**	**-99.5%**
Interest expenses from financial debt (bank loans and overdrafts)	-562	-0.8%	-381	-0.5%	-47.5%
Interest expenses from finance lease liabilities	-36	-0.1%	-11	0.0%	-231.2%
Other interest and similar expenses	0	0.0%	-257	-0.4%	100.0%
Interest expenses	**-598**	**-0.8%**	**-649**	**-0.9%**	**7.9%**
Financial result	**-596**	**-0.8%**	**-294**	**-0.4%**	**-102.7%**

The interest expenses from financial debt amounted to EUR -562 thousand (previous year: EUR -381 thousand) mainly due to the first-time full-year interest paid on bank loans.

In 2015, as a result of a tax audit at a Group company, out-of-period interest income of EUR 349 thousand (other interest and similar income) and out-of-period interest expense of EUR -249 thousand (other interest and similar expenses) were recognised in the consolidated statement of income. There were no comparable effects on the financial result in 2016.

(8.) Income tax

The current income taxes paid or owed in each country 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 income taxes.

Income tax is calculated for financial year 2016 as follows:

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Current income tax expense (-)/income (+): Germany	1	0.0%	-158	-0.2%	100.3%
Current income tax: other countries	-240	-0.3%	-247	-0.3%	2.8%
Deferred tax expense (-)/income (+)	-1,179	-1.6%	478	0.7%	-346.8%
Income tax	**-1,419**	**-2.0%**	**73**	**0.1%**	**<-1,000%**

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 2016 and 2015.

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 2016	1 Jan - 31 Dec 2015	YoY in %
Earnings before income tax (EBT)	-14,105	-8,994	-56.8%
Total domestic income tax rate of elumeo SE	30.175%	30.175%	0.0%
Expected tax income (+)/expense (-)	4,256	2,714	56.8%
Utilization of non-capitalised tax loss carryforwards	980	10	>1,000%
Unrecognised deferred tax assets on current local tax losses	-5,415	-6,563	17.5%
Tax increase (-) due to interim profit elimination	-976	-161	-506.2%
Income tax rate differences	3,397	3,700	-8.2%
Non-deductible expenses and tax-free income, net	-3,281	886	-470.3%
Tax increase due to equity-settled share-based payments [IFRS 2]	-140	-108	-29.5%
Tax increase due to investment promotion programmes	-240	-247	2.8%
Offsetable tax income (+)/expense (-)	1	-158	100.3%
Actual income tax	**-1,419**	**73**	**<-1,000%**
Effective tax rate	-10.06%	0.81%	<-1,000%

As of 31 December 2016, the preliminary amount of tax loss carryforwards in Germany, for which no deferred tax assets were recognised, totalled around EUR 23.0 million (31 December 2015: EUR 15.7 million) for corporate tax purposes and around EUR 22.4 million (31 December 2015: EUR 15.5 million) for trade tax purposes. Abroad, there are in principle preliminary tax loss carryforwards of around EUR 26.9 million (31 December 2015: EUR 28.2 million), of which around EUR 12.7 million are expected to be not utilisable under the current tax concept of the elumeo Group. The tax loss carryforwards are generally limited to use by the company whose operations incurred the tax losses and do not expire under current 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 profits of the respective companies.

Deferred tax assets as of 31 December 2016 and 2015 relate in full 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 (acquirer) and realises the sales to the third-party (end customer). Following the periodic review of its transfer pricing model, the elumeo Group will realign its tax strategy in financial year 2017 including its transfer prices. As a result, a significant part of the historical intercompany profits contained in the intercompany deliveries of the elumeo Group will shift from the seller to acquirer. Therefore, a total of EUR 1,179 thousand in deferred tax expenses from the decrease in deferred tax assets on intercompany profits were recognised in the consolidated statement of income.

As of 31 December 2016 and 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 2016, the assessment basis for the temporary differences on which no deferred tax liabilities were recognised amounted to around EUR 34.2 million (31 December 2015: EUR 32.0 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 2016:

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Wages and salaries	14,597	20.4%	14,268	19.7%	2.3%
Social security contributions	1,730	2.4%	1,566	2.2%	10.5%
Personnel expenses	**16,327**	**22.8%**	**15,834**	**21.8%**	**3.1%**

The social security contributions include contributions to the statutory pension insurance of EUR 715 thousand (previous year: EUR 626 thousand).

Personnel expenses 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 456 thousand (previous year: EUR 0 thousand).

(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 2016	1 Jan - 31 Dec 2015	YoY in %
Earnings of shareholders of elumeo SE	EUR thousand	-15,523	-8,922	-74.0%
Average number of outstanding shares	thousands	5,500	4,752	15.7%
Earnings per share (basic and diluted)	EUR	**-2.82**	**-1.88**	**-50.3%**

In financial years 2016 and 2015, the Executive Board issued option rights to purchase shares of elumeo SE from a total of three 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 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 target for the third tranche ("Tranche III/2015"), which was newly issued in the financial year 2016, was met as of the balance sheet date. As of the balance sheet date the option rights were not exercisable, because the service period condition has not been fulfilled yet. 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 48,157 shares (notional free shares).

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

(11.) Other comprehensive income

Earnings of 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 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.

H. Notes to the consolidated statement of financial position

(12.) Intangible assets

The following table shows the development of intangible assets in financial year 2016:

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

The following table shows the development of intangible assets in financial year 2015:

EUR thousand	Intangible assets
Historical cost	
Balance: 1 Jan 2015	**796**
Additions	404
Disposals	-8
Balance: 31 Dec 2015	**1,193**
Amortisation	
Balance: 1 Jan 2015	**69**
Additions	120
Disposals	-7
Balance: 31 Dec 2015	**182**
Carrying amount	
Balance: 31 Dec 2014	**727**
Balance: 31 Dec 2015	**1,011**

(13.) Property, plant and equipment

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

EUR thousand	Own land, buildings, leasehold im-provements	Assets under construc-tion	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**

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.

Investments in own land and buildings (including buildings on third-party land) of EUR 152 thousand mainly relate to fixtures in leased buildings (leasehold improvements) of the sales companies, as well as to land fortifications and outdoor installations at the production site.

As part of replacement investments, technical plant and machinery were purchased in the amount of EUR 249 thousand, mainly for TV studio equipment for the sales companies, as well as manufac-turing equipment at the production site.

In addition, a total of EUR 519 thousand was invested in other equipment, furniture and fixtures. The additions manly relate to equipment and general office equipment as well as computer hardware and other low-value assets.

The following table shows the development of property, plant and equipment in financial year 2015:

EUR thousand	Own land, buildings, leasehold im-provements	Assets under construc-tion	Plant and machinery	Other equipment, furniture and fixtures	Plant and machinery (Finance Lease)	Total property, plant and equipment
Historical cost						
Balance: 1 Jan 2015	**1,053**	**0**	**1,996**	**1,871**	**0**	**4,920**
Additions	5,907	830	513	2,127	1,227	10,604
Disposals	-209	0	-299	-318	0	-826
Foreign currency translation differences	-132	-28	21	-20	-2	-161
Balance: 31 Dec 2015	**6,618**	**803**	**2,231**	**3,660**	**1,225**	**14,536**
Depreciation						
Balance: 1 Jan 2015	**686**	**0**	**958**	**990**	**0**	**2,633**
Additions	132	0	301	413	19	865
Disposals	-209	0	-283	-224	0	-716
Foreign currency translation differences	38	0	25	15	0	78
Balance: 31 Dec 2015	**646**	**0**	**1,001**	**1,194**	**19**	**2,860**
Carrying amount						
Balance: 31 Dec 2014	**367**	**0**	**1,038**	**881**	**0**	**2,286**
Balance: 31 Dec 2015	**5,972**	**803**	**1,230**	**2,466**	**1,205**	**11,676**

(14.) Inventories

Inventories on the respective reporting dates are as follows:

EUR thousand | % of balance sheet total	**31 Dec 2016**		31 Dec 2015		YoY in %
Raw materials, consumables and supplies	13,283	21.4%	12,608	16.6%	5.4%
Unfinished goods	1,558	2.5%	739	1.0%	110.8%
Finished goods and merchandise	24,081	38.8%	26,958	35.4%	-10.7%
Advance payments	11	0.0%	124	0.2%	-91.2%
Inventories	**38,933**	**62.7%**	**40,428**	**53.1%**	**-3.7%**

The elumeo Group tested its inventories for impairment. As a result, it was determined that the net realisable value of the inventories exceeded the acquisition or production costs of the elumeo Group. Therefore, as of the reporting date and as in the previous year no impairment was required.

(15.) Trade receivables

EUR thousand | % of balance sheet total	31 Dec 2016		31 Dec 2015		YoY in %
Receivables due from end customers and payment merchants	1,358	2.2%	2,216	2.9%	-38.7%
Receivables from B2B business	1,485	2.4%	0	0.0%	n.a
Receivables due from cooperation partners	630	1.0%	0	0.0%	n.a
Trade receivables	**3,473**	**5.6%**	**2,216**	**2.9%**	**56.8%**

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 in case of 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 1 thousand) were recorded for expenses from additions to valuation allowances for receivables in the consolidated statement of income. In addition, EUR 4 thousand (previous year: EUR 29 thousand) were realised in income from the reversal of valuation allowances due to collectible receivables, which were fully impaired as of 31 December 2015. On the reporting date, the trade receivables of the elumeo Group were thus impaired by EUR 10 thousand (31 December 2015: EUR 12 thousand) in total.

Expenses from the write-off of trade receivables due to uncollectible amounts in the reporting period amounted to EUR 5 thousand (previous year: EUR 16 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 Deutschland by the payment methods "purchase on account" and "instalment payment." The requirements of IAS 39 for the derecognition of the assigned receivables had been met as of 31 December 2016. 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 2016, gross claims (including VAT and after returns) in the amount of 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 279 thousand (31 December 2015: EUR 574 thousand), which are all in principle due in the short-term, 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 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 2016		31 Dec 2015		YoY in %
Security deposits and other warranties	56	0.1%	200	0.3%	-72.2%
Receivables due from employees	26	0.0%	23	0.0%	11.3%
Current other financial assets	**82**	**0.1%**	**224**	**0.3%**	**-63.5%**
Security deposits and other warranties	513	0.8%	414	0.5%	24.0%
Receivables due from employees	9	0.0%	7	0.0%	40.1%
Non-current other financial assets	**522**	**0.8%**	**420**	**0.6%**	**24.2%**
Other financial assets	**604**	**1.0%**	**644**	**0.8%**	**-6.3%**

Security deposits and other warranties include cash funds in the amount of EUR 172 thousand that are held in separate accounts (31 December 2015: EUR 184 thousand), which must be kept as contractually agreed collateral for leases and similar obligations. In the reporting period, 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 2016		31 Dec 2015		YoY in %
Receivables from taxes	774	1.2%	308	0.4%	151.1%
Tax advance payments	248	0.4%	239	0.3%	4.0%
Deferred expenses	270	0.4%	689	0.9%	-60.8%
Other advance payments	7	0.0%	1	0.0%	581.0%
Creditors with debit balances	9	0.0%	21	0.0%	-58.0%
Miscellaneous other receivables	1	0.0%	24	0.0%	-97.0%
Current other non-financial assets	**1,309**	**2.1%**	**1,282**	**1.7%**	**2.2%**
Receivables from taxes	899	1.4%	755	1.0%	19.1%
Tax advance payments	1,118	1.8%	1,314	1.7%	-14.9%
Deferred expenses	4	0.0%	19	0.0%	-80.4%
Non-current other non-financial assets	**2,020**	**3.3%**	**2,088**	**2.7%**	**-3.2%**
Other non-financial assets	**3,330**	**5.4%**	**3,370**	**4.4%**	**-1.2%**

Current miscellaneous other receivables include a receivable in connection with a pending litigation for which an individual valuation allowance in the full amount was recognised. The expenses from the specific value adjustment amounting to EUR 44 thousand are recorded under administrative expenses.

(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 2016 totalled EUR 5,500,000 (31 December 2015: 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. As in the previous year, no treasury shares were held on 31 December 2016.

Capital reserve

The capital reserve amounted to EUR 33,862 thousand on 31 December 2016 (31 December 2015: EUR 33,397 thousand). In financial year 2016, the capital reserve was allocated exclusively from share-based payments in accordance with IFRS 2 of EUR 465 thousand (previous year: EUR 359 thousand). Please refer to section [H.(21).] for further information on the share-based payment.

Retained losses

The retained loss on the balance sheet as of 31 December 2016 consists of the cumulative retained earnings carried forward from previous years of EUR 10,115 thousand and the current net loss of EUR -15,523 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 up to EUR 2,000,000 by issuing up to 2,000,000 new no-par value bearer shares in exchange for cash and/or contributions in kind up until 6 April 2020 (Authorized Capital 2015).

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 2016, no bonds had been issued.

Furthermore, the Executive Board was authorised to grant option rights to subscribe to up to a total of 400,000 new no-par value bearer shares of the Company up until 6 April 2020 (Stock Option Programme 2015). 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 serves exclusively to grant new shares to the holders of option rights from the SOP 2015.

The Executive Board issued the following option rights from the SOP 2015 by 31 December 2016:

- 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 with an exercise price payable upon exercise of the stock options after the end of the vesting period of EUR 25.00 per share,
- 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) and with an exercise price payable upon exercise of the stock options after the end of the vesting period of EUR 19.64 per share,
- 18 July 2016: 128,500 option rights to purchase 128,500 shares with a pro-rata amount of EUR 128,500 in the issued capital (Tranche III/2015) and with an exercise price payable upon exercise of the stock options after the end of the vesting period of EUR 6.39 per share.

(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 employees of elumeo SE and the Managing Directors and selected employees of subsidiaries of elumeo SE to acquire a total of 245,065 shares of elumeo SE (31 December 2015: 136,875) 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 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
Option rights exercised during the reporting period	0	0.00
Option rights expired during the reporting period	0	0.00
Number of option rights outstanding on 31 December 2016	**245,065**	**15.33**
Number of option rights outstanding on 1 January 2015	**0**	**0.00**
Option rights granted during the reporting period	161,000	24.67
Option rights forfeited during the reporting period	-24,125	25.00
Option rights exercised during the reporting period	0	0.00
Option rights expired during the reporting period	0	0.00
Number of option rights outstanding on 31 December 2015	**136,875**	**24.61**

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 2016, the weighted average remaining term until the expiry date of the outstanding option rights is approximately 9.00 years (31 December 2015: approximately 9.50 years). As of the reporting date, no option rights may be exercised. The weighted average fair value of an option right newly granted in financial year 2016 (here: Tranche III/2015) amounts to EUR 3.40 (previous year: EUR 8.65 (here: Tranche I/2015 and Tranche II/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 as of the reporting date amounted to EUR 1,445 thousand (31 December 2015: EUR 1,188 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 to determine the fair value of the newly granted option rights of Tranche III/2015 (financial year 2016) and of Tranche I/2015 and Tranche II/2015 (financial year 2015) are summarized below:

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%

Weighted parameters SOP 2015 for the option rights granted in financial year 2015	Tranche I/2015	Tranche II/2015
Weighted average share price in EUR	23.76	22.70
Weighted average exercise price in EUR	25.00	19.64
Expected volatility in %	31.50%	38.00%
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 %	2.37%	2.12%
Weighted average rate of fluctuation in %	13.74%	0.00%

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 2016, expenses of EUR 465 thousand (previous year: EUR 359 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 2016		31 Dec 2015		YoY in %
Bank liabilities:					
Bank overdrafts	0	0.0%	92	0.1%	-99.7%
Interest liabilities	65	0.1%	50	0.1%	31.2%
Current portion of non-current loans	8,838	14.2%	1,057	1.4%	736.3%
Current financial debt	**8,904**	**14.3%**	**1,198**	**1.6%**	**643.2%**
Bank liabilities:					
Loans	4,011	6.5%	11,771	15.5%	-65.9%
Non-current financial debt	**4,011**	**6.5%**	**11,771**	**15.5%**	**-65.9%**
Financial debt	**12,915**	**20.8%**	**12,969**	**17.0%**	**-0.4%**

On 11 February 2015, elumeo SE was granted a working capital loan with a total credit line of up to EUR 5,000 thousand for financing the planned growth of the elumeo Group. In addition, elumeo SE was granted an additional overdraft facility of up to EUR 2,500 thousand. The loans are subject to variable interest rates with an interest rate surcharge of 4.00 percentage points per annum since 2 June 2016 (EUR 2,500 thousand) or 13 August 2016 (EUR 5,000 thousand) (up to 1 June 2016 or 12 August 2016: 3.00 percentage points per annum) to the 3-month Euribor interest rate (minimum interest rate: 4.00% per annum). The loans are to be repaid at final maturity on 30 June 2017. The credit lines are fully utilised as of 31 December 2016.

The working capital loans are, unchanged compared to the previous year, secured in the full amount by guarantees from subsidiaries of elumeo SE in the form of a storage assignment of inventories (merchandise) and directly enforceable guarantees. The collateral risk with respect to inventories amounts to the principle loan amount. With regard to the assessment of the liquidity situation, in particular against the backdrop of the final bank loans of elumeo SE, reference is made to the comments in section [I. Management of financial risks] as well as section [G.: Explanation of the main risks | 3.2.] of the joint consolidated management report.

On 10 September 2015, PWK was granted an investment loan of EUR 5,035 thousand (THB 190.0 million) for the purpose of financing the acquisition of the production facility in Chanthaburi, Thailand. The loan is fully disbursed, has a term of ten years and bears variable interest with an interest discount of 1.50 percentage points on the so-called Minimum Loan Rate (MLR) of 6.275% per annum as of the reporting date (31 December 2015: MLR 6.525% per annum). The investment loan is, unchanged compared to the previous year, secured by a mortgage on the acquired land at the production site in Chanthaburi, including the buildings located thereon, by further land mortgages as well as by personal guarantees from related parties.

PWK has also been granted a short-term revolving credit facility of up to EUR 3,180 thousand (THB 120.0 million) for short-term refinancing purposes. The interest rate is variable with an interest rate discount of 1.00 percentage points on the so-called Money Market Rate (MMR) of 5.13% per annum as of the reporting date (31 December 2015: MMR 5.75% per annum). EUR 874 thousand of the credit facility have been used as of the reporting date and collateralised as the investment loan.

For further information on financial debt, 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 2016		31 Dec 2015		YoY in %
Current portion of non-current finance lease liabilities	288	0.5%	286	0.4%	0.6%
Credit card liabilities	23	0.0%	33	0.0%	-30.1%
Miscellaneous other financial liabilities	0	0.0%	249	0.3%	-100.0%
Current other financial liabilities	**311**	**0.5%**	**568**	**0.7%**	**-45.3%**
Finance lease liabilities	573	0.9%	875	1.1%	-34.5%
Miscellaneous other financial liabilities	0	0.0%	196	0.3%	-100.0%
Non-current other financial liabilities	**573**	**0.9%**	**1,071**	**1.4%**	**-46.5%**
Other financial liabilities	**884**	**1.4%**	**1,639**	**2.2%**	**-46.1%**

The non-current and current portions of the interest-bearing finance lease liabilities relate to semi-automated picking, warehousing and conveying systems 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 that commenced in August 2015 (R&C/R&C UK) and in December 2015 (Juwelo Deutschland). As a result of the principle terms of the underlying finance lease agreement, in particular the interest rate and repayment terms, the carrying amounts on the balance sheet dates correspond approximately to the fair values. In financial year 2016 no assets were purchased in the context of finance lease agreements.

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

(24.) Provisions

The provisions in financial year 2016 developed as follows:

TEUR	Carrying amount 1 Jan 2016	Addi-tions	Reversal	Usage	Foreign currency effects	Carrying amount 31 Dec 2016
Liabilities due to employees from benefits related to to retirement	466	116	0	-2	21	602
Expected customer returns	36	304	0	-36	-3	301
Liabilities due to employees from severance payments and paid release from work	0	384	0	0	-2	382
Removal obligations from rented premises	6	0	0	-6	-1	0
Total	**508**	**805**	**0**	**-43**	**15**	**1,285**

Other provisions include payment obligations of EUR 602 thousand (31 December 2015: EUR 466 thousand) to employees of foreign subsidiaries of the elumeo Group. All provisions have a remaining term of more than five years.

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 in 2016, the right to return was significantly expanded at selected sales companies. As a result, current provisions for expected customer returns amounted to a total of EUR 301 thousand on 31 December 2016 (31 December 2015: EUR 36 thousand). The amount of the provision has been estimated based on historical experiences. All provisions have a remaining term of less than one year.

In addition, as of 31 December 2016, in connection with restructuring measures in the personnel area, the elumeo Group recognises current provisions of EUR 382 thousand (31 December 2015: EUR 0 thousand) for severance payments and the release of employees with payment of the remuneration up to the termination date of the employment relationship. All provisions have a remaining term of more less than one year.

(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.

The liabilities are due within one year.

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

(26.) Tax liabilities

The tax liabilities reported as of 31 December 2015 as a result of a tax audit at a Group company were paid in full in financial year 2016.

(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 2016		31 Dec 2015		YoY in %
Debtors with credit balances	437	0.7%	1,148	1.5%	-61.9%
Other accrued liabilities	451	0.7%	399	0.5%	13.0%
Liabilities from value added tax	440	0.7%	388	0.5%	13.4%
Liabilities from other taxes	165	0.3%	160	0.2%	3.6%
Liabilities to employees	164	0.3%	132	0.2%	23.9%
Miscellaneous other liabilities	44	0.1%	42	0.1%	4.1%
Current other non-financial liabilities	**1,701**	**2.7%**	**2,269**	**3.0%**	**-25.0%**
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	**1,726**	**2.8%**	**2,294**	**3.0%**	**-24.7%**

(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 outflows from operating activities include proceeds from interest income of EUR +1 thousand (previous year: EUR +352 thousand), interest expense payments of EUR -795 thousand (previous year: EUR -358 thousand) and income tax payments of EUR -164 thousand from a tax audit of a Group company in financial year 2015 (previous year: EUR 1,977 thousand in connection with an investment promotion certificate granted by the Board of Investment of Thailand for the Thai subsidiary PWK as of 1 July 2014, including a tax exemption for a period of eight years.)

Cash and cash equivalents as of the reporting date arise from the positive components of unrestricted bank account balances and cash in the amount of EUR 1,837 thousand (31 December 2015: EUR 13,590 thousand) and from the negative components of short-term overdrafts of EUR -0.3 thousand (31 December 2015: EUR -92 thousand).

(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 sufficiently probable.

Deferred tax assets as of 31 December 2016 in the amount of EUR 1.465 thousand (31 December 2015: EUR 2.645 thousand) are attributable solely to the elimination of intercompany profits included in the inventories.

For more information about the development of deferred taxes, please refer to section [G.(8).].

(30.) Further disclosures on 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 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**
Statement of financial position as of 31 Dec 2015			
Non-current assets:			
Other financial assets	420	420	420
Current assets:			
Cash and cash equivalents	13,590	13,590	13,590
Trade receivables	2,216	2,216	2,216
Receivables due from related parties	574	574	574
Other financial assets	224	224	224
Total	**17,023**	**17,023**	**17,023**

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

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 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**
Statement of financial position as of 31 Dec 2015			
Non-current financial liabilities:			
Financial debt	11,771	11,771	11,771
Other financial liabilities	1,071	1,071	1,071
Current financial liabilities:			
Financial debt	1,198	1,198	1,198
Payables due to related parties	100	100	100
Trade payables	7,422	7,422	7,422
Other financial liabilities	568	568	568
Debtors with credit balances	1,148	1,148	1,148
Total	**23,278**	**23,278**	**23,278**

The non-current financial liabilities include interest-bearing financial debts 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.

For trade payables and other current liabilities which are allocated to the category "Financial liabilities measured at amortised cost," it is assumed that the carrying amounts as of the reporting dates correspond to their fair values.

There were no derivative financial instruments in financial years 2016 and 2015.

The net gains or losses from financial assets and financial liabilities 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 2016			
Cash and cash equivalents	1	-111	0
Trade receivables	0	1	-3
Receivables due from related parties	0	-11	0
Other financial assets	0	13	0
Total	**2**	**-108**	**-3**

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 2016			
Financial debt	-562	0	0
Trade payables	0	341	0
Other financial liabilities	-36	0	0
Total	**-598**	**341**	**0**

I. Other disclosures

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.

Market risk

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 risk

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 2016, the primary translation risk and transaction risk to which the elumeo Group was exposed, and which materialised, involved currency risk relating to the British pound (GBP), the Thai baht (THB) and the US dollar (USD). The hedging of these risks was initially considered unnecessary due to the large number of individual transactions, which could not be planned, and the absence of significant net risks from GBP, THB and USD transactions with non-Group third parties threatening the existence of the Group. As a result of the unexpected Brexit vote, however, the GBP and EUR fell sharply, leading to a substantial loss in purchasing power compared to the main currencies THB and USD relevant to output streams of the production company in Thailand.

The elumeo Group is currently unable to fully assess the impact of the Brexit. In particular, it is also not possible to assess the extent to which the increase in production costs due to currency effects can be extended to the end customer in whole or in part through possible price elasticity effects. The Executive Board does not expect any significant reversal of the appreciation of the GBP or EUR in the short or medium term. Despite the fact that the price development of some input factors are directly linked to the demand from the EUR or GBP (e.g. gold) and the loss of purchasing power are thus partially offset, the elumeo Group's earnings situation is expected to be generally affected. In addition, capital adequacy will likely be weakened with regard to long-term financial liabilities (investment loans) 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. In doing so, 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 financial year 2016, net losses from foreign currency translation of EUR 3,041 thousand were recognised in the consolidated statement of income (previous year: EUR 1,244 thousand). The losses were primarily attributable to intercompany foreign currency receivables and liabilities as well as the consolidation of earnings and liabilities. The losses were partly offset by foreign currency translation gains from the translation of foreign subsidiaries in the amount of EUR 2,977 thousand (previous year: EUR 557 thousand) recognised directly in equity.

The foreign exchange risks to which the elumeo Group is exposed on the basis of its material foreign currency items (before intercompany receivables and liabilities) in GBP, THB and USD were as follows:

EUR thousand	31 Dec 2016	31 Dec 2015	YoY in %
Financial items in GBP			
Trade receivables	33	7	354.8%
Other financial assets	211	266	-20.6%
Other non-financial assets	134	5	>1,000%
Cash and cash equivalents	36	421	-91.4%
Other financial liabilities	-99	-135	26.8%
Provisions	-103	-10	-986.8%
Trade payables	-1,058	-502	-111.0%
Other non-financial liabilities	-727	-834	12.8%
Foreign currency exposure in GBP	**-1,573**	**-781**	**-101.5%**

EUR thousand	31 Dec 2016	31 Dec 2015	YoY in %
Financial items in THB			
Other financial assets	31	50	-36.8%
Other non-financial assets	899	755	19.1%
Cash and cash equivalents	69	245	-72.0%
Financial debt	-5,371	-5,488	2.1%
Provisions	-572	-442	-29.4%
Trade payables	-615	-1,627	62.2%
Other non-financial liabilities	-67	-68	1.1%
Foreign currency exposure in THB	**-5,626**	**-6,576**	**14.4%**

EUR thousand	31 Dec 2016	31 Dec 2015	YoY in %
Financial items in USD			
Trade receivables	1,519	0	>1.000%
Other financial assets	4	0	n.a
Cash and cash equivalents	31	12	154.5%
Other financial liabilities	0	-196	100.0%
Trade payables	213	484	-56.0%
Other non-financial liabilities	-6	-4	-55.2%
Foreign currency exposure in USD	**1,759**	**296**	**494.7%**

The following table shows the impact on the consolidated statement of income and on equity of a change of ±10% in the exchange rates of the Group's primary foreign currencies:

EUR thousand		1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015	
Currency	Foreign currency effect	Equity	Earnings	Equity	Earnings
GBP	10.0% increase in EUR exchange rate	121	0	652	775
	10.0% decrease in EUR exchange rate	-121	0	-652	-775
THB	10.0% increase in EUR exchange rate	-3,734	-969	-2,628	-1,521
	10.0% decrease in EUR exchange rate	3,734	969	2,628	1,521
USD	10.0% increase in EUR exchange rate	-513	903	-1,414	-269
	10.0% decrease in EUR exchange rate	513	-903	1,414	269

(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 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 endeavours to offset the associated interest rate risk by incurring partially floating-rate financial liabilities.

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 2016	132	-55	-132	55
31 December 2015	85	-26	-85	26

Starting from 2 June 2016 and 13 August 2016 respectively, a minimum interest rate of 4.00% per annum (until 1 June 2016 and 12 August 2016: 3.00% per annum) has been agreed for elumeo SE's working capital credit lines in the amount of EUR 7,500 thousand, all of which had been utilised as of 31 December 2016. The credit lines incurred interest at the minimum rate over nearly 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 intermediate 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 with a lump sum valuation allowance that is based on experience and the age structure. Bad debts are fully impaired individually in case of default and recognised as an expense in the consolidated statement of income. With trade receivables there is no significant concentration of default risk.

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

Furthermore, a default risk exists for cash and cash equivalents 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 will 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 2016 and 31 December 2015 for which payments had already been contractually agreed. 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 2016	2017		2018 - 2021		after 2021	
EUR thousand		Interest	Repayments	Interest	Repayments	Interest	Repayments
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
Summe	**20,428**	**-396**	**-15,844**	**-591**	**-2,695**	**-138**	**-1,889**

For financial year 2017, there is a substantial liquidity risk in that the two terminable operating loans of elumeo SE in the amount of EUR 7,500 thousand must be repaid as of 30 June 2017. The Company is making efforts to complete a follow-up financing or a prolongation of the financing. As of the date of publication of the annual report, no corresponding commitments had been made by credit institutions. In the business plan of the elumeo Group for financial year 2017, the Executive Board therefore generally assumes to redeem the financial debt. The main risks with regard to ensuring adequate future debt servicing capacities are the under-execution or non-fulfilment of the assets, financial and earnings planning or the emergence of unplanned short-term financial obligations.

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 explanations in section [G.: Explanation of the main risks | 3.2.] of the joint consolidated management report].

EUR thousand	Carrying amount	Contractual cash flows					
	31 Dec 2015	2016		2017 - 2020		after 2020	
		Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Liabilities due to related parties	100	0	-100	0	0	0	0
Trade payables	7,422	0	-7,422	0	0	0	0
Debtors with credit balances	1,148	0	-1,148	0	0	0	0
Other financial liabilities	1,639	-37	-568	-52	-1,071	0	0
thereof finance lease liabilities	1,161	-37	-286	-52	-875	0	0
Financial debt	12,969	-467	-1,160	-838	-9,398	-264	-2,411
Summe	**23,278**	**-503**	**-10,398**	**-890**	**-10,469**	**-264**	**-2,411**

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 2016 and 2015, 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 62.8% (31 December 2015: 67.0%).

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. It is possible that claims could be asserted against the elumeo Group as a result of legal violations on the part of one or more employees or other 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.

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

The segment Sales division Others comprises the sales activities of the remaining sales companies as well as the third-party business of the Group-owned production facility and the supplier companies. This segment includes in particular the subsidiary R&C and R&C UK.

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-owed 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.

<u>Primary decision-maker and definition of segment result</u>

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 in principle defined as earnings after interest, taxes and depreciation and amortisation (EBITDA) after adjustment for segment reconciliation items. In assessing the operating performance of the segments, the following reconciliation 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 and
- 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. 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 figures in the financial years 2016 and 2015:

	1 Jan - 31 Dec 2016					
EUR thousand | % of (segment) revenue	Revenue		Gross profit		Segment EBITDA	
Sales division Germany & Italy	54,496	76.3%	23,424	43.0%	-3,102	-5.7%
Sales division Others	16,963	23.7%	5,319	31.4%	-3,953	-23.3%
Group functions & eliminations	0	0.0%	2,452	n.a.	-718	n.a.
Total	**71,459**	**100.0%**	**31,195**	**43.7%**	**-7,772**	**-10.9%**

	1 Jan - 31 Dec 2015					
EUR thousand | % of (segment) revenue	Revenue		Gross profit		Segment EBITDA	
Sales division Germany & Italy	58,206	80.2%	26,465	45.5%	1,224	2.1%
Sales division Others	14,401	19.8%	4,679	32.5%	-5,199	-36.1%
Group functions & eliminations	0	0.0%	2,294	n.a.	-530	n.a.
Total	**72,606**	**100.0%**	**33,438**	**46.1%**	**-4,505**	**-6.2%**

	1 Jan - 31 Dec YoY					
EUR thousand | in %	Revenue		Gross profit		Segment EBITDA	
Sales division Germany & Italy	-3,710	-6.4%	-3,042	-11.5%	-4,326	-353.3%
Sales division Others	2,563	17.8%	641	13.7%	1,245	24.0%
Group functions & eliminations	0	n.a	158	6.9%	-187	-35.3%
Total	**-1,147**	**-1.6%**	**-2,243**	**-6.7%**	**-3,268**	**-72.5%**

The following tables show the development of the segment-specific financial performance indicators in the second half-year from 1 July to 31 December ("H2") of the financial years 2016 and 2015 and the respective development based on the half-year comparison ("HoH"):

EUR thousand | % of (segment) revenue	H2 2016 Revenue		Gross profit		Segment EBITDA	
Sales division Germany & Italy	27,948	77.2%	12,157	43.5%	-1,259	-4.5%
Sales division Others	8,258	22.8%	2,039	24.7%	-2,410	-29.2%
Group functions & eliminations	0	0.0%	1,228	n.a.	-427	n.a.
Total	**36,206**	**100.0%**	**15,424**	**42.6%**	**-4,095**	**-11.3%**

EUR thousand | % of (segment) revenue	H2 2015 Revenue		Gross profit		Segment EBITDA	
Sales division Germany & Italy	26,796	80.9%	11,587	43.2%	-1,570	-5.9%
Sales division Others	6,329	19.1%	930	14.7%	-4,394	-69.4%
Group functions & eliminations	0	0.0%	1,076	n.a.	-457	n.a.
Total	**33,125**	**100.0%**	**13,594**	**41.0%**	**-6,421**	**-19.4%**

EUR thousand | in %	H2 HoH Revenue		Gross profit		Segment EBITDA	
Sales division Germany & Italy	1,152	4.3%	570	4.9%	311	19.8%
Sales division Others	1,929	30.5%	1,108	119.1%	1,984	45.2%
Group functions & eliminations	0	n.a	151	14.1% .	30	6.6%
Total	**3,081**	**9.3%**	**1,830**	**13.5%**	**2,326**	**36.2%**

At EUR -7,772 thousand, the sum of the segment EBITDA in 2016 deteriorated considerably (previous year: EUR -4,505 thousand), but the operating deficits (total segment EBITDA) in the second half of 2016 were reduced from EUR -6,421 thousand in H2 2015 to EUR -4,095 thousand in H2 2016. The segment reconciliation items eliminated in the determination of segment EBITDA in 2016 result from expenses from net losses from foreign currency translation of EUR 3,401 thousand (previous year: EUR 1,244 thousand), expenses from the SOP 2015 of EUR 465 thousand (previous year: EUR 359 thousand), expenses from redundancies for severance payments and releases of employees of EUR 445 thousand (previous year: EUR 0 thousand) as well as expenses for the restructuring of the business in the UK at EUR 48 thousand (previous year: EUR 0 thousand).

Segment Sales division Germany & Italy

Revenue of EUR 54,496 thousand or approx. 75% of the total revenues of the elumeo Group were generated in the segment Sales division Germany & Italy in 2016 (previous year: EUR 58,206 thousand or approx. 80%). This corresponds to a decline in revenue of EUR- 3,710 thousand or -6.4% YoY. Revenue in H2 2016 of EUR 27,948 thousand were EUR 1,152 thousand or 4.3% above the level of H2 2015 (EUR 26,796 thousand), showing a slight overall recovery.

Gross profit amounted to EUR 23,424 thousand in 2016, a decrease of -11.5% YoY compared to the same period of the previous year (previous year: EUR 26,465 thousand), resulting in a decline in the gross profit margin from 45.5% of segment revenue in 2015 to 43.0% in 2016. One reason for this was the decline in the gross profit margin as a result of significantly higher revenues from the sale of purchased merchandise (in particular Kat Florence), which have a lower gross profit margin than products from inhouse production. The segment's gross profit in the second half of 2016 was only slightly improved from EUR 11,587 thousand or 43.2% of segment revenue in H2 2015 to EUR 12,157 thousand or 43.5% in H2 2016.

Segment EBITDA in 2016 was considerably lower than in the previous year (EUR 1,224 thousand) at EUR -3,102 thousand. The segment EBITDA margin thus amounted to -5.7% (previous year: 2.1%). Segment EBITDA in the second half of 2016 was slightly improved from EUR -1,570 thousand or -5.9% of segment revenue in H2 2015 to EUR -1,259 thousand or -4.5% in H2 2016 respectively.

Segment Sales division Others (UK, Asia, USA)

The segment Sales division Others in 2016 amounted to EUR 16,963 thousand or about 25% of the total revenues of the elumeo Group (previous year: EUR 14,401 thousand or approx. 20%) and thus increased by EUR 2,563 thousand or 17.8% YoY. Especially in the second half of 2016, revenue increased substantially (H2 2016: EUR 8,258 thousand and H2 2015: EUR 6,329 thousand), mainly due to sales to business customers (B2B sales).

As a result of the general increase in revenue compared to 2015, gross profit increased by EUR 641 thousand or 13.7% YoY to EUR 5,319 thousand (previous year: EUR 4,679 thousand) in 2016. This represents a slight decline in the gross profit margin from 32.5% of segment revenue in 2015 to 31.4% in 2016. The almost unchanged gross profit margin is the result of a significant improvement in the gross profit margin of the sales company in the UK, and at the same time lower gross profit margins from B2B sales. The segment's gross profit in the second half of 2016 was significantly improved from EUR 930 thousand or 14.7% of segment revenue in H2 2015 to EUR 2,039 thousand or 24.7% in H2 2016 respectively in the case of a pre-year period affected by special effects.

Segment EBITDA amounted to EUR -3,953 thousand in 2016 (previous year: EUR -5,199 thousand). The segment EBITDA margin was -23.3% (previous year: -36.1%). Segment EBITDA therefore improved from EUR -4,394 thousand or -69.4%, from segment revenue in H2 2015 to EUR -2,410 thousand or -29.2%, in H2 2016.

Segment Group functions & eliminations

A gross profit in the amount of EUR 2,452 thousand in 2016 (previous year: EUR 2,294 thousand) was allocated to the segment to compensate for the administrative costs of production, which was not allocated to the segments Sales division Germany & Italy and Sales division Others.

Segment reconciliation to Group earnings figures

The total segment EBITDA of the three reportable segments can be reconciled to the earnings of the period of the elumeo Group as follows:

EUR thousand | % of revenue	1 Jan - 31 Dec 2016		1 Jan - 31 Dec 2015		YoY in %
Total segment EBITDA	**-7,772**	**-10.9%**	**-4,505**	**-6.2%**	**-72.5%**
Effects from foreign currency translation	-3,041	-4.3%	-1,244	-1.7%	-144.5%
Equity-settled share-based remuneration	-465	-0.7%	-359	-0.5%	-29.5%
Non-recurring expenses from terminations for severance payments and paid release from work of employees	-445	-0.6%	0	0.0%	n.a
Non-recurring expenses related to the restructuring of the business in the United Kingdom	-48	-0.1%	0	0.0%	n.a
Directly attributable transaction cost recognised as expenses as well as other IPO and restructuring related expenses	0	0.0%	-1,258	-1.7%	100.0%
Non-recurring expenses attributable to relocation of R&C	0	0.0%	-269	-0.4%	100.0%
Segment reconciliation items	-3,998	-5.6%	-3,211	-4.4%	-24.5%
EBITDA	**-11,771**	**-16.5%**	**-7,715**	**-10.6%**	**-52.6%**
Depreciation and amortization on property, plant and equipment and intangible assets	-1,737	-2.4%	-985	-1.4%	-76.4%
EBIT	**-13,508**	**-18.9%**	**-8,700**	**-12.0%**	**-55.3%**
Income tax	-1,419	-2.0%	73	0.1%	<-1,000%
Financial result	-596	-0.8%	-294	-0.4%	-102.7%
Earnings for the period	**-15,523**	**-21.7%**	**-8,922**	**-12.3%**	**-74.0%**

In financial years 2016 and 2015, the total sum of revenues and gross profits of the segments corresponds to the revenue and gross profit of the elumeo Group in total.

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, Cyprus ("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, as well as
- 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 were 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 2016 and 31 December 2015 are reported under the corresponding line items in the consolidated statement of financial position.

In financial year 2016, the following transactions were executed with related parties:

- The elumeo Group recorded selling expenses of EUR 203 thousand (previous year: EUR 203 thousand) for TV broadcasting services rendered by UVIS. In financial year 2016, UVIS issued a one-time credit of EUR 79 thousand, which led to a reduction in original expenses to EUR 125 thousand. In addition, revenues of EUR 11 thousand (previous year: EUR 11 thousand) were generated from the provision of supporting administrative services for UVIS. The performance relationships were amended by contracts dated 1 January 2015.

  All recognised liabilities due to UVIS reported on 31 December 2015 under current liabilities due to related parties (EUR 71 thousand) as well as the current liabilities of the financial year 2016 had been repaid in full by 31 December 2016.
- On 29 March 2016, the appointment of the Executive Board member Mr Bernd Fischer as a Managing Director was extended until 8 July 2018.

- On 18 July 2016, a Managing Director was granted a total of 20,000 option rights from Tranche III/2015 of the SOP 2015. At the time granted, the option rights had an estimated fair value of EUR 68 thousand assuming full vesting (recognised as expenses in financial year 2016: EUR 23 thousand).

  For the 17,000 option rights from Tranche I/2015, which had already been issued to the Managing Directors in financial year 2015, expenses of EUR 53 thousand (previous year: EUR 52 thousand) were recorded in financial year 2016.

  The estimated fair value of the option rights issued to the Managing Directors in financial years 2016 and 2015 amounted to a total of EUR 213 thousand at the time granted.

- 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.

- Selling expenses include fees in the amount of EUR 85 thousand (previous year: EUR 80 thousand) paid to a non-managing member of the Executive Board for freelance services as a TV presenter. The resulting outstanding liabilities of EUR 11 thousand as of the reporting date (31 December 2015: EUR 29 thousand) are recognised under liabilities due to related parties.

- 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 addition, in financial year 2016 the following significant transactions with non-Group third parties were jointly made by affiliated companies of the elumeo Group:

- 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).

- On 15 February 2017, a new agreement on the transmission of the TV signal in the UK was signed with a supplier of a subsidiary. On 1 February 2017, an agreement on the repayment of outstanding liabilities (trade liabilities) from the previous contract was signed. In this context, the respective contractual parties of the elumeo Group agreed with the supplier to jointly guarantee for all outstanding gross payments in GBP. 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.

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 regarded other business and office equipment. The lease agreements have remaining terms of between less than one year and up to slightly above thirteen 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 in the financial year amounted to EUR 646 thousand (previous year: EUR 667 thousand). The future minimum gross lease payments as of 31 December 2016 and 2015 due from non-cancellable, significant operating leases are shown in the following table:

	Remaining term			
EUR thousand	< 1 year	1-5 years	> 5 years	Total
31 Dec 2016	819	1,514	2,333	**4,667**
31 Dec 2015	852	2,189	3,001	**6,043**

Other financial obligations

The elumeo Group has other payment obligations from contractual agreements regarding the multiplexing, distribution and transmission of its broadcasted TV programmes and the administration of programme channels. The contracts have remaining terms of less than one year and up to slightly above five years. Some of them include renewal options and price adjustment clauses.

The future minimum gross payments as of 31 December 2016 and 2015 as a result of non-cancellable, significant TV broadcasting and channel programme administration contracts are shown in the following table:

	Remaining term			
EUR thousand	< 1 year	1-5 years	> 5 years	Total
31 Dec 2016	11,629	26,972	642	**39,243**
31 Dec 2015	18,747	32,250	4,752	**55,749**

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.

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 2016**	**31 Dec 2016**	**1 Jan - 31 Dec 2016**	
Juwelo Deutschland GmbH	Berlin	EUR	-4,900	226	-12,271	1
Juwelo Italia s.r.l.	Rom	EUR	123	10	-5,416	1
Juwelo France SAS	Paris	EUR	36	50	-5	1
Rocks & Co Productions Ltd.	Birmingham	GBP	-1,208	11,687	4,341	1,2
Rocks & Co UK Ltd.	Birmingham	GBP	-454	0	-475	1,2
Juwelo USA, Inc.	Wilmington	USD	-220	0	-189	1,2
Silverline Distribution Ltd.	Hong Kong	USD	5,352	1	-8,846	1,2
PWK Jewelry Company Ltd.	Bangkok	THB	37,343	7,949	9,686	1,2,3

[1] The disclosures represent the financial statements as prepared according to national regulations and are in part preliminary.

[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.

Application of exemption rules

Juwelo 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 2016**	1 Jan - 31 Dec 2015	YoY in %
Europe	352	335	5.1%
Asia and other countries	827	904	-8.5%
Total	**1,179**	**1,239**	**-4.8%**

Disclosure regarding the Statement of Compliance with the German Corporate Governance Code by the Executive Board of elumeo SE pursuant to Art. 9 para. 1 lit. c) (ii) of the SE Directive in conjunction with § 161 of the German Stock Corporation Act (AktG)

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.

Announcements pursuant to § 21 para. 1 German Securities Trading Act (WpHG)

elumeo SE received the following announcements in 2016 pursuant to § 21 para. 1 WpHG. Sycamore Asset Management, Paris, France, notified us of the breaching of the 5% threshold by acquiring shares with voting rights on 18 July 2016. The proportion of voting rights reported by the company is 5.09% (279,864 shares held directly).

Information on the Executive Board

The Executive Board

The Company has a single-tier management structure with the Executive Board acting 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 2016, 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	9 July 2018
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	.atest 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 pursuant to § 15a WpHG

As of the reporting date, the direct shareholdings of the members of the Executive Board did not exceed 2.56% individually (31 December 2015: 2.55%) or 7.10% collectively (31 December 2015: 7.08%) of the shares issued by elumeo SE.

Pursuant to § 15a WpHG, members of the Executive Board and related parties of Executive Board members are required to inform the German Federal Financial Supervisory Authority (BaFin) and elumeo SE of all transactions involving shares of elumeo SE (so-called managers' transactions). elumeo SE is required to announce any such transactions immediately after notification.

In financial year 2016, the controlling shareholder reported the following managers' transactions:

- On 30 March 2016, Ottoman Strategy Holdings (Suisse) SA purchased a total of 165,000 shares at a price of EUR 17.00 per share from Blackflint Ltd. in an over-the-counter transaction.
- On 30 May 2016, Mr Boris Kirn purchased a total of 240 shares at a price of EUR 15.66 per share and a total of 400 shares at a price of EUR 15.655 per share on the Frankfurt Stock Exchange.
- On 31 May 2016, Mr Thomas Jarmuske purchased a total of 660 shares at a price of EUR 15.50 per share on the Frankfurt Stock Exchange.
- On 21 September 2016, Ottoman Strategy Holdings (Suisse) SA transferred a total of 10,000 shares without consideration to Mr Steve Taylor, a party under the shareholders' voting agreement of the controlling shareholders.

For further information on managers' transactions, please refer to the information published on the Company's website http://www.elumeo.com/ir/latest-notifications/directors-dealings.

Remuneration

For their position on the Executive Board, the Managing Directors and non-executive members of the Executive Board received a total remuneration of EUR 692 thousand in financial year 2016 (previous year: EUR 508 thousand) in accordance with § 285 no. 9a HGB. In addition, a fee of EUR 85 thousand (previous year: EUR 80 thousand) was paid to a non-executive member of the Executive Board for freelance services as a TV presenter.

Furthermore, one Managing Director was granted a total of 20,000 option rights from Tranche III/2015 of the SOP 2015 in financial year 2016. At the time of granting and assuming full vesting, the option rights had an estimated fair value of EUR 68 thousand.

Pursuant to the resolution adopted by the Extraordinary General Meeting held on 7 April 2015 and in accordance with § 314 para. 1 no. 6a HGB, the total remuneration paid is not disclosed on an individual basis.

For more information on the remuneration of the Executive Board, please refer to the remuneration report, which forms an integral part of the joint consolidated management report.

Mandates of the members of the Executive Board

In financial year 2016, the following members of the Executive Board of elumeo SE held memberships in other supervisory boards and other comparable German and foreign controlling bodies:

Member of the Executive Board Mandate	Commercial enterprise
Anette Bronder	
Member of the Supervisory Board (Chairwoman)	• T-Systems Multimedia Solutions GmbH, Dresden
Member of the Supervisory Board	• Ströer SE & Co. KGaA, Cologne
	• Deutsche Forschungszentrum für Künstliche Intelligenz GmbH (DFKI), Kaiserslautern (German Research Center for Artificial Intelligence)
Roland Sand	
Member of the Advisory Board (Chairman)	• Glycotope GmbH, Berlin
Non-Executive Board Member	• Mutlpx Ltd, Kingston, UK
Member of the Supervisory Board (Chairman) (Board resignation on 28 September 2016)	• Capital One AG, Munich

Executive Board committees

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 auditing and advisory services in accordance with § 314 para. 1 no. 9 HGB

The fees of the Group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, recognised as expenses in financial year amount to:

- EUR 215 thousand for auditing services (individual financial statements and consolidated financial statements).

Expenses and income relating to past accounting periods

In the consolidated statement of income, expenses and income relating to past accounting periods are regularly recognised under the items and, if necessary, netted to which they are attributable.

In financial year 2016, a total of EUR 92 thousand in income relating to past accounting periods was recognised, which mainly comprised income from the reversal of accrued liabilities as well as refunded advance payments for expenses in the previous year.

The expenses relating to past accounting periods recognised in financial year 2016 were not material and comprised subsequent billings from suppliers and service providers, for which only insufficient accrued liabilities had been recognised in the previous year.

Events after the balance sheet date

By resolution of the shareholders' meeting on 12 January 2017, the company name of Juwelo TV Deutschland GmbH was changed to Juwelo Deutschland GmbH.

By resolution of the Executive Board on 12 January 2017, the appointment of the Executive Board member Mr Boris Kirn as a Managing Director was extended until 13 February 2021.

On 15 February 2017, a new agreement on the transmission of the TV signal in the UK was signed with a supplier of a subsidiary. On 1 February 2017, an agreement on the repayment of outstanding liabilities (trade liabilities) from the previous contract was signed. In this context, the respective contractual parties of the elumeo Group agreed with the supplier to jointly guarantee for all outstanding gross payments in GBP. 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.

No other additional events of special importance and with a material influence upon the assets, financial and earnings position which the elumeo Group reported occurred after the balance sheet date.

Berlin, 22 March 2017

elumeo SE

The Executive Directors

Bernd Fischer Thomas Jarmuske Boris Kirn

RESPONSIBILITY STATEMENT

Statement in accordance with § 37v para. 2 no. 3 WpHG

"To the best of our knowledge, and in accordance with the applicable reporting principles for the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group and the management report of the Group includes a fair review of the development and performance of the business and the current position of the Group, together with a description of the principal opportunities and risks associated with the prospective future development of the Group."

Berlin, 22 March 2017

elumeo SE

The Executive Managing Directors

Bernd Fischer	Thomas Jarmuske	Boris Kirn

Audit opinion

We have audited the consolidated financial statements prepared by elumeo SE, Berlin, comprising the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ("Handelsgesetzbuch": German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, March 22, 2017

Ernst & Young GmbH,

Wirtschaftsprüfungsgesellschaft

Glöckner	Niebuhr
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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This annual report is also available in German. In case of discrepancies the German version prevails.

A digital version of this elumeo SE annual report and the interim reports can be downloaded from the Investor Relations section of elumeo.com.

Forward looking Statements

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in the Risk Report. We do not assume any obligation to update the forward-looking statements contained in this report.