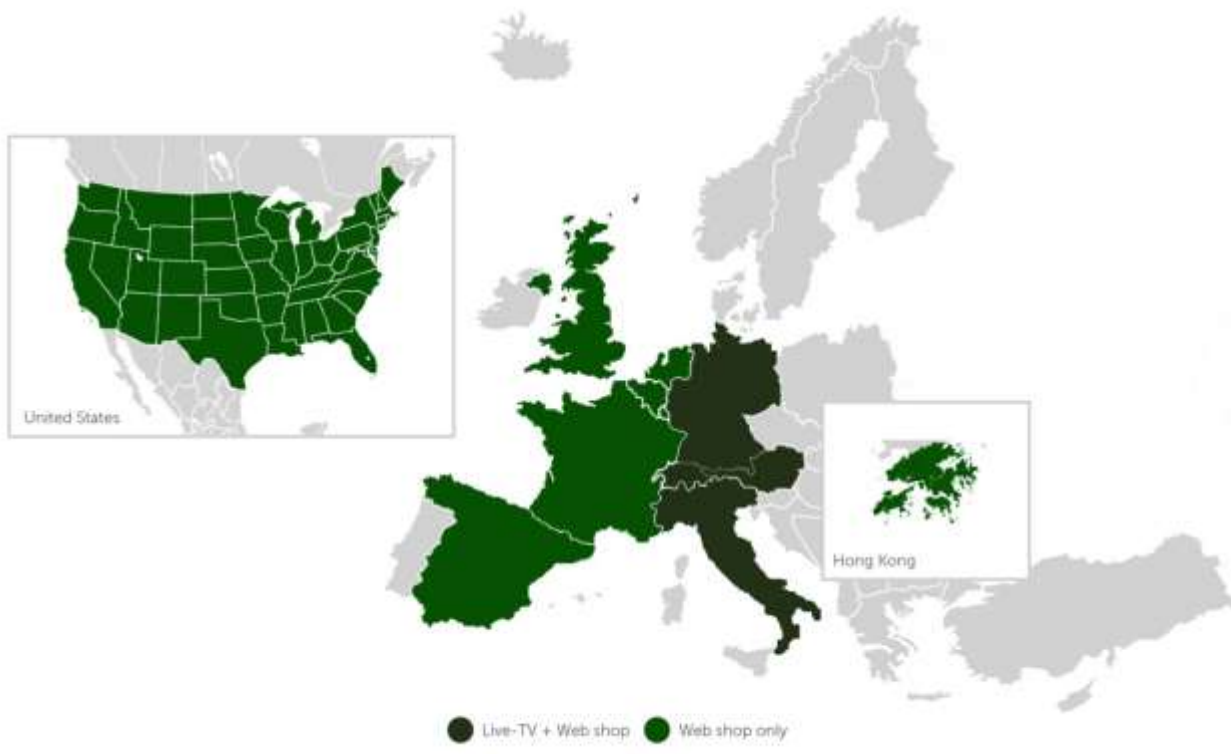




elumeo

Annual Report 2018



Worldwide live TV and web shop sales of the elumeo Group

GROUP FIGURES 2018

EUR thousand [unless indicated otherwise]	2018		2017		YoY in %
Revenue	51,115	100.0%	67,560	100.0%	-24.3%
<u>Product revenue by regions</u> [absolutely and in % of product revenue]					
Germany	41,066	80.4%	52,907	78.4%	-22.4%
Italy	8,011	15.7%	10,001	14.8%	-19.9%
Other countries	1,994	3.9%	4,593	6.8%	-56.6%
<u>Product revenue by distribution channels</u> [absolutely and in % of product revenue]					
TV revenue	29,204	57.2%	39,679	58.8%	-26.4%
eCommerce revenue	19,926	39.0%	23,328	34.6%	-14.6%
B2B revenue	1,941	3.8%	4,495	6.7%	-56.8%
[The following disclosures represent: absolute values and in % of revenue]					
Gross profit	13,513	26.4%	20,926	31.0%	-35.4%
EBITDA	-17,486	-34.2%	-8,320	-12.3%	-110.2%
Segment EBITDA Continuing Businesses	-10,281	-20.1%	-5,966	-8.8%	-72.3%
Depreciation and amortisation	940	1.8%	909	1.3%	3.3%
EBIT	-18,426	-36.0%	-9,229	-13.7%	-99.7%
Total comprehensive income	-25,476	-49.8%	-7,340	-10.9%	-247.1%
Selling and administrative expenses [absolutely and in % of balance sheet total]	31,438	61.5%	30,621	45.3%	2.7%
Total assets ¹	28,827	100.0%	54,709	100.0%	-47.3%
Total equity ¹ [absolutely and in % of balance sheet total]	6,677	23.2%	31,952	58.4%	-79.1%
Working capital ¹ [absolutely and in % of balance sheet total]	25,451	88.3%	32,715	59.8%	-22.2%
¹ Prior year disclosure: 31 Dec 2017					
[The following disclosures represent: absolute values and in % of revenue]					
Net cash flow from operating activities	-6,289	-12.3%	-9,234	-13.7%	31.9%
Net cash flow from investing activities	-453	-0.9%	-184	-0.3%	-146.0%
Net cash flow from financing activities	-3,317	-6.5%	-2,788	-4.1%	-19.0%
Items sold [pieces]	746,254		923,476		-19.2%
Number of active customers (rounded)	74,198		82,062		-9.6%
per active customer [pieces] 10.1	 11.3		-10.6%
Average sales price (ASP) [EUR]	68		73		-6.4%
Revenue per active customer [EUR]	689		823		-16.3%
Gross profit per item sold [EUR]	18		23		-20.1%
<u>New customer breakdown (Germany only)</u>					
[in % of new customers]					
TV only	25.6%		24.6%		4.0%
Web only	55.1%		59.2%		-7.0%
Others	19.3%		16.2%		19.6%



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To our shareholders

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Letter from the Chairman of the Executive Board

Dear Shareholders,

2018 was a year marked by the greatest upheaval in our Company's history to date. For several years now, elumeo SE has been struggling with the declining competitiveness of the Group's own manufacturing facility in Chanthaburi, caused on the one hand by the rise in the exchange rate of the Thai baht against the euro and on the other by increased costs in Thailand. Unfortunately, the restructuring efforts were also unsuccessful in 2018. Therefore, at the end of 2018, the Executive Board of elumeo SE had to make the bitter decision to discontinue local production in Chanthaburi. Since then, elumeo SE's entire product portfolio has been manufactured at two smaller production sites, which are operated in close cooperation with local preferred partners, and by closely tied contract manufacturers.

During the transition phase, these major changes led to conversion difficulties, which also had a negative impact on sales. The supply of goods could not always be guaranteed in sufficient quantity and quality, as the cooperation with the new manufactories had to be established first. Nevertheless, the basic principle of vertical integration as a direct-to-consumer (D2C) provider will be retained. We continue to control the entire value chain – from product design to sales to the end customer. Production is now carried out by a network of specialised contract suppliers. This enables us to offer our customers a greater variety of products. At the same time, the new model significantly reduces our fixed costs.

In order to facilitate a return to profitability, the Company has also launched a cost-cutting programme aimed at significantly reducing costs. Consistent controlling of measures will ensure that these effects can already be realised in 2019.

In this difficult transformation process, we are guided by the "customer first" principle. The focus of our actions is on the customer, whose expectations we always want to exceed in the context of an outstanding customer experience. Many related activities have already been launched to this end. The TV programme will be made more attractive and further new programme formats will be introduced. At the centre of these activities is the online shop, which will be significantly optimised and more closely integrated with the TV business. elumeo's future lies in the combination of live motion sequences from TV and a convincing online and mobile offering.

Overall, we were unable to increase Group revenue under these difficult circumstances and suffered losses. Our income statement is marked by the effects of the presentation of our Group-owned manufactory as a discontinued operation. As a result, the previously intra-Group profit mark-ups are allocated to continuing operations and have a corresponding negative impact on the gross profit margin. In addition, we have made extensive provisions for possible risks arising from the liquidation of the factory and reported total provisions of EUR 7.7 million. The probability of realisation of these provisions is considered to be low.

We will continue to undertake initiatives in the future that promote sales and strengthen the brand awareness of the elumeo Group in order to enable profitable growth. This includes being able to increasingly broadcast show programmes in several languages at the same time and expanding our activities in social media and mobile commerce.

We thank you for placing your trust in our Company and look forward to working with you on the path to a successful future.

In June 2019

A handwritten signature in black ink, appearing to read 'W. Boyé', with a stylized flourish at the end.

Wolfgang Boyé
(Chairman of the Executive Board)

The Executive Board of elumeo SE



Wolfgang Boyé, Chairman of the Executive Board

Term of office from 21 July 2014 until the Annual General Meeting 2020.

Wolfgang Boyé, born on 12 November 1969, is Chairman of the Executive Board of elumeo SE. The business man is co-founder of Juwelo Deutschland GmbH, Berlin, one of the current subsidiaries of elumeo SE. Juwelo was founded following the MBO of Scholz & Friends Group, which was managed by Mr. Boyé. At that time, he was a member of the Executive Board of Scholz & Friends AG (Berlin), and before that CFO of United Visions Entertainment AG (Berlin). At Scholz & Friends, Mr. Boyé was in charge of TV activities and at United Visions, in addition to his financial 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.



Dr. Frank Broer, Deputy Chairman of the Executive Board

Term of office from 12 December 2018 to the Annual General Meeting 2021

Dr. Frank Broer, born on 14 March 1971, is Deputy Chairman of the Executive Board. Dr. Broer is an independent consultant in Berlin. From 2016 to 2018, he was founder and Managing Director of Moneymap GmbH, a Fintech start-up. Previously, he was CFO of auxmoney, also a Fintech company, for 2 years (2014-2016). From 2010 to 2014, he was responsible for finance and strategy of the German business at Diaverum.

From January 2005 to October 2010, Dr. Broer worked as a project manager at McKinsey&Company, a consulting firm specialising in banking, IT services and telecommunications. Previously, he was a tax consultant and attorney at the law firm Clifford Chance in Frankfurt. Dr. Broer studied Law, Economics and Business Administration in Marburg, Hagen and Constance, where he also received his doctorate.



Anette Bronder, Member of the Executive Board

Term of office from 29 May 2015 until the Annual General Meeting 2021.

Anette Bronder, born on 13 December 1967, is a member of the Executive Board. Mrs. Bronder will assume the position of Group COO of Swiss Re in Zürich effective 1 July 2019. From mid-2015 until February 2019, Mrs. Bronder was on the Management Board of T-Systems and responsible for the Digital division and Telekom Security. Prior to this, she was appointed Global Director of Vodafone Group Enterprise Solutions within the Enterprise Delivery and Operations division at Vodafone Group Services in London starting in September 2010. Before joining Vodafone, Mrs. 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. Mrs. Bronder completed a Master's degree in Business and Social Sciences, majoring in Political Science, at the University of Stuttgart. She was also a member of the Supervisory Board of Ströer SE & Co. KGaA on behalf of Deutsche Telekom, a member of the Supervisory Board of the German Research Center for Artificial Intelligence (DFKI) and Chairwoman of the Supervisory Board of T-Systems Multimedia Solutions GmbH.



Gregor Faßbender-Menzel, Member of the Executive Board

Term of office from 12 December 2018 until the Annual General Meeting 2021.

Gregor Faßbender-Menzel, born on 26 January 1968, is a member of the Executive Board. Since January 2018, the economics graduate with an MBA in sports management has been working in Cologne as a freelance communications consultant and owner of FASSBENDER SportsCom | Strategic communications consultancy for emotional sports brands. Prior to this, Mr. Faßbender-Menzel was responsible for corporate communications at large companies, most recently AXA Konzern AG in Cologne from 2016 to 2017. From 2013 to 2016, he headed the external and internal communications department of Volkswagen Financial Services AG in Braunschweig. During his time as Director of Corporate Communications for the OnVista Group, Mr. Faßbender-Menzel managed corporate, product and service communications for OnVista AG and its three brands OnVista.de, OnVista Bank and OnVista Media Sales. This also included investor relations for the listed holding company. Mr. Faßbender-Menzel's time as a strategically acting communications manager was mainly on the agency side. As

a shareholder, senior consultant and unit head at ergo Kommunikation (now Edelman), one of Germany's leading communications consultancies, he was responsible for eight years from 2000 onwards for well-known clients from the service, industry and public sectors. Mr. Faßbender-Menzel started his career in corporate communications in 1995 after his studies at Dresdner Bank AG. There he held various positions in the communications sector, including press spokesman at the Frankfurt headquarters, PR manager in the group's direct banking project in Duisburg and head of communications at the Cologne branch.



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

Term of office from 21 July 2014 until the Annual General Meeting 2020.

Bernd Fischer, born on 28 July 1969, is one of the Managing Directors and Speaker of the Executive Board of elumeo SE. Mr. Fischer was formerly CFO and Deputy Chairman of Spiele Max AG. There he played a crucial role in the restructuring and subsequent sale of the company to a strategic investor. After the takeover of Spiele Max AG by the publicly listed EMF Group, Mr. 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). Mr. Fischer began his professional career by working for the German auditing companies Dr. Knief & Partner and Curax Treuhand GmbH.



Thomas Jarmuske, Chief Merchandising Officer

Term of office from 7 April 2015 until the Annual General Meeting 2021.

Thomas Jarmuske, born on 7 May 1978, is one of the Managing Directors, an Executive Board member of elumeo SE and co-founder of Juwelo Deutschland GmbH, Berlin, which was founded in 2008 and is now a 100% subsidiary of elumeo SE. He is in charge of Sales, Marketing and Merchandising. Mr. Jarmuske was previously co-founder and one of the Managing Directors of bietbox GmbH (later Gems TV Deutschland GmbH, both

in Berlin) 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, Mr. Jarmuske began working at Media Port Berlin GmbH (subsequently United Visions Entertainment AG, both in Berlin) as a Management Assistant and was in charge of Media Marketing (marketing of a regional TV channel) from 1999 to 2000.



Boris Kirn, Chief Operating Officer

Term of office from 13 February 2015 until the Annual General Meeting 2021.

Boris Kirn, born on 13 October 1969, is one of the Managing Directors and an Executive Board member of elumeo SE and co-founder of Juwelo Deutschland GmbH, Berlin, the company founded in 2008. Mr. Kirn is in charge of developing processes and systems, in addition to overseeing the area of e-commerce and the international expansion of the Company. Previously Mr. Kirn was co-founder and one of the Managing Directors of bietbox GmbH (subsequently Gems TV Deutschland GmbH, both in Berlin) from 2005 to 2008. In addition, Mr. Kirn has been a Board member since 2000 and Managing Director since 2001 of the 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, Mr. 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. Mr. 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.

Capital market information

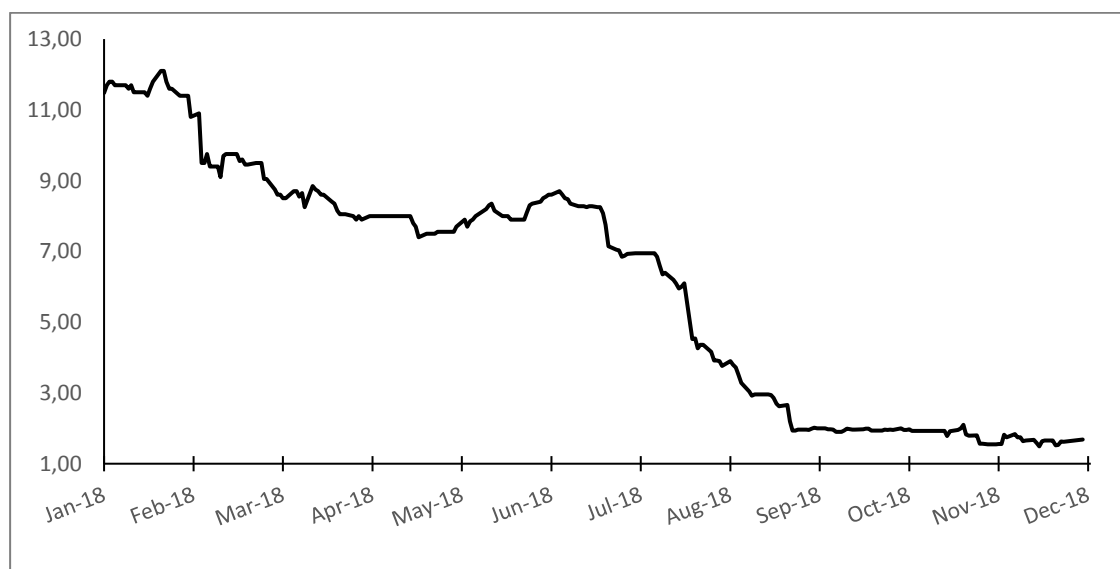
Basic data and key figures on the share of elumeo SE (Status: 31 December 2018)

WKN	A11Q05
ISIN	DE000A11Q059
Earnings per share in 2018	EUR -1.10
Number of shares outstanding	5,500,000
XETRA closing price on the reporting date	EUR 1.68
Market capitalisation	EUR 9.24 million

Share price development

The share of elumeo SE has been following a downward trend since the beginning of 2018. It reached its lowest point in 2018 on 12 December 2018 at a closing price of EUR 1.49. The price peaked at EUR 12.10 in 2018 on 23 January 2018.

Share of elumeo SE 01/01-31/12/2018 (XETRA, in EUR)



Shareholder structure (Status on 31 December 2018)*

Shareholders of elumeo SE	Shareholdings
1. Blackflint Ltd.	26.66%
2. Ottoman Strategy Holdings (Suisse) SA	26.43%
3. Universal-Investment-Luxembourg SA	7.93%
4. Heliad Equity Partners GmbH & Co. KGaA	7.50%
5. Sycomore Asset Management SA	5.09%
6. Management	6.36%
7. Free float	20.03%

- Based on the voting rights notifications available to the Company



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Preliminary remarks

The Consolidated Financial Statements of elumeo and its subsidiaries (together “elumeo” or the “elumeo Group”) as of 31 December 2018 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 the 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

The elumeo Group, headquartered in Berlin, is the leading European company in the electronic distribution of high-quality gemstone jewelry that is mainly produced in India and Thailand. elumeo’s goal is to make high-quality gemstone jewelry an affordable luxury for everyone.

Through a variety of electronic distribution channels (such as TV, the Internet, Smart TV and a Smartphone app), the Company offers its customers primarily coloured gemstone jewelry at comparatively low prices. The Company sells its jewelry predominantly through direct sales. For example, the elumeo Group operates home shopping TV channels in Germany and Italy.

Goods are procured in close cooperation via local partners in Bangkok and Jaipur via a total of around 22 suppliers. The products are manufactured by the respective partners in accordance with the purchasing management guidelines in Berlin. Quality control is carried out at the production site in accordance with the specified guidelines.

At the end of 2018, 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 subsidiary Juwelo Deutschland GmbH and its subsidiaries Juwelo Italia s.r.l. (“Juwelo Italia”), Juwelo France S.A.S (“Juwelo France”) und Juwelo USA Inc.

("Juwelo USA").

Discontinued operations

In December 2017, the elumeo Group initially discontinued the loss-making distribution business in the United Kingdom.

In financial year 2018, it was decided to terminate all business activities of PWK Jewelry Company Limited, Bangkok, Thailand ("PWK") and to proceed with the orderly liquidation of the own manufacturing company under own management by utilising existing assets ("PWK Discontinued Operation"). The cessation of production activities was associated with economic problems of the production company PWK, which could not be eliminated by targeted restructuring measures in financial year 2018. All business activities of the company were discontinued by the end of 2018.

Discontinued operations are not included in net income from continuing operations and are presented in a separate line as net income from discontinued operations in the Consolidated Statement of Income.

Segment reporting

Segment reporting follows the internal reporting structures and internal control criteria. An important building block for future growth is the significantly stronger networking of the various sales channels, TV, WEB and mobile, in order to provide our customers with a comprehensive and contemporary shopping experience. 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 allocated to the operational segments Sales division Germany & Italy and Sales division Others as well as the reconciliation segment Group Functions & Eliminations.

The classification of PWK as a discontinued operation made it necessary to adjust the reportable segments. This is not least intended to take greater account of the forecasting and information function standardised in IFRS 5. As of 31 December 2018, the following segments were therefore reported:

Continuing operations

The *Continuing Operations* segment is made up of the segment units *Sales Business* and *Corporate Functions & Eliminations*.

In the Sales segment, there were significant declines in revenues and margins in financial year 2018. The lack of diversity in the product range was the main reason for this development. This segment includes revenues of EUR 2.0 million, which mainly stem from B2B business. The margin in this area is well below average. While selling expenses remained stable overall, administrative expenses rose slightly, mainly due to personnel expenses.

Discontinued operation Manufactory

The segment *Discontinued operation Manufactory* contains the business activities of PWK, consolidation effects as well as the costs of underutilisation and opportunity costs of distribution allocated to the division, which are reported in the Consolidated Statement of Comprehensive Income in the continuing operations, because they were included in the invoice amounts for jewelry deliveries as part of the Group's internal cost allocation. In the opinion of the Executive Board, these costs will no longer be incurred in the future once the supply chain is changed from PWK's internal supply to third parties. For this reason, the internal management reporting was based on a corresponding allocation of these cost components for purposes of comparability.

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 2018 were Mr. Wolfgang Boyé, Dr. Frank Broer, Mrs. Anette Bronder, Mr. Gregor Faßbender-Menzel, Mr. Bernd Fischer, Mr. Boris Kirn, and Mr. Thomas Jarmuske, and the individually authorised Managing Directors Mr. Bernd Fischer, Mr. Boris Kirn, Mr. Thomas Jarmuske, and Mr. Ingo Stober.

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 works in a vertically integrated manner according to the direct-to-consumer principle (D2C). The entire value chain, from product development to the sale to the end customer, is managed by elumeo. This enables the Company to achieve considerable cost advantages and maximum added value. The jewelry developed in-house is produced by a network of specialised contract manufacturers. This contract manufacturing is controlled by own locations in Thailand and India. This ensures quality directly on site.

There are various collection-based brands that meet different criteria and thus enable the customer to make targeted purchases according to his needs. Cooperation with designers and specialist jewelry manufacturers also makes it possible to offer a wide range of entertaining products and services and continuously expand the elumeo Group's product range.

By focusing on electronic distribution channels, elumeo can exploit economies of scale in a fragmented market and thus achieve considerable cost advantages. The electronic distribution channels include classic television with its own private channels and live shows, smart TV, the Internet, mobile devices, mobile apps and personal shopping. The TV shows produced by its own TV studios in German, Italian, and partly in English provide the elumeo Group with significant advantages over pure online retailers in terms of reach and market penetration. The offers and content are adapted regionally and in terms of the languages.

To continue its growth, the elumeo Group aims, on the one hand, to achieve vertical expansion by adding new distribution channels or sales formats, and on the other hand, by expanding its business to other countries. Access via mobile devices, in particular, is to be improved.

Control system – Financial performance indicators

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

Control system – Non-financial performance indicators

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

non-financial performance indicators to manage the business.

Research and development

The elumeo Group does not conduct any research. Development activity is limited to working on the business software used, including web applications and user software such as mobile apps.

B. Economic Report

Macroeconomic conditions in 2018

The gross domestic product (GDP) in the euro zone continued to grow in 2018, albeit not as strongly as in the previous year. According to Eurostat, GDP growth for the year as a whole was 1.8% (2017: +2.4%). The Netherlands, Austria and Spain were among the strongest growth drivers.

In Germany, the economic situation was characterised by good economic growth in the first two quarters of Q1 (+0.4%, both quarter-on-quarter) and Q2 (+0.5%). In the second half of the year, however, Germany clearly fell short of the previous year's figures with a decline in Q3 (-0.2%) and zero growth in Q4. GDP growth of plus 1.5% for 2018 as a whole was nevertheless good, especially against the backdrop of increased economic risks such as the Brexit, increasing trade conflicts and the crisis in Italy.

France, the second-largest economy in the euro zone, achieved good growth rates of 0.2% and 0.3% respectively in all four quarters of 2018. In Italy, the elumeo Group's most important foreign market, GDP was well below average, with declines of 0.1% in both Q3 and Q4.

In addition to these countries, the elumeo Group is also active in the UK, the Netherlands and Spain, all of which recorded comparable economic growth in 2018.

Overview: Quarterly changes in seasonally adjusted economic figures

Real GDP in % versus previous quarter	1Q18	2Q18	3Q18	4Q18
Euro zone	0.4	0.4	0.1	0.2
Germany	0.4	0.5	-0.2	0.0
France	0.2	0.2	0.3	0.3
Italy	0.2	0.1	-0.1	-0.1
Spain	0.6	0.6	0.6	0.7
Netherlands	0.5	0.7	0.1	0.5
Belgium	0.3	0.3	0.3	0.3
Austria	0.9	0.5	0.4	0.3
Switzerland	0.9	0.7	-0.3	0.2
United Kingdom	0.1	0.4	0.6	0.2

Source: Bloomberg

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

Industry-specific conditions

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

The elumeo Group is primarily active in the European jewelry market. Valued at EUR 27.9 billion in 2017, the European jewelry market is the third largest jewelry market in the world, according to TechSci Research. Italy accounted for EUR 5.9 billion, France for EUR 5.4 billion, the United Kingdom for EUR 4.4 billion, Germany for EUR 3.8 billion, and other countries EUR 8.5 billion. With a market share of around 70.0%, Italy, France, Germany and the United Kingdom are the largest markets in Europe. Between 2012 and 2017, the European jewelry market grew by 6.68% per year and is expected to grow by 5.65% annually between 2018 and 2022, according to TechSci Research.

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

According to an analysis published in 2017 by the eCommerce Foundation, an umbrella organisation of many national e-commerce associations, the online retail business in Europe continues to develop very positively. The outlook also looks good in the coming years. Forrester Research forecasts average annual growth of 12.3% for Western European online retail business from 2017 to 2021. In a report published in 2016, the eCommerce Foundation also projects that the eCommerce share of the European gross domestic product (2015 at 2.59%) will double by 2020.

Overall, there have been no significant changes in the industry-specific conditions compared with the explanations in the 2017 Annual Report.

C. Publication of the results for 2018

Principles and comparability of information

With the exception of discontinuing PWK's business activities, there have been no significant changes in the fundamentals of the elumeo Group compared to the previous year. For comparability, all information related to PWK was adjusted both in the current financial year and in the previous year.

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 2018

Development of the Group

The financial year 2018 of the elumeo Group covers the period from 1 January to 31 December 2018 ("2018" or the "reporting period"). Financial year 2017 refers to the period from 1 January to 31 December 2017 ("2017," "py" or "prior year").

Financial year 2018 was marked by a considerable underutilisation of existing capacities at the Group's own manufacturing facility. The necessary measures to reduce capacities and thus cost structures were not implemented to the extent required. Due to the simultaneous purchase of large quantities of homogeneous gemstone stocks, the elumeo Group was not able to offer the usual variety of gemstone varieties in 2018. New customers could not be generated to the required extent. As a result, sales and margins declined significantly in 2018. In order to increase profitability again, all business activities of PWK Jewelry Company Ltd. were discontinued in November 2018. In addition to production at two smaller locations in Jaipur (India) and Bangkok (Thailand) in close cooperation with local partners, the product portfolio has since been expanded by purchasing from third-party suppliers in order to increase the gross profit margin in the Group. The entire value chain, from product development to direct sales to the end customer, is managed by elumeo.

By switching from our own production to cooperation with local partners in India and Thailand, we are once again in a position to develop a significantly diversified product range. Our broad range of different designs and price categories will be better defined by the brands and collections we have introduced and will enable customers to better understand our product diversity. The development of brands and collections will play a key role in future growth and in attracting new customers. A further building block for future growth is the much stronger integration of the various sales channels, TV, WEB and mobile, in order to enable our customers to enjoy a comprehensive and contemporary shopping experience. The return to profitability will be supported by a comprehensive cost-cutting programme.

Earnings situation of the elumeo Group

elumeo's target for 2018 was slight revenue growth and a clearly positive segment EBITDA. However, revenues fell by 24.3% to EUR 51.1 million, mainly due to the lack of diversity in the product range and the considerable underutilisation of the Group's own manufacturing facilities. Gross profit fell by 35.4% to EUR 13.5 million. The number of active customers decreased by -9.6% to 74 thousand. Here, the customer base in Italy remained stable. The average selling price of a piece of jewelry also fell by 6.4% to EUR 68 in 2018 (previous year EUR 73). The composition of new customers in Germany by channel remained stable.

Overall, a consolidated total loss of EUR 25.5 million was generated in financial year 2018, after a loss of EUR 7.3 million in 2017. The earnings before interest, taxes, depreciation and amortisation adjusted for non-operating special items (segment EBITDA) of the continuing operations, decreased to EUR -10.3 million in 2018 (2017: EUR -6.0 million).

Due to the requirements for presenting discontinued operations in accordance with IFRS 5, the profit mark-ups of PWK Jewelry Company Limited are assumed to be the cost of sales of continuing operations. In order to better present the effects of underutilisation of production capacities and opportunity costs in sales, which are included as part of the cost of sales to the continuing operations, we will therefore refer to the Reporting segment (IFRS 8) with regard to the economic development. As part of the segment reporting, we have largely neutralised the accounting effects and allocated expenses and income on the basis of our merchandise management data.

The moderate revenue increase forecast for the Germany & Italy Sales segment and for the Other Sales Business segment with a slightly improved margin and overall positive segment EBITDA developments could not be achieved. This was due to the aforementioned effects of a lack of diversity and overcapacity at the factory.

The Group Functions & Eliminations segment developed much more positively than originally assumed. This was due to an increase in the scope of intra-Group services, which were passed on accordingly.

Sales channels

Sales in the TV business deteriorated in line with the overall development. By comparison, sales in the e-commerce segment declined somewhat less sharply. B2B business was hit the hardest by the decline in sales, which fell by slightly more than 56.8% compared to the previous year. The withdrawal from this segment was due to the overall low margins and the lack of opportunities to expand this segment. Although the classic web shop business attributable to eCommerce sales declined less significantly by 23.6% to EUR 6.4 million, it was also massively affected by the lack of diversity in the product range. Overall, our mobile apps and online bidding agents were significantly less affected by the slump in revenues than the other channels. Despite the difficult circumstances in the past financial year, the shift from the traditional TV business to our online offering, which includes streaming, smart TV, apps, and traditional web shops, is evident.

EUR thousand % of revenue	Note	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017 restated*		YoY in %
Revenue	(1)	51,115	100.0%	67,560	100.0%	-24.3%
Cost of goods sold	(2)	37,602	73.6%	46,635	69.0%	-19.4%
Gross profit		13,513	26.4%	20,926	31.0%	-35.4%
Selling expenses	(3)	23,698	46.4%	23,669	35.0%	0.1%
Administrative expenses	(4)	7,741	15.1%	6,952	10.3%	11.3%
Other operating income	(5)	95	0.2%	566	0.8%	-83.2%
Other operating expenses	(6)	596	1.2%	99	0.1%	501.3%
Earnings before interest and taxes (EBIT)		-18,426	-36.0%	-9,229	-13.7%	-99.7%
Interest income		4	0.0%	0	0.0%	n.a.
Interest and similar expenses		-220	-0.4%	-300	-0.4%	26.7%
Financial result	(7)	-216	-0.4%	-299	-0.4%	-28.0%
Earnings before income taxes (EBT)		-18,642	-36.5%	-9,528	-14.1%	-95.6%
Income tax	(10)	-1,850	-3.6%	317	0.5%	-684.0%
Earnings for the period from continuing operations		-20,491	-40.1%	-9,211	-13.6%	-122.5%

The expenses for finished goods purchased from the discontinued operation PWK also include the profit mark-ups of the Group's own manufactory. The reason for the negative development of gross profit at Group level compared with the previous year was the significantly reduced overall diversity of the product range. Selling expenses remained stable, while administrative expenses rose slightly due to personnel expenses and legal and consulting fees. Other operating expenses include expenses from currency translation. These mainly result from the translation of intra-Group foreign currency receivables as of the reporting date. Their amount is subject to regular fluctuations depending on the development of the respective exchange rates.

Segment reconciliation to Group earnings of continuing operations

01.01. - 31.12.2018	Segment informationen (Continuing operations)	Effects from foreign currency translation	Equity-settled share-based remuneration	Specific valuation allowance on receivables due from cooperation partners & related parties	Legal and consulting fees related to the orderly liquidation of the Group owned factory	Realized inter-company profits attributable to the discontinued Group owned factory	Cost of under-utilization charged by the factory and opportunity cost of distribution	Earnings for the period from discontinued operations	Segment reconciliation items of continuing operations	Group information (Continuing operations)
EUR thousand % of revenue										
Revenue	51,115 100.0%								0	51,115 100.0%
Cost of goods sold	31,451 61.5%	-74				-717	6,943		6,151	37,602 73.6%
Gross profit	19,664 38.5%	74	0	0	0	717	-6,943	0	-6,151	13,513 26.4%
Selling expenses	23,698 46.4%								0	23,698 46.4%
Administrative expenses	7,283 14.2%		201	257					458	7,741 15.1%
Other operating income	95 0.2%								0	95 0.2%
Other operating expenses	0 0.0%	428			167				596	596 1.2%
Earnings before interest and taxes (EBIT)	-11,221 -22.0%	-354	-201	-257	-167	717	-6,943	0	-7,205	-18,426 -36.0%
Interest income	4 0.0%								0	4 0.0%
Interest and similar expenses	-220 -0.4%								0	-220 -0.4%
Financial result	-216 -0.4%	0	0	0	0	0	0	0	0	-216 -0.4%
Earnings before Income taxes (EBT)	-11,437 -22.4%	-354	-201	-257	-167	717	-6,943	0	-7,205	-18,642 -36.5%
Income tax	-1,850 -3.6%								0	-1,850 -3.6%
Earnings for the period	-13,286 -26.0%	-354	-201	-257	-167	717	-6,943	-6,913	-14,118	-27,404 -53.6%
<i>Earnings of shareholders of elumeo SE</i>	<i>-13,286 -26.0%</i>	<i>-354</i>	<i>-201</i>	<i>-257</i>	<i>-167</i>	<i>717</i>	<i>-6,943</i>	<i>-6,913</i>	<i>-14,118</i>	<i>-27,404 -53.6%</i>
Earnings before interest and taxes (EBIT)	-11,221 -22.0%	-354	-201	-257	-167	717	-6,943	0	-7,205	-18,426 -36.0%
Depreciation and amortization on property, plant and equipment and intangible assets	940 1.8%								0	940 1.8%
EBITDA	-10,281 -20.1%	-354	-201	-257	-167	717	-6,943	0	-7,205	-17,486 -34.2%

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 (segment adjusted EBITDA) adjusted for non-operative special items serves as a key financial indicator for the presentation and management of operating earnings. In order to calculate segment EBITDA, EBITDA before special items is adjusted by one-off and / or non-operative (special) items by type and amount. The non-operating items are classified for each item in the Consolidated Statement of Income. The main factors influencing the segment EBITDA are the costs of underutilisation of the manufactory and the opportunity costs of the manufactory. In doing so, the effects of underutilisation (mainly labour costs) and, in particular, the effects of the lack of diversity were taken into account. As a result, the adjusted segment EBITDA for 2018 for continuing operations is EUR -10.3 million.

Asset position**ASSETS**

EUR thousand % of balance sheet total	Note	31 Dec 2018		31 Dec 2017		YoY in %
Non-current assets						
Intangible assets	(14)	578	2.0%	755	1.4%	-23.4%
Property, plant and equipment	(15)	2,207	7.7%	9,374	17.1%	-76.5%
Other financial assets	(19)	409	1.4%	394	0.7%	3.7%
Other non-financial assets	(20)	0	0.0%	1,871	3.4%	-100.0%
Deferred tax assets	(31)	0	0.0%	1,866	3.4%	-100.0%
Total non-current assets		3,193	11.1%	14,258	26.1%	-77.6%
Current assets						
Inventories	(16)	20,453	71.0%	33,548	61.3%	-39.0%
Trade receivables	(17)	1,416	4.9%	2,963	5.4%	-52.2%
Receivables due from related parties	(18)	12	0.0%	224	0.4%	-94.8%
Other financial assets	(19)	58	0.2%	43	0.1%	36.0%
Other non-financial assets	(20)	905	3.1%	1,675	3.1%	-46.0%
Cash and cash equivalents	(21)	2,608	9.0%	1,512	2.8%	72.5%
Total current assets		25,451	88.3%	39,965	73.1%	-36.3%
Assets held for sale	(8),(9)	183	0.6%	485	0.9%	-62.4%
Total assets		28,827	100.0%	54,709	100.0%	-47.3%

The balance sheet total as of 31 December 2018 decreased by 47.3% compared to 31 December 2017 to EUR 28.8 million. On the assets side, property, plant and equipment changed as a result of the classification of the production facilities as discontinued operations. Inventories were significantly reduced in order to maintain liquidity. Approximately EUR 5.9 million is attributable to the discontinued Manufactory division. Inventories break down as follows: Approx. 60% of the inventory value consists of silver jewelry and approx. 39% of gold jewelry. According to quantities, approx. 90% of our stock consists of silver jewelry. With respect to the type of jewelry, rings account for around 50% of our jewelry. Pendants and earrings as well as necklaces form the following categories with each having about a 10%-15% share. The reduction in trade receivables resulted from the reduction in receivables from the B2B business as well as balance sheet date-related effects. Other current assets are lower compared to the previous year mainly due to lower input tax receivables.

EQUITY & LIABILITIES

EUR thousand % of balance sheet total	Note	31 Dec 2018		31 Dec 2017		YoY in %
Equity						
Issued capital	(22)	5,500	19.1%	5,500	10.1%	0.0%
Capital reserve	(22),(23)	34,380	119.3%	34,179	62.5%	0.6%
Accumulated losses		-38,856	-134.8%	-11,452	-20.9%	-239.3%
Foreign currency translation reserve	(13)	5,653	19.6%	3,725	6.8%	51.8%
Total equity		6,677	23.2%	31,952	58.4%	-79.1%
<i>Attributable to shareholders of elumeo SE</i>						
		<i>6,677</i>	<i>23.2%</i>	<i>31,952</i>	<i>58.4%</i>	<i>-79.1%</i>
Non-current liabilities						
Financial debt	(24)	0	0.0%	3,382	6.2%	-100.0%
Other non-current financial liabilities	(25)	0	0.0%	273	0.5%	-100.0%
Provisions	(26)	7,455	25.9%	676	1.2%	n.a.
Other non-financial liabilities	(29)	25	0.1%	25	0.0%	0.0%
Total non-current liabilities		7,480	25.9%	4,355	8.0%	71.8%
Current liabilities						
Financial debt	(24)	2,000	6.9%	7,577	13.9%	-73.6%
Other financial liabilities	(25)	260	0.9%	304	0.6%	-14.5%
Provisions	(26)	868	3.0%	547	1.0%	58.5%
Liabilities due to related parties	(27)	57	0.2%	7	0.0%	707.7%
Trade payables		8,950	31.0%	7,340	13.4%	21.9%
Advance payments received		59	0.2%	158	0.3%	-62.9%
Tax liabilities	(28)	100	0.3%	100	0.2%	0.0%
Other non-financial liabilities	(29)	1,366	4.7%	1,236	2.3%	10.5%
Total current liabilities		13,660	47.4%	17,270	31.6%	-20.9%
Liabilities directly associated with assets held for sale	(8),(9)	1,011	3.5%	1,132	2.1%	-10.7%
Total equity & liabilities		28,827	100.0%	54,709	100.0%	-47.3%

On the liabilities side of the balance sheet, shareholder's equity decreased as of 31 December 2018 due to the negative result, which also includes the results from discontinued operations. Non-current financial liabilities in the amount of EUR 3.4 million related to the financing of the factory building of the Thai subsidiary, which is now allocated to the discontinued operation. Current financial liabilities include EUR 2.0 million, of which EUR 1.0 million are due on 30 April 2019 and 30 June 2019, respectively. Trade payables were higher than in the previous year due to the balance sheet date.

Financial position

EUR thousand	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017 restated*	1 Jan - 31 Dec 2016
Earnings before taxes (EBT) of continued operations		-18,642	-9,528	+124,585
Earnings before taxes (EBT) of discontinued operations		-6,713	+3,430	+73,186
Earnings before taxes (EBT)		-25,354	-6,099	+197,771
= Net cash flow from operating activities of continued operations	(30)	-6,289	-9,234	+122,352
= Net cash flow from operating activities from discontinued operations	(8),(9)	+5,583	+11,209	+79,601
= Net cash flow from investing activities of continued operations	(30)	-453	-184	-973
= Net cash flow from investing activities from discontinued operations	(8),(9)	+3,886	-47	-55
= Net cash flow from financing activities of continued operations	(30)	-3,317	-2,788	-688
= Net cash flow from financing activities from discontinued operations	(8),(9)	+1,016	+776	+3
= Cash and cash equivalents on end of period		+2,608	+1,511	+213,712
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	(21)	+2,608	+1,512	+213,712
+ Restricted cash	(21)	0	0	0
- Current account overdrafts	(24)	0	-1	-0
= Cash and cash equivalents at end of period		+2,608	+1,511	+213,712

Cash flow from operating activities was EUR -6.3 million in 2018, representing an outflow of funds. The loss from earnings before taxes of EUR 25.4 million was mainly compensated for by the reduction in inventories and an overall improvement in working capital. In addition, EUR 7.7 million of non-cash provisions for potential risks from the liquidation of the Group's own manufactory are included. The other non-cash expenses mainly relate to depreciation of fixed assets and share-based payments. In 2018, the elumeo Group invested around EUR 0.5 million (2017: EUR 0.2 million) in property, plant and equipment and intangible assets. This mainly relates to replacement investments.

The cash flow from financing activities in 2018 resulted from the repayment of financial liabilities. Originally, a total of EUR 5.0 million was due as of 31 December 2018. EUR 2.0 million of this amount was deferred again in accordance with an agreement with the financing bank. The new due date is now EUR 1.0 million on 30 April 2019 and 30 June 2019, respectively. As of 31 December 2018, the elumeo Group had cash and cash equivalents of EUR 2.6 million (31 December 2017: EUR 1.5 million). The elumeo Group was in a position to meet its financial obligations at all times.

D. Economic situation of elumeo SE

Preliminary remarks

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

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

Business activity

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

Earnings position

Other operating income increased by EUR 0.4 million to EUR 1.9 million. This increase is mainly due to the provision of intercompany IT development services for sales companies of the elumeo Group. The services concern the maintenance and further development of the enterprise software used consisting of company-internal web applications and user software such as mobile apps and smart TV apps. In addition, personnel services were provided in the areas of Group administration and accounting. Personnel expenses increased slightly by EUR 0.1 million to EUR 1.0 million. In financial year 2018, the Company employed an average of around 12.5 full-time equivalent (FTE) employees (previous year: 7.75 FTE). Personnel expenses also include the remuneration of the approximately 3.25 FTE (previous year: 3.0 FTE) Managing Directors.

Depreciation on financial assets of EUR 3,383 thousand (previous year: EUR 0 thousand) relates exclusively to the investment in Silverline Distribution Ltd., which is the parent company of the Group-owned PWK Jewelry Company Ltd. manufactory and whose carrying amount was adjusted to a fair value of EUR 1.00 in connection with the discontinuation of the manufactory's business activities in accordance with Section 253 (3) sentence 5 HGB.

Other operating expenses totalling EUR 2,926 thousand (previous year: EUR 2,309 thousand) include remuneration for the personnel services of an affiliated company in connection with the provision of internal IT development, administration and sales services for the sales subsidiaries of the elumeo Group (EUR 1,539 thousand, previous year: EUR 1,191 thousand) as well as the remuneration for the

non-executive members of the Executive Board, the accrued costs for the preparation and audit of the annual and Consolidated Financial Statements and for the Annual General Meeting for financial year 2018, as well as current legal, consulting and marketing costs, recruitment and provision of personnel, travel expenses and costs of the stock exchange listing.

In financial year 2018, expenses of an extraordinary amount of EUR 3,550 thousand (previous year: EUR 1,026 thousand) were incurred. These related to:

- the permanent value adjustment of the investment in Silverline Distribution Ltd. amounting to EUR 3,383 thousand (write-downs on financial assets) and
- legal and consulting costs of EUR 167 thousand in connection with the discontinuation of the business activities of the manufactory of the elumeo Group (other operating expenses).

In the previous year, extraordinary expenses related to:

- the write-off of irrecoverable receivables from affiliated companies in the course of the discontinuation of the loss-making business operations of the British subsidiary R&C UK (depreciation of current assets), and
- external consulting and auditing services in connection with the prolongation of bank loans (other operating expenses, net).

The earnings before taxes of elumeo SE deteriorated from EUR -1,700 thousand in 2017 to EUR -4,550 thousand in 2018, mainly due to the permanent impairment of the investment in Silverline Distribution Limited. Taking into account the loss carried forward from the previous year, the balance sheet loss for 2018 amounts to EUR -13,380 thousand.

Asset and financial position

As a result of the discontinuation of the activities of the Group's own manufactory, the Executive Board of elumeo SE expects a permanent impairment of Silverline Distribution Ltd. and in the year under review wrote down the stake held in Silverline Distribution Ltd. to a fair value of EUR 1.00 (book value of the investment as of 31 December 2017: EUR 3,382,716.00).

Loans to affiliated companies include interest-bearing financial receivables from the subsidiary Juwelo Deutschland GmbH from the loan of funds. The funds granted originate on the one hand from the proceeds received in the course of the IPO in financial year 2015 and on the other hand from a loan granted by a bank. The loans reported have remaining terms to maturity as of the balance sheet date until 30 June 2019 (EUR 900 thousand) and 31 December 2019 (EUR 28,146 thousand). The contracts include extension options that are highly likely to be exercised.

The equity of EUR 28.1 million is slightly lower than in the previous year. The equity ratio increased slightly to 91.3% (previous year 85.8%).

Liabilities decreased from EUR 5.0 million in 2017 to EUR 2.0 million in 2018 due to the repayment of loans.

The balance sheet total of elumeo SE decreased accordingly from EUR 38.1 million in 2017 to EUR 30.8 million in 2018. Overall, the economic and financial development of elumeo SE is largely dependent on that of the elumeo Group. Reference is made to the corresponding information in the Consolidated Financial Statements.

E. Supplementary Report

The members of the Board of elumeo SE were informed by third parties that SWM Treuhand AG Wirtschaftsprüfungsgesellschaft, Munich, has allegedly filed a lawsuit with the District Court in Berlin against elumeo SE and individual members of the Board involving an amount of approximately EUR 10 million from various bases for claims. The corresponding claim is related to the legal disputes described in the Notes to the Consolidated Financial Statements under [F. Material discretionary decisions and estimates].

After extensive analysis involving legal advisors, the Executive Board of elumeo SE came to the conclusion that, in addition to the question of whether the corresponding claim was formally asserted, the stated bases of the claim are also insubstantial.

F. Risk and Opportunity Report

Risk Management System

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

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

Internal Control System

In reference to Section 315 no. 4 German Commercial Code (HGB), an explanation of the structure of the internal control and risk management system is provided as part of the accounting process. The internal control and risk management system has an appropriate structure and processes that are defined accordingly. It is set up so that timely, uniform and accurate accounting for all business processes and transactions is guaranteed. For consolidation of the companies included in the Consolidated Financial Statements, the internal control system ensures that legal standards, accounting regulations and internal instructions for accounting are followed. Changes therein are continuously analysed for their relevance and impact on the Consolidated Financial Statements and considered accordingly. The finance department of elumeo Group actively supports all business units and subsidiaries, both in developing common guidelines and instructions for accounting-related processes and in monitoring operational and strategic objectives. Besides the defined controls, automated and manual coordination processes, separation between executive and controlling functions and compliance with directives and operating instructions are an integral part of the internal control system.

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

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

Basic methodology

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

With regard to the risk classification in the previous year, changes in the risk classification have resulted for the following risk categories, which regularly include an increase in the risk:

- Liquidity risk
- Control risk

Risk assessment – Classes of Probability of Occurrence

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

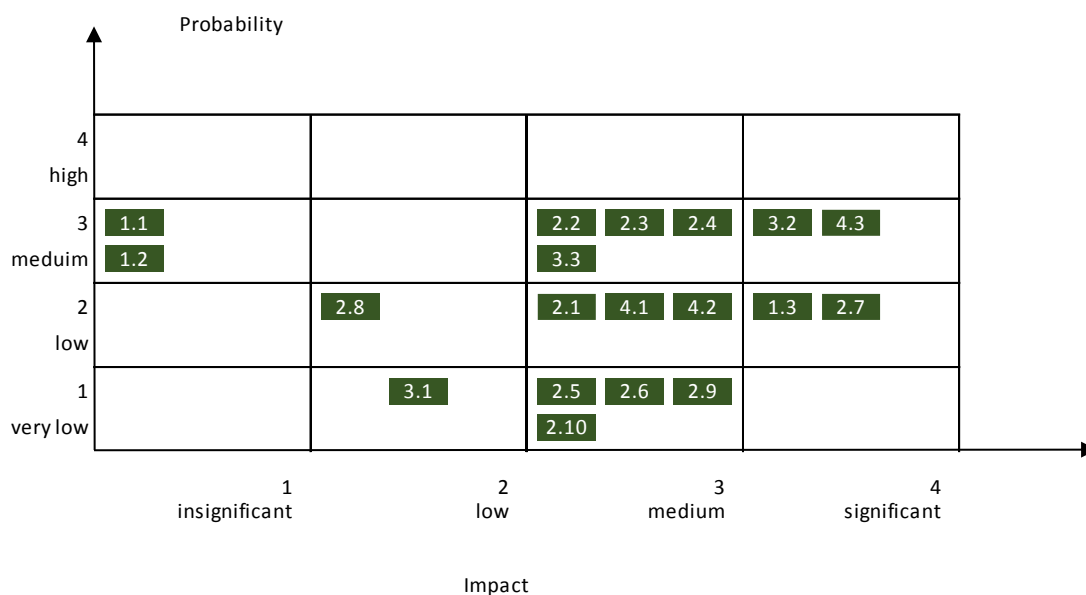
Risk assessment – Risk Classes

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

Risk Overview – Excerpt of major risks

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

Risk Overview – Risk Matrix



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

Explanation of the main risks

1. Economic and Strategic Risks

1.1. Macroeconomic risks

The current economic forecast of the Ifo Institute¹ forecasts strong GDP growth in 2019 for the euro zone. At the same time, however, there are warnings of increasing levels of indebtedness in certain areas of the financial markets. Should there be a reassessment of risk premiums, this could lead to a worsening of the situation on the money and capital markets. Downside macroeconomic risks also come from the fragile banking sectors of some countries (including Italy), which continue to be burdened by a relatively high proportion of bad loans.

In addition, there are macroeconomic risks to the European economy in the form of political developments that can lead to unstable governance, insecurity or economic disintegration. In addition to the still unclear outcome of the Brexit negotiations, in 2019, especially in export-oriented countries like Germany, the risk of increasing protectionist and nationalist tendencies abroad weighs heavily.

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

^[1] Eurozone Economic Outlook, 10 January 2019

1.2. Competitive risks

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

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

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

1.3. Growth risks

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

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

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

2. Operational Risks

2.1. Design (up-to-datedness of products)

A wide range of styles is necessary to ensure the long-term success of our business. Our central purchasing department in Berlin manages the selection of designs with the help of local experts in Thailand and India in order to meet the respective market preferences and current trends. Current trends are observed through market monitoring and, if necessary, new designs are developed or existing designs modified.

2.2. Reputational risk (quality and ethics)

Our jewelry is made by local partners and producers with whom our buyers have many years of experience. 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 central purchasing team in Berlin and our cooperation with local experts. 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 made a significant contribution to our overall performance in financial year 2018. Through corresponding contracts, we secure ourselves the necessary bandwidth in order to broadcast our TV programme.

At the same time, we try to establish alternative access routes to our customers via new distribution channels such as mobile apps.

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 in Germany as well as abroad will therefore be of key importance in order to ensure the quality and creativity of our products and services.

2.7. IT and information risks

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

2.8. Returns

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

2.9. General insurance protection and accident risks

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

2.10. Takeover risks

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

3. Financial and Liquidity Risks

Due to the types of payment that are used (advance payment, credit cards, cash on delivery and purchases by placing orders with no risk), there are no relevant payment defaults. Interest rate risks can be expected to continue to be low due to the expected development in Germany.

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.

For this reason, the main objective of liquidity management is to ensure solvency at all times. Through the ongoing planning of liquidity needs and liquidity monitoring as well as the strengthening of management in financial year 2018 by hiring a new executive director specialising in restructuring, an improvement of the management of this risk is intended. Against the backdrop of significant liquidity outflows in financial year 2019 from non-extended loans totalling EUR 2.0 million and a complete reorganisation of the elumeo Group in the jewelry supply segment, liquidity development is monitored in particular in the following areas:

Orderly liquidation of Thai business activities and related litigation

The most significant liquidity risk is unplanned cash outflows from the cessation of the production activities in Thailand. The liquidation process in Thailand is accompanied by a series of legal disputes and the process is complex in its management. Due to the legal form of the Thai company as a limited company and the specific collateral conditions of the lenders of the Thai company, the elumeo Group assumes that there will be no significant cash outflows for the orderly settlement in the next two financial years. It is assumed that, as part of the orderly liquidation, the assets of the Thai manufacturing company can be utilised to cover existing credit and supplier liabilities. Provisions of EUR 7.7 million were taken into account in the Consolidated Financial Statements for maximum possible payments in connection with the orderly liquidation. The Executive Board of elumeo estimates

that the occurrence of a scenario in which payment entitlements fall due in this amount may only be probable after lengthy legal action and litigation. By contrast, all alternative scenarios for this scenario do not lead to significantly lower liquidity burdens for the elumeo Group. Furthermore, the Executive Board estimates that the eligibility of the individual on-site settlement steps in Thailand by the Executive Board of elumeo SE is a key factor for the successful implementation of the orderly liquidation. This controllability is limited if the local management of the Thai company does not or does not fully comply with the instructions of elumeo SE. The Executive Board seeks to reduce this risk through a change in local management and greater involvement in discussions with credit and supplier creditors. As the Executive Board's efforts have been partially implemented, the Executive Board believes that a maximum risk measure should be used, but points out, as shown, the likelihood of a liquidity outflow from this risk over the medium term.

In the course of further legal disputes which are already pending in courts or whose opening was announced to elumeo SE and which are indirectly connected with the liquidation of the Thai subsidiary, the Executive Board of elumeo also assumes that – with the exception of legal consulting fees – no liquidity outflows will occur in the next two financial years. The Executive Board of elumeo, together with various legal advisors, has scrutinized the legal and economic substance of the various claims asserted and has in all cases come to the conclusion that these claims are not substantive and the alleged grounds of entitlement are not legally tenable. Insofar as this assessment of the Executive Board should prove to be incorrect in the case of a judicial enforcement, liquidity outflows would only be expected after completion of the entire legal process in the far future.

Risks from the operative business

In the area of operational business development, the focus of liquidity control is on the monitoring of market developments, especially in the various sales channels and customer groups, as well as ongoing monitoring of the cost-cutting and quality improvement measures initiated at jewelry suppliers. In addition, the cost reduction programme is monitored. The Executive Board of elumeo assumes a positive cash flow of EUR 0.1 million to EUR 1.0 million in its forecast of liquidity development in the operating area. The Executive Board of elumeo has applied sensitivity considerations, which include in particular negative deviations from the operating plan. According to the estimates of the Executive Board, there is currently no planning scenario that can be classified as probable, which leads to liquidity bottlenecks in the case of negative deviations in operating schedules, which cannot be compensated for by countermeasures. The background to this assessment is, on the one hand, that the elumeo Group has maintained and expanded its market position over the past few years, and that a complete changeover in the supply of jewelry could continue to be realised in the short term starting in the 4th quarter of 2018. Profitability with a higher product range and the same or an improved quality level of the delivered products is foreseeable.

Overall assessment

Since the risks from the liquidation of the Thai manufacturing company and related litigation described above cannot be reduced beyond the measures taken by the Executive Board of elumeo SE and risks continue to be incurred from the operating business model, the overall liquidity risk must be classified as existentially threatening.

3.3. Currency risk

The elumeo Group is exposed to currency risks from the British pound (GBP), US dollar (USD), Thai baht (THB) and Indian rupee (INR). Hedging of these risks 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, USD, THB and INR transactions. Delivery agreements are predominantly made on a euro basis. This means that there is only a low risk of short-term currency fluctuations. Nevertheless, margin risks arise as a result of devaluations of the currencies in the sales territories. These arise due to the then higher acquisition costs in the sales territories due to the currency difference.

4. Fiscal, Regulatory and Legal Risks

The elumeo Group's business is subject to regulatory requirements and risks and involves uncertainties regarding legal and regulatory conditions in the countries the elumeo Group operates in. 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. A data protection officer attends to this topic for the elumeo Group.

4.2. Money laundering prevention

The business processes in the elumeo Group are structured in such a way that the risk of money laundering is minimised. The money laundering officer of the elumeo Group constantly monitors any necessary measures.

4.3. Tax risks

The elumeo Group is exposed to tax risks, e.g. regarding so-called "transfer-pricing," value-added tax (VAT) requirements, an investment promotion privilege and income tax exemption in Thailand or complex restructurings in the Group in a short period of time. The majority of these tax risks are historical and are monitored by the Executive Board through close cooperation with tax advisors and tax authorities. The tax audits that have been carried out so far, and whose conclusion is imminent, have not revealed any indicators of the realisation of tax risks. In particular, the complex issues posed by the liquidity risk in the orderly liquidation of the Thai production company may lead to divergent assessments of the tax environment by tax authorities and may result in material tax payments. Against this backdrop, the overall assessment of the potential impact of tax risk has been adjusted.

Furthermore, the tax burden on elumeo may increase due to changes in tax law or the application or interpretation of standards as a result of future tax audits by tax authorities.

Chances

Growth market online jewelry

According to a study conducted by TechSci Research, the global jewelry market is expected to grow from EUR 256 billion to EUR 370 billion between 2017 and 2022, an annual average rate of 7.6%. It can be assumed that the share of mail order in the jewelry market will continue to increase. In the study "A multifaceted future: The jewelry industry in 2020" by McKinsey & Company, a doubling of the global share of online trading in the jewelry market is assumed between 2013 (4-5%) and 2020 (10%). Based on the sales figures of TechSci Research, the online jewelry market would thus increase from EUR 10.7 billion in 2017 to EUR 30.9 billion in 2022. In addition, McKinsey forecasts an increase

in the sales share of brand jewelry. Here the elumeo Group has good opportunities to benefit from this development through its own brands.

Development of the eCommerce market

The trend toward eCommerce at the expense of retail stores seems unbroken overall. The elumeo Group believes that the eCommerce market – similar to many industry studies – will continue to grow by a double digit percentage annually and that the elumeo Group can benefit disproportionately from this development because of its leading European market position.

Within eCommerce growth, especially online sales via smartphones are steadily increasing. BI Intelligence predicts that global mobile commerce sales will increase to EUR 237.4 billion by 2020, accounting for approximately 45% of total eCommerce revenue. With its steadily further developed app and optimised presentation of web shops for smartphones, the elumeo Group sees itself in a very good starting position here.

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. The management also has extensive, longstanding and detailed market and industry knowledge.

G. Forecast Report

Macroeconomic and sector-related situation

In its current economic forecast^[1], the Ifo Institute assumes that economic growth in the euro zone will continue to weaken. In both the first and second quarters of 2019, growth is expected to be only 0.3 % year-on-year. Thus, the development from 2018 would also continue in 2019. Although the domestic economy continues to support economic development, the Ifo Institute now also sees significant risks of a downturn, such as trade conflicts or the Brexit.

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

According to a study conducted by TechSci Research, the European jewelry market can be expected to continue to grow. Average annual growth of 5.65% is forecast for 2018 to 2022. There also appears to be above-average growth in the e-commerce sales channel in the jewelry sector. McKinsey projects that the global share of online trade in the jewelry market will double from 5% to 10% between 2013 and 2020. The firm also cites other key trends that will continue to shape the jewelry industry

^[1] Eurozone Economic Outlook, 9 January 2019

in the years to come: internationalisation and consolidation of a still national market. Expectations call for an increase in brand jewelry (whereby the majority of jewelry will continue to be non-branded products), an increase in "hybrid consumption," i.e. the tendency to consume both high and low prices, and the acceleration of the value chain ("fast fashion"), including vertical integration.

Development of the Group (continuing operation)

For the Group, we expect single-digit revenue growth in 2019. The gross profit margin should continue to improve as a result of the multi-manufacturing strategy adopted in 2018 and the discontinuation of the B2B business. Here we expect a significant recovery in the % margin and thus disproportionate gross profit growth in the low double-digit percentage range. In addition, we expect the cost base to improve in 2019 both in absolute terms and in relation to sales. In particular, reduced coverage costs and costs for external service providers will be significantly reduced. But we also expect reduced expenses in other cost items, especially in relation to sales (e.g. costs for payment service providers and costs for SEO marketing). The cost-cutting measures introduced are already having an effect and have essentially been implemented. The restructuring of the sourcing of product has also taken place and will be further optimised. In the process, we will continuously expand the existing supplier network. In order to take into account the associated uncertainties, the Group's management plans for 2019 segment EBITDA for the segment continuing operations ranging from a low negative single-digit million amount to "break-even."

In order to ensure the Group's solvency at all times, corresponding reductions in inventories are also planned for 2019. If the Company's profitability cannot be increased or working capital cannot be improved, which are scenarios that are considered to be highly unlikely, this could jeopardise the Group's solvency at any time. The top priority in 2019 will be the return to a positive development of the elumeo Group's profitability while at the same time improving liquidity.

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 and its Managing Directors.

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 Board members.

Principles of the remuneration system for the Executive Board and Managing Directors

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 of the Executive Board receives 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 Executive Board 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 and the Managing Directors

Non share-based remuneration (performance-based remuneration)

The Managing Directors and non-executive members of the Executive Board in office on 31 December 2018 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 700 thousand (previous year: EUR 698 thousand) in financial year 2018, exclusively for their activities as organ members of the Company. In 2018, the non-executive members of the Executive Board who resigned during the year in 2018 received fixed annual remuneration of EUR 133 thousand (previous year: EUR 145 thousand) exclusively for their activities as members of executive bodies. The remuneration granted to non-executive Executive Board members was partly not accompanied by a payment in financial year 2018. The amounts in question were deferred until 31 December 2018.

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 2018, 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)

In financial year 2018, a Managing Director was granted 20,000 option rights. The fair value at the grant date was EUR 34,600.

Other services

In financial year 2018, no other services were provided.

Other notes

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

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

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

I. Declaration of corporate governance

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

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

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

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

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

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

Relevant management practices

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

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

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

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

As opposed to common practice, the annual financial statements and Management Report of elumeo SE and the Consolidated Financial Statements and Group Management Report for the elumeo Group, both for financial year 2018, were not published within 90 days of the end of financial year 2018. The reason for this is that production by the Group company PWK Jewelry Company Ltd. was discontinued at the end of 2018. As a result, this has to be accounted for as a discontinued operation. The change in accounting takes additional time. During the financial year, shareholders and third parties are additionally informed through the half-year financial report and through quarterly reports in the first and third quarters.

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 three of the four 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 seven members on 31 December 2018. 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 provides 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 2018, four 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 2018, there was no conflict of interest with the Managing Directors of elumeo SE.

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

Competence profile and diversity concept for the Executive Board

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

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

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

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

Number of independent Executive Board members: According to the laws, the Executive Board is not allowed to have more than fifteen members. The statutes of elumeo SE also limit the number to twelve members. By nature, the Managing Directors, i.e. the members of the Executive Board, are not independent. The SE Act requires that the majority of the members of the Executive Board be non-executive members. As long as the Executive Board consists of seven members, as is currently the case, there are four non-executive members. These four non-executive members of the Executive Board should always have a sufficient number of independent members, taking into account the shareholder structure of elumeo SE. In view of the fact that the majority shareholders Blackflint Ltd. is represented by a non-executive member of the Executive Board, a total of three independent members of the four non-executive members of the Executive Board are considered appropriate. These two non-executive members of the Executive Board are Anette Bronder, Dr. Frank Broer and Gregor Faßbender-Menzel.

Stipulations on promoting the participation of women in management positions

As a result of the law on equal participation of women and men in management positions in the private and public sector issued in May 2015, elumeo SE is required to set targets for the share of women at the level of the Executive Board, the Managing Directors and the subsequent management level. In addition, it had to determine until when the respective proportion of women should be reached. The law stipulates that the implementation period can be up to five years. elumeo SE is proud to employ a high proportion of women on all management levels of its subsidiaries on average. elumeo actively promotes the compatibility of family and work through, for example, part-time and half-day models, flexible working hours and home office days. elumeo SE itself has no management levels below the Managing Directors, given its small number of employees. The share of women was 14.3% at the level of the Executive Board, and 0% with respect to the Managing Directors on 31 December 2018. To remain prudent, the Executive Board decided to take the current ratio and thus the target of 14.3% for the Executive Board and 0% for the Managing Directors as the target for the number of women to be achieved by 30 June 2022. Nevertheless, the Company hopes to be able to fill any possible vacant positions with qualified women in the future.

Compliance Management System

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

J. Sustainability Report / Non-Financial Group Statement

Our mission and our key stakeholders

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

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

As a publicly traded company, shareholders and our employees are naturally very interested in the sustainability of our economic activities. The third important stakeholder group is our customers,

who follow our communication on sustainability issues with great interest.

Sustainability management

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

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

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

Our employees

The elumeo Group could not be successful without dedicated and creative employees. Therefore, fair working conditions for all workers and the promotion of a safe working environment are particularly important. We have kept the familiar and open way of working from our start-up time and give our employees the greatest possible flexibility. An exchange of employees from different locations strengthens our integrative corporate culture and promotes cooperation as a team.

Inclusion and diversity are not just buzzwords for the elumeo Group. They are lived out. The majority of our employees are female (Group-wide 51.1%). The diversity of nationalities, religions, familial constellations or sexual orientations are not recorded, but are positively noticeable at all locations.

Supply chain and raw materials

A major sustainability risk in the area of gemstones and jewelry is the unethical extraction of processed raw materials, in particular through violations of human rights, such as child labour or the exploitation of labour. One of our advantages is that we manufacture our own jewelry, partly in close cooperation with local partners, and our buyers have long relationships with the producers. This allows us to make sure of the working conditions under which our jewelry is manufactured by means of random visits and to ensure that our high internal standards are maintained. In addition, through close cooperation with our suppliers and corresponding contractual agreements, our purchasing department ensures that they work seriously and, in turn, purchase raw materials, especially gold and silver, as well as gemstones exclusively from conflict-free regions in compliance with current ethical standards. In addition, we regularly monitor our contractual partners to ensure that they are not accused of breaching any nationally or internationally applicable sanctions. Our compliance management system ensures, among other things by means of a whistleblowing hotline, that any doubts about the integrity of suppliers are directly brought to the attention of the Compliance Officer of the elumeo Group and the head of the Audit Committee as well as the person responsible for environmental, social and governance issues on the part of the Executive Board.

Integrity

Ethical trading and integrity are of paramount importance to us. The elumeo Group not only meets

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

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

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

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

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

Composition of subscribed capital

The subscribed capital of elumeo SE was a total of EUR 5,500,000 on 31 December 2018 (31 December 2017: 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 2018, 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 notifications pursuant to Section 33 (1) WpHG, please refer to Section [I. Other disclosures: Notifications of voting rights pursuant to Section 33 (1) 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 (Authorised Capital 2015) by 6 April 2020. The Executive Board is authorised to determine the further content of share rights and the terms of issue. Existing shareholders have subscription rights when new shares are issued.

The Executive Board was also authorised to issue convertible bonds or warrant bonds up until 6 April 2020 denominated in the bearer's name in a total amount of up to EUR 150.0 million and to issue to the bearers or creditors conversion rights or option rights to subscribe to up to 1,600,000 new no-par value bearer shares with a pro-rata share in the issued capital of up to EUR 1,600,000 (Contingent Capital 2015/I). As of 31 December 2018, 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 2018, no treasury shares were held.

The authorisation may be exercised by the Company in whole or in part, once or several times, in pursuit of one or several purposes. The shares may also be purchased on the stock exchange by using derivatives or via a tender offer to all shareholders, and/or a public invitation to submit offers for sale. Acquired own shares may be resold again or be withdrawn without any further resolution. When reselling its treasury shares, the Executive Board is authorised to exclude the shareholders' subscription rights either entirely or partly in certain cases by resolution of the Annual General Meeting.

Significant agreements that are conditional upon a change of control following a takeover bid
elumeo SE has not signed any significant agreements that contain provisions relating to a change of control. elumeo SE has a secured joint credit agreement that was comprised of two term loans in the amount of EUR 5,000 thousand as of 31 December 2018. In case of change of control over elumeo SE ("Change of Control") to the effect that the voting rights differ from the defined shareholder structure by at least 25.0% points at the time that the contract was signed, the lender may demand that the credit agreement be ended and require repayment of all outstanding amounts.

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

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

L. Overall assessment

Overall, the Managing Directors assess the course of financial year 2018 as extremely difficult. Although the discontinuation of sales activities in the UK eliminated one of the main causes of the losses in recent years, the lack of diversity in the product range caused significant declines in sales and margins. Even though the changeover from the Group's own manufactory to goods procurement in close cooperation with local partners in Bangkok and Jaipur and a total of approx. 22 suppliers was completed quickly, extensive process adjustments caused start-up problems. With the restructuring in purchasing and on the cost side, we expect a significant positive development in earnings. With a continuously positive development in Germany and the targeted reduction of losses in Italy, the Managing Directors are confident about the year 2019 and subsequent years. The elumeo Group is constantly growing steadily in the eCommerce segment and is thus further expanding its market position as the leading European electronic retailer of gemstone jewelry in this strategically important area.

Berlin, 3 May 2019

elumeo SE

The Managing Directors



Bernd Fischer

Thomas Jarmuske

Boris Kirn

Ingo Stober



elumeo

Annual Report 2018

Consolidated Statement of Income

for the financial years from 1 January to 31 December 2018 and 2017

EUR thousand % of revenue	Note	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017 restated*		YoY in %
Revenue	(1)	51,115	100.0%	67,560	100.0%	-24.3%
Cost of goods sold	(2)	37,602	73.6%	46,635	69.0%	-19.4%
Gross profit		13,513	26.4%	20,926	31.0%	-35.4%
Selling expenses	(3)	23,698	46.4%	23,669	35.0%	0.1%
Administrative expenses	(4)	7,741	15.1%	6,952	10.3%	11.3%
Other operating income	(5)	95	0.2%	566	0.8%	-83.2%
Other operating expenses	(6)	596	1.2%	99	0.1%	501.3%
Earnings before interest and taxes (EBIT)		-18,426	-36.0%	-9,229	-13.7%	-99.7%
Interest income		4	0.0%	0	0.0%	n.a.
Interest and similar expenses		-220	-0.4%	-300	-0.4%	26.7%
Financial result	(7)	-216	-0.4%	-299	-0.4%	-28.0%
Earnings before income taxes (EBT)		-18,642	-36.5%	-9,528	-14.1%	-95.6%
Income tax	(10)	-1,850	-3.6%	317	0.5%	-684.0%
Earnings for the period from continuing operations		-20,491	-40.1%	-9,211	-13.6%	-122.5%
Earnings for the period from discontinued operations	(8),(9)	-6,913	-13.5%	3,168	4.7%	-318.2%
Earnings for the period		-27,404	-53.6%	-6,043	-8.9%	-353.5%
<i>Earnings of shareholders of elumeo SE</i>		<i>-27,404</i>	<i>-53.6%</i>	<i>-6,043</i>	<i>-8.9%</i>	<i>-353.5%</i>
Earnings per share in EUR (basis and diluted) applied to:						
- Earnings of shareholders total	(12)	-4.98		-1.10		-353.5%
- Earnings of shareholders from continuing operations	(12)	-3.73		-1.67		-122.5%
- Earnings of shareholders from discontinued operations	(12)	-1.26		0.58		-318.2%

* Due to the classification of the production activities as discontinued operation PWK in accordance with IFRS 5, some of the amounts disclosed differ from the amounts in the Consolidated Financial Statements for financial year 2017 (see section B. Basis of preparation | General information).

Consolidated Statement of Comprehensive Income

for the financial years from 1 January to 31 December 2018 and 2017

EUR thousand % of revenue	Note	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017 restated*		YoY in %
Earnings for the period		-27,404	-53.6%	-6,043	-8.9%	-353.5%
<i>Items which will be reclassified to the consolidated statement of income in subsequent periods:</i>						
Differences from foreign currency translation of foreign subsidiaries		-30	-0.1%	42	0.1%	-169.8%
Other comprehensive income from continuing operations	(13)	-30	-0.1%	42	0.1%	-169.8%
Differences from foreign currency translation of foreign subsidiaries		1,958	3.8%	-1,340	-2.0%	246.1%
Other comprehensive income from discontinued operations	(13)	1,958	3.8%	-1,340	-2.0%	246.1%
Total comprehensive income		-25,476	-49.8%	-7,340	-10.9%	-247.1%
<i>Total comprehensive income of shareholders of elumeo SE</i>		<i>-25,476</i>	<i>-49.8%</i>	<i>-7,340</i>	<i>-10.9%</i>	<i>-247.1%</i>

* Due to the classification of the production activities as discontinued operation PWK in accordance with IFRS 5, some of the amounts disclosed differ from the amounts in the Consolidated Financial Statements for financial year 2017 (see section B. Basis of preparation | General information).

Consolidated Statement of Financial Position

as of 31 December 2018 and 2017

ASSETS

EUR thousand % of balance sheet total	Note	31 Dec 2018		31 Dec 2017		YoY in %
Non-current assets						
Intangible assets	(14)	578	2.0%	755	1.4%	-23.4%
Property, plant and equipment	(15)	2,207	7.7%	9,374	17.1%	-76.5%
Other financial assets	(19)	409	1.4%	394	0.7%	3.7%
Other non-financial assets	(20)	0	0.0%	1,871	3.4%	-100.0%
Deferred tax assets	(31)	0	0.0%	1,866	3.4%	-100.0%
Total non-current assets		3,193	11.1%	14,258	26.1%	-77.6%
Current assets						
Inventories	(16)	20,453	71.0%	33,548	61.3%	-39.0%
Trade receivables	(17)	1,416	4.9%	2,963	5.4%	-52.2%
Receivables due from related parties	(18)	12	0.0%	224	0.4%	-94.8%
Other financial assets	(19)	58	0.2%	43	0.1%	36.0%
Other non-financial assets	(20)	905	3.1%	1,675	3.1%	-46.0%
Cash and cash equivalents	(21)	2,608	9.0%	1,512	2.8%	72.5%
Total current assets		25,451	88.3%	39,965	73.1%	-36.3%
Assets held for sale	(8),(9)	183	0.6%	485	0.9%	-62.4%
Total assets		28,827	100.0%	54,709	100.0%	-47.3%

Consolidated Statement of Financial Position

as of 31 December 2018 and 2017

EQUITY & LIABILITIES						
EUR thousand % of balance sheet total	Note	31 Dec 2018		31 Dec 2017		YoY in %
Equity						
Issued capital	(22)	5,500	19.1%	5,500	10.1%	0.0%
Capital reserve	(22),(23)	34,380	119.3%	34,179	62.5%	0.6%
Accumulated losses		-38,856	-134.8%	-11,452	-20.9%	-239.3%
Foreign currency translation reserve	(13)	5,653	19.6%	3,725	6.8%	51.8%
Total equity		6,677	23.2%	31,952	58.4%	-79.1%
<i>Attributable to shareholders of elumeo SE</i>		<i>6,677</i>	<i>23.2%</i>	<i>31,952</i>	<i>58.4%</i>	<i>-79.1%</i>
Non-current liabilities						
Financial debt	(24)	0	0.0%	3,382	6.2%	-100.0%
Other non-current financial liabilities	(25)	0	0.0%	273	0.5%	-100.0%
Provisions	(26)	7,455	25.9%	676	1.2%	n.a.
Other non-financial liabilities	(29)	25	0.1%	25	0.0%	0.0%
Total non-current liabilities		7,480	25.9%	4,355	8.0%	71.8%
Current liabilities						
Financial debt	(24)	2,000	6.9%	7,577	13.9%	-73.6%
Other financial liabilities	(25)	260	0.9%	304	0.6%	-14.5%
Provisions	(26)	868	3.0%	547	1.0%	58.5%
Liabilities due to related parties	(27)	57	0.2%	7	0.0%	707.7%
Trade payables		8,950	31.0%	7,340	13.4%	21.9%
Advance payments received		59	0.2%	158	0.3%	-62.9%
Tax liabilities	(28)	100	0.3%	100	0.2%	0.0%
Other non-financial liabilities	(29)	1,366	4.7%	1,236	2.3%	10.5%
Total current liabilities		13,660	47.4%	17,270	31.6%	-20.9%
Liabilities directly associated with assets held for sale	(8),(9)	1,011	3.5%	1,132	2.1%	-10.7%
Total equity & liabilities		28,827	100.0%	54,709	100.0%	-47.3%

Consolidated Statement of Changes in Equity

for the financial year from 1 January to 31 December 2018

Reason for change	Note	Attributable to shareholders of elumeo SE				Total equity
		Issued capital	Capital reserve	Accumulated losses	Foreign currency translation reserve	
EUR thousand						
1 January 2018		5,500	34,179	-11,452	3,725	31,952
Equity-settled share-based remuneration	(23)		201			201
Other comprehensive income	(13)				1,928	1,928
Earnings for the period				-27,404		-27,404
Total comprehensive income				-27,404	1,928	-25,476
31 December 2018		5,500	34,380	-38,856	5,653	6,677

for the financial year from 1 January to 31 December 2017

Reason for change	Note	Attributable to shareholders of elumeo SE				Total equity
		Issued capital	Capital reserve	Accumulated losses	Foreign currency translation reserve	
EUR thousand						
1 January 2017		5,500	33,862	-5,408	5,022	38,975
Equity-settled share-based remuneration	(23)		317			317
Other comprehensive income	(13)				-1,297	-1,297
Earnings for the period				-6,043		-6,043
Total comprehensive income				-6,043	-1,297	-7,340
31 December 2017		5,500	34,179	-11,452	3,725	31,952

Consolidated Statement of Cash Flows

for the financial years from 1 January to 31 December 2018 and 2017

EUR thousand	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017 restated*	YoY in %
Earnings before taxes (EBT) of continuing operations		-18,642	-9,528	-95.6%
Earnings before taxes (EBT) of discontinued operations	(8),(9)	-6,713	+3,430	-295.7%
Earnings before taxes (EBT)		-25,354	-6,099	-315.7%
+/- Depreciation and amortization on non-current assets	(14),(15)	+940	+909	3.3%
+/- Increase/decrease in provisions	(26)	+171	-29	697.5%
+/- Equity-settled share-based remuneration	(23)	+201	+317	-36.7%
+/- Other non-cash expenses/income		-35	+56	-162.9%
+/- Loss/gain on disposal of non-current assets	(15)	-0	+4	-100.0%
- Non-cash current interest income		-0	-0	3.1%
- Interest expenses paid related to prior accounting periods		+0	-52	100.0%
+ Non-cash current interest expenses		0	+8	-100.0%
+ Proceeds from income tax		+1	0	n.a
- Income tax paid	(28)	0	-0	100.0%
-/+ Increase/decrease in inventories	(16)	+4,446	-1,359	427.2%
-/+ Increase/decrease in other assets		+1,937	-253	865.6%
+/- Increase/decrease in other liabilities		+4,694	+692	578.3%
= Net cash flow from operating activities of continuing operations	(30)	-6,289	-9,234	31.9%
= Net cash flow from operating activities from discontinued operations	(8),(9)	+5,583	+11,209	-50.2%

* Due to the classification of the production activities as discontinued operation PWK in accordance with IFRS 5, some of the amounts disclosed differ from the amounts in the Consolidated Financial Statements for financial year 2017 (see section B. Basis of preparation | General information).

Consolidated Statement of Cash Flows (Continuation)

for the financial years from 1 January to 31 December 2018 and 2017

EUR thousand	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017 restated*	YoY in %
- Payments for investments in intangible assets	(14)	-80	-6	n.a.
- Payments for investments in property, plant and equipment and property, plant and equipment	(15)	-373 0	-179 +1	-108.5% -100.0%
= Net cash flow from investing activities of continuing operations	(30)	-453	-184	-146.0%
= Net cash flow from investing activities from discontinued operations	(8),(9)	+3,886	-47	n.a.
- Payments for the redemption of financial debt	(24)	-3,000	-2,500	-20.0%
- Payments (net) for redemption of other financial liabilities	(25)	-317	-288	-9.9%
= Net cash flow from financing activities of continuing operations	(30)	-3,317	-2,788	19.0%
= Net cash flow from financing activities from discontinued operations	(8),(9)	+1,016	+776	30.8%
+/- Net increase/decrease in cash and cash equivalents		+426	-268	259.1%
+/- Effects of foreign currency translation on cash and cash equivalents		-17	-15	-13.0%
+/- Changes in cash and cash equivalents reclassified as part of a disposal group		-78	-43	-83.5%
+/- Changes in cash and cash equivalents from effects in connection with the discontinued operation PWK under IFRS 5		+767	0	n.a.
+ Cash and cash equivalents at beginning of period		+1,511	+1,836	-17.7%
= Cash and cash equivalents at end of period		+2,608	+1,511	72.6%
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	(21)	+2,608	+1,512	72.5%
- Current account overdrafts	(24)	0	-1	100.0%
= Cash and cash equivalents at end of period		+2,608	+1,511	72.6%

* Due to the classification of the production activities as discontinued operation PWK in accordance with IFRS 5, some of the amounts disclosed differ from the amounts in the Consolidated Financial Statements for financial year 2017 (see section B. Basis of preparation | General information).

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Notes to the Consolidated Financial Statements

A. Information on the elumeo Group

Company, registered office, incorporation and commercial register of the reporting parent company
elumeo SE, Erkelenzdamm 59/61, 10999 Berlin, Germany ("Company" or "elumeo SE")

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

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

Continuing operations of the elumeo Group

At the end of financial year 2018, the elumeo Group was active in designing, producing and selling jewelry, jewelry articles, precious gemstones and related products via and other electronic distribution channels (in particular TV and the Internet) in the main markets of Germany, Austria, Switzerland, Italy, 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.

Discontinued operations of the elumeo Group

In December 2017, the elumeo Group initially discontinued the loss-making distribution business in the United Kingdom ("discontinued operation UK").

In financial year 2018, it was decided to terminate the business activities with of the production company PWK Jewelry Company Limited, Bangkok, in Thailand ("PWK") and to liquidate the production company in an orderly manner under its own management by selling the existing assets ("discontinued operation PWK"). The discontinuation of production activities faced economic problems at the production company PWK Jewelry Ltd. ("PWK") in Thailand, which could not be eliminated in financial year 2018 by the planned restructuring measures. In accordance with the resolution of the Executive Board, at the end of the third quarter of 2018, there were no further intra-Group purchases of jewelry from the Thai production company. The production activities of the company were completely discontinued by the end of 2018.

Approval of the Consolidated Financial Statements

The Executive Board approved publication of the Consolidated Financial Statements on 10 June 2019.

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 2018 (hereinafter also referred to as the "Consolidated Financial Statements 2018") were prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union. In addition, the provisions of Section 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 Consolidated Total Comprehensive Income. The Consolidated Statement of Financial Position classifies assets and liabilities into current or non-current components in accordance with their maturities.

Discontinued operations are not included in results from continuing operations and are presented in the Consolidated Statement of Income in a separate item as *Profit after tax for the period from discontinued operations*. The assets and liabilities related to the discontinued operations, which are not carried forward by other companies of the elumeo Group, are included in the Consolidated Statement of Financial Position as of 31 December 2018 and 31 December 2017 under separate item as *Assets held for sale* or as *Liabilities directly associated with assets held for sale*. The discontinued operations are not included in the detailed information on the composition of cash flows from operating, investing and financing activities and is presented separately in the Consolidated Statement of Cash Flows as *Net cash flow from discontinued operations*. All notes contain the amounts of continuing operations, to the extent that these were determinable or no other amounts are specified.

The Consolidated Financial Statements are prepared in euros (EUR). Disclosures are made in thousands of euros ("EUR thousand") or millions of euros ("EUR million"). The presentation of selected prior-year figures in the Consolidated Financial Statements 2018 differs from the presentation of the Consolidated Financial Statements published on 22 March 2018 for the financial year ended 31 December 2017 ("Consolidated Financial Statements 2017" or "prior year"). The prior-year figures have been restated for the effects of the application of IFRS 5 to ensure comparability and transparency.

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

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
IFRS 9 Financial instruments	24 July 2014	01 January 2018	significant
IFRS 15 Revenue from Contracts with Customers	28 May 2014 11 September 2015 12 April 2016	01 January 2018	significant

IFRS 9 - Financial Instruments

In July 2014, the IASB published the final version of IFRS 9. The new standard harmonises the guidelines for the classification and measurement of financial assets and financial liabilities (financial instruments) and introduces a new model for the impairment of financial assets. Classification is based primarily on the Company's business model and the cash flows of the financial instrument under review. IFRS 9 contains a measurement model that requires recognition of expected losses in addition to incurred losses. Furthermore, the provisions on hedge accounting published in November 2013 were included in the final version of IFRS 9.

The previous provisions of IAS 39 Financial Instruments: Recognition and measurement are replaced by IFRS 9. In accordance with IAS 39, the financial assets of the elumeo Group were allocated exclusively to the category "receivables and loans" and were already measured at amortised cost. The financial liabilities were exclusively allocated to the category "other financial liabilities" and were also already measured at amortised cost. They were measured at amortised cost using the effective interest method. The new standard must be applied for the first time to financial years beginning on or after 1 January 2018 using the complete or modified retrospective transition method.

The elumeo Group applies the provisions of IFRS 9 in financial year 2018 in modified form retrospectively and uses the exception not to adjust comparative information for previous periods. Under the modified retrospective application, the amounts reported in accordance with the previously applicable standards are retained and, where necessary, the Consolidated Financial Statements are restated by recognising the cumulative effects of the application of IFRS 15 in the form of an adjustment to the opening balance of equity at the date of initial application (beginning of the reporting period). Consequently, the opening balance sheet as of 1 January 2018 must be restated. However, the first-time application of IFRS 9 did not result in any changes in the measurement categories and the measurement standards for financial assets and liabilities and thus no effects on consolidated equity.

IFRS 15 - Revenue from Contracts with Customers

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

Under IFRS 15, revenue is recognised as soon as the customer obtains control of the goods. This date of recognition of revenues in the elumeo Group is fully comparable with the date that was previously regarded as the relevant date for revenue recognition in the elumeo Group. Consequently, the first-time application of IFRS 15 has no impact on the recognition of revenues in the Consolidated Financial Statements.

Customers of the elumeo Group are generally permitted to return the goods (right of return). According to IFRS 15, revenues are recognised for contracts with the right of return if it is probable that the cumulative revenues will not have to be adjusted significantly. The elumeo Group estimates expected customer returns on the basis of reliable historical experience, so that the revenue to be recognised can be determined with sufficient certainty. The first-time application of IFRS 15 also has no effect on the recognition of return rights.

The consideration paid by the customer for the transfer of the goods is clearly agreed in the elumeo Group, so that the determination of the transaction price in accordance with IFRS 15 also has no effect on the revenues recognised in the elumeo Group.

In principle, the elumeo Group applied the provisions of IFRS 15 retrospectively in financial year 2018 in a modified form. Consequently, the opening balance sheet as of 1 January 2018 must be adjusted. The first-time application of IFRS 15 has no effect on consolidated equity.

New accounting standards of the IASB that are not yet applicable

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

Standard/Interpretation		Publication by the IASB	Application date IASB	Probable effects on the elumeo Group
IFRS 16	Leases	13 January 2016	1 January 2019	significant
IFRSs	Improvements to IFRSs, cycle 2015-2017 (Amendments to IFRS 3, IAS 12, IAS 23)	12 December 2017	1 January 2019	insignificant

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognise, measure, present and disclose leases. The new standard requires lessees to remeasure leases on the balance sheet. In accordance with IAS 17, the transfer of significant risks and rewards incidental to ownership of a leased asset was critical to the recognition of a lease in the balance sheet. IFRS 16 (contrary to IAS 17) provides for a uniform accounting model for the lessee. According to the new accounting standard, the lessee must recognise all leases as a financing transaction in the balance sheet by recognising corresponding assets and liabilities. The new standard is effective for annual periods beginning on or after 1 January 2019 using the full or modified retrospective transition method.

If the modified retrospective transition to IFRS 16 is used, additional simplifications may be applied. By exercising an option, leases with a term of up to twelve months and leases with low-value assets are exempted from accounting (facilitation for short-term leases and low-value leasing assets). In addition, the situation at the time of conversion can be used as a basis for assessing the lease so that the lease does not have to be reassessed retroactively to the original commencement date (grandfathering clause).

For the lessor, IFRS 16 continues to distinguish between finance and operating leases for accounting purposes.

The first-time application of IFRS 16 will be based on the modified retrospective transition method. The elumeo Group will use the grandfathering clause for existing leases and the easement of application for short-term leases and low-value leased assets. First-time application will be based on the modified retrospective transition method. The effects on the earnings, financial and asset position of the elumeo Group are currently being conclusively analysed assessed. A significant increase in the balance sheet total in the amount of approximately EUR 3.6 million is expected at the time of first application. This results from the leasing agreements previously classified as operating leases. This will result in a decline in the equity ratio. As a result of the changes in presentation due to IFRS 16, the elumeo Group expects a clearly positive effect on earnings before interest, taxes, depreciation and amortisation (EBITDA) and cash flow from operating activities as well as a clearly negative effect on cash flow from financing activities for future periods.

There were no effects on the finance leases of the elumeo Group.

In addition, the IASB published further standards and amendments to standards that are to be applied in the future but will not have a material impact on the Consolidated Financial Statements of the elumeo Group.

D. Principles of consolidation

Scope of consolidation

The Consolidated Financial Statements as of 31 December 2018 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. Intra-Group receivables and liabilities from the relationship with an associated company previously eliminated in the course of debt consolidation are recognised in the Consolidated Statement of Financial Position.

The number of consolidated companies in the elumeo Group remained unchanged in financial year 2018 at 10 (31 December 2017: 10) with the exception of discontinued operations.

Reporting date of the Consolidated Financial Statements

The Consolidated Financial Statements for the 2018 financial year comprise the reporting period from 1 January to 31 December 2018 ("financial year," "reporting year," or "reporting period"). All companies included in the Consolidated Financial Statements have a financial year identical to the calendar year.

Accounting and valuation principles

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

Debt consolidation

Intra-Group receivables and intra-Group liabilities are offset as part of debt consolidation. Offsetting differences arising during the reporting period are recognised in the income statement.

Consolidation of expenses and income

Expense and income consolidation

Intra-Group income and expenses are offset and intercompany profits and losses are eliminated as part of the consolidation of income. Offsetting differences arising during the reporting period are recognised in the Consolidated Statement of Income.

The consolidation of expenses and income between continuing and discontinued operations is performed for a more meaningful presentation of the financial effects in the Consolidated Statement of Income from an economic point of view, as the existing delivery and service obligations of the continuing operations will continue in the future with the discontinued operation or also, by nature, also with a third party. The result for the continuing divisions will show both sales revenues with third parties and the cost of sales with the discontinued division operation PWK.

Elimination of intercompany profits

Under IFRS 10, profits generated within the Group are only recognised in profit or loss when the recipients of the delivery are third parties (end customers) outside the Group. Consequently, unrealised intercompany profits from intercompany deliveries must be eliminated.

Functional currency, reporting currency and currency translation

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

Foreign currency transactions are initially translated by the Group companies into their functional currency using the spot rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency on each reporting date using the spot rate prevailing on the closing date. All translation differences are recognised through profit or loss in the Consolidated Statement of Income.

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

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

Currency	Exchange rate on reporting date			Average exchange rate		
	31 Dec 2018	31 Dec 2017	YoY in %	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017	YoY in %
EUR						
Thai baht (THB)	0.0270	0.0256	5.4%	0.0262	0.0261	0.3%
British pound (GBP)	1.1133	1.1267	-1.2%	1.1307	1.1415	-0.9%
US dollar (USD)	0.8733	0.8347	4.6%	0.8475	0.8872	-4.5%

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 its realisation is expected within twelve months of the reporting date.

A liability is classified as current if it is expected that the liability will be settled within twelve months of the reporting date.

All other assets and debts are classified as non-current.

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

Discontinued operations, assets or disposal groups held for sale

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

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

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

A disposal group is classified as a discontinued operation if it is a component of an entity or group that is either already disposed of, classified as held for sale or discontinued and represents a separate major line of business or geographical area of operations.

Discontinued operations are not included in net income from continuing operations and are presented in a separate item in the Consolidated Statement of Income as net income from discontinued operations.

Intangible assets

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

Intangible assets with indefinite useful lives are tested for impairment at least once a year and are not subject to scheduled amortisation (impairment only approach). The useful life is reviewed annually to determine whether the assessment of an indefinite useful life is still justified. If this is not the case, the assessment is changed prospectively from an indefinite to a finite useful life.

Property, plant and equipment

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

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

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

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

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

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

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

Depreciation periods and methods

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

Useful life	Years
Intangible assets	1-15
Buildings on company owned land (to be allocated exclusively to the discontinued operation IFRS5-FPWK)	20
Leasehold improvements in leased buildings	10
Technical plant and machinery	5-15
Other business and office equipment	3-10

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

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

Impairment testing

On each reporting date, the elumeo Group examines whether there are indications of 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 or a cash-generating unit is impaired, impairment losses are recognised in profit or loss. The cash-generating units of the elumeo Group are generally all legally independent Group companies.

In order to determine the amount of the corresponding impairment loss, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties. The value in use is determined on the basis of the expected discounted future cash inflows. This is based on a market interest rate before taxes that reflects the risks of the asset that are not yet reflected in the estimated future cash flows.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, it is written down to its recoverable amount. The impairment loss is recognised immediately in profit or loss. If an impairment loss is reversed in a subsequent period, the carrying amount of the asset is adjusted to reflect the recoverable amount. The upper limit for the reversal of an impairment loss is determined by the amount of the amortised cost that would have resulted if no impairment loss had been recognised in previous periods. The reversal is recognised immediately in profit or loss.

Leases – Group as the lessee

Until the first-time application of the new standard IFRS 16 on 1 January 2019, the elumeo Group will continue to assess whether a lease exists in accordance with IAS 17 *Leases*. The elumeo Group is a lessee of property, plant and equipment. The determination as to whether an agreement constitutes a lease is based on the substance of the agreement on the asset at the time the agreement is concluded. The determination requires an assessment as to whether the fulfilment of the contractual agreement is dependent on the use of a specific asset or assets and whether the agreement grants a right to use the asset, even if this right is not expressly stipulated in an agreement.

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All leasing transactions in which the elumeo Group as lessee is to be regarded as the economic owner on the basis of certain criteria are accounted for as finance leases in accordance with IAS 17. 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 2018 are depreciated on a straight-line basis over an expected useful life of eight years.

Under an operating lease, the leased asset is not capitalised in accordance with IAS 17. Instead, the lease payments (rental expenses) are expensed on a straight-line basis over the term of the lease in the Consolidated Statement of Income. Significant operating leases in the elumeo Group concern the leasing of business and office premises.

Deferred taxes

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. As of 31 December 2018 and 2017, no netting was carried out as there were no deferred tax liabilities.

Inventories

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

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

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

Financial instruments

General information

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 debt, 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.

Where assets and liabilities are recognised at fair value on a recurring basis in the Consolidated Financial Statements, the elumeo Group determines whether any reclassifications have taken place between the levels of the hierarchy.

As of the reporting dates, the elumeo Group does not measure any assets or liabilities falling within the scope of IFRS 13 *Measurement of Fair Value* at a fair value that differs significantly from their carrying amount.

Subscribed 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

Short-term employee benefits

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

Share-based remuneration

Share-based remuneration 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.

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.

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

General information

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

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

Obligations to employees resulting from the termination of an employment contract by the employer (termination) as a result of restructuring measures are recognised if they have already been concretised on the balance sheet date or if severance or compensation payments have not yet been made due to a clearly foreseeable exemption.

Contingent liabilities, commitments and other financial obligations

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

Contingent liabilities, commitments and guarantees as well as other financial obligations are not recognised in the Consolidated Statement of Financial Position, but explained separately in the notes.

Segment reporting

The Executive Board of elumeo SE considers the allocation of resources and the assessment of performance of individual business activities as the primary decision maker for the elumeo Group.

Identification of segments and selection of the key performance indicators that are shown have been made in accordance with IFRS 8 *Operating Segments* generally in accordance with the internal control and reporting system (management approach). The key performance indicators used to make estimates are derived from the Consolidated Financial Statements prepared under IFRS.

Recognition of income and expenses

Recognition of revenue and other operating income in accordance with IFRS 15 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.

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.

Current and deferred income taxes

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

F. Significant discretionary decisions, estimates and assumptions

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

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

Assessment of the forecast for the continued existence of the Company

The Executive Board of elumeo SE assumes that the elumeo Group will be able to meet its payment obligations at all times within a forecast period of 2 two years (1 January 2019 to 31 December 2020) and that there will be no indications immediately after this period that the elumeo Group will not be able to meet these its obligations ("positive forecast"). The elumeo Group's positive forecast for the future is based on corporate planning for this period. This is based on detailed planning by the operating divisions. The underlying planning assumptions have been adjusted to the latest state of knowledge. These planning premises take particular account of expectations with regard to

- The execution and completion of the orderly liquidation of PWK: Provisions were recognised for the expected maximum risk of EUR 7.7 million that could result from the liquidation. The elumeo Group expects that for the vast majority of these, the earliest disbursement period could be after 2022.
- The payment effects resulting from possible legal disputes: The elumeo Group considers the claims made against third parties after the balance sheet date to be insubstantial and has therefore not intended to make any payments in the context of the liquidity forecasts

The Operational business development: Cost savings from the restructuring program of the European sales business, the increase in profitability of the new multi-sourcing product portfolio, which is now the responsibility of the sales companies, the future market developments and working capital management of the elumeo Group, will significantly improve the performance of the business operating result and operating cash flow. The Group's management plans for 2019 call for segment EBITDA for the segment continuing operations ranging from a low negative single-digit million amount to "break-even."

In order to secure its positive prognosis for the continued existence of the company, the Executive Board has made sensitivity considerations, which in particular include negative deviations from the plan and their effects on the prognosis for the continued existence of the Company. According to the estimates of the Executive Board, there is currently no planning scenario which can be classified

as probable and which would result in the continued existence of the company not being able to be maintained in the event of negative deviations from the plan.

Estimates and assumptions must be made as part of the assessment of the forecast for the continued existence of the Company, in particular with regard to future cash flows from operating activities. These can deviate from actual events to such an extent that they deviate significantly from the sensitivity considerations used if the general conditions develop contrary to expectations. As a result, in subsequent periods there may be a change in the assessment of the positive prognosis for the Company's continued existence. The main framework conditions that are monitored in this context by the Executive Board of elumeo SE are as follows

- the timing of financial payments related to the cessation of PWK's production operations activities as well as possible legal disputes related thereto,
- market development,
- the cost and quality development of major suppliers.

In the context of an adjusted forecast for the continued existence of the Company, adjusted valuation considerations would arise for the assets and liabilities of the elumeo Group.

Classification of business activities as discontinued operations in accordance with IFRS 5

The Executive Board of the elumeo Group classified various business activities as discontinued operations (discontinued operation UK and discontinued operation PWK) both in financial year 2018 and in the previous financial year. The corresponding business activities were previously classified as cash-generating units and, in the opinion of the Executive Board, also fulfilled the requirements for a separate, significant line of business.

The classification was based on effective resolutions of the Executive Board of elumeo SE to discontinue the business activities and to realise the discontinuation in the financial year in which the classification was made.

With the classification as discontinued operations, all income and expenses of the discontinued operations were shown in separate profit and loss lines in the Consolidated Statement of Income.

If there was no classification as discontinued operations, the expenses and income of the respective operations would have to be reported together with the expenses and income of the continuing operations. In the case of the discontinued operation PWK division, such a disclosure would have led to the recognition of estimated values in the Consolidated Financial Statements of the elumeo Group in the absence of available information from the Thai production company.

Significant estimates were made in particular with regard to the following significant matters:

Recognition and measurement of provisions for uncertain future obligations in connection with the discontinued operation PWK division in terms of type, amount and utilisation

In implementation of the decision of the Executive Board of elumeo SE to on the orderly liquidate liquidation of PWK under its own management, an estimate was made of the financial impact of such a liquidation of production activities, since the liquidation had on the one hand become legally effective and on the other hand had already been economically implemented (discontinuation of production). The corresponding estimate of the financial impact took into account the existing assets, the existing liabilities of PWK and the collateral relationships at PWK level (collateral of PWK for third parties and collateral of private individuals for liabilities of PWK). Estimated liquidation costs and liabilities arising from the liquidation were also taken into account, as were all effects on profit and loss to be expected from a loss of control of the company.

Due to the legal form of PWK (limited liability) and the collateralisation of PWK's liabilities (limited to PWK's assets and the realisation of collateral from private individuals), the Executive Board of elumeo assumes that there is a maximum risk of future payments of up to EUR 7.7 million from Group companies of the elumeo Group to PWK

Furthermore, the Executive Board of elumeo SE assumes that the liquidation of PWK and the settlement of possible legal disputes arising in this connection will take place over a period of at least three years. This assumption is based on comprehensive legal analyses and has been confirmed by the legal advisors of elumeo SE. Accordingly, the provision formed was classified as non-current and carried at its present value.

Recognition and measurement of provisions for uncertain future obligations in connection with legal disputes according to their nature, amount and utilisation

Also in connection with the decision of the Executive Board of elumeo SE on the orderly liquidation of PWK under its own management, third parties have announced that they will take legal action against the elumeo Group with a view to asserting claims up to a maximum of EUR 36 million.

The Executive Board of elumeo SE considers these announced legal steps to be insubstantial on the basis of the legal assessments carried out and the claims presented to be legally unenforceable. Accordingly, no provisions have been recognised for these matters.

All discretionary decisions, estimates and assumptions are based on the actual circumstances and estimates of the Executive Board on the reporting date and the expected future business development of the elumeo Group, taking into account the expected development of its economic environment. If, in the course of the regular review, it is determined that these general conditions develop differently, the assumptions and the carrying amounts of the assets and liabilities shown in the Consolidated Statement of Financial Position are adjusted.

G. Notes to the Consolidated Statement of Comprehensive Income

Unless otherwise stated, the following notes contain only the amounts attributable to continuing operations under IFRS 5, but not the disclosures for the two discontinued operations PWK and UK.

(1.) Revenue

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017		YoY in %
Revenue from product sales	51,071	99.9%	67,501	99.9%	-24.3%
Other revenue	44	0.1%	59	0.1%	-25.1%
Revenue	51,115	100.0%	67,560	100.0%	-24.3%

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

EUR thousand % of revenue from product sales	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017		YoY in %
Germany	41,066	80.4%	52,907	78.4%	-22.4%
Italy	8,011	15.7%	10,001	14.8%	-19.9%
Other countries	1,994	3.9%	4,593	6.8%	-56.6%
Revenue from product sales	51,071	100.0%	67,501	100.0%	-24.3%

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

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017		YoY in %
Television and other channel revenue	29,204	57.2%	39,679	58.8%	-26.4%
eCommerce revenue	19,926	39.0%	23,328	34.6%	-14.6%
B2B revenue	1,941	3.8%	4,495	6.7%	-56.8%
Revenue from product sales	51,071	100.0%	67,501	100.0%	-24.3%

(2.) Cost of goods sold

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

EUR thousand % of revenue	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017 restated*	YoY in %
Material costs	13,724 26.8%	13,380 19.8%	2.6%
Cost of finished goods purchased from the discontinued operation PWK	17,650 34.5%	36,296 53.7%	-51.4%
Change in inventory of finished goods, work in progress and merchandise	6,228 12.2%	-3,040 -4.5%	304.9%
Cost of goods sold	37,602 73.6%	46,635 69.0%	-19.4%

(3.) Selling expenses

Selling expenses include the following expenses:

EUR thousand % of revenue	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017	YoY in %
Broadcasting and channel rental costs	8,660 16.9%	8,369 12.4%	3.5%
Personnel expenses	6,541 12.8%	6,297 9.3%	3.9%
Expenses for external personnel services	1,416 2.8%	1,190 1.8%	19.0%
Sales and marketing expenses	2,208 4.3%	2,407 3.6%	-8.3%
Depreciation, amortization and impairment loss	491 1.0%	407 0.6%	20.5%
Other selling expenses	4,382 8.6%	4,999 7.4%	-12.4%
Selling expenses	23,698 46.4%	23,669 35.0%	0.1%

(4.) Administrative expenses

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017 restated*		YoY in %
Personnel expenses	2,821	5.5%	2,376	3.5%	18.7%
Depreciation and amortization	449	0.9%	502	0.7%	-10.6%
Equity-settled share-based remuneration	201	0.4%	317	0.5%	-36.7%
Other administrative expenses	4,270	8.4%	3,757	5.6%	13.7%
Administrative expenses	7,741	15.1%	6,952	10.3%	11.3%

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

Other operating expenses include expenses for third-party services and fees, rental and leasing expenses, legal and consulting fees, remuneration of the Executive Board, costs for the preparation and audit of the individual financial statements and the Consolidated Financial Statements, insurances, travel expenses as well as value adjustments on trade receivables and other receivables.

(5.) Other operating income

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017 restated*		YoY in %
Income from cost recharges to distribution partners	65	0.1%	491	0.7%	-86.8%
Income from the reversal of allowances for doubtful accounts	2	0.0%	30	0.0%	-92.4%
Other income resulting from past reporting periods	0	0.0%	1	0.0%	-82.8%
Miscellaneous other operating income	28	0.1%	44	0.1%	-35.9%
Other operating income	95	0.2%	566	0.8%	-83.2%

(6.) Other operating expenses

The other operating expenses of the continuing operations include net losses from currency translation of EUR 428 thousand (previous year: EUR 99 thousand) from currency translation of intra-Group monetary items or from profit consolidation. These currency gains and losses must be reported in the Consolidated Statement of Income.

Please refer to section [H.(32)] for further information on the composition of net currency effects (with third parties outside the Group) from financial instruments.

Other operating expenses also include legal and consulting expenses during the reporting period in connection with the discontinued operation PWK (EUR 167 thousand).

(7.) Financial result

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017 restated*		YoY in %
Interest income from bank balances	0	0.0%	0	0.0%	737.9%
Other interest and similar income	4	0.0%	0	0.0%	n.a.
Interest income	4	0.0%	0	0.0%	n.a.
Interest expenses from financial debt (bank loans)	-202	-0.4%	-270	-0.4%	25.2%
Interest expenses from finance lease liabilities	-17	0.0%	-29	0.0%	40.1%
Other interest and similar expenses	0	0.0%	0	0.0%	99.8%
Interest expenses	-220	-0.4%	-300	-0.4%	26.7%
Financial result	-216	-0.4%	-299	-0.4%	28.0%

(8.) Discontinued operation PWKStatement of Income of the discontinued operation

Earnings for the period from the discontinued operation PWK are as follows:

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017		YoY in %
Result from ordinary business activities of the discontinued operation	1,828	n.a.	8,866	n.a.	-79.4%
Expenses resulting from orderly liquidation of the discontinued operation	-10,659	n.a.	0	n.a.	n.a.
Result from consolidation	1,348	n.a.	-747	n.a.	280.5%
Earnings before income taxes (EBT) from the discontinued operation	-7,483	n.a.	8,120	n.a.	-192.2%
Income tax	-184	n.a.	-245	n.a.	24.7%
Earnings for the period from the discontinued operation	-7,667	n.a.	7,875	n.a.	-197.4%
<i>Earnings of shareholders of elumeo SE</i>	<i>-7,667</i>	<i>n.a.</i>	<i>7,875</i>	<i>n.a.</i>	<i>-197.4%</i>
Earnings per share in EUR (basis and diluted) applied to the earnings of shareholders from the discontinued operation	-1.39		1.43		

The pre-tax earnings before income taxes from the discontinued operation PWK was calculated on the basis of the last financial report provided by PWK's management at the end of the third quarter of 2018. Since this date, the management of PWK has not provided any further financial information and has not accepted any instructions from elumeo SE or the direct shareholder, Silverline Distribution Ltd., Hong Kong, People's Republic of China ("Silverline"). A dismissal of the management and new appointment of new Managing Directors by elumeo SE or the direct shareholder Silverline could not be legally implemented.

In addition to PWK's earnings contribution, which resulted from the last financial reporting provided, the estimated maximum financial burdens of the elumeo Group were determined within the framework of the orderly liquidation of the company under its own management and recorded as a provision. The consideration of the maximum financial burdens of the elumeo Group from orderly liquidation compensates for the existing uncertainty from the financial reporting by PWK. In determining the maximum financial burden, it was taken into account that PWK is a limited liability company and that there are therefore upper limits in relation to the maximum financial burden risk for the shareholder.

In addition to the two effects mentioned above, directly attributable consolidation measures were also taken into account.

Fair values of assets and liabilities

In the absence of available information on individual assets and liabilities, the present value of the maximum financial charge for the elumeo Group was recorded as a provision (EUR 7,705 thousand) and is reported under the item *Debts in connection with the sale of assets held*.

(9.) Discontinued operation UKStatement of income of the discontinued operation

Earnings for the period from the discontinued operation UK were as follows:

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017 restated*		YoY in %
Revenue	48	100.0%	8,474	100.0%	-99.4%
Cost of goods sold	133	275.9%	8,083	95.4%	-98.3%
Gross profit	-85	-175.9%	390	4.6%	-121.8%
Selling expenses	857	n.a.	2,468	29.1%	-65.3%
Administrative expenses	504	n.a.	2,600	30.7%	-80.6%
Other operating income	4,158	n.a.	0	0.0%	n.a.
Other operating expenses	1,942	n.a.	12	0.1%	n.a.
Earnings before interest and taxes (EBIT) from the discontinued operation	770	n.a.	-4,690	-55.3%	116.4%
Interest income	1	1%	0	0.0%	n.a.
Interest and similar expenses	0	0%	0	0.0%	-95.5%
Financial result	1	1%	0	0.0%	976.7%
Earnings before income taxes (EBT) from the discontinued operation	771	n.a.	-4,690	-55.3%	116.4%
Income tax	-16	-33.3%	-16	-0.2%	2.1%
Earnings for the period from the discontinued operation	754	n.a.	-4,707	-55.5%	116.0%
<i>Earnings of shareholders of elumeo SE</i>	<i>754</i>	<i>n.a.</i>	<i>-4,707</i>	<i>-55.5%</i>	<i>116.0%</i>
Earnings per share in EUR (basis and diluted) applied to the earnings of shareholders from the discontinued operation	0.14		-0.86		

The sales revenues and cost of sales are related to the remaining settlement of the distribution business (follow-up costs).

The selling and administrative expenses relate to the current contractual obligations due in connection with the TV transmission and the rented premises. Provisions and trade payables were recognised in full as of 31 December 2018 for contractually owed due and future payments, whereby the amounts carried as liabilities were netted by the deposits associated with the contractual relationship (EUR 134 thousand). The total expenses of EUR 780 thousand are reported under *Other operating expenses*.

The deconsolidation gain from the sale of the broadcasting business (EUR 3,974 thousand) reported under *Other operating income* of the discontinued operations mainly results from the sale price of EUR 3,974 thousand paid in full.

Assets and liabilities held for sale

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

EUR thousand % of balance sheet total	31 Dec 2018		31 Dec 2017		YoY in %
Assets					
Trade receivables	37	0.1%	216	0.4%	-82.7%
Other financial assets	0	0.0%	159	0.3%	-99.9%
Other non-financial assets	24	0.1%	67	0.1%	-64.2%
Cash and cash equivalents	121	0.4%	43	0.1%	183.5%
Assets held for sale	183	0.6%	485	0.9%	-62.4%
Current liabilities					
Other financial liabilities	0	0.0%	-9	0.0%	100.0%
Provisions	-573	-2.0%	-260	-0.5%	-120.6%
Trade payables	-240	-0.8%	-170	-0.3%	-41.6%
Other non-financial liabilities	-198	-0.7%	-694	-1.3%	71.5%
Liabilities directly associated with assets held for sale	-1,011	-3.5%	-1,132	-2.1%	10.7%
Net assets directly associated with the discontinued operation	-828	-2.9%	-647	-1.2%	-28.0%

(10.) Income tax

Income taxes are the taxes paid or received in the individual countries as well as deferred taxes. Income taxes consist of trade tax and corporate income tax plus the solidarity surcharge in Germany and the corresponding foreign income taxes.

Income taxes for financial year 2018 are calculated as follows:

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017		YoY in %
			restated*		
Current income tax: other countries	0	0.0%	-100	-0.1%	100.0%
Deferred tax expense (-)/income (+)	-1,850	-3.6%	417	0.6%	-543.9%
Income tax directly recognised as income or expense	-1,850	-3.6%	317	0.5%	-684.0%

For financial years 2018 and 2017, the total tax rate of the parent Company elumeo SE – including the statutory corporate income tax rate (15.00%) plus solidarity surcharge (5.50%) and trade tax (14.35%) – amounts to 30.175% in total.

The expected income taxes that would have arisen if the overall tax rate of elumeo SE of 30.175% had been applied to the earnings before taxes (EBT) of the elumeo Group can be reconciled to the actual income taxes as follows:

EUR thousand	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017 restated*	YoY in %
Earnings before income tax (EBT) from continuing operations	-18,642	-9,528	-95.6%
Earnings before income tax (EBT) from discontinued operations	-6,713	3,430	-295.7%
Earnings before income tax (EBT)	-25,354	-6,099	-315.7%
Total domestic income tax rate of elumeo SE	30.175%	30.175%	0.0%
Expected tax income (+)/expense (-)	7,651	1,840	315.7%
Utilization of non-capitalised tax loss carryforwards	5	292	-98.4%
Unrecognised deferred tax assets on current local tax losses	-5,911	-5,690	-3.9%
Tax increase (-)/decrease (+) due to interim profit elimination	-1,194	1,277	-193.5%
Income tax rate differences	237	2,398	-90.1%
Non-deductible expenses and tax-free income, net	-2,593	360	-820.3%
Tax increase due to equity-settled share-based remuneration	-61	-96	36.7%
Tax increase due to investment promotion programmes	-184	-245	24.7%
Tax increase due to tax audits and taxes for previous years	0	-100	100.0%
Effects of changes in income tax rates	0	19	-100.0%
Actual income tax (Effective tax rate: -8,1% in 2018 0,9% in 2017)	-2,050	55	n.a.
Income tax directly recognised as income or expense	-1,850	317	-684.0%
Income tax attributable to discontinued operations	-200	-261	23.3%
Income tax	-2,050	55	n.a.

The preliminary amount of tax loss carryforwards in Germany for which no deferred tax assets have been recognised as of 31 December 2018 is approximately EUR 51.5 million (31 December 2017: EUR 36.2 million) for corporate income tax purposes and approximately EUR 50.2 million (31 December 2017: EUR 35.2 million) for trade tax purposes. Abroad, preliminary tax loss carryforwards of approximately EUR 37.1 million (31 December 2017: EUR 31.5 million) exist, of which approximately EUR 15.2 million (31 December 2017: EUR 14.3 million) are attributable to the discontinued operation UK. The elumeo Group currently assumes that the tax loss carryforwards attributable to the discontinued operation UK cannot be used for tax purposes in the future. In addition, the elumeo Group assumes that further tax loss carryforwards in the amount of approximately EUR 18.6 million for corporate tax purposes and of approximately EUR 8.2 million for trade tax purposes cannot be used for tax purposes in the future due to pending tax audits at subsidiaries and due to local tax circumstances. The tax loss carryforwards can generally only be used by the company at which the tax losses arose and have not expired under applicable tax law. Due to corresponding domestic and foreign legal regulations, the tax losses carried forward in the elumeo Group can be offset against the future taxable profits of the respective companies for an unlimited period of time.

The deferred tax assets as of 31 December 2017 were still entirely attributable to the elimination of intercompany profits from Group deliveries included in finished goods and merchandise, insofar as these had not yet been realised by the sale of goods to end customers as of the balance sheet date. The deferred tax assets as of 31 December 2017 were calculated on the basis of the respective corporate tax rate of the company that receives the delivery (purchaser) and realises the sale to third parties outside the Group (end customers).

The deferred tax expenses of EUR 1,850 thousand in financial year 2018 result from the full recognition of deferred tax assets as expenses.

The elumeo Group has not calculated any additional income or withholding taxes on retained earnings of foreign companies accumulated as of 31 December 2018 or on temporary differences in shares in foreign subsidiaries due to changes in exchange rates, because it is assumed that such differences can be controlled by a dividend policy. The basis of assessment of temporary differences on which no deferred tax liabilities were recognised amounted to approximately EUR 46.2 million as of 31 December 2018 (31 December 2017: EUR 39.1).

(11.) Personnel expenses

Personnel expenses (excluding expenses for equity-settled share-based payments) of the elumeo Group are comprised as follows for financial year 2018:

EUR thousand % of revenue	1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017 restated*		YoY in %
Wages and salaries	7,828	15.3%	7,270	10.8%	7.7%
Social security contributions	1,534	3.0%	1,403	2.1%	9.4%
Personnel expenses	9,362	18.3%	8,673	12.8%	7.9%

The social security contributions include contributions to the statutory pension insurance of EUR 681 thousand (previous year: EUR 652 thousand).

(12.) 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:

	Unit	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017 restated*	YoY in %
Earnings and number of shares				
Earnings of shareholders of elumeo SE from continuing operations	EUR thousand	-20,491	-9,211	-122.5%
Earnings of shareholders of elumeo SE from discontinued operations	EUR thousand	-6,913	3,168	-318.2%
Earnings of shareholders of elumeo SE	EUR thousand	-27,404	-6,043	-353.5%
Average number of outstanding shares	thousands	5,500	5,500	0.0%
Earnings per share from continuing operations (basic and diluted)	EUR	-3.73	-1.67	-122.5%
Earnings per share from discontinued operations (basic and diluted)	EUR	-1.26	0.58	-318.2%
Earnings per share (basic and diluted)	EUR	-4.98	-1.10	-353.5%

In the 2018, 2017, 2016 and 2015 financial years, the Executive Board issued option rights to purchase shares of elumeo SE from a total of seven tranches from the Stock Option Programme 2015 ("SOP 2015"). As of the balance sheet date, no option rights were exercisable as the respective service period criterion was not met. 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 of all tranches issued were not 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. Irrespective of this, 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). As a result, the diluted earnings per share correspond to the basic earnings per share.

(13.) 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 only foreign currency translation differences arising from the translation of the equity of foreign subsidiaries at the respective historical exchange rate(s) as well as of the financial statements prepared in foreign currencies and are recognised directly in equity in the foreign currency translation reserve.

The other result of the discontinued operations is shown as a separate item in the Consolidated Statement of Comprehensive Income in the Consolidated Financial Statements for 2018.

H. Notes to the Consolidated Statement of Financial Position

(14.) Intangible assets

The following table shows the development of intangible assets in financial years 2018 and 2017:

EUR thousand	Intangible assets
<u>Historical cost</u>	
Balance as of 1 Jan 2018	1,319
Additions	81
Foreign currency translation differences	0
Effects in connection with the discontinued operation PWK under IFRS 5	-19
Balance as of 31 Dec 2018	1,381
<u>Amortization</u>	
Balance as of 1 Jan 2018	564
Additions	127
Impairment	125
Foreign currency translation differences	0
Effects in connection with the discontinued operation PWK under IFRS 5	-12
Balance as of 31 Dec 2018	804
<u>Carrying amount</u>	
Balance as of 31 Dec 2017	755
Balance as of 31 Dec 2018	578

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

Intangible assets mainly comprise licenses acquired against payment as well as application, office and ERP software, which are amortised over their expected useful lives.

As a result of the annual impairment test, an impairment loss of EUR 125 thousand was recognised as an expense under selling expenses for a domain right.

(15.) Property, plant and equipment

The following table shows the development of property, plant and equipment in financial year 2018:

EUR thousand	Own land and buildings, leasehold improvements	Construc- tion in progress	Plant and machinery	Other equipment, furniture and fixtures	Plant and machinery (Finance Lease)	Total property, plant and equipment
<u>Historical cost</u>						
Balance: 1 Jan 2018	7,149	0	2,522	4,105	1,201	14,976
Additions	73	13	110	194	15	406
Disposals	0	0	-59	-99	-46	-204
Reclassifications	0	0	73	5	-77	0
Foreign currency translation differences	142	0	18	45	-1	204
Effects in connection with the discontinued operation PWK under IFRS 5	-5,890	0	-829	-1,993	0	-8,711
Balance: 31 Dec 2018	1,474	13	1,835	2,257	1,091	6,671
<u>Depreciation</u>						
Balance: 1 Jan 2018	1,136	0	1,701	2,448	318	5,603
Additions	226	0	264	561	145	1,196
Impairment	0	0	0	2	0	2
Disposals	0	0	-54	-95	-47	-196
Reclassifications	0	0	0	0	0	0
Foreign currency translation differences	6	0	9	21	0	36
Effects in connection with the discontinued operation PWK under IFRS 5	-361	0	-558	-1,258	0	-2,177
Balance: 31 Dec 2018	1,007	0	1,362	1,678	416	4,464
<u>Carrying amount</u>						
Balance: 31 Dec 2017	6,013	0	821	1,657	883	9,374
Balance: 31 Dec 2018	467	13	472	579	675	2,207

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

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

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

The impairments in financial year 2017 concerned leasehold improvements (EUR 320 thousand) and office equipment (EUR 3 thousand) and were fully attributable to the discontinued operation UK.

(16.) Inventories

Inventories on the respective reporting dates are as follows:

EUR thousand % of balance sheet total	31 Dec 2018		31 Dec 2017		YoY in %
Raw materials, consumables and supplies	467	1.6%	6,422	11.7%	-92.7%
Unfinished goods	566	2.0%	2,258	4.1%	-74.9%
Finished goods and merchandise	19,411	67.3%	24,868	45.5%	-21.9%
Advance payments	9	0.0%	0	0.0%	n.a.
Inventories	20,453	71.0%	33,548	61.3%	-39.0%

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

As of 31 December 2018, financial liabilities (EUR 2,000 thousand) (31 December 2017: EUR 5,000 thousand) are fully secured in the form of a transfer of inventories from a subsidiary to a third party.

(17.) Trade receivables

EUR thousand % of balance sheet total	31 Dec 2018		31 Dec 2017		YoY in %
Receivables due from end customers an payment merchants	1,363	4.7%	2,017	3.7%	-32.5%
Receivables due from B2B business	54	0.2%	871	1.6%	-93.8%
Receivables due from cooperation partners	0	0.0%	76	0.1%	-100.0%
Trade receivables	1,416	4.9%	2,963	5.4%	-52.2%

Trade receivables are due in the short term.

In the year under review, the Consolidated Statement of Income included EUR 1 2 thousand (previous year: EUR 2 thousand) for expenses from additions to value adjustments on trade receivables from end customers and payment processing service providers and EUR 6 thousand (previous year: EUR 0 thousand) for receivables from B2B business.

The cooperation partner declared its cooperation with the elumeo Group terminated in the financial year. The receivables from the cooperation partner outstanding as of 31 December 2018 (EUR 81 thousand) were offset against trade payables (EUR 68 thousand) and a net receivable (EUR 13 thousand) was written down due to uncollectibility.

In addition, EUR 2 thousand in income from the reversal of write-downs on recoverable receivables (previous year: EUR 3 thousand), which had been written down as of 31 December 2017, was realised. As of the reporting date, the receivables in the elumeo Group were therefore impaired by a cumulative amount of EUR 28 thousand (31 December 2017: EUR 9 thousand).

Expenses from the derecognition of trade receivables due to uncollectibility amounted to EUR 11 4 thousand in the reporting period (previous year: EUR 65 thousand). As in the previous year, there are no material overdue receivables that have not been written down.

Expenses arising from additions to valuation allowances and from the derecognition of receivables are recorded under administrative expenses.

The elumeo Group has concluded a trading agreement with two cooperating payment service providers in 2015. The purpose of the contract is was the expansion of the payment system of the subsidiary Juwelo Deutschland GmbH, Berlin, ("Juwelo Deutschland") essentially by the payment methods "purchase" and "instalment payment." The requirements of IFRS 9 for the derecognition of the assigned receivables had been met as of 31 December 2018.

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.

In financial year 2018, gross claims (including VAT and after returns) in the amount of around EUR 15.0 million (previous year: around EUR 17.5 million) were settled by way of factoring transactions by the factor. The purchase price discounts (debt discounts) recorded for this purpose are recorded under selling expenses.

(18.) Receivables due from related parties

Receivables from related parties in the amount of EUR 12 thousand relate to one-time personnel expenses charged to related parties.

The receivables due from related parties recognised as of 31 December 2017 (EUR 224 thousand) relate to old receivables from the purchase and sale of merchandise and were written down in full in 2018. The expenses were reported under administrative expenses.

(19.) Other financial assets

Other financial assets comprise the following:

EUR thousand % of balance sheet total	31 Dec 2018	31 Dec 2017	YoY in %
Security deposits and other warranties	3 0.0%	2 0.0%	27.3%
Receivables due from employees	55 0.2%	41 0.1%	36.4%
Current other financial assets	58 0.2%	43 0.1%	36.0%
Security deposits and other warranties	392 1.4%	385 0.7%	1.7%
Receivables due from employees	17 0.1%	9 0.0%	93.2%
Non-current other financial assets	409 1.4%	394 0.7%	3.7%
Other financial assets	467 1.6%	437 0.8%	6.9%

Security deposits and other warranties include cash funds in the amount of EUR 215 thousand that are held in separate accounts (31 December 2017: EUR 215 thousand), which must be kept as contractually agreed collateral for leases and similar obligations. In financial year 2018, other financial assets in the amount of EUR 9 thousand were individually impaired. In addition, expenses from derecognition due to uncollectibility of EUR 8 thousand were recognised. Furthermore, no further write-downs 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.

(20.) Other non-financial assets

EUR thousand % of balance sheet total	31 Dec 2018		31 Dec 2017		YoY in %
Receivables from taxes	448	1.6%	1,156	2.1%	-61.2%
Tax advance payments	0	0.0%	240	0.4%	-100.0%
Deferred expenses	137	0.5%	118	0.2%	15.4%
Other advance payments	305	1.1%	132	0.2%	131.3%
Creditors with debit balances	2	0.0%	3	0.0%	-28.8%
Miscellaneous other receivables	13	0.0%	26	0.0%	-51.6%
Current other non-financial assets	905	3.1%	1,675	3.1%	-46.0%
Receivables from taxes	0	0.0%	1,031	1.9%	-100.0%
Tax advance payments	0	0.0%	840	1.5%	-100.0%
Non-current other non-financial assets	0	0.0%	1,871	3.4%	-100.0%
Other non-financial assets	905	3.1%	3,545	6.5%	-74.5%

As of 31 December 2018, current other assets included a full allowance for other specific receivables (EUR 17 thousand) in connection with a legal dispute and other assets impaired in the year under review (EUR 24 thousand in administrative expenses).

(21.) Cash and cash equivalents

Cash and cash equivalents include bank balances, cheques and cash.

(22.) EquitySubscribed capital

Issued capital of elumeo SE on 31 December 2018 totalled EUR 5,500,000 (31 December 2017: 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 Section 71 para. 1 no. 8 of the German Stock Corporation Act (AktG) to acquire treasury shares in a volume of up to 10.0% of the capital issued as of the date of the decision up until 6 April 2020. No treasury shares were held again on 31 December 2018.

Capital reserve

The capital reserve amounted to EUR 34,380 thousand on 31 December 2018 (31 December 2017: EUR 34,179 thousand). In financial year 2018, the capital reserve was allocated exclusively from share-based payment in accordance with IFRS 2 of EUR 201 thousand (previous year: EUR 317 thousand).

Retained losses

The accumulated deficit retained losses reported as of 31 December 2018 comprises the accumulated loss carryforward from previous years in the amount of EUR -11,452 thousand and the current earnings after income taxes for the period in the amount of EUR -27,984 404 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 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 (Authorised Capital 2015) by 6 April 2020.

The Executive Board was also authorised to issue convertible bonds or warrant bonds up until 6 April 2020 denominated in the bearer's name in a total amount of up to EUR 150.0 million and to issue to the bearers or creditors conversion rights or option rights to subscribe to up to 1,600,000 new no-par value bearer shares with a pro-rata share in the issued capital of up to EUR 1,600,000 (Contingent Capital 2015/I). As of 31 December 2018, 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").

The Executive Board issued the following option rights from the SOP 2015 by 31 December 2018:

- 1 July 2015: a total of 151,000 option rights to subscribe for 151,000 shares with a pro-rata share in the issued capital of EUR 151,000 ("Tranche I/2015") and after the end of the vesting period exercise price of EUR 25.00 of the shares payable upon exercise of stock options,
- 23 December 2015: 10,000 option rights to purchase 10,000 shares with a pro-rata share in the issued capital of EUR 10,000 ("Tranche II/2015"). The payable exercise price was EUR 19.64 per share,
- 18 July 2016: 128,500 option rights to purchase 128,500 shares with a pro-rata share in the issued capital of EUR 128,500 ("Tranche III/2015"). The payable exercise price was EUR 6.39 per share,
- 30 August 2017: 8,000 option rights to purchase 8,000 shares with a pro-rata share in the issued capital of EUR 8,000 ("Tranche IV/2015"). The payable exercise price was EUR 7.72 per share,
- 20 November 2017: 10,000 option rights to purchase 10,000 shares with a pro-rata share in the issued capital of EUR 10,000 ("Tranche V/2015"). The payable exercise price was EUR 9.95 per share,
- 8 October 2018: 2,000 option rights to purchase 2,000 shares with a pro-rata share in the issued capital of EUR 2,000 ("Tranche VI/2015"). The payable exercise price was EUR 1.95 per share,
- 22 November 2018: 20,000 option rights to purchase 20,000 shares with a pro-rata share in the issued capital of EUR 20,000 ("Tranche VII/2015"). The payable exercise price was EUR 1.73 per share.

Due to the premature departure of employees, the number of option rights outstanding as of 31 December 2018 differs from the number of option rights originally issued.

(23.) Share-based remuneration*Preliminary remarks*

The share-based remuneration pledged by elumeo SE from the SOP 2015 represent equity-settled remuneration 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 select employees of subsidiaries of elumeo SE to acquire a total of 263,819 shares of elumeo SE (31 December 2017: 257,879 shares) as of the reporting date. The option rights become exercisable subject to the condition that the beneficiaries firstly serve the required service period of each individual partial tranche, secondly, the capital market-based performance target set out in the SOP 2015 is met, thirdly, the standstill period has elapsed, and fourthly a fixed overall gain from the exercise of option rights is not exceeded (exercise barrier). Each option right entitles to subscribe for one share with a pro-rata share in the issued capital of EUR 1.00 per share. The issue of remuneration commitments from the SOP 2015 has not been completed as of the reporting date.

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

Reason for change	Number of option rights	Weighted average exercise price in EUR
Number of option rights outstanding on 1 January 2018	257,879	14.93
Option rights granted during the reporting period	22,000	1.75
Option rights forfeited during the reporting period	-16,060	6.97
Number of option rights outstanding on 31 December 2018	263,819	14.31
Number of option rights outstanding on 1 January 2017	245,065	15.33
Option rights granted during the reporting period	18,000	8.96
Option rights forfeited during the reporting period	-5,186	13.15
Number of option rights outstanding on 31 December 2017	257,879	14.93

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 2018, the weighted average remaining term until the expiry date of the outstanding option rights is approximately 7.30 years (31 December 2017: approximately 8.10 years). As of the reporting date, no option rights may be exercised. The weighted average fair value of an option granted in financial year 2018 (here: Tranche VI/2015 and Tranche VII/2015) is EUR 2.65 (previous year: EUR 4.08 (here: Tranche IV/2015 and Tranche V/2015)). The fair value of an option right is made up of the intrinsic value and fair value multiplied by the probability of the expected achievement of the service condition. The fair value of the outstanding option rights of the seven tranches in total as of the reporting date amounted to EUR 1,493 thousand (31 December 2017: EUR 1,492 thousand) as of the grant date, assuming full completion of the vesting period.

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

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

Weighted parameters SOP 2015 for the option rights granted in financial year 2018	Tranche VI/2015	Tranche VII/2015
Weighted average share price in EUR	3.79	3.79
Weighted average exercise price in EUR	1.95	1.73
Expected volatility in %	47.00%	47.00%
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 %	2.40%	2.40%
Weighted average rate of fluctuation in %	25.00%	25.00%
Weighted parameters SOP 2015 for the option rights granted in financial year 2017	Tranche IV/2015	Tranche V/2015
Weighted average share price in EUR	7.71	9.67
Weighted average exercise price in EUR	7.72	9.95
Expected volatility in %	44.75%	43.50%
Expected option term in years	6.85	6.85
Expected dividend in %	0.00%	0.00%
Risk-free interest rate with equivalent term incl. risk-premium in %	1.79%	1.74%
Weighted average rate of fluctuation in %	15.00%	0.00%

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 2018, expenses of EUR 201 thousand (previous year: EUR 317 thousand) were recognised for equity-settled share-based payments from the SOP 2015.

(24.) Financial debt

Financial debt includes the following items:

EUR thousand % of balance sheet total	31 Dec 2018		31 Dec 2017		YoY in %
Bank liabilities:					
Bank overdrafts	0	0.0%	1	0.0%	-100.0%
Interest liabilities	0	0.0%	17	0.0%	-100.0%
Current loans and current portion of non-current loans	2,000	6.9%	7,560	13.8%	-73.5%
Current financial debt	2,000	6.9%	7,577	13.9%	-73.6%
Bank liabilities:					
Loans	0	0.0%	3,382	6.2%	-100.0%
Non-current financial debt	0	0.0%	3,382	6.2%	-100.0%
Financial debt	2,000	6.9%	10,959	20.0%	-81.8%

elumeo SE was originally granted two working capital loans in financial year 2015. The remaining liability from these loans in the amount of EUR 2,000 thousand is to be repaid by instalments of at least EUR 1,000 thousand by 30 April 2019 and 30 June 2019, respectively. The interest rate is variable with an interest premium of 5.00 percentage points p.a. on the base interest rate or a total of 4.12% p.a. as of 31 December 2018 (31 December 2017: variable with an interest premium of 4.00 percentage points p.a. on the 3-month Euribor interest rate (minimum interest rate: 4.00% p.a.)).

As was the case on the previous year's balance sheet date, the loan liabilities were fully secured by subsidiaries of elumeo SE in the form of a transfer of inventories (merchandise) and directly enforceable guarantees. The collateral risk in connection with inventories amounts to the loan amount (EUR 2,000 thousand).

(25.) Other financial liabilities

Other financial liabilities comprise the following:

EUR thousand % of balance sheet total	31 Dec 2018		31 Dec 2017		YoY in %
Current portion of non-current finance lease liabilities	253	0.9%	298	0.5%	-15.2%
Credit card liabilities	7	0.0%	5	0.0%	27.3%
Current other financial liabilities	260	0.9%	304	0.6%	-14.5%
Finance lease liabilities	0	0.0%	273	0.5%	-100.0%
Non-current other financial liabilities	0	0.0%	273	0.5%	-100.0%
Other financial liabilities	260	0.9%	577	1.1%	-54.9%

The short-term components of interest-bearing lease liabilities (finance leases) recognised as of 31 December 2018 relate to semi-automated picking, storage and conveyor systems (technical equipment) acquired in financial year 2015. The elumeo Group accordingly recognised a lease liability to the lessor in the amount of the acquisition costs (before interest expenses) under other financial liabilities. Financing is provided over a contract period of 48 months in monthly annuities. Due to the fundamental structure of the underlying leases, in particular the interest and repayment terms, the carrying amounts as of the balance sheet dates approximately correspond to the fair values. In financial year 2018, no investments were made as part of new finance lease agreements.

(26.) Provisions

Provisions developed as follows overall in financial years 2018 and 2017:

	Carrying amount 1 Jan 2018	Addi- tions	Reversal	Usage	Foreign currency effects	Effects in con- nection with the discon- tinued operation PWK under IFRS 5	Carrying amount 31 Dec 2018
EUR thousand							
Expected customer returns In terms of type, amount and utilization uncertain obligations in connection with the discontinued operation PWK	547	568	0	-547	0	0	568
	0	300	0	0	0	0	300
Current provisions	547	868	0	-547	0	0	868
Liabilities due to employees from benefits related to to retirement In terms of type, amount and utilization uncertain obligations in connection with the discontinued operation PWK	676	105	0	-2	16	-745	50
	0	7,405	0	0	0	0	7,405
Non-current provisions	676	7,510	0	-2	16	-745	7,455
Provisions	1,223	8,378	0	-549	16	-745	8,323

The elumeo Group records obligations resulting from the right of its customers to return delivered products within a period of 14 days after receipt of the delivery. The amount of the provision was estimated on the basis of historical experience and takes a longer right to return products during the Christmas business into consideration.

As described in F., Significant discretionary decisions, estimates and assumptions, the implementation of the resolution of the Executive Board of elumeo SE on the orderly liquidation of the PWK under own management provided an estimate of the financial impact of this winding-up. The corresponding estimate of the financial impact takes into account the existing assets and the existing liabilities of the PWK as well as the collateral conditions at the level of the PWK (collateral of the PWK for third parties). Furthermore, estimated costs of the orderly liquidation, liabilities arising in the course of the liquidation as well as effects on profit or loss which are to be assumed from a loss of

control of the company were taken into account. Due to the legal form of PWK (limited company) and the collateralisation of PWK's liabilities (limitation on assets of the PWK), the Executive Board assumes that there is a risk of future payments of Group companies of the elumeo Group to PWK or third parties in the amount of up to EUR 7.7 million. The costs of legal advice of EUR 0.3 million included in this amount were classified as due within one financial year. For all other cost components, the elumeo Group assumes that a payout would not be possible until after 2022. Accordingly, these payments were discounted to the balance sheet date and recognised at their present value. Significant uncertainties regarding the estimated payments result from the timing of the settlement as well as the assumption that settlement is under own management. An adjustment of the estimates regarding the timing of the settlement can only lead to a significant reduction in the estimated payouts. An adjustment of the assumption to self-management can lead to a number of legal scenarios which, due to the limitation of liability of the legal form of the PWK, cannot lead to an increase in the expected payments.

The following table shows the development of provisions in financial year 2017:

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

(27.) Liabilities due to related parties

Liabilities due to related parties of EUR 57 thousand as of 31 December 2018 relate to UV Interactive Services GmbH, Berlin, Germany, and result from TV broadcasting services (31 December 2017: EUR 7 thousand to a non-executive member of the Executive Board as compensation for acting as a freelance TV presenter).

The liabilities are due within one year.

(28.) Tax liabilities

As of 31 December 2018 and 2017, the elumeo Group has deferred tax liabilities for potential risks in connection with a pending external tax audit at a Group company. The elumeo Group assumes that the tax liabilities will be due within one year.

(29.) Other non-financial liabilities

Other non-financial liabilities are composed as follows as of the respective balance sheet date:

EUR thousand % of balance sheet total	31 Dec 2018		31 Dec 2017		YoY in %
Debtors with credit balances	235	0.8%	176	0.3%	33.5%
Other accrued liabilities	562	1.9%	415	0.8%	35.2%
Liabilities from value added tax	272	0.9%	367	0.7%	-25.8%
Liabilities from other taxes	109	0.4%	113	0.2%	-3.6%
Liabilities to employees	160	0.6%	130	0.2%	22.5%
Miscellaneous other liabilities	29	0.1%	34	0.1%	-16.2%
Current other non-financial liabilities	1,366	4.7%	1,236	2.3%	10.5%
Other accrued liabilities	25	0.1%	25	0.0%	0.0%
Non-current other non-financial liabilities	25	0.1%	25	0.0%	0.0%
Other non-financial liabilities	1,391	4.8%	1,261	2.3%	10.3%

(30.) Notes to the Consolidated Statement of Cash FlowsGeneral information

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, checks and bank balances.

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

The presentation of the Consolidated Statement of Cash Flows for the previous year has changed considerably compared with the Consolidated Financial Statements for 2017 due to the disclosure of additional discontinued operations. There is no comparability with the Consolidated Statement of Cash Flows of previous periods.

Net cash flow from financing activities from continuing operations is composed of payments from the repayment of financial liabilities of EUR -3,000 thousand (previous year: EUR -2,500 thousand) (working capital loans from Berliner Sparkasse) and other financial liabilities of EUR -317 thousand (previous year: EUR -288 thousand) (mainly leasing liabilities (finance lease)).

Cash and cash equivalents as of the balance sheet date result from the active component items of freely available cash of EUR 2,608 thousand (31 December 2017: EUR 1,512 thousand) and from the negative components of current overdrafts of EUR 0 thousand (31 December 2017: EUR -1 thousand). No unused credit lines were available as of the balance sheet date.

Changes in liabilities from financing activities

	Carrying amount 1 Jan 2018	Cash flow from financ- ing activities	Foreign currency trans- lation effects (OCI)	Changes in fair value measure- ment	Reclassi- fications and Other	Effects in con- nection with the dis- con- tinued operation PWK under IFRS 5	Carrying amount 31 Dec 2018
EUR thousand							
Current other financial liabilities (excluding following item)	5	1	0	0	0	0	7
Current portion of non-current finance lease liabilities	298	-299	0	0	253	0	253
Non-current finance lease liabilities	273	-20	0	0	-253	0	0
Current loans and current portion of non-current loans	5,000	-3,000	0	0	0	0	2,000
Liabilities from financing activities of continuing operations	5,577	-3,317	0	0	0	0	2,260
Current other financial liabilities (Liabilities directly associated with assets held for sale)	9	-9	0	0	0	0	0
Current financial debt (excluding following item)	17	0	1	0	11	-28	0
Current loans and current portion of non-current loans	2,560	1,024	177	0	388	-4,150	0
Non-current loans	3,382	0	170	0	-388	-3,164	0
Liabilities from financing activities of discontinued operations	5,967	1,016	349	0	11	-7,342	0
Total liabilities from financing activities	11,543	-2,301	349	0	11	-7,342	2,260

Currency translation differences arising from the translation of financial statements prepared in foreign currencies are recognised under the item *foreign currency translation effects (Other comprehensive income)*. The changes in liabilities from financing activities in financial years 2018 and 2017 do not include any amounts from changes in exchange rates recognised in profit or loss in the Consolidated Statement of Income.

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

EUR thousand restated*	Carrying amount 1 Jan 2017	Cash flow from financ- ing activities	Foreign currency trans- lation effects (OCI)	Changes in fair value measure- ment	Reclassi- fications and Other	Reclassi- fied as part of a disposal group	Carrying amount 31 Dec 2017
Current other financial liabilities (excluding following item)	6	-1	0	0	0	0	5
Current portion of non-current finance lease liabilities	288	-287	-1	0	299	0	298
Non-current finance lease liabilities	573	0	-2	0	-299	0	273
Current loans and current portion of non-current loans	7,492	-2,500	0	8	0	0	5,000
Liabilities from financing activities of continuing operations	8,412	-2,788	-3	8	-52	0	5,577
Current other financial liabilities	17	-8	0	0	0	-9	0
Current financial debt (excluding following item)	13	0	-1	0	4	0	17
Current loans and current portion of non-current loans	1,347	784	-73	0	502	0	2,560
Non-current loans	4,011	0	-127	0	-502	0	3,382
Liabilities from financing activities of discontinued operations	5,387	776	-201	0	4	-9	5,958
Total liabilities from financing activities	13,799	-2,012	-203	8	-48	-9	11,534

* Due to the classification of the production activities as discontinued operation PWK in accordance with IFRS 5, some of the amounts disclosed differ from the amounts in the Consolidated Financial Statements for financial year 2017 (see section B. Basis of preparation | General information).

(31.) Deferred taxes

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

Deferred tax assets of EUR 1,866 thousand as of 31 December 2017 resulted exclusively from the elimination of intercompany profits of the Group's own production and supply companies included in inventories. With the discontinuation of the production activities of the Group's own manufactory, there will be no further deliveries in the future that would require a continuous elimination of intercompany profits. As a result, intercompany profits in the elumeo Group will no longer lead to temporary differences that will reverse in the future in a tax-efficient or tax-relieving manner. Against the backdrop of the existing tax loss carryforwards of the sales companies, it can rather be assumed that the temporary differences will be reversed before any tax burden of the sales companies occurs. Deferred tax assets were therefore recognised in full as income taxes.

(32.) Further disclosures on financial instrumentsReclassification of financial instruments pursuant to IFRS 9

The following tables show the reconciliation of the categories and carrying amounts of the financial instruments of the elumeo Group in the course of the first-time application of IFRS 9:

EUR thousand		Category acc. IAS 39	Category acc. IFRS 9
	Carrying amount	Loans and receivables	Measured at amortized cost
Financial assets			
Statement of financial position as of 1 Jan 2018			
Non-current assets:			
Other financial assets	394	394	394
Current assets:			
Cash and cash equivalents	1,512	1,512	1,512
Trade receivables	2,963	2,963	2,963
Receivables due from related parties	224	224	224
Other financial assets	43	43	43
Total	5,136	5,136	5,136

The financial assets recognised in the elumeo Group as of 31 December 2017 were exclusively allocated to the category "loans and receivables" in accordance with IAS 39 and already measured at amortised cost. There were therefore no differences between the carrying amounts in accordance with IAS 39 and IFRS 9 as of 1 January 2018. As a result, the first-time application of IFRS 9 did not have any effect on consolidated equity.

EUR thousand		Category acc. IAS 39	Category acc. IFRS 9
	Carrying amount	Financial liabilities (measured at amortized cost)	Measured at amortized cost
Financial liabilities			
Statement of financial position as of 1 Jan 2018			
Non-current financial liabilities:			
Financial debt	3,382	3,382	3,382
Other financial liabilities	273	273	273
Current financial liabilities:			
Financial debt	7,577	7,577	7,577
Payables due to related parties	7	7	7
Trade payables	7,340	7,340	7,340
Other financial liabilities	304	304	304
Debtors with credit balances	176	176	176
Total	19,059	19,059	19,059

The financial liabilities recognised in the elumeo Group as of 31 December 2017 were exclusively allocated to the category "other financial liabilities" in accordance with IAS 39 and are already measured at amortised cost. There are therefore no differences between the carrying amounts according to IAS 39 and IFRS 9 as of 1 January 2018. As a result, the first-time adoption of IFRS 9 did not have any effects on the consolidated equity.

Disclosure of the fair values of financial instruments

The following tables show the carrying amounts and fair values of the financial instruments of the elumeo Group broken down by measurement category and by category of financial instrument in accordance with IFRS 9:

EUR thousand	Category acc. IFRS 9		
	Carrying amount	Measured at amortized cost	Fair value
Financial assets			
Statement of financial position as of 31 Dec 2018			
Non-current assets:			
Other financial assets	409	409	409
Current assets:			
Cash and cash equivalents	2,608	2,608	2,608
Trade receivables	1,416	1,416	1,416
Receivables due from related parties	12	12	12
Other financial assets	58	58	58
Total	4,502	4,502	4,502
Statement of financial position as of 31 Dec 2017			
Non-current assets:			
Other financial assets	394	394	394
Current assets:			
Cash and cash equivalents	1,512	1,512	1,512
Trade receivables	2,963	2,963	2,963
Receivables due from related parties	224	224	224
Other financial assets	43	43	43
Total	5,136	5,136	5,136

The elumeo Group has determined that the carrying amounts of the financial assets in the category "Measured at amortised cost" approximate their fair values as of the balance sheet dates.

With regard to cash and cash equivalents, trade receivables, receivables from related parties and other current financial assets, the assessment of fair value is mainly attributable to the short maturities of these instruments or, with regard to other non-current financial assets, to interest at market interest rates.

EUR thousand	Category		
	Carrying amount	acc. IFRS 9 Measured at amortized cost	Fair value
Financial liabilities			
Statement of financial position as of 31 Dezember 2018			
Current financial liabilities:			
Financial debt	2,000	2,000	2,000
Payables due to related parties	57	57	57
Trade payables	8,950	8,950	8,950
Other financial liabilities	260	260	260
Debtors with credit balances	156	156	156
Total	11,424	11,424	11,424

Statement of financial position as of 31 Dec 2017

Non-current financial liabilities:			
Financial debt	3,382	3,382	3,382
Other financial liabilities	273	273	273
Current financial liabilities:			
Financial debt	7,577	7,577	7,577
Payables due to related parties	7	7	7
Trade payables	7,340	7,340	7,340
Other financial liabilities	304	304	304
Debtors with credit balances	176	176	176
Total	19,059	19,059	19,059

For the financial liabilities in the category "Measured at amortised cost," the elumeo Group determined that the carrying amounts at the balance sheet dates approximate their fair values.

Measurement hierarchy in accordance with IFRS 13

With regard to the determination of the fair values of the financial instruments of the elumeo Group that are not measured at fair value in the Consolidated Statement of Financial Position but whose fair value is disclosed in the notes, there were no reclassifications between the measurement hierarchies in accordance with IFRS 13 in 2018:

EUR thousand	Measurement of fair value in accordance with IFRS 13 by applying input parameters of ...			
	Total	Level 1 (quoted prices in active markets)	Level 2 (significant other observable input parameter)	Level 3 (significant un-observable input parameter)
Statement of financial position as of 31 Dec 2018				
Non-current assets:				
Other financial assets	409	0	409	0
Current assets:				
Cash and cash equivalents	2,608	0	2,608	0
Trade receivables	1,416	0	1,416	0
Receivables due from related parties	12	0	12	0
Other financial assets	58	0	58	0
Total	4,502	0	4,502	0
Statement of financial position as of 31 Dec 2017				
Non-current assets:				
Other financial assets	394	0	394	0
Current assets:				
Cash and cash equivalents	1,512	0	1,512	0
Trade receivables	2,963	0	2,963	0
Receivables due from related parties	224	0	224	0
Other financial assets	43	0	43	0
Total	5,136	0	5,136	0

EUR thousand	Measurement of fair value in accordance with IFRS 13 by applying input parameters of ...			
	Total	Level 1 (quoted prices in active markets)	Level 2 (significant other observable input parameter)	Level 3 (significant un-observable input parameter)
Liabilities, for which a fair value is disclosed (Measured at amortized cost)				

Statement of financial position as of 31 Dec 2018

Current financial liabilities:				
Financial debt	2,000	0	2,000	0
Payables due to related parties	57	0	57	0
Trade payables	8,950	0	8,950	0
Other financial liabilities	260	0	260	0
Debtors with credit balances	235	0	235	0
Total	11,502	0	11,502	0

Statement of financial position as of 31 Dec 2017

Non-current financial liabilities:				
Financial debt	3,382	0	3,382	0
Other financial liabilities	273	0	273	0
Current financial liabilities:				
Financial debt	7,577	0	7,577	0
Payables due to related parties	7	0	7	0
Trade payables	7,340	0	7,340	0
Other financial liabilities	304	0	304	0
Debtors with credit balances	176	0	176	0
Total	19,059	0	19,059	0

Net income from financial instruments

The net gains and losses from financial assets and financial liabilities from continuing operations include the following effects from interest payments, impairments, write-offs and exchange rate changes recognised in the Consolidated Statement of Income:

EUR thousand	Net gains/losses		
	Net interest income	Net currency translation effects	Valuation allowances/write-offs
Financial assets			

Statement of financial position as of 31 Dec 2018

Cash and cash equivalents	0	-38	0
Trade receivables	0	2	-22
Receivables due from related parties	0	0	-224
Other financial assets	0	-5	-17
Total	0	-41	-264

EUR thousand	Net gains/losses		
	Net interest expenses	Net currency translation effects	Valuation allowances/write-offs
Financial liabilities			

Statement of financial position as of 31 Dec 2018

Financial debt	-202	0	0
Payables due to related parties	0	0	0
Trade payables	0	-52	0
Other financial liabilities	-17	0	0
Total	-220	-52	0

EUR thousand	Net gains/losses		
	net interest income	Net currency translation effects	Valuation allowances/write-offs
other financial assets			

Statment of financial position as 31 Dec 2017

Cash and cash equivalents	0	-17	0
Trade receivables	0	-72	-64
other financial assets	0	0	0
Total	0	-89	-64

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

I. Other notes

Management of financial risks

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

Market risks

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

Currency risks

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

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

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

In financial year 2018, the elumeo Group was mainly exposed to currency risks from the Thai baht (THB), the US dollar (USD) and, to a significantly lesser extent than in the previous year, the British pound (GBP) with regard to translation risk and transaction risk. Hedging the risks was initially considered inappropriate due to the large number of individual transactions that could not be planned

and the absence of net risks that pose a threat to the continued existence of the company, THB, USD and GBP transactions with third parties outside the Group. In 2016, in particular, however, the GBP and EUR depreciated, resulting in a loss of purchasing power against the THB and USD currencies, which are key currencies for the production flows of the production company in Thailand.

With the exception of the foreign currency positions of the discontinued UK operation UK existing on the reporting date, the elumeo Group will therefore no longer be exposed to significant currency risks from GBP in the future. As a result of the discontinuation of the production activities in Thailand, the elumeo Group will no longer be directly exposed to currency risks from the THB in the future because, with a few exceptions, purchases from strategic partners will be made in the functional currency EUR. Irrespective of this, the production of the products by third parties will continue to take place in economic areas with foreign currencies in the future, so that it is to be expected that the new suppliers could pass on the inherent currency risk, in particular the transaction risk, in whole or in part to the elumeo Group.

The currency sensitivity of the elumeo Group is determined by aggregating all foreign currency items that are not shown in the functional currency of the elumeo Group. The fair values of the foreign currency positions included are measured at exchange rates on the reporting date and at sensitivity rates. The difference between these valuations represents the effects on the earnings and equity of the elumeo Group.

In financial year 2018, net currency translation losses from continuing operations of EUR 428 thousand (previous year: net losses of EUR 99 thousand) were recognised in the Consolidated Statement of Income. These are largely (EUR 338 thousand) attributable to the subsequent measurement of intra-Group foreign currency receivables and payables and to the consolidation of income and liabilities. The net currency translation losses from continuing operations recognised in profit or loss were offset by positive negative differences of EUR -42 30 thousand (previous year: negative positive differences of EUR 42 thousand) recognised directly in equity from currency translation of continuing operations.

The currency results recorded in the relevant individual financial statements and, if applicable, the directly attributable currency effects from the profit and loss and debt consolidation were allocated to the discontinued operations (2018: Net losses of EUR 1,389 thousand, 2017: net gains of EUR 607 thousand).

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

	31 Dec 2018	31 Dec 2017	YoY in %
EUR thousand			
Financial Items in GBP			
Other financial assets	62	0	n.a
Cash and cash equivalents	12	88	-86.4%
Other financial liabilities	0	-52	100.0%
Trade payables	-17	-11	-50.2%
Other non-financial liabilities	-16	-109	85.5%
Assets held for sale	179	401	-55.2%
Liabilities directly associated with assets held for sale	-963	-1,282	24.9%
Foreign currency exposure in GBP	-743	-966	23.1%
EUR thousand			
Financial Items in USD			
Trade receivables	54	870	-93.8%
Other financial assets	3	3	4.6%
Other non-financial assets	242	0	n.a
Cash and cash equivalents	92	231	-60.2%
Trade payables	-445	-2,116	79.0%
Other non-financial liabilities	-1	-1	1.0%
Foreign currency exposure in USD	-55	-1,011	94.6%
EUR thousand			
Financial Items in THB			
Other financial assets	0	32	-100.0%
Other non-financial assets	0	1,031	-100.0%
Cash and cash equivalents	0	2	-100.0%
Financial debt	0	-5,959	100.0%
Provisions	0	-642	100.0%
Trade payables	0	-1,083	100.0%
Other non-financial liabilities	0	-68	100.0%
Foreign currency exposure in THB	0	-6,688	100.0%

The following table shows the effects of a $\pm 10.0\%$ change in the exchange rates on the Consolidated Statement of Income (including discontinued operations) and equity:

EUR thousand		1 Jan - 31 Dec 2018		1 Jan - 31 Dec 2017	
Currency	Foreign currency effect	Equity	Earnings	Equity	Earnings
GBP	10.0% increase in EUR exchange rate	537	193	351	194
	10.0% decrease in EUR exchange rate	-537	-193	-351	-194
USD	10.0% increase in EUR exchange rate	81	33	44	27
	10.0% decrease in EUR exchange rate	-81	-33	-44	-27
THB	10.0% increase in EUR exchange rate	0	0	-4.450	-862
	10.0% decrease in EUR exchange rate	0	0	4.450	862

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

Interest rate risk

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

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

In the elumeo Group, changes in market interest rates particularly impact the interest expenses arising from financial debt subject to variable interest rates and scheduled or final repayment. Assuming a change in the relevant prevailing market interest rates of ± 1.0 percentage points, interest expenses for financial liabilities of the continuing operations in financial years 2018 and 2017 would have appeared changed as follows:

EUR thousand	Consolidated statement of income		Equity	
	+1.00% p.a.	-1.00% p.a.	+1.00% p.a.	-1.00% p.a.
31 Dec 2018	51	0	-51	0
31 Dec 2017 *	66	0	-66	0

* Due to the classification of the production activities as discontinued operation PWK in accordance with IFRS 5, some of the amounts disclosed differ from the amounts in the Consolidated Financial Statements for financial year 2017 (see section B. Basis of preparation | General information).

Since 2 June 2016 (and up until 28 December 2018), a minimum interest rate of 4.00% p.a. has been agreed for the working capital credit line of elumeo SE drawn down as of 31 December 2018 (EUR 2,000 thousand). Due to the negative 3-month Euribor interest rate, the credit lines were

subject to interest at the applicable minimum interest rate over the entire interest period in financial year 2018. A decrease in the market interest rate would not have led to lower 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 pre-payment, credit card payment or cash on delivery or through intermediary payment service providers who bear the default risk. Moreover, the default risk is limited by the large number of geographically diverse customers. The default risk is accounted for by a rating based on experience and a valuation allowance account that takes the age structure into account. Bad debts are fully impaired individually in case of default and recognised as an expense in the Consolidated Statement of Income.

Default risks exist in the case of claims against the intermediary payment processing service providers. Default risk is mitigated by selecting partners with good to very good credit ratings, who are regularly monitored.

In the case of trade receivables, there is no significant concentration of default risk overall.

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

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

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

Financing and liquidity risk

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

The maturity structure of the financial liabilities and the associated future cash outflows as of the respective reporting date are illustrated in the tables below. The tables show the contractually agreed (undiscounted) re-payments 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 continuing operations of the elumeo Group identified as of the respective reporting date as of 31 December 2018 and 31 December 2017 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 re-payment of principal is possible. Budget figures for new future financial liabilities are not taken into account.

EUR thousand	Carrying amount	Contractual cash flows					
	31 Dec 2018	2019		2020- 2023		after 2023	
		Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Liabilities due to related parties	57	0	-57	0	0	0	0
Trade payables	8,950	0	-8,950	0	0	0	0
Debtors with credit balances	235	0	-235	0	0	0	0
Other financial liabilities	260	-5	-260	0	0	0	0
thereof finance lease liabilities	253	-5	-253	0	0	0	0
Financial debt	2,000	-36	-2,000	0	0	0	0
Total	11,502	-41	-11,502	0	0	0	0

As of 31 December 2018, there are also contractually agreed payment obligations from (non-interest-bearing) financial liabilities amounting to EUR 478 436 thousand (31 December 2017: EUR 478 thousand) (mainly trade payables and customer deposits) that are entirely assigned to the discontinued operation UK reclassified as part of a disposal group and classified as available for sale in the Consolidated Statement of Financial Position.

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

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, an appropriate credit rating and a good equity ratio should be ensured. No adjustment measures or changes to the capital management objectives were made in the 2017 and 2016 financial years.

Capital management is monitored on an ongoing basis using a variety of performance indicators and key figures. The equity calculated in accordance with IFRSs for the elumeo Group should not be less than 50.0% of the balance sheet total. As a result of the negative earnings situation in financial year 2018, in particular the negative effects on earnings in connection with the discontinuation of production activities, the equity ratio fell to 23.2% (31 December 2017: 58.4%) as of the balance sheet date.

The aim of future capital management is to ensure an equity ratio of 50.0% of the balance sheet total again in the medium to long term by improving the earnings situation.

Legal risks

The elumeo Group is exposed to various legal risks in connection with its current and former business activities. These include risks arising from product liability, environmental, capital market, anti-corruption, competition, labour law and compliance regulations. In this connection, the elumeo Group could be held liable for violations of the law by one or more employees or third parties.

Segment reporting

Segment reporting is in accordance with internal reporting and control criteria and complies with IFRS accounting principles. As part of the discontinuation of the production activities of PWK, the Executive Board changed the segment reporting in the Consolidated Financial Statements 2018, including the comparative information from the previous year. In addition, the Company is currently reviewing the possibilities for a fundamental change in segment reporting.

Presentation of segments

Organisation-driven, cross-entity integration and difference in the respective functions of the value chain form the basis for the identification of the reportable segments. The business activities of the elumeo Group are differentiated into the three operational segments Sales division Germany & Italy, Sales division Others and Group functions & eliminations. The cash-generating units defined on the basis of the legal entities of the elumeo Group were allocated to these segments.

The classification of PWK as a discontinued operation made it necessary to adjust the reportable segments. This is not least intended to take greater account of the forecasting and information function standardised in IFRS 5. As of 31 December 2018, the following segments were therefore reported:

Continuing operations

The *Continuing operations* segment is made up of the two segment units *Sales business division* and *Corporate Group functions & eliminations*.

Sales division

The previous segments Sales division Germany & Italy and Sales division Others were combined to form one segment unit *Sales division*. The gross profits (including realised intercompany profits) allocated to the previous sales segments and exceeding the full cost coverage of the cash-generating unit "PWK" were eliminated from the *Sales division* segment and allocated to the *Discontinued operation Manufactory* segment. The costs for the jewelry deliveries purchased from PWK were allocated to the sales business after deduction of the costs of underutilisation of PWK's production capacities and the opportunity costs of sales (lack of product diversity in purchasing).

Group functions & eliminations

The segment *Group functions & eliminations* still 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

Discontinued operation Manufactory

The segment *Discontinued operation Manufactory* contains the business activities of PWK, consolidation effects as well as the costs of underutilisation and opportunity costs of distribution allocated to the division, which are reported in the Consolidated Statement of Comprehensive Income in the continuing operations as part of the disclosure of the discontinued operation PWK

because they were included in the invoice amounts for jewelry deliveries as part of the Group's internal cost allocation. In the opinion of the Executive Board, these costs will no longer be incurred in the future once the supply chain is changed from PWK's internal supply to third parties. For this reason, the internal management reporting was based on a corresponding allocation of these cost components for purposes of comparability.

Primary decision-maker and definition of segment result

The Executive Board of elumeo SE is the joint chief decision maker of the Group and ensures sustainable allocation of resources to the segments. The Executive Board assesses the success of the segments and establishes performance targets for the future based on the revenue, gross profit and segment EBITDA (adjusted earnings figure). The adjusted earnings figure Segment EBITDA is basically defined as earnings after before interest, taxes and depreciation and amortisation (EBITDA) after adjustment for segment transfer reconciliation items. In assessing the operating performance of the segments, the following segment transfer 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,
- expenses and income from discontinued operations, to the extent that these are not urgently required for the assessment of the actual earnings situation of continuing operations, as well as
- one-time or extraordinary, by their nature and amount, expenses and income (non-recurring effects) outside of ordinary business activity (for example, underutilisation of capacities, restructuring, business relocation, insurance claims, litigation), the values of which can generally be clearly identified and taken directly from accounting.

In determining the Segment EBITDA, selected inter-segment transactions are eliminated in such a way as if expenses and income under review would have already been incurred as part of the regular expense and income items of the respective segments (economic approach to supply and service relationships). As a result of the changed segment reporting, however, the gross profits of the Group's own supplier company remaining after full cost recovery from the Group's internal supply and service relationships are no longer allocated to the sales 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.

Against the backdrop of the expected effects of the new IFRS 16 on segment EBITDA, the Executive Board is currently reviewing the redefinition of the segment result.

Segment information

The following tables show the development of the segment-specific financial performance indicators of the new segments *Continuing operations* and *Discontinued operation Manufactory* in financial years 2018 and 2017 or the year-on-year change (YoY):

EUR thousand % of (segment) revenue	1 Jan - 31 Dec 2018					
	Revenue		Gross profit		Segment-EBITDA	
Sales division	51,115	100.0%	19,434	38.0%	-8,339	-16.3%
Group functions & eliminations	0	0.0%	230	n.a.	-1,942	n.a.
Continuing operations	51,115	100.0%	19,664	38.5%	-10,281	-20.1%
Discontinued operation Manufactory	0	0.0%	70	n.a.	-878	n.a.
Total	51,115	100.0%	19,734	38.6%	-11,159	-21.8%

EUR thousand % of (segment) revenue	1 Jan - 31 Dec 2017					
	Revenue		Gross profit		Segment-EBITDA	
Sales division	67,560	100.0%	22,875	33.9%	-3,984	-5.9%
Group functions & eliminations	0	0.0%	23	n.a.	-1,982	n.a.
Continuing operations	67,560	100.0%	22,898	33.9%	-5,966	-8.8%
Discontinued operation Manufactory	0	0.0%	7,628	n.a.	6,390	n.a.
Total	67,560	100.0%	30,526	45.2%	424	0.6%

EUR thousand in %	1 Jan - 31 Dec YoY					
	Revenue		Gross profit		Segment-EBITDA	
Sales division	-16,445	-24.3%	-3,441	-15.0%	-4,355	-109.3%
Group functions & eliminations	0	n.a.	207	882.5%	39	2.0%
Continuing operations	-16,445	-24.3%	-3,234	-14.1%	-4,315	-72.3%
Discontinued operation Manufactory	0	n.a.	-7,558	-99.1%	-7,267	-113.7%
Total	-16,445	-24.3%	-10,792	-35.4%	-11,583	n.a.

Detailed income statement of the segments for the financial year from 1 January to 31 December 2018

1 Jan - 31 Dec 2018	Sales division	Group functions & eliminations	Con- tinuing operations		Group owned manufactory (stand alone)		Interseg- mental correc- tions	Group owned manufactory (economic "as-if" presen- tation)		Interseg- mental consoli- dation	Discon- tinued operation Manu- factory
EUR thousand % of revenue											
Revenue	51,115	0	51,115	100.0%	17,724	100.0%	-4,804	12,920	100.0%	-12,920	0
Cost of goods sold	31,681	-230	31,451	61.5%	12,850	72.5%		12,850	99.5%	-12,920	-70
Gross profit	19,434	230	19,664	38.5%	4,874	27.5%	-4,804	70	0.5%	0	70
Selling expenses	23,648	49	23,698	46.4%	0	0.0%		0	0.0%		0
Administrative expenses	5,103	2,180	7,283	14.2%	1,457	8.2%		1,457	11.3%		1,457
Other operating income	76	19	95	0.2%	0	0.0%		0	0.0%		0
Other operating expenses	0	0	0	0.0%	0	0.0%		0	0.0%		0
Earnings before Interest and taxes (EBIT)	-9,241	-1,980	-11,221	-22.0%	3,417	19.3%	-4,804	-1,388	-10.7%	0	-1,388
Interest income	0	4	4	0.0%	0	0.0%		0	0.0%		0
Interest and similar expenses	-17	-202	-220	-0.4%	-259	-1.5%		-259	-2.0%		-259
Financial result	-17	-199	-216	-0.4%	-259	-1.5%	0	-259	-2.0%	0	-259
Earnings before Income taxes (EBT)	-9,258	-2,179	-11,437	-22.4%	3,158	17.8%	-4,804	-1,647	-12.7%	0	-1,647
Income tax	-1,850	0	-1,850	-3.6%	-184	-1.0%		-184	-1.4%		-184
Earnings for the period	-11,107	-2,179	-13,286	-26.0%	2,973	16.8%	-4,804	-1,831	-14.2%	0	-1,831
Earnings before Interest and taxes (EBIT)	-9,241	-1,980	-11,221	-22.0%	3,417	19.3%	-4,804	-1,388	-10.7%	0	-1,388
Depreciation and amortization on property, plant and equipment and intangible assets	902	38	940	1.8%	510	2.9%		510	3.9%		510
Segment EBITDA	-8,339	-1,942	-10,281	-20.1%	3,927	22.2%	-4,804	-878	-6.8%	0	-878

Detailed income statement of the segments for the financial year from 1 January to 31 December 2017

1 Jan - 31 Dec 2017	Sales division	Group functions & eliminations	Con- tinuing operations		Group owned manufactory (stand alone)		Interseg- mental correc- tions	Correc- tions with other discon- tinued operations	Group owned manufactory (economic "as-if" presen- tation)		Interseg- mental consoli- dation	Discon- tinued operation Manu- factory
EUR thousand % of revenue												
Revenue	67,560	0	67,560	100.0%	42,536	100.0%	-2,650		39,885	100.0%	-39,885	0
Cost of goods sold	44,685	-23	44,662	66.1%	32,173	75.6%		84	32,257	80.9%	-39,885	-7,628
Gross profit	22,875	23	22,898	33.9%	10,362	24.4%	-2,650	-84	7,628	19.1%	0	7,628
Selling expenses	23,463	207	23,669	35.0%	0	0.0%			0	0.0%		0
Administrative expenses	4,827	1,843	6,671	9.9%	2,008	4.7%		-74	1,934	4.8%		1,934
Other operating income	551	15	566	0.8%	0	0.0%			0	0.0%		0
Other operating expenses	0	0	0	0.0%	0	0.0%			0	0.0%		0
Earnings before Interest and taxes (EBIT)	-4,864	-2,012	-6,875	-10.2%	8,354	19.6%	-2,650	-10	5,694	14.3%	0	5,694
Interest income	0	0	0	0.0%	0	0.0%			0	0.0%		0
Interest and similar expenses	-29	-270	-300	-0.4%	-313	-0.7%			-313	-0.8%		-313
Financial result	-29	-270	-299	-0.4%	-313	-0.7%	0	0	-313	-0.8%	0	-313
Earnings before Income taxes (EBT)	-4,892	-2,282	-7,175	-10.6%	8,042	18.9%	-2,650	-10	5,381	13.5%	0	5,381
Income tax	291	25	317	0.5%	-245	-0.6%			-245	-0.6%		-245
Earnings for the period	-4,601	-2,257	-6,858	-10.2%	7,797	18.3%	-2,650	-10	5,136	12.9%	0	5,136
Earnings before Interest and taxes (EBIT)	-4,864	-2,012	-6,875	-10.2%	8,354	19.6%	-2,650	-10	5,694	14.3%	0	5,694
Depreciation and amortization on property, plant and equipment and intangible assets	879	30	909	1.3%	696	1.6%			696	1.7%		696
Segment EBITDA	-3,984	-1,982	-5,966	-8.8%	9,050	21.3%	-2,650	-10	6,390	16.0%	0	6,390

Segment reconciliation to Group earnings*Segment reconciliation for the financial year from 1 January to 31 December 2018*

The segment EBITDA of the reportable segment *Continuing operations* can be reconciled to earnings for the period from continuing operations or earnings for the period of the elumeo Group as follows:

1 Jan - 31 Dec 2018	Segment informationen (Continuing operations)	Effects from foreign currency translation	Equity-settled share-based remuneration	Specific valuation allowance on receivables due from cooperation partners & related parties	Legal and consulting fees related to the orderly liquidation of the Group owned manufactory	Realized inter-company profits attributable to the continuing operations	Cost of under-utilization charged by the manufactory and opportunity cost of distribution	Earnings for the period from discontinued operations	Segment reconciliation items of continuing operations	Group information (Continuing operations)
EUR thousand % of revenue										
Revenue	51,115 100.0%								0	51,115 100.0%
Cost of goods sold	31,451 61.5%	-74				-717	6,943		6,151	37,602 73.6%
Gross profit	19,664 38.5%	74	0	0	0	717	-6,943	0	-6,151	13,513 26.4%
Selling expenses	23,698 46.4%								0	23,698 46.4%
Administrative expenses	7,283 14.2%		201	257					458	7,741 15.1%
Other operating income	95 0.2%								0	95 0.2%
Other operating expenses	0 0.0%	428			167				596	596 1.2%
Earnings before Interest and taxes (EBIT)	-11,221 -22.0%	-354	-201	-257	-167	717	-6,943	0	-7,205	-18,426 -36.0%
Interest income	4 0.0%								0	4 0.0%
Interest and similar expenses	-220 -0.4%								0	-220 -0.4%
Financial result	-216 -0.4%	0	0	0	0	0	0	0	0	-216 -0.4%
Earnings before Income taxes (EBT)	-11,437 -22.4%	-354	-201	-257	-167	717	-6,943	0	-7,205	-18,642 -36.5%
Income tax	-1,850 -3.6%								0	-1,850 -3.6%
Earnings for the period from continuing operations	-13,286 -26.0%	-354	-201	-257	-167	717	-6,943	0	-7,205	-20,491 -40.1%
Earnings for the period from discontinued operations	0 0.0%							-6,913	-6,913	-6,913 -13.5%
Earnings for the period	-13,286 -26.0%	-354	-201	-257	-167	717	-6,943	-6,913	-14,118	-27,404 -53.6%
Earnings before Interest and taxes (EBIT)	-11,221 -22.0%	-354	-201	-257	-167	717	-6,943	0	-7,205	-18,426 -36.0%
Depreciation and amortization on property, plant and equipment and intangible assets	940 1.8%								0	940 1.8%
EBITDA	-10,281 -20.1%	-354	-201	-257	-167	717	-6,943	0	-7,205	-17,486 -34.2%

The segment EBITDA of the reportable segment *Discontinued operation Manufactory* can be reconciled to earnings for the period from the elumeo Group discontinued operation PWK as follows:

1 Jan - 31 Dec 2018	Segment information (Discontinued operation Manufactory)	Effects from foreign currency translation	Net losses from disposal of property, plant and equipment	In terms of type, amount & utilization	Expenses resulting from the orderly liquidation of the discontinued operation	Realized inter-company profits attributable to the discontinued operations	Cost of under-utilization charged by the factory and opportunity cost of distribution	Reconciliation items of the discontinued operation	Group information (Discontinued operation PWK)
EUR thousand % of revenue									
Revenue	0							0	0
Cost of goods sold	-70	74				717	-6,943	-6,151	-6,221
Gross profit	70	-74	0	0	0	-717	6,943	6,151	6,221
Administrative expenses	1,457		2					2	1,459
Other operating income	0							0	0
Other operating expenses	0	1,327		7,705	2,954			11,986	11,986
Earnings before interest and taxes (EBIT)	-1,388	-1,402	-2	-7,705	-2,954	-717	6,943	-5,836	-7,224
Interest income	0							0	0
Interest and similar expenses	-259							0	-259
Financial result	-259	0	0	0	0	0	0	0	-259
Earnings before income taxes (EBT)	-1,647	-1,402	-2	-7,705	-2,954	-717	6,943	-5,836	-7,483
Income tax	-184							0	-184
Earnings for the period from the discontinued operation	-1,831	-1,402	-2	-7,705	-2,954	-717	6,943	-5,836	-7,667
Earnings before interest and taxes (EBIT)	-1,388	-1,402	-2	-7,705	-2,954	-717	6,943	-5,836	-7,224
Depreciation and amortization on property, plant and equipment and intangible assets	510							0	510
EBITDA	-878	-1,402	-2	-7,705	-2,954	-717	6,943	-5,836	-6,714

Segment reconciliation for the financial year from 1 January to 31 December 2017

The segment EBITDA of the reportable segment *Continuing operations* can be reconciled to earnings for the period from continuing operations or earnings for the period of the elumeo Group as follows:

1 Jan - 31 Dec 2017	Segment information (Continuing operations)		Effects from foreign currency translation	Equity-settled share-based remuneration	Net losses from disposal of property, plant and equipment	Non-recurring income from reversal of provisions for severance payments	Cost of under-utilization charged by the manufacturing operations	Earnings for the period from discontinued operations	Segment reconciliation items of continuing operations	Group information (Continuing operations)
EUR thousand % of revenue										
Revenue	67,560	100.0%							0	67,560 100.0%
Cost of goods sold	44,662	66.1%	319				1,654		1,973	46,635 69.0%
Gross profit	22,898	33.9%	-319	0	0	0	-1,654	0	-1,973	20,926 31.0%
Selling expenses	23,669	35.0%							0	23,669 35.0%
Administrative expenses	6,671	9.9%		317	4	-40			282	6,952 10.3%
Other operating income	566	0.8%							0	566 0.8%
Other operating expenses	0	0.0%	99						99	99 0.1%
Earnings before interest and taxes (EBIT)	-6,875	-10.2%	-418	-317	-4	40	-1,654	0	-2,354	-9,229 -13.7%
Interest income	0	0.0%							0	0 0.0%
Interest and similar expenses	-300	-0.4%							0	-300 -0.4%
Financial result	-299	-0.4%	0	0	0	0	0	0	0	-299 -0.4%
Earnings before income taxes (EBT)	-7,175	-10.6%	-418	-317	-4	40	-1,654	0	-2,354	-9,528 -14.1%
Income tax	317	0.5%							0	317 0.5%
Earnings for the period from continuing operations	-6,858	-10.2%	-418	-317	-4	40	-1,654	0	-2,354	-9,211 -13.6%
Earnings for the period from discontinued operations	0	0.0%						3,168	3,168	3,168 4.7%
Earnings for the period	-6,858	-10.2%	-418	-317	-4	40	-1,654	3,168	815	-6,043 -8.9%
Earnings before interest and taxes (EBIT)	-6,875	-10.2%	-418	-317	-4	40	-1,654	0	-2,354	-9,229 -13.7%
Depreciation and amortization on property, plant and equipment and intangible assets	909	1.3%							0	909 1.3%
EBITDA	-5,966	-8.8%	-418	-317	-4	40	-1,654	0	-2,354	-8,320 -12.3%

The segment EBITDA of the reportable segment *Discontinued operation Manufactory* can be reconciled to earnings for the period from the discontinued operation PWK as follows:

1 Jan - 31 Dec 2017	Segment information (Discontinued operation Manufactory)	Effects from foreign currency translation	Net losses from disposal of property, plant and equipment	Cost of under-utilization charged by the manufactory	Cost of under-utilization charged by the manufactory to other discontinued operations	Reconciliation items of the discontinued operation	Group information (Discontinued PWK)
EUR thousand % of revenue							
Cost of goods sold	-7,628	-286		-1,654	-99	-2,039	-9,667
Gross profit	7,628	286	0	1,654	99	2,039	9,667
Administrative expenses	1,934		9			9	1,943
Other operating income	0	709				709	709
Earnings before interest and taxes (EBIT)	5,694	995	-9	1,654	99	2,739	8,432
Interest income	0					0	0
Interest and similar expenses	-313					0	-313
Financial result	-313	0	0	0	0	0	-313
Earnings before income taxes (EBT)	5,381	995	-9	1,654	99	2,739	8,120
Income tax	-245					0	-245
Earnings for the period from the discontinued operation	5,136	995	-9	1,654	99	2,739	7,875
Earnings before interest and taxes (EBIT)	5,694	995	-9	1,654	99	2,739	8,432
Depreciation and amortization on property, plant and equipment and intangible assets	696					0	696
EBITDA	6,390	995	-9	1,654	99	2,739	9,128

Related party disclosures

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

Major related parties of elumeo SE include:

- all subsidiaries included in the Consolidated Financial Statements of elumeo SE,
- the shareholder Mr. Wolfgang Boyé, Berlin, Germany, and the holding companies he controls either directly or indirectly, which in turn hold investments in related companies of elumeo SE, in particular:
 - UV Interactive Services GmbH, Berlin, Germany ("UVIS"), in which Mr. Boyé holds 100.0% of the shares,
 - the shareholder Blackflint Ltd., Paphos, Cypress ("BFL"), in which UVIS holds 100.0% of the shares
- the Serifos Foundation, Vaduz, Liechtenstein ("Serifos"), which holds 100.0% of the shares in the shareholder Ottoman Strategy Holdings (Suisse) SA, Zug, Switzerland ("OSH"), as well as selected members of the Jamratkittiwan family as beneficiaries of Serifos,
- River City Company Limited, Chanthaburi, Thailand ("RCCL"), a company in which 100.0% of the shares are held by Mr. Teerasak Jamratkittiwan, a member of the Jamratkittiwan family,
- Moving Colours Limited, Dubai, United Arab Emirates, which is a precursor to the production company of the elumeo Group under the indirect control of OSH and has engaged in significant business activities with the elumeo Group in past financial years, and
- the members of the Executive Board of elumeo SE, including members who have resigned, been dismissed or newly appointed during the year as well as managing directors who are not members of the Executive Board.

The amounts relating to receivables due from related parties for which payment had not yet been received in full as of 31 December 2018 and 31 December 2017 are reported under the corresponding line items in the Consolidated Statement of Financial Position provided no other figures are shown.

In financial year 2018, the following transactions were executed with related parties:

- The elumeo Group reports expenses of EUR 203 thousand (previous year: EUR 203 thousand) for services in the field TV broadcasting from UVIS. In addition, revenues of EUR 11 thousand (previous year: EUR 11 thousand) were generated from the provision of supporting broadcasting services for UVIS. As of 31 December 2018, the elumeo Group had trade payables to UVIS of EUR 57 thousand (31 December 2017: EUR 0 thousand).
- As of 31 December 2017, the elumeo Group reported receivables from the predecessors of the production and distribution companies of the elumeo Group (EUR 224 thousand). These were written off in full in financial year 2018. The expenses were reported under administrative expenses.

- In financial year 2018, an executive director was granted 20,000 option rights of Tranche VII/2015 with a fair value of EUR 53 thousand at the grant date, assuming full vesting (previous year: no option rights granted). The fair value of the 57,000 option rights issued to the Managing Directors in the financial years 2015, 2016 and 2018 totalled EUR 266 thousand on the grant date (previous year: 37,000 option rights with a fair value at the grant date totalling EUR 213 thousand). Of this amount, a total of EUR 28 thousand (previous year: EUR 52 thousand) was recognised as expense in the Consolidated Statement of Income in financial year 2018.
- On 12 December 2018, the members of the Executive Board, Mr. Don Kogen (Deputy Chairman of the Executive Board) and Mrs. Deborah Cavill, were removed from the Executive Board.
- On 12 December 2018, Dr. Frank Broer (Deputy Chairman of the Executive Board) and Gregor Faßbender-Menzel were elected as members of the Executive Board until the 2021 Annual General Meeting.
- The investment loan and other loans from PWK are secured, among other things, by land charges on land owned by RCCL (including the buildings on such land). The Company has a close relationship with Mr. Teerasak Jamratkittiwan. The loans are also secured by a personal guarantee from Mr. Teerasak Jamratkittiwan. As a result of the closure of the production activities of the Group's own manufactory PWK (orderly liquidation), there is generally a risk that the credit institution concerned could take steps against the related party and Mr. Teerasak Jamratkittiwan in order to enforce any claims.

For information on significant transactions with related parties after the balance sheet date, please refer to section [I.: Events after the balance sheet date].

In financial year 2018, the following significant transactions were also carried out jointly by affiliated companies of the elumeo Group with effects on non-Group third parties:

- On 19 June 2018, the broadcasting operations of the discontinued sales activities operation in the United Kingdom were transferred from Rocks and Co Productions Ltd., Birmingham, UK, ("R&C P") & C P to Rocks & Co. Television Ltd., Birmingham, UK (R&C TV). All shares in R&C TV were sold in financial year 2018.
- On 1 February 2017, elumeo SE undertook to a contractual partner (distribution of the TV signal) of a subsidiary in the United Kingdom to guarantee the payment of a contractually agreed amount in the event of any sale of the shares in an indirectly controlled subsidiary. In financial year 2018, the agreed amount from the sale proceeds of R&C TV was paid in full. The guarantee has thus expired.
- On 16 November 2016, elumeo SE had declared to the lessor of the premises of the discontinued distribution activities in the United Kingdom operation UK that it would guarantee all gross payments in GBP contractually agreed up to 31 March 2030. Due to a right of termination, the contract term was reduced to 31 March 2021. The now contractually agreed net payments in GBP of approximately EUR 0.5 million were recognised as liabilities in the consolidated balance sheet Consolidated Statement of Financial Position as of 31 December 2018 and classified as liabilities in connection with assets held for sale (previous year: disclosed as off-balance sheet other financial obligations in the amount of EUR 3.2 million (gross payments)). The scope of guarantees provided by elumeo SE has thus been significantly reduced.

Other financial obligations

Operating leases

The elumeo Group has obligations arising from operating leases for leased properties and – in an immaterial amount – for movable items of other business equipment, furniture and fixtures and office equipment. The lease agreements have remaining terms of between less than one year and up to approximately three fifteen years (previous year: less than one year up to approximately three years). Some of the leases include renewal options, annual termination rights 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 512 thousand (previous year: EUR 454 thousand). The future minimum gross lease payments of continuing operations as of 31 December 2018 and 2017 due from non-cancellable, significant operating leases are shown in the following table:

EUR thousand	Remaining term			Total
	< 1 year	1-5 years	> 5 years	
31 Dec 2018	642	2,587	2,001	5,229
31 Dec 2017 *	567	658	0	1,225

* Due to the classification of the production activities as discontinued operation PWK in accordance with IFRS 5, some of the amounts disclosed differ from the amounts in the Consolidated Financial Statements for financial year 2017 (see section B. Basis of preparation | General information).

Extension options have already been taken into account, in accordance with IFRS 16 to be applied from 1 January 2019, if their exercise is highly probable. As a result, the calculation of future gross minimum lease payments was therefore not based on the regularly shorter residual terms up to the earliest possible contractual termination date.

Other financial obligations

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

The future minimum payments as of 31 December 2018 and 2017 as a result of non-cancellable, significant TV broadcasting contracts are shown in the following table:

EUR thousand	Remaining term			Total
	< 1 year	1-5 years	> 5 years	
31 Dec 2018	7,322	20,756	10,709	38,787
31 Dec 2017	11,353	22,895	0	34,248

In determining future net minimum payments, the earliest possible termination date of the contracts was used.

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 the period	Note
EUR thousand			31 Dec 2018	31 Dec 2018	1 Jan - 2018	
Juwelo Deutschland GmbH	Berlin	EUR	-45,585	226	-22,942	1
schmuck.de G&S GmbH	Berlin	EUR	24	25	-1	1
Juwelo Italia s.r.l.	Rom	EUR	26	10	-4,482	1
Juwelo France SAS	Paris	EUR	31	50	6	1
Rocks & Co Productions Ltd.	Birmingham	GBP	8	11,133	8	1.2
Rocks & Co. Television Ltd.	Birmingham	GBP	n.a.	n.a.	1	1,2,4
Rocks & Co UK Ltd.	Birmingham	GBP	-5,380	0	-1,939	1.2
Juwelo USA, Inc.	Wilmington	USD	-807	0	-333	1.2
Silverline Distribution Ltd.	Hong Kong	EUR	15,335	1	12,423	1.2
PWK Jewelry Company Ltd.	Bangkok	THB	35,879	8,088	1,644	1,2,3,5

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

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

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

4 The company was established on 21 February 2018 and deconsolidated on 22 June 2018.

5 The disclosures include the earnings of the period from 1 January to 30 September 2018 as well as intercompany transactions until 31 December 2018, including subsequent measurement of intercompany receivables as of the reporting date.

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

Rocks & Co. Television Ltd, Birmingham, United Kingdom, 100.0% of whose shares were held by Rocks and Co Productions Ltd, Birmingham, United Kingdom, was founded on 21 February 2018. Rocks & Co. Television Ltd, including the remaining broadcasting operations of the discontinued distribution activities in the operation UK, was sold again on 22 June 2018.

Application of exemption rules

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

Number of employees

The average number of employees by region developed as follows:

	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017 restated*	YoY in %
Full-time equivalents (FTE)			
Europe	279	274	1.8%
Asia and other countries	1	2	-66.7%
Total	280	276	1.3%

In addition, in 2018 approximately 3.75 FTEs (previous year: 26.5 FTEs) attributable to the discontinued operation UK were employed in the Europe region. The number of additional employees in the region Asia and other countries who worked at the discontinued operation PWK in the period from 1 January to 30 September 2018 is estimated at approximately 590 FTEs (previous year: 841 FTEs throughout the full year) and was calculated based on the average personnel expenses by type of department of financial year 2017.

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

In accordance with Section 22 para. 6 of the SE Implementing Act (SEAG) in conjunction with Section 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 declaration of compliance of the Executive Board of elumeo SE is published in full on the Company's website at <http://www.elumeo.com/investor-relations/corporate-governance/corporate-governance-kodex/>.

Notifications of voting rights

In financial year 2018, elumeo SE issued various notifications pursuant to Section 21 et seq. of the German Stock Corporation Act (AktG). WpHG, which can be accessed on the Company's website at <http://www.elumeo.com/investor-relations/aktuelle-mitteilungen/stimmrechtsmitteilungen>.

Information on the Executive Board*The Executive Board*

The Company has a one-tier governance structure with the Executive Board as the central management and control body. The Executive Board of elumeo SE is composed of executive managing directors and non-executive board members.

During financial year 2018, the following individuals were Managing Directors or non-executive members of the Executive Board:

Managing Directors	Profession	End of appointment
Bernd Fischer	Merchant	21 July 2020
Thomas Jarmuske (sole powers of representation since 14 Jun 2015)	Merchant	28 May 2020
Boris Kirn (sole powers of representation since 13 Feb 2015)	Merchant	13 February 2021
Ingo Stober (sole powers of representation since 9 Nov 2018)	Merchant	9 November 2020
Executive Board	Profession	Latest end of appointment
Wolfgang Boyé (Chairman of the Board) (since 21 July 2014)	Merchant	21 July 2020
Dr. Frank Broer (Vice-Chairman of the Board) (since 29 May 2015)	Merchant	29 May 2021
Anette Bronder (since 29 May 2015)	Merchant	29 May 2021
Gregor Faßbender-Menzel (since 29 May 2015)	Merchant	29 May 2021
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
Don Kogen (Vice-Chairman of the Board) (until 12 December 2018)	Merchant	no longer in office
Deborah Cavill (until 12 December 2018)	Merchant	no longer in office
Roland Sand (until 9 December 2018)	Merchant	no longer in office

Shareholdings of the Executive Board and Reportable Securities Transactions Pursuant to Article 19 MAR

As of the balance sheet date, the shareholdings of the members of the Executive Board individually amounted to no more than 2.56% (31 December 2017: 2.56%) and no more than 6.36% (31 December 2017: 7.10%) of the shares issued by elumeo SE.

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

In the 2018 financial year, the following Managers' Transactions were communicated by the controlling share-holders:

- On 15 June 2018, Ottoman Strategy Holdings (Suisse) SA, Zug, Switzerland, delivered a total of 11,000 shares of elumeo SE in an off-exchange transaction as consideration for a service rendered.

For more information on Managers' Transactions, refer to the publications on the Company's website at <http://www.elumeo.com/investor-relations/aktuelle-mitteilungen/directors-dealings>.

Remuneration

The Managing Directors and non-executive members of the Executive Board received total compensation of EUR 700 thousand (previous year: EUR 698 thousand) in financial year 2018 exclusively for their activities as members of the Company's executive bodies in accordance with § 285 No. 9a HGB. As of 31 December 2018, the elumeo Group reported under trade payables unpaid compensation for non-executive members of the Executive Board in the amount of EUR 117 thousand (31 December 2017: EUR 76 thousand).

In financial year 2018, an executive Managing Director was granted 20,000 option rights of Tranche VII/2015 with a fair value of EUR 53 thousand at the grant date, assuming full vesting (previous year: no option rights granted). The total fair value of the 57,000 option rights issued to the Managing Directors in the financial years 2015, 2016 and 2018 amounted to EUR 266 thousand (previous year: 37,000 option rights with a total fair value of EUR 213 thousand at the grant date). Of this amount, EUR 28 thousand in total (previous year: EUR 52 thousand) was recognised as expense in the Consolidated Statement of Income in financial year 2018.

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

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

Mandates of the members of the Executive Board

The following members of the Executive Board of elumeo SE held the following memberships on other Supervisory Board and other comparable domestic and foreign supervisory bodies during financial year 2018:

Member of the Executive Board Mandate	Commercial enterprise
Anette Bronder	
<u>Member of the Supervisory Board</u> (Chairwoman) (until 31 December 2018)	• T-Systems Multimedia Solutions GmbH, Dresden
<u>Member of the Supervisory Board</u> (until 31 December 2018)	<ul style="list-style-type: none"> • Ströer SE & Co. KGaA, Cologne • Deutsche Telekom IT GmbH, Bonn • Deutsche Forschungszentrum für Künstliche Intelligenz GmbH (DFKI), Kaiserslautern (German Research Center for Artificial Intelligence)
Roland Sand (bis 9 December 2018)	
<u>Member of the Advisory Board</u> (Chairman)	• Glycotope GmbH, Berlin
<u>Non-Executive Board Member</u>	• Mutlpx Ltd, Kingston, UK

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

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

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

Events after the balance sheet date

The members of the Executive Board of elumeo SE were informed by third parties that SWM Treuhand AG Wirtschaftsprüfungsgesellschaft, Munich, has allegedly filed a lawsuit with the District Court of Berlin against elumeo SE and individual members of the Board involving an amount of approximately EUR 10 million from various bases for claims. The corresponding claim is related to the legal disputes described in the Notes to the Consolidated Financial Statements under [F. Material discretionary decisions and estimates]. After extensive analysis involving legal advisors, the Executive Board of elumeo SE came to the conclusion that, in addition to the question of whether the corresponding claim was formally asserted, the stated bases of claim are also insubstantial.

June 3, 2019 – elumeo SE published another ad hoc announcement in accordance with Art. 17 MAR i. V. m. 4 para. 1 sentence 1 no. 1a WpAIV, with the content that the publication of the audited Consolidated Financial Statements and the annual financial statements will be postponed again and subsequently also postponed the dates for the publication of the first quarterly report 2019 and the ordinary shareholders' meeting.

Berlin, 10 June 2019

elumeo SE

The Managing Directors



Bernd Fischer

Thomas Jarmuske

Boris Kirn

Ingo Stober



ASSURANCE OF LEGAL REPRESENTATIVES

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

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

Berlin, 10 June 2019

elumeo SE

The Managing Directors

Bernd Fischer

Thomas Jarmuske

Boris Kirn

Ingo Stober

"Independent auditor's report

To elumeo SE

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

Opinions

We have audited the consolidated financial statements of elumeo SE, Berlin and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of elumeo SE for the fiscal year from January 1 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the consolidated corporate governance statement and the declaration on the Corporate Governance Code.

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

the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2018, and of its financial performance for the fiscal year from 1 January to 31 December 2018, and

the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the declaration on corporate governance or the the declaration pursuant to Corporate Governance Code.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional

law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Material uncertainty in connection with the going concern assumption

Please refer to the explanations of the Executive Board in section "Forecast report of the elumeo group" of the management report which was combined with the group management report. To ensure sufficient liquidity in the forecast period, the Company and the Group must realise the planned business performance, particularly regarding the significant improvement in operating result. The elumeo Group assumes positive cash flows for fiscal year 2019. The elumeo Group still does not expect any costs to arise from payments related to the orderly liquidation of PWK Jewelry Ltd., Chanthaburi, Thailand, as well as from existing legal disputes in 2019 and 2020, except legal advisory costs of EUR 300k. The continued existence of the parent company and the Group depends on the realization of the planned operating business performance. This indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and that represents a going concern risk pursuant to Sec. 322 (2) Sentence 3 HGB.

Our opinions are not modified in respect of this matter.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters. In addition to the matter described in section "Material uncertainty in connection with the going concern assumption", we determined the following matters to be a key audit matter, which are disclosed in our auditor's report.

1. Accounting judgments and estimates in connection with the discontinuation of business operations of PWK Jewelry Ltd., Chanthaburi, Thailand and related legal disputes

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

In fiscal year 2018, the elumeo Group passed a resolution to discontinue the business activities of PWK Jewelry Ltd., Chanthaburi, Thailand, and to orderly liquidate the assets of the company. In connection with this resolution, various parties announced or declared legal claims against elumeo SE and members of the Executive Board.

The elumeo Group has disclosed the business activities of the subsidiary PWK Jewelry Ltd., Chanthaburi, Thailand, as discontinued operations in the consolidated financial statements and recognised provisions of EUR 7.7m for the maximum amount of planned payments in connection with the orderly liquidation. The elumeo Group has not recognised any provisions for potential claims from third parties from legal disputes in connection with the orderly liquidation, as an enforcement of these claims is considered as highly unlikely. Both the effects

of orderly liquidation as well the associated legal disputes have a material effect on the financial performance contained in the consolidated financial statements of the elumeo Group and are highly complex, due to cross-border legal issues in some cases. For these reasons, accounting judgments and estimates made in this respect were determined to be a key audit matter.

Auditor's response

As part of our audit procedures, we analysed the accounting policies applied in elumeo Group's consolidated financial statements for the classification of discontinued operations pursuant to IFRS 5 and the related measurement and consolidation entries as well as the principles for the recognition of provisions pursuant to IAS 37. In this connection, we paid particular attention to the assessment of intercompany trade relationships and the legal circumstances of the orderly liquidation of PWK Jewelry Ltd., Chanthaburi, Thailand.

For the assessment of the classification of activities of PWK Jewelry Ltd., Chanthaburi, Thailand, as discontinued operations and the related measurement and consolidation entries, we investigated and discussed the documentation of meetings of the Executive Board and internal communication between the group entities as well as the contractual basis in the elumeo Group. We verified the calculation basis for provisions in connection with the orderly liquidation made available to us and reconciled it with the underlying calculations. Furthermore, we assessed the opinions of the legal counsel of the elumeo Group in Germany and Thailand, particularly related to information from third parties, made available to us without request, with regard to relevance for applied accounting judgments and estimates of the elumeo Group.

Our audit procedures did not lead to any reservations relating to the accounting judgments and estimates in connection with the discontinuation of business operations of PWK Jewelry Ltd., Chanthaburi, Thailand and the related legal disputes.

Reference to related disclosures

Disclosures relating to the accounting policies on discontinued operations are contained in the notes to the consolidated financial statements in section B "Basic principles of the consolidated financial statements", section E "Accounting and valuation principles" and section G "Notes to the consolidated statement of comprehensive income".

2. Impairment testing of inventories

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

Finished goods and merchandise, work in progress and raw materials, consumables and supplies are disclosed in the statement of financial position item "inventories" in the consolidated financial statements of elumeo SE.

To assess recoverability, the net realisable value of inventories is calculated. The net realisable value is the expected sales revenue less the costs yet to be incurred before the sale. The net realisable value is calculated on the basis of various assumptions made by the Executive Board of elumeo SE. These assumptions entail significant

estimation uncertainty as the net realisable value hinges on the specific properties of the gemstones and there are no listed prices for precious stones.

Against the background of high materiality of inventories for the consolidated financial statements and the estimation uncertainty involved, impairment testing of inventories was a key audit matter during our audit.

Auditor's response

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

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

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

Furthermore, we compared net sales revenue generated until the end of April 2019 on a sample basis with the carrying amounts of finished goods capitalised as of 31 December 2018.

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

Reference to related disclosures

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

Other information

The Executive Board is responsible for the Report of the Executive Board. In all other respects, the executive directors are responsible for the other information. Other information comprises the information included in the statement on corporate governance pursuant to Section 315d HGB contained in the corporate governance report in the group management report as well as the remaining components of the annual financial report, with the exception of the audited consolidated financial statements and group management report as well as our independent auditor's report, in particular:

the responsibility statement contained in the "Assurance of legal representatives" section pursuant to Section 297 (2) Sentence 4 HGB and Section 315 (1) Sentence 5 HGB

the "Report of the Executive Board",

the "Letter from the Chairman of the Executive Board".

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

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

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

otherwise appears to be materially misstated.

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

Responsibilities of the executive directors and the Executive Board for the consolidated financial statements and the group management report

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

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The Executive Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions

and events in a manner that the consolidated financial statements give a true and fair view of the assets liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor of the consolidated financial statements by the Annual General Meeting on 29 May 2018. We were engaged by the Executive Board on 9 November 2018. We have been the group auditor of elumeo without interruption since fiscal year 2014.

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Gunnar Glöckner

Berlin, 09 June 2019

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

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

Forward-looking statements and forecasts

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