

elumeo

Half-year financial report
H1/2017



KEY FIGURES

| EUR thousand [unless indicated otherwise] | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|---|---------------|--------|---------------|--------|-------------|------------------------|--------|------------------------|--------|-------------|
| Revenue | 19,087 | 100.0% | 20,323 | 100.0% | -6.1% | 36,319 | 100.0% | 35,253 | 100.0% | 3.0% |
| <u>Product revenue by regions</u> [absolutely and in % of product revenue] | | | | | | | | | | |
| Germany | 13,740 | 72.0% | 12,382 | 61.0% | 11.0% | 25,402 | 70.0% | 21,348 | 60.6% | 19.0% |
| Italy | 2,494 | 13.1% | 2,241 | 11.0% | 11.3% | 4,860 | 13.4% | 5,174 | 14.7% | -6.1% |
| United Kingdom | 1,700 | 8.9% | 4,041 | 19.9% | -57.9% | 4,222 | 11.6% | 6,740 | 19.1% | -37.4% |
| Other countries | 1,144 | 6.0% | 1,646 | 8.1% | -30.5% | 1,809 | 5.0% | 1,966 | 5.6% | -8.0% |
| <u>Product revenue by distribution channels</u> [absolutely and in % of product revenue] | | | | | | | | | | |
| TV revenue | 10,934 | 57.3% | 11,935 | 58.8% | -8.4% | 21,257 | 58.6% | 22,079 | 62.7% | -3.7% |
| eCommerce revenue | 7,024 | 36.8% | 6,758 | 33.3% | 3.9% | 13,283 | 36.6% | 11,532 | 32.7% | 15.2% |
| B2B revenue | 1,119 | 5.9% | 1,617 | 8.0% | -30.8% | 1,753 | 4.8% | 1,617 | 4.6% | 8.4% |
| [The following disclosures represent: absolute values and in % of revenue] | | | | | | | | | | |
| Gross profit | 8,112 | 42.5% | 8,201 | 40.4% | -1.1% | 14,738 | 40.6% | 15,772 | 44.7% | -6.6% |
| EBITDA | 431 | 2.3% | -2,825 | -13.9% | 115.2% | -2,255 | -6.2% | -5,831 | -16.5% | 61.3% |
| Total segment EBITDA | -379 | -2.0% | -1,379 | -6.8% | 72.5% | -2,354 | -6.5% | -3,677 | -10.4% | 36.0% |
| Depreciation and amortisation | 422 | 2.2% | 433 | 2.1% | -2.5% | 848 | 2.3% | 848 | 2.4% | 0.0% |
| EBIT | 8 | 0.0% | -3,259 | -16.0% | 100.3% | -3,103 | -8.5% | -6,679 | -18.9% | 53.5% |
| Total segment EBIT | -801 | -4.2% | -1,813 | -8.9% | 55.8% | -3,202 | -8.8% | -4,525 | -12.8% | 29.2% |
| Earnings for the period | -297 | -1.6% | -3,359 | -16.5% | 91.2% | -3,499 | -9.6% | -7,237 | -20.5% | 51.7% |
| Total comprehensive income | -2,304 | -12.1% | -1,946 | -9.6% | -18.4% | -4,463 | -12.3% | -6,241 | -17.7% | 28.5% |
| Selling and administrative expenses | 8,464 | 44.3% | 11,532 | 56.7% | -26.6% | 18,505 | 51.0% | 22,534 | 63.9% | -17.9% |
| Total assets | | | | | | 59,423 | 100.0% | 68,723 | 100.0% | -13.5% |
| Total equity [absolutely and in % of balance sheet total] | | | | | | 34,700 | 58.4% | 45,066 | 65.6% | -23.0% |
| Working capital [absolutely and in % of balance sheet total] | | | | | | 32,715 | 55.1% | 35,426 | 51.5% | -7.7% |
| Cash flow from operating activities | 114 | 0.6% | -725 | -3.6% | 115.8% | -693 | -1.9% | -5,702 | -16.2% | 87.8% |
| Cash flow from investing activities | -58 | -0.3% | -196 | -1.0% | 70.5% | -115 | -0.3% | -742 | -2.1% | 84.5% |
| Cash flow from financing activities | -717 | -3.8% | -1,958 | -9.6% | 63.4% | 53 | 0.1% | -971 | -2.8% | 105.5% |
| Items sold [pieces] | 249,593 | | 225,887 | | 10.5% | 490,513 | | 465,554 | | 5.4% |
| Average sales price (ASP) [EUR] | 76.47 | | 89.97 | | -15.0% | 74.04 | | 75.72 | | -2.2% |
| Gross profit per item sold [EUR] | 32.50 | | 36.31 | | -10.5% | 30.05 | | 33.88 | | -11.3% |
| <u>New customer breakdown (Germany only)</u> [in % of new customers] | | | | | | | | | | |
| TV only | 29% | | 33% | | | 29% | | 39% | | |
| Web only | 59% | | 56% | | | 59% | | 51% | | |
| Others | 12% | | 11% | | | 12% | | 10% | | |





CONTENT

| | |
|--|-----------|
| I. TO OUR SHAREHOLDERS | 3 |
| Letter from the Chairman of the Executive Board | 4 |
| Capital market information | 6 |
| II. INTERIM GROUP MANAGEMENT REPORT | 7 |
| Economic report | 8 |
| Segment reporting | 14 |
| Supplementary report | 16 |
| Opportunity and risk report | 16 |
| Forecast report | 16 |
| III. INTERIM CONSOLIDATED FINANCIAL STATEMENTS | 17 |
| Consolidated statement of income | 18 |
| Consolidated statement of comprehensive income | 19 |
| Consolidated statement of financial position | 20 |
| Consolidated statement of changes in equity | 22 |
| Consolidated statement of cash flows | 23 |
| Group segment reporting | 24 |
| IV. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS..... | 27 |
| V. RESPONSIBILITY STATEMENT | 52 |





I. TO OUR SHAREHOLDERS

I. TO OUR SHAREHOLDERS 3
Letter from the Chairman of the Executive Board 4
Capital market information 6



Letter from the Chairman of the Executive Board

Dear Shareholders,

The positive trend of the past quarters continued in the second quarter of 2017 ("Q2 2017"). In the first half of 2017 ("H1 2017"), we succeeded in drastically reducing our losses compared to the previous year. In the second quarter of 2017, total segment EBITDA, which is adjusted for segment reconciliation items, was only EUR -379 thousand (Q2 2016: EUR -1,379 thousand). Overall, business in the first half of 2017 developed significantly positively compared to the first half of 2016 ("H1 2016"). Our repositioning with new broadcasting formats, launched in 2017, has been increasingly effective. In addition, we have increased our brand shows (Cavill, Lance Fisher), which have been received very positively and have especially revived business in Germany and Italy. In connection with cost-cutting measures, markedly improved profitability has resulted, particularly in Q2 2017. As a result also of the increase in the euro, unadjusted Group EBITDA has increased to EUR 0.4 million (Q2 2016: EUR -2.8 million). The positive development was driven by improved results in all sales areas.

We succeeded in increasing revenues in the segment Sales division Germany & Italy by a total of 14.1% compared to the first half of 2016 (H1 2017: EUR 30.3 million, H1 2016: EUR 26.5 million). In Q2 2017, both Germany (+11.0%) and Italy (+11.3%) grew significantly. As a result of the described measures to improve our market position, the gross profit margin in this segment rose from 38.3% in Q2 2016 to 41.1% in Q2 2017. Gross profit in Q2 2017 therefore increased by 19.0% compared to Q2 2016 (EUR 5.6 million) to EUR 6.7 million. This corresponds to a positive segment EBITDA in Q2 2017 of EUR 0.4 million (H2 2016: EUR -0.9 million) in this segment.

As expected, we recorded a significant decline in revenue in the segment Sales division Others compared to the first half of 2016 (H1 2017: EUR 6.0 million, H1 2016: EUR 8.7 million). In the United Kingdom in particular, revenues were significantly reduced in Q2 2017 (EUR -2.3 million or -57.9%) as a result of significantly reduced TV distribution coverage. This was offset by a decline in operating costs, which means that segment EBITDA in H1 2017 nevertheless improved by 7.9% to -1.4 million compared to H1 2016 (EUR -1.5 million). Our corporate customer business (B2B), which was launched at the end of 2016, developed very favourably, particularly in the USA, with revenue increasing by 76.5% from EUR 634 thousand in Q1 2017 to EUR 1,119 thousand in Q2 2017.

Despite reduced TV distribution coverage in the United Kingdom, a slight increase in revenue of 3.0% compared to the first half of 2016 (H1 2017: EUR 36.3 million, H1 2016: EUR 35.3 million) was achieved for the Group as a whole in the first half of 2017. The gross profit margin of 42.5% in Q2 2017 developed positively compared to both, the comparative period of the previous year (Q2 2016: 40.4%) and the previous quarter (Q1 2017: 38.4%). Cumulative selling, administrative and overhead expenses, adjusted for segment reconciliation items, fell by 11.6% in H1 2017 compared to the first half of 2016 (H1 2017: EUR 17.9 million, H1 2016: EUR 20.3 million). Overall, we achieved total segment EBITDA of EUR -2.4 million (H1 2016: EUR -3.7 million) in H1 2017. We also reduced our inventories by EUR 2.9 million (30 June 2017: EUR 36.9 million, 31 March 2017: EUR 39.8 million).



The positive development in the first half of the year gives us a positive outlook on achieving our targets for the full financial year 2017 and on being able to achieve positive segment EBITDA for the second half of 2017 and for the nine-month period Q2 to Q4 2017.

Thank you for giving our company your trust and we look forward to continuing on our path to a successful future together with you.

In August 2017

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)



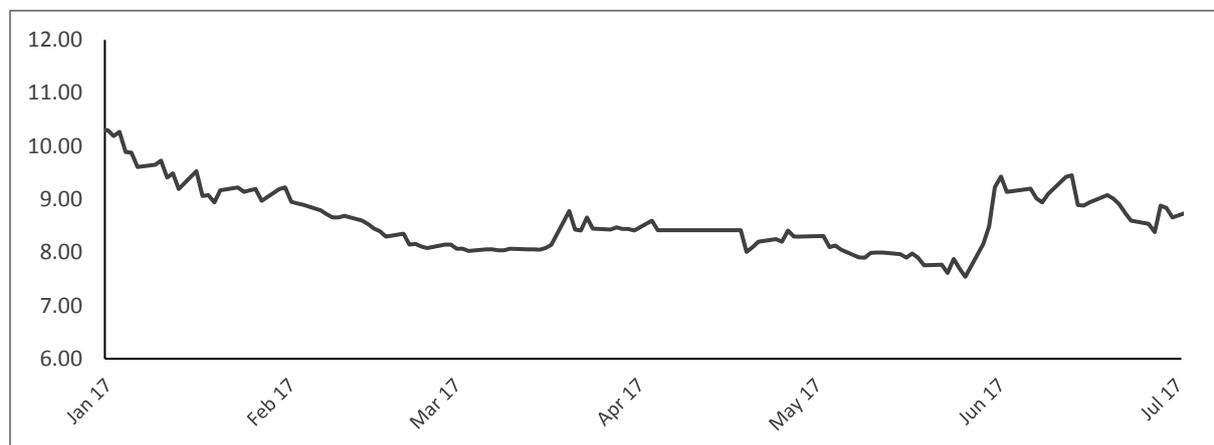
Capital market information

Basic data and key figures on the share of elumeo SE
(Status: 30 June 2017)

| | |
|--|-------------------|
| WKN | A11Q05 |
| ISIN | DE000A11Q059 |
| Earnings per share in H1 2017 | EUR -0.64 |
| Number of outstanding shares | 5,500,000 |
| Share price at the end of the reporting period (XETRA) | EUR 8.95 |
| Market capitalisation | EUR 49.23 million |

Share price development

(1 January to 30 June 2017: XETRA, in EUR)



Shareholder structure

(Status: 30 June 2017)

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





II. INTERIM GROUP MANAGEMENT REPORT

- II. INTERIM GROUP MANAGEMENT REPORT 7
- Economic report 8
 - Macroeconomic environment in H1 2017 8
 - Industry conditions 9
 - Business development in H1 2017 10
- Segment reporting 14
- Supplementary report 16
- Opportunity and risk report 16
- Forecast report 16



Economic report

Macroeconomic environment in H1 2017

The **gross domestic product** (GDP) in the euro region rose by 0.5% in the first quarter of 2017 (Q1) and by 0.6% in the second quarter of 2017 (Q2) compared to the respective prior year quarter, according to information from Bloomberg.

The elumeo Group is active in seven countries of the euro region as well as in Switzerland and the United Kingdom.

The strongest growth drivers in the first half of 2017 were **Spain** at 0.8% in Q1 and 0.9% in Q2 2017 and **Austria** at 0.7% in Q1 and 0.9% in Q2 2017.

In **Germany**¹, the most important market for the elumeo Group, GDP rose by 0.4% in Q4 2016 and by 0.6% in Q1 2017, according to Bloomberg.

In the first half of 2017, an increase in the GDP was also registered in the other core markets of elumeo SE. For instance, growth of 0.3% in Q4 2016 and 0.4% in Q1 2017 compared to the respective prior year quarter was posted in **Italy**¹. In **France**, the GDP increased by 0.5% in Q1 and reached the level of the prior year quarter in Q2 2017.

According to Bloomberg, **Switzerland**¹ recorded slight growth of 0.2% in Q4 2016 and 0.3% in Q1 2017.

In the **Netherlands**¹, GDP rose by 0.6% in Q4 2016 and by 0.4% in Q1 2017 compared to the respective prior year quarter.

In **Belgium**, GDP also rose in H1 2017, recording growth of 0.6% in Q1 and 0.4% in Q2 2017 compared to the respective prior year quarter.

The economy of **Great Britain** was resilient in H1 2017 despite uncertainties caused by the Brexit negotiations and recorded slight growth of 0.2% in Q1 and 0.3% in Q2 2017 in the first two quarters.

Otherwise, there were no significant changes in the macroeconomic environment compared with the explanations in elumeo SE's Annual Report 2016.

¹For this country, the GDP data for Q2 2017 were not yet available at the time the management report was compiled.



Industry conditions

According to an analysis of McKinsey & Company, the **global jewelry industry** is growing. This trend is also expected to continue in the years to come and form a global annual jewelry market worth EUR 250 billion in 2020, up from EUR 148 billion in 2013. This corresponds to an average annual growth rate of 7.8%. McKinsey also expects a change in distribution channels in favour of eCommerce. Between 2013 and 2020, a doubling of the global share of online trade in the jewelry market is predicted. Online jewelry sales are expected to increase from approximately EUR 6.7 billion to EUR 25.0 billion, which corresponds to average annual growth of 20.7%.

In addition to this development, McKinsey cited further key trends for the global jewelry industry: the internationalisation and consolidation of a still nationally shaped market, an increase in brand jewelry (the majority of jewelry will continue to be marked by non-brand products), the 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. According to TechSci Research, a global market research and consulting company, the **European jewelry market** is the third largest jewelry market in the world with EUR 30.9 billion in revenue in 2017. Of that, Italy accounted for EUR 6.5 billion, France for EUR 6.0 billion, the United Kingdom for EUR 4.8 billion, Germany for EUR 4.2 billion and other countries for EUR 9.4 billion. Italy, France, Germany and the United Kingdom are the largest markets in Europe with a market share of around 70.0%. Between 2012 and 2016, the European jewelry market grew by 7.1% annually and is expected to grow by 5.6% between 2017 and 2022, according to TechSci Research.

The elumeo Group primarily sells through direct sales channels such as home TV shopping channels, online stores or apps for smartphones and smart TVs. According to a study conducted by Digital TV Research, the number of Internet-ready televisions is expected to increase at a rate of 25.1% to 965 million from 2010 to 2020. Furthermore, according to Statista, the number of smartphone users is expected to rise from 1.86 billion in 2015 to 2.87 billion in 2020. BI Intelligence assumes that global sales through smartphones will rise to EUR 263 billion by 2020 and account for approximately 45% of total eCommerce revenue.

According to an analysis published in 2017 by Ecommerce Foundation, a federation of various national eCommerce associations, **online retail business in Europe** continues to develop very positively. From EUR 353 billion in 2013, eCommerce revenue increased to EUR 531 billion in 2016. For 2017, an increase to EUR 603 billion is forecasted. The largest share of total European online sales in 2016 was in Great Britain with 37.1%, followed by Germany with 16.2% and France with 15.5%. The outlook also looks good for the coming years. Forrester Research forecasts average annual growth of 12.3% for Western European online retail from 2017 to 2021. Ecommerce Foundation also expects the eCommerce share of the European gross national product (2015: 2.59%) to double by 2020.

Overall, no significant changes in industry conditions have been observed compared to the disclosures in the Annual Report 2016. Therefore, please refer to the Annual Report 2016 for **further information**.



Business development in H1 2017

For the elumeo Group, the first half of 2017 covers the period from 1 January to 30 June 2017 ("H1 2017" or "the reporting period"). The first half of 2016 refers to the period from 1 January to 30 June 2016 ("H1 2016" or "the prior year period").

In the first half of 2017, the focus remained on the return to profitability. The cost-cutting measures are making a significant contribution to the improvement in earnings. Selling and administrative expenses (adjusted for foreign currency translation results) were reduced by 10.3% or EUR 2.1 million from EUR 20.6 million in H1 2016 to EUR 18.5 million in H1 2017. Positive revenue growth in Q2 2017 in Italy (+11.3% over Q2 2016) as well as sustained strong growth in Germany (+11.0% over Q2 2016) are further important factors that allow for a very positive development of earnings.

In view of the difficult market conditions, the operating business of the subsidiaries in the United Kingdom was adjusted as reported. The strategic focus of the British subsidiaries towards high-quality jewelry pieces starting at approx. GBP 400 is showing initial successes. However, it is still too early for a final assessment. In the first half of 2017, the share in the Group's revenue fell to 11.6% (H1 2016: 19.1%). The impact in the second quarter is even more pronounced, as the reduction of the TV distribution coverage is taking place in its entirety. The share in the Group's total revenue in Q2 2017 fell to 8.9% (Q2 2016: 19.9%). elumeo SE will continue to observe market developments and foreign currency exchange rate trends and will inform on further actions in due course, especially with respect to the British subsidiaries.

Revenue rose significantly by 10.8% from EUR 17.2 million in Q1 2017 to EUR 19.1 million in Q2 2017. Growth was mainly generated in Germany at EUR 11.7 million in Q1 2017 and EUR 13.8 million in Q2 2017, as well as in Italy and in the area of business customers (B2B). Compared to Q2 2016, for which revenue was at a very high level, revenues declined due to decreasing revenue in the United Kingdom as well as in the marketing of residual items.

In Q2 2017, the gross profit margin improved to 42.5% both quarter-on-quarter (Q2 2016: 40.4%) and compared to the previous quarter (Q1 2017: 38.4%). In H1 2017, the gross profit margin decreased to 40.6% (H1 2016: 44.7%), mainly due to the very strong gross profit margin in Q1 2016. Compared to the prior year comparative period, gross profit fell by 6.6% from EUR 15.8 million to EUR 14.7 million in H1 2017. The significantly positive development of segment gross profit in Germany and Italy totalling EUR 12.2 million in H1 2017 (H1 2016: EUR 11.3 million) was significantly relativized by a reduction in the scope of business in the United Kingdom and in the marketing of residual items (one-off spot business in the prior year comparative period). Total segment EBITDA also developed positively. The loss of EUR -3.7 million in H1 2016 could be reduced by 36.0% to EUR -2.4 million in H1 2017.

Total comprehensive income of EUR -4.5 million was achieved in H1 2017 after EUR -6.2 million in H1 2016.

The key financial performance indicator, earnings before interest, taxes, depreciation and amortisation adjusted for segment reconciliation items (**total segment EBITDA**), improved by 72.5% in Q2 2017 to EUR -0.4 million after EUR -1.4 million in Q2 2016. Total Segment EBITDA improved from EUR -3.7 million in H1 2016 to EUR -2.4 million in H1 2017.



eCommerce revenue continues to show significant fundamental growth. The European web shops, the online bidding agent and apps for Android and iOS, in particular, are contributing disproportionately high to revenue growth. In H1 2017, revenue increased here by around 15.2% compared to the prior year comparative period. The classic European web shop business attributable to eCommerce revenues increased by EUR 1.2 million or 33.8% to EUR 4.7 million in H1 2017 (Q2 2017: EUR +0.5 million or 22.7% to EUR 2.6 million). The fundamentally positive growth was marred by a drop in revenues of eCommerce in the United Kingdom in Q2 2017 of 50.7% compared to Q2 2016. While revenues from the Online Bidding & Apps segment and the Classic Web business declined much less significantly, the revenue from Personal Shopping, with a historically strong share in eCommerce revenue in the United Kingdom, declined by 57.3% in Q2 2017 compared to Q2 2016.

A detailed explanation of the various key financial figures can be found in the following sections [*Revenue and earnings position*], [*Asset position*] and [*Financial position*].

Revenue and earnings position

| EUR thousand % of revenue | Note | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|-------|--------------|--------------|---------------|---------------|---------------|------------------------|--------------|------------------------|---------------|--------------|
| Revenue | (4.) | 19,087 | 100.0% | 20,323 | 100.0% | -6.1% | 36,319 | 100.0% | 35,253 | 100.0% | 3.0% |
| Cost of goods sold | (5.) | 10,975 | 57.5% | 12,122 | 59.6% | -9.5% | 21,581 | 59.4% | 19,482 | 55.3% | 10.8% |
| Gross profit | | 8,112 | 42.5% | 8,201 | 40.4% | -1.1% | 14,738 | 40.6% | 15,772 | 44.7% | -6.6% |
| Selling expenses | (6.) | 6,424 | 33.7% | 7,295 | 35.9% | -12.0% | 13,078 | 36.0% | 14,658 | 41.6% | -10.8% |
| Administrative expenses | (7.) | 2,040 | 10.7% | 4,237 | 20.8% | -51.8% | 5,427 | 14.9% | 7,876 | 22.3% | -31.1% |
| Other operating income | (8.) | 360 | 1.9% | 72 | 0.4% | 396.4% | 664 | 1.8% | 84 | 0.2% | 691.7% |
| Earnings before Interest and taxes (EBIT) | | 8 | 0.0% | -3,259 | -16.0% | 100.3% | -3,103 | -8.5% | -6,679 | -18.9% | 53.5% |
| Interest income | | 0 | 0.0% | 1 | 0.0% | -79.0% | 0 | 0.0% | 1 | 0.0% | -79.1% |
| Interest and similar expenses | | -164 | -0.9% | -145 | -0.7% | -12.7% | -330 | -0.9% | -285 | -0.8% | -15.7% |
| Financial result | (9.) | -163 | -0.9% | -144 | -0.7% | -13.3% | -329 | -0.9% | -284 | -0.8% | -16.0% |
| Earnings before Income taxes (EBT) | | -155 | -0.8% | -3,403 | -16.7% | 95.4% | -3,433 | -9.5% | -6,963 | -19.8% | 50.7% |
| Income tax | (10.) | -141 | -0.7% | 43 | 0.2% | -425.3% | -66 | -0.2% | -274 | -0.8% | 75.9% |
| Earnings for the period | | -297 | -1.6% | -3,359 | -16.5% | 91.2% | -3,499 | -9.6% | -7,237 | -20.5% | 51.7% |

The **cost of goods sold** amounted to EUR 21.6 million in H1 2017 compared to EUR 19.5 million in H1 2016. In Q2 2017, on the other hand, cost of goods sold declined compared to the prior year comparative period. The main reason for the improvement in the gross profit margin was a higher share of self-manufactured products from brand shows (Cavill, Lance Fisher). Gross profit amounted to EUR 8.1 million in Q2 2017 compared to EUR 8.2 million in Q2 2016. This corresponds to a gross profit margin of 42.5% in Q2 2017 compared to 40.6% in Q2 2016.



Selling expenses were reduced by 10.8% from EUR 14.7 million in H1 2016 to EUR 13.1 million in H1 2017. The reduction in selling expenses was largely due to reduced broadcasting and channel rental costs (cost of reach).

Administrative expenses mainly consist of personnel expenses and other material costs. Administrative expenses fell from EUR 7.9 million in H1 2016 by 31.1% to EUR 5.4 million in H1 2017. Personnel expenses decreased as result of corresponding staff reduction from EUR 3.0 million in H1 2016 to EUR 2.5 million in H1 2017. The development of the EUR as of the balance sheet date resulted in gains from foreign currency translation in H1 2017 (H1 2016: loss from foreign currency translation of EUR 1.9 million). The result from foreign currency translation mainly results from the conversion of intercompany receivables denominated in foreign currencies as of the reporting date. The amount is subject to continuing fluctuations which depend on the development of the respective foreign currency exchange rates. The high gain on Q2 2017 is mainly due to the strengthening of the EUR against the Thai baht, the reporting currency of the Group-owned factory.

In H1 2017, **other operating income** comprises, in addition to costs recharged to distribution partners (H1 2017: EUR 0.4 million, H1 2016: EUR 0.0 Mio.), a net gain from foreign currency translation of EUR 0.3 million (H1 2016: EUR 0.0 million).

With regard to the internal management and external communication of the current and future earnings development, the sustained profitability of the operating business of the elumeo Group is of particularly important. As a key financial performance indicator, the earnings before interest, taxes, depreciation and amortisation, which is adjusted for segment reconciliation items, (**total segment EBITDA**) serves as the central financial indicator for the reporting and management of operating earnings. In order to calculate total segment EBITDA, EBITDA before reconciliation items is adjusted for by type and amount one-off and/or non-operative (special) items. Non-operative items are separated for each line item of the consolidated statement of income.

Total segment EBITDA in Q2 2017 improved by 72.5% to EUR -0.4 million, compared to EUR -1.4 million in Q2 2016. Total segment EBITDA in H1 2017 of EUR -2.4 million was higher than in the prior year comparative period (H1 2016: EUR -3.7 million). In H1 2017, reconciliation items are mainly attributable to gains from foreign currency translation of EUR 0.3 million (H1 2016: losses from foreign currency translation of EUR -1.9 million). EBITDA before reconciliation items amounted to EUR -2.3 million in H1 2017 (H1 2016: EUR -5.8 million).

In total, **earnings before interest and taxes (EBIT)** improved to EUR -3.1 million in H1 2017 compared to EUR -6.7 million in H1 2016. **Earnings before income taxes (EBT)** amounted to EUR -3.4 million in H1 2017, while earnings before income taxes of around EUR -7.0 million were generated in H1 2016.

Earnings for the period amounted to EUR -3.5 million in H1 2017 following EUR -7.2 million in H1 2016. This resulted in **earnings per share** of EUR -0.64 in H1 2017 compared to EUR -1.32 in H1 2016. The Group's **total comprehensive income** improved in H1 2017 to EUR -4.5 million after EUR -6.2 million in H1 2016.



Asset position

Total assets as of 30 June 2017 decreased by 4.3% from EUR 62.1 million to EUR 59.4 million.

On the asset side of the statement of financial position, **non-current assets** as of 30 June 2017 totalled EUR 15.2 million after EUR 16.2 million as of 31 December 2016.

Current assets decreased by 3.7% from EUR 46.0 million on 31 December 2016 to EUR 44.2 million on 30 June 2017 mainly due to lower inventories.

On the equity and liabilities side of the statement of financial position, **equity** decreased by 11.0% to a total of EUR 34.7 million as of 30 June 2017 (31 December 2016: EUR 39.0 million) due to the negative earnings for the period. The equity ratio amounted to 58.4% on 30 June 2017 compared to 62.8% on 31 December 2016.

Non-current liabilities declined by 8.9% from EUR 5.2 million on 31 December 2016 to EUR 4.7 million as of 30 June 2017. The difference is mainly due to the scheduled repayment of the investment loan for the acquisition of the factory in Thailand.

Current liabilities increased by 11.6% to EUR 20.0 million (31 December 2016: EUR 18.0 million). There was an increase in financial debt of EUR 0.7 million to EUR 9.6 million as of 30 June 2017 and an increase in trade payables to EUR 7.5 million as of 30 June 2017 after EUR 6.2 million as of 31 December 2016.

Financial position

Cash flow from operating activities showed lower cash outflow of EUR -0.7 million in H1 2017 compared to H1 2016 at EUR -5.7 million. This is mainly due to the decrease in inventories as well as significantly improved earnings.

Depreciation and amortisation of fixed assets remained constant. Non-cash income or items in H1 2017 of EUR 1.0 million mainly resulted from effects from foreign currency translation on the individual positions of the consolidated statement of financial position (H1 2016: expenses of EUR 1.3 million). Cash inflow from the change in other assets and other liabilities increased to EUR 1.1 million (H1 2016: EUR -0.2 million).

The **cash flow from investing activities** at EUR -0.1 million in H1 2017 showed a lower cash outflow than in H1 2016 at EUR -0.7 million.

The **cash flow from financing activities** amounted to EUR 0.1 million in H1 2017 (H1 2016: EUR -1.0 million).

As of 30 June 2017, the elumeo Group had **cash and cash equivalents** (cash in hand and sight deposits with banks) of EUR 1.1 million (30 June 2016: EUR 6.0 million). In addition, free credit lines in the amount of EUR 0.7 million were available as of 30 June 2017.



Segment reporting

Segment reporting follows the internal reporting structures and internal control criteria. The reporting formats are subdivided into two operating segments and a segment Group functions and eliminations segment. Asset figures are not reported because such figures are not used as control parameters at the level of segment reporting.

At EUR -2.4 million (H1 2016: EUR -3.7 million), total segment EBITDA in H1 2017 was significantly better than in the prior year comparative period. Total segment EBITDA also improved significantly in Q2 2017 to EUR -0.4 million, compared to EUR -1.4 million in Q2 2016. Segment reconciliation items eliminated in determining segment EBITDA arise from gains or losses from foreign currency translation of EUR 0.3 million in H1 2017 (H1 2016: EUR -1.9 million), respectively EUR 0.9 million in Q2 2017 (Q2 2016: EUR -1.3 million) as well as expenses from the Stock Option Programme 2015 of EUR 0.2 million in H1 2017 (H1 2016: EUR 0.3 million), respectively EUR 0.1 million in Q2 2017 (Q2 2016: EUR 0.1 million).

Segment Sales division Germany & Italy

In the segment Sales division Germany & Italy, EUR 30.3 million in revenue were generated in H1 2017. This corresponds to approximately 83% of elumeo Group's total revenue (H1 2016: EUR 26.5 million or 75%).

In Q2 2017, gross profit increased by 20.5% compared to Q1 2017 from EUR 5.5 million to EUR 6.7 million. Total gross profit in H1 2017 was EUR 12.2 million and this higher than in the same period of the prior year (H1 2016: EUR 11.3 million). Due to the high margin in Q1 2016, the segment recorded a slight decline in the gross profit margin from 42.4% in H1 2016 to 40.3% in H1 2017.

At EUR -0.7 million, segment EBITDA in H1 2017 improved considerable compared to the prior year comparative period (H1 2016: EUR -1.8 million) mainly due to increased revenue and gross profit as well as cost savings. The segment EBITDA margin thus amounted to -2.2% (H1 2016: -6.9%). In Q2 2017 a positive segment EBITDA of EUR 0.4 million (Q2 2016: EUR -0.9 million) was achieved.

Segment Sales division Others

Revenue in the segment Sales division Others amounted to EUR 6.0 million in H1 2017, which equates to about 17% of the elumeo Group total revenue (H1 2016: EUR 8.7 million or 25%). Revenue decreased mainly due to the reduction in TV distribution coverage in the United Kingdom and lower revenue from the marketing of residual items. The corporate customer business (B2B), which was launched at the end of 2016, developed very favourably, particularly in the USA, with revenue increasing by 76.5% from EUR 634 thousand in Q1 2017 to EUR 1,119 thousand in Q2 2017. In Q2 2017, revenue fell to a total of EUR 2.8 million (Q2 2016: EUR 5.7 million).

Due to the decline in revenue compared to H1 2016, gross profit in H1 2017 fell by a total of EUR 2.1 million to EUR 1.2 million (H1 2016: EUR 3.3 million). This corresponds to a drop in the gross profit margin from 37.7% in H1 2016 to 20.2% in H1 2017. The decline is partly due to the strong sell-off in the United Kingdom in Q1 2017. The drop in the margin from 36.0% in Q2 2016 to 27.7% in Q2 2017 was mainly due to lower gross profit margins from B2B sales.



Segment EBITDA totalled EUR -1.4 million in H1 2017 (H1 2016: EUR -1.5 million). The segment EBITDA margin was -23.6% (H1 2016: -17.7%). Segment EBITDA therefore did not improve significantly, particularly as a result of the substantial profit contribution from the marketing of residual items in Q2 2016.

Segment Group functions & eliminations

To offset the administrative and financing expenses of production, gross profit of EUR 1.3 million was allocated to this segment in H1 2017 (H1 2016: EUR 1.2 million) and EUR 0.6 million in Q2 2017 (Q2 2016: EUR 0.5 million), which correspondingly could not be attributed to the segments Sales division Germany & Italy and Sales division Others.



Supplementary report

There were no special events after the balance sheet date.

Opportunity and risk report

There were no significant changes in terms of opportunities and risks in the first half of 2017. For more information about the specific risks the elumeo Group faces, please refer to the Annual Report 2016.

Forecast report

In the segment Sales division Germany & Italy, revenue growth of 14.1% in H1 2017 was slightly above the previous forecast. In 2017, management had aimed at achieving a high single-digit percentage revenue increase for the segment Sales division Germany & Italy. As a result of the positive development in H1 2017, management expects that the revenue forecast for this segment can be met. As expected, the gross profit in H1 2017 developed slightly disproportionately lower in relation to revenue with growth of 8.4% (H1 2017: EUR 12.2 million, H1 2016: EUR 11.3 million). This is due to a higher share of high-priced products with overall slightly lower gross profit margins. Segment EBITDA in this segment is cumulatively EUR -0.7 million in H1 2017 with positive segment EBITDA of EUR 0.4 million in Q2 2017. In connection with cost reductions, particularly in the area of personnel expenses and cost of reach, positive segment EBITDA in the low single-digit million range is being targeted.

In the segment Sales divisions Others, management expects a significant decline in revenue in 2017. Revenue declined in H1 2017, as projected due to the adjusted TV distribution coverage in the United Kingdom, by 30.7% compared to H1 2016. The substantial decline in revenue of 50.0% in Q2 2017 compared to Q2 2016 was also due to high revenue from the marketing of residual items in Q2 2016 (EUR 1.6 million), compared to the growing B2B business in the USA (Q2 2017: EUR 1.1 million). In Q2 2017, segment EBITDA once again declined slightly particularly as a result of the development in the B2B business (Q2 2017: EUR -0.6 million, Q2 2016: EUR -0.4 million). In the further course of the year, in particular in the Q4 2017, we expect a reversal of this effect for this segment and as a result a markedly improved segment EBITDA in this segment for financial year 2017.

In the segment Group functions & eliminations (no revenue), negative segment EBITDA in the low single-digit million range was forecasted for 2017. Management does not expect any significant change to the current development so far in the H2 2017.

In order to be able to guarantee the Group's solvency at all times, corresponding reductions in inventories are necessary in 2017. For instance, inventories were reduced from EUR 39.8 million as of 31 March 2017 by EUR 2.9 million to EUR 36.9 million as of 30 June 2017. If the elumeo Group's profitability cannot be increased further and an improvement in working capital cannot be achieved, this can jeopardise the elumeo Group's ability to pay at all times. The top priority in 2017 is therefore the return of the elumeo Group to profitability while at the same time improving liquidity.





III. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of income..... 18
Consolidated statement of comprehensive income 19
Consolidated statement of financial position.....20
Consolidated statement of changes in equity..... 22
Consolidated statement of cash flows 23
Group segment reporting 24



Consolidated statement of income (unaudited)

for the period from 1 April to 30 June 2017 (Q2 2017) and for the period from 1 January to 30 June 2017

| EUR thousand % of revenue | Note | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|-------|--------------|--------------|---------------|---------------|---------------|------------------------|--------------|------------------------|---------------|--------------|
| Revenue | (4.) | 19,087 | 100.0% | 20,323 | 100.0% | -6.1% | 36,319 | 100.0% | 35,253 | 100.0% | 3.0% |
| Cost of goods sold | (5.) | 10,975 | 57.5% | 12,122 | 59.6% | -9.5% | 21,581 | 59.4% | 19,482 | 55.3% | 10.8% |
| Gross profit | | 8,112 | 42.5% | 8,201 | 40.4% | -1.1% | 14,738 | 40.6% | 15,772 | 44.7% | -6.6% |
| Selling expenses | (6.) | 6,424 | 33.7% | 7,295 | 35.9% | -12.0% | 13,078 | 36.0% | 14,658 | 41.6% | -10.8% |
| Administrative expenses | (7.) | 2,040 | 10.7% | 4,237 | 20.8% | -51.8% | 5,427 | 14.9% | 7,876 | 22.3% | -31.1% |
| Other operating income | (8.) | 360 | 1.9% | 72 | 0.4% | 396.4% | 664 | 1.8% | 84 | 0.2% | 691.7% |
| Earnings before Interest and taxes (EBIT) | | 8 | 0.0% | -3,259 | -16.0% | 100.3% | -3,103 | -8.5% | -6,679 | -18.9% | 53.5% |
| Interest income | | 0 | 0.0% | 1 | 0.0% | -79.0% | 0 | 0.0% | 1 | 0.0% | -79.1% |
| Interest and similar expenses | | -164 | -0.9% | -145 | -0.7% | -12.7% | -330 | -0.9% | -285 | -0.8% | -15.7% |
| Financial result | (9.) | -163 | -0.9% | -144 | -0.7% | -13.3% | -329 | -0.9% | -284 | -0.8% | -16.0% |
| Earnings before Income taxes (EBT) | | -155 | -0.8% | -3,403 | -16.7% | 95.4% | -3,433 | -9.5% | -6,963 | -19.8% | 50.7% |
| Income tax | (10.) | -141 | -0.7% | 43 | 0.2% | -425.3% | -66 | -0.2% | -274 | -0.8% | 75.9% |
| Earnings for the period | | -297 | -1.6% | -3,359 | -16.5% | 91.2% | -3,499 | -9.6% | -7,237 | -20.5% | 51.7% |
| <i>Earnings of shareholders</i> | | <i>-297</i> | <i>-1.6%</i> | <i>-3,359</i> | <i>-16.5%</i> | <i>91.2%</i> | <i>-3,499</i> | <i>-9.6%</i> | <i>-7,237</i> | <i>-20.5%</i> | <i>51.7%</i> |
| Earnings per share in EUR (basis and diluted) | (12.) | -0.05 | | -0.61 | | 91.2% | -0.64 | | -1.32 | | 51.7% |



Consolidated statement of comprehensive income (unaudited)

for the period from 1 April to 30 June 2017 (Q2 2017) and for the period from 1 January to 30 June 2017

| EUR thousand % of revenue | Note | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|-------|---------------|---------------|---------------|---------------|----------------|------------------------|---------------|------------------------|---------------|----------------|
| Earnings for the period | | -297 | -1.6% | -3,359 | -16.5% | 91.2% | -3,499 | -9.6% | -7,237 | -20.5% | 51.7% |
| <i>Items which will be reclassified to the consolidated statement of income in subsequent periods:</i> | | | | | | | | | | | |
| Differences from foreign currency translation of foreign subsidiaries | | -2,008 | -10.5% | 1,413 | 7.0% | -242.1% | -965 | -2.7% | 996 | 2.8% | -196.9% |
| Other comprehensive income | (13.) | -2,008 | -10.5% | 1,413 | 7.0% | -242.1% | -965 | -2.7% | 996 | 2.8% | -196.9% |
| Total comprehensive income | | -2,304 | -12.1% | -1,946 | -9.6% | -18.4% | -4,463 | -12.3% | -6,241 | -17.7% | 28.5% |
| <i>Total comprehensive income of shareholders</i> | | <i>-2,304</i> | <i>-12.1%</i> | <i>-1,946</i> | <i>-9.6%</i> | <i>-18.4%</i> | <i>-4,463</i> | <i>-12.3%</i> | <i>-6,241</i> | <i>-17.7%</i> | <i>28.5%</i> |



Consolidated statement of financial position (unaudited)

as of 30 June 2017

| A S S E T S | | | | | | |
|---|-------|---------------|---------------|---------------|---------------|----------------|
| EUR thousand % of balance sheet total | Note | 30 June 2017 | | 31 Dec 2016 | | Change in % |
| Non-current assets | | | | | | |
| Intangible assets | (14.) | 827 | 1.4% | 925 | 1.5% | -10.5% |
| Property, plant and equipment | (14.) | 10,399 | 17.5% | 11,244 | 18.1% | -7.5% |
| Other financial assets | (16.) | 507 | 0.9% | 522 | 0.8% | -2.9% |
| Other non-financial assets | (16.) | 1,937 | 3.3% | 2,020 | 3.3% | -4.1% |
| Deferred tax assets | (22.) | 1,524 | 2.6% | 1,465 | 2.4% | 4.0% |
| Total non-current assets | | 15,194 | 25.6% | 16,177 | 26.1% | -6.1% |
| Current assets | | | | | | |
| Inventories | (15.) | 36,904 | 62.1% | 38,933 | 62.7% | -5.2% |
| Trade receivables | | 3,820 | 6.4% | 3,473 | 5.6% | 10.0% |
| Receivables due from related parties | (25.) | 227 | 0.4% | 279 | 0.4% | -18.6% |
| Other financial assets | (16.) | 81 | 0.1% | 82 | 0.1% | -0.8% |
| Other non-financial assets | (16.) | 1,725 | 2.9% | 1,309 | 2.1% | 31.7% |
| Cash and cash equivalents | | 1,472 | 2.5% | 1,837 | 3.0% | -19.8% |
| Total current assets | | 44,229 | 74.4% | 45,912 | 73.9% | -3.7% |
| Total assets | | 59,423 | 100.0% | 62,089 | 100.0% | -4.3% |



Consolidated statement of financial position (unaudited)

as of 30 June 2017

| EQUITY & LIABILITIES | | | | | | |
|---|-------|---------------|---------------|---------------|---------------|---------------|
| EUR thousand % of balance sheet total | Note | 30 June 2017 | | 31 Dec 2016 | | Change in % |
| Equity | | | | | | |
| Issued capital | (17.) | 5,500 | 9.3% | 5,500 | 8.9% | 0.0% |
| Capital reserve | (17.) | 34,050 | 57.3% | 33,862 | 54.5% | 0.6% |
| Retained losses | | -8,907 | -15.0% | -5,408 | -8.7% | -64.7% |
| Foreign currency translation reserve | (13.) | 4,057 | 6.8% | 5,022 | 8.1% | -19.2% |
| Total equity | | 34,700 | 58.4% | 38,975 | 62.8% | -11.0% |
| Non-current liabilities | | | | | | |
| Financial debt | (18.) | 3,658 | 6.2% | 4,011 | 6.5% | -8.8% |
| Other non-current financial liabilities | (19.) | 424 | 0.7% | 573 | 0.9% | -26.1% |
| Provisions | | 642 | 1.1% | 602 | 1.0% | 6.6% |
| Other non-financial liabilities | (20.) | 25 | 0.0% | 25 | 0.0% | 0.0% |
| Total non-current liabilities | | 4,748 | 8.0% | 5,211 | 8.4% | -8.9% |
| Current liabilities | | | | | | |
| Financial debt | (18.) | 9,629 | 16.2% | 8,904 | 14.3% | 8.1% |
| Other financial liabilities | (19.) | 304 | 0.5% | 311 | 0.5% | -2.2% |
| Provisions | | 272 | 0.5% | 684 | 1.1% | -60.3% |
| Liabilities due to related parties | (25.) | 13 | 0.0% | 11 | 0.0% | 24.3% |
| Trade payables | | 7,489 | 12.6% | 6,181 | 10.0% | 21.2% |
| Advance payments received | | 361 | 0.6% | 111 | 0.2% | 224.4% |
| Other non-financial liabilities | (20.) | 1,907 | 3.2% | 1,701 | 2.7% | 12.1% |
| Total current liabilities | | 19,975 | 33.6% | 17,903 | 28.8% | 11.6% |
| Total equity & liabilities | | 59,423 | 100.0% | 62,089 | 100.0% | -4.3% |



Consolidated statement of changes in equity (unaudited)

for the period from 1 January to 30 June 2017

| Reason for change | Note | Attributable to shareholders of elumeo SE | | | | Total equity |
|---|-------|---|-----------------|-----------------|--------------------------------------|---------------|
| | | Issued capital | Capital Reserve | Retained 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 | (17.) | | 188 | | | 188 |
| Other comprehensive income | (13.) | | | | -965 | -965 |
| Earnings for the period | | | | -3,499 | | -3,499 |
| Total comprehensive income | | | | -3,499 | -965 | -4,463 |
| 30 June 2017 | | 5,500 | 34,050 | -8,907 | 4,057 | 34,700 |

for the period from 1 January to 30 June 2016

| Reason for change | Note | Attributable to shareholders of elumeo SE | | | | Total equity |
|---|-------|---|-----------------|-------------------|--------------------------------------|---------------|
| | | Issued capital | Capital Reserve | Retained earnings | Foreign currency translation reserve | |
| EUR thousand | | | | | | |
| 1 January 2016 | | 5,500 | 33,397 | 10,115 | 2,045 | 51,057 |
| Equity-settled share-based remuneration | (17.) | | 250 | | | 250 |
| Other comprehensive income | (13.) | | | | 996 | 996 |
| Earnings for the period | | | | -7,237 | | -7,237 |
| Total comprehensive income | | | | -7,237 | 996 | -6,241 |
| 30 June 2016 | | 5,500 | 33,647 | 2,878 | 3,041 | 45,066 |



Consolidated statement of cash flows (unaudited)

for the period from 1 January to 30 June 2017

| EUR thousand | Note | 1 Jan - 30 Jun 2017 | 1 Jan - 30 Jun 2016 | HoH in % |
|---|-------|------------------------|------------------------|---------------|
| Earnings before interest and taxes (EBIT) | | -3,103 | -6,679 | 53.5% |
| +/- Depreciation and amortisation on non-current assets | (14.) | +848 | +848 | 0.0% |
| +/- Increase/decrease in provisions | | -372 | +60 | -716.1% |
| +/- Equity-settled share-based remuneration | (17.) | +188 | +250 | -24.8% |
| +/- Other non-cash expenses/income and items | | -977 | +1,276 | -176.6% |
| +/- Loss/gain on disposal of non-current assets | | +4 | 0 | n.a |
| + Proceeds from interest income | | +0 | +1 | -90.7% |
| - Interest expenses paid | | -365 | -526 | 30.7% |
| - Income tax paid | | 0 | -164 | 100.0% |
| -/+ Increase/decrease in inventories | (15.) | +2,028 | -523 | 487.5% |
| -/+ Increase/decrease in other assets | | -708 | -181 | -291.3% |
| +/- Increase/decrease in other liabilities | | +1,763 | -64 | >1.000% |
| = Cash flow from operating activities | (21.) | -693 | -5,702 | 87.8% |
| - Payments for investments in intangible assets | | -7 | -60 | 88.1% |
| - Payments for investments in property, plant and equipment | | -109 | -682 | 84.0% |
| + Proceeds from sale of intangible assets and property, plant and equipment | | +1 | 0 | n.a |
| = Cash flow from investing activities | (21.) | -115 | -742 | 84.5% |
| + Proceeds from increase in financial debt | | +2,049 | +1,921 | 6.6% |
| - Payments for the redemption of financial debt | | -1,842 | -2,761 | 33.3% |
| + Proceeds from increase in financial liabilities | | -154 | -131 | -18.1% |
| = Cash flow from financing activities | (21.) | +53 | -971 | 105.5% |
| +/- Net increase/decrease in cash and cash equivalents | | -755 | -7,415 | 89.8% |
| +/- Effects of foreign currency translation on cash and cash equivalents | | -1 | -71 | 98.8% |
| + Cash and cash equivalents on beginning of reporting period | | +1,836 | +13,498 | -86.4% |
| = Cash and cash equivalents on end of reporting period | | +1,081 | +6,012 | -82.0% |
| Reconciliation of cash and cash equivalents | | | | |
| Cash and cash equivalents | | 1,472 | 6,016 | -75.5% |
| - Current account overdrafts | | -392 | -4 | <-1.000% |
| = Cash and cash equivalents at end of period | | 1,081 | 6,012 | -82.0% |



Group segment reporting (unaudited)

Segment information

for the period from 1 April to 30 June 2017 (Q2 2017)

| EUR thousand % of (segment) revenue | Q2 2017 | | | | | |
|---------------------------------------|---------------|---------------|--------------|--------------|----------------|--------------|
| | Revenue | | Gross profit | | Segment-EBITDA | |
| Sales division Germany & Italy | 16,244 | 85.1% | 6,674 | 41.1% | 364 | 2.2% |
| Sales division Others | 2,843 | 14.9% | 789 | 27.7% | -605 | -21.3% |
| Group functions & eliminations | 0 | 0.0% | 649 | n.a. | -138 | n.a. |
| Total | 19,087 | 100.0% | 8,112 | 42.5% | -379 | -2.0% |

| EUR thousand % of (segment) revenue | Q2 2016 | | | | | |
|---------------------------------------|---------------|---------------|--------------|--------------|----------------|--------------|
| | Revenue | | Gross profit | | Segment-EBITDA | |
| Sales division Germany & Italy | 14,636 | 72.0% | 5,610 | 38.3% | -876 | -6.0% |
| Sales division Others | 5,687 | 28.0% | 2,049 | 36.0% | -390 | -6.9% |
| Group functions & eliminations | 0 | 0.0% | 542 | n.a. | -113 | n.a. |
| Total | 20,323 | 100.0% | 8,201 | 40.4% | -1,379 | -6.8% |

| EUR thousand in % | QoQ | | | | | |
|--------------------------------|---------------|--------------|--------------|--------------|----------------|--------------|
| | Revenue | | Gross profit | | Segment-EBITDA | |
| Sales division Germany & Italy | 1,608 | 11.0% | 1,064 | 19.0% | 1,240 | 141.5% |
| Sales division Others | -2,844 | -50.0% | -1,260 | -61.5% | -215 | -55.1% |
| Group functions & eliminations | 0 | n.a. | 107 | 19.7% | -25 | -21.9% |
| Total | -1,236 | -6.1% | -89 | -1.1% | 1,001 | 72.5% |



Segment information

for the period from 1 January to 30 June 2017

| EUR thousand % of (segment) revenue | 1 Jan - 30 Jun 2017 | | | | | |
|---------------------------------------|---------------------|---------------|---------------|--------------|----------------|--------------|
| | Revenue | | Gross profit | | Segment-EBITDA | |
| Sales division Germany & Italy | 30,288 | 83.4% | 12,211 | 40.3% | -666 | -2.2% |
| Sales division Others | 6,031 | 16.6% | 1,215 | 20.2% | -1,421 | -23.6% |
| Group functions & eliminations | 0 | 0.0% | 1,311 | n.a. | -267 | n.a. |
| Total | 36,319 | 100.0% | 14,738 | 40.6% | -2,354 | -6.5% |

| EUR thousand % of (segment) revenue | 1 Jan - 30 Jun 2016 | | | | | |
|---------------------------------------|---------------------|---------------|---------------|--------------|----------------|---------------|
| | Revenue | | Gross profit | | Segment-EBITDA | |
| Sales division Germany & Italy | 26,548 | 75.3% | 11,266 | 42.4% | -1,843 | -6.9% |
| Sales division Others | 8,706 | 24.7% | 3,281 | 37.7% | -1,543 | -17.7% |
| Group functions & eliminations | 0 | 0.0% | 1,225 | n.a. | -291 | n.a. |
| Total | 35,253 | 100.0% | 15,772 | 44.7% | -3,677 | -10.4% |

| EUR thousand In % | HoH | | | | | |
|--------------------------------|--------------|-------------|---------------|--------------|----------------|--------------|
| | Revenue | | Gross profit | | Segment-EBITDA | |
| Sales division Germany & Italy | 3,740 | 14.1% | 945 | 8.4% | 1,177 | 63.9% |
| Sales division Others | -2,674 | -30.7% | -2,065 | -63.0% | 122 | 7.9% |
| Group functions & eliminations | 0 | n.a. | 87 | 7.1% | 24 | 8.2% |
| Total | 1,066 | 3.0% | -1,034 | -6.6% | 1,323 | 36.0% |



Segment reconciliation to Group earnings

for the period from 1 April to 30 June 2017 (Q2 2017) and for the period from 1 January to 30 June 2017

| EUR thousand % of revenue | Note | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|-------|-------------|--------------|---------------|---------------|---------------|------------------------|--------------|------------------------|---------------|--------------|
| Total segment EBITDA | | -379 | -2.0% | -1,379 | -6.8% | 72.5% | -2,354 | -6.5% | -3,677 | -10.4% | 36.0% |
| Effects from foreign currency translation | (7.) | 895 | 4.7% | -1,336 | -6.6% | 167.0% | 287 | 0.8% | -1,903 | -5.4% | 115.1% |
| Equity-settled share-based remuneration | (17.) | -85 | -0.4% | -110 | -0.5% | 22.0% | -188 | -0.5% | -250 | -0.7% | 24.8% |
| Segment reconciliation items | | 809 | 4.2% | -1,446 | -7.1% | 156.0% | 99 | 0.3% | -2,153 | -6.1% | 104.6% |
| EBITDA | | 431 | 2.3% | -2,825 | -13.9% | 115.2% | -2,255 | -6.2% | -5,831 | -16.5% | 61.3% |
| Depreciation and amortisation on property, plant and equipment and intangible assets | (14.) | -422 | -2.2% | -433 | -2.1% | 2.5% | -848 | -2.3% | -848 | -2.4% | 0.0% |
| EBIT | | 8 | 0.0% | -3,259 | -16.0% | 100.3% | -3,103 | -8.5% | -6,679 | -18.9% | 53.5% |
| Income tax | (10.) | -141 | -0.7% | 43 | 0.2% | -425.3% | -66 | -0.2% | -274 | -0.8% | 75.9% |
| Financial result | (9.) | -163 | -0.9% | -144 | -0.7% | -13.3% | -329 | -0.9% | -284 | -0.8% | -16.0% |
| Earnings for the period | | -297 | -1.6% | -3,359 | -16.5% | 91.2% | -3,499 | -9.6% | -7,237 | -20.5% | 51.7% |





IV. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- (1.) Principles and methods 28
- (2.) Scope of consolidation 30
- (3.) Foreign currency translation 31
- (4.) Revenue 31
- (5.) Cost of goods sold 33
- (6.) Selling expenses 34
- (7.) Administrative expenses 35
- (8.) Other operating income 35
- (9.) Financial result 36
- (10.) Income tax 36
- (11.) Personnel expenses 37
- (12.) Earnings per share 37
- (13.) Other comprehensive income 38
- (14.) Intangible assets and property, plant and equipment 39
- (15.) Inventories 40
- (16.) Other financial assets and other non-financial assets 41
- (17.) Equity 41
- (18.) Financial debt 42
- (19.) Other financial liabilities 43
- (20.) Other non-financial liabilities 44
- (21.) Notes to the consolidated statement of cash flows 44
- (22.) Deferred taxes 45
- (23.) Further disclosures on financial instruments 46
- (24.) Notes to the Group segment reporting 48
- (25.) Related party disclosures 49
- (26.) Executive Board 50
- (27.) Operating leases and other financial obligations 51
- (28.) Events after the reporting date 51



(1.) Principles and methods

Information on the company

elumeo SE (hereinafter also referred to as "the company") 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 is registered in section B of the Commercial Register of Berlin-Charlottenburg under no. 157 001 B and has its headquarters at Erkelenzdamm 59/61, 10999 Berlin, Germany.

Basis of preparation and accounting policies

The Condensed Interim Consolidated Financial Statements as of 30 June 2017 ("interim financial statements") have been prepared for the purpose of half-year financial reporting pursuant to section 37w para. 3 WpHG (German Securities Trading Act) and are consistent with the International Financial Reporting Standards ("IFRSs"), as adopted in the European Union. In the interim consolidated financial statements that were prepared based on the International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, the same accounting and valuation methods are applied as with the audited and published consolidated financial statements of elumeo SE as of 31 December 2016 according to IFRSs ("2016 consolidated financial statements").

The option of preparing condensed interim consolidated financial statements was exercised. All binding interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as of the reporting date were taken into consideration. In addition, interim financial reporting complies with the German Accounting Standard ("GAS") no. 16 *Half-Yearly Financial Reporting* of the German Accounting Standards Committee e.V. ("GASC").

For more information on the accounting policies that were applied, please refer to the 2016 consolidated financial statements.

Adoption of new accounting standards of the IASB

The following new and revised standards and interpretations of the IASB were applied to the interim consolidated financial statements for the first time:

| Standard/Interpretation | Publication by the IASB | Application date of the IASB | Effects on the elumeo Group |
|---|-------------------------|------------------------------|-----------------------------|
| IAS 7 Statement of Cash Flows (Disclosure Initiative aimed at improving information provided to users of financial statements - Amendments to IAS 7) | 29 Jan 2016 | 01 Jan 2017 | significant |
| IAS 12 Recognition of deferred tax assets on unrealised losses (Amendments to IAS 12) | 19 Jan 2016 | 01 Jan 2017 | significant |
| IFRSs Annual improvements to the IFRSs, 2014-2016 cycle (Amendments to IFRS 12) | 08 Dec 2016 | 01 Jan 2017 | insignificant |



The amendments described do not have a material impact on the asset, financial and earnings position of the elumeo Group. The amendments described have not yet been adopted into European law (EU endorsement), but their endorsement is still expected for financial year 2017. The elumeo Group will implement the amendments for the first time in its 2017 consolidated financial statements.

IAS 7 – Statement of Cash Flows

In January 2016, in the Disclosure Initiative (Amendments to IAS 7) of the IASB, clarifications were made to IAS 7. These mainly relate to supplementary disclosures that enable users of financial statements to assess changes in financial liabilities (cash flow from financing activities), including changes affecting cash and non-cash changes. The amendments are to be applied for the first time to financial years beginning on or after 1 January 2017.

The elumeo Group will implement the amendments to IAS 7, including the disclosure of a reconciliation statement between the initial and final balance of financial liabilities, for the first time in its 2017 consolidated financial statements.

IAS 12 – Income Taxes

In January 2016, amendments were made to IAS 12 by the IASB. These also clarify in particular the recognition of deferred tax assets on unrealised losses. The amendments are to be applied for the first time to financial years beginning on or after 1 January 2017.

IFRS 12 – Clarification of Disclosure of Interests in Other Entities

In December 2016, amendments to IFRS 12 were made by the IASB as part of the annual improvements to the IFRSs. These clarify the scope of application of the standard by specifying that the disclosure requirements also apply in principle to subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or, in accordance with IFRS 5, as non-current assets held for sale and discontinued operations. The amendments are to be applied for the first time to financial years beginning on or after 1 January 2017.

In addition, the IASB published other standards and amendments to standards that are to be applied for the first time in the current 2017 financial year, but which do not have any material impact on the interim consolidated financial statements of the elumeo Group.

General disclosures

The unaudited interim consolidated financial statements cover the period from 1 January to 30 June 2017 ("H1 2017"). The quarterly reporting period covers the period from 1 April to 30 June 2017 ("Q2 2017"). Unless otherwise stated, the prior year figures disclosed relate to the respective previously mentioned comparative period. The changes in the period comparison are referred to as half-year to half-year ("HoH") or quarter to quarter ("QoQ").

The interim consolidated financial statements are prepared in euro (EUR). Unless otherwise indicated, all amounts are rounded to thousand (EUR thousand) in accordance with commercial rounding.



The preparation of the interim consolidated financial statements is in principle based on the recognition of asset and liabilities at amortised cost. The consolidated statement of income has been prepared using the cost of sales method. The consolidated statement of financial position classifies assets and liabilities to current or non-current according to their maturities. A consolidated statement of comprehensive income is prepared to reconcile the earnings for the period of the consolidated statement of income to the consolidated total comprehensive income.

As part of the consolidation of intercompany balances and intercompany income and expenses, all intercompany balances and transactions have been eliminated. The interim consolidated financial statements contain all information necessary for a fair presentation and assessment of the asset, financial and earnings position of the Group. The results presented in interim reporting periods are not necessarily indicative of the results in future reporting periods or the full financial year.

Preparing the interim consolidated financial statements in accordance with IFRSs requires that the Executive Board and extended management make certain discretionary decisions, estimates and assumptions that have an impact on the accounting and valuation methods applied and the asset, financial and earnings position presented as well as the related disclosures. Although these discretionary decisions, estimates and assumptions are made to the best knowledge of the Executive Board and extended management, based on current events and measures, actual results may differ from these discretionary decisions, estimates and assumptions. All discretionary decisions, estimates and assumptions are therefore reviewed continuously.

The interim consolidated financial statements were not subjected to either an audit or an audit review.

The Executive Board approved the interim consolidated financial statements on 8 August 2017.

Explanations of Alternative Performance Measures

The elumeo Group uses alternative performance measures ("APMs") in its regulatory and mandatory publications that are not regulated in the IFRSs. For further information on the definition, use and limitations of the usability of the alternative performance measures, the accounting methods used and the reconciliations, please refer to <http://www.elumeo.com/ir/publications/explanation-alternative-performance-measures>.

(2.) Scope of consolidation

The parent company elumeo SE and its directly and indirectly controlled subsidiaries (collectively "the elumeo Group") are included in the interim consolidated financial statements.

Compared to 30 June 2016, the scope of consolidation changed as follows:

- Establishment of the sales company Juwelo UK Limited, Birmingham, United Kingdom, whose shares are solely held by Juwelo Deutschland GmbH, Berlin, Germany ("Juwelo Deutschland"); as of 21 December 2016, the company name was changed to Rocks & Co UK Limited ("R&C UK").

By establishing the new sales company, the consolidated group of companies increased from 8 companies on 30 June 2016 to 9 companies on 31 December 2016 and 30 June 2017 respectively.



(3.) Foreign currency translation

The exchange rates for foreign currencies with a significant impact on the interim consolidated financial statements are as follows:

| Currency | Exchange rate on reporting date | | | Average exchange rate | | |
|---------------------|---------------------------------|-------------|-------------|-----------------------|---------------------|----------|
| | 30 Jun 2017 | 31 Dec 2016 | Change in % | 1 Jan - 30 Jun 2017 | 1 Jan - 30 Jun 2016 | HoH in % |
| EUR | | | | | | |
| British pound (GBP) | 1.1377 | 1.1687 | -2.6% | 1.1625 | 1.2842 | -9.5% |
| Thai baht (THB) | 0.0258 | 0.0265 | -2.6% | 0.0266 | 0.0253 | 5.3% |
| US dollar (USD) | 0.8763 | 0.9498 | -7.7% | 0.9238 | 0.8963 | 3.1% |

As a result of the United Kingdom's referendum on leaving the European Union ("Brexit") of 23 June 2016, the GBP exchange rate depreciated against the euro (EUR), the functional currency of the elumeo Group, as well as against the major foreign currencies US dollar (USD) and Thai Baht (THB) that play an important role in production side procurement.

The translation of income and expenses in the income statement of the subsidiaries in the United Kingdom using the weighted average rate for the reporting period has an impact on the earnings position disclosed and on prior period comparison. In addition, as of the reporting date, the translation of the assets and liabilities denominated in foreign currencies using the closing rate as of the reporting date, in particular also with respect to the subsequent valuation of intra-Group receivables and payables, resulted in shifts in the presentation of the asset, financial and earnings position.

In Q2 2017, an appreciation of the EUR against the main foreign currencies of the elumeo Group was observed in the short-term. As a result, as of the reporting date, the translation of the assets and liabilities denominated in foreign currencies using the closing rate as of the reporting date, in particular also with respect to the subsequent valuation of intra-Group receivables and payables, resulted in shifts in the presentation of the asset, financial and earnings position.

(4.) Revenue

The elumeo Group was able to increase its revenue in H1 2017 by EUR 1,066 thousand or 3.0% HoH to EUR 36,319 thousand (H1 2016: EUR 35,253 thousand), due to the revenue growth in Q1 2017. In Q2 2017, revenue growth thus continued at 10.8% compared to the previous quarter. However, mainly due to the reduction of the TV distribution coverage in the United Kingdom, revenue in Q2 2017 declined by EUR -1,236 thousand or -6.1% QoQ to EUR 19,087 thousand (Q2 2016: EUR 20,323 thousand).

| EUR thousand % of revenue | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | 1 Jan - 30 Jun 2016 | HoH in % |
|-----------------------------|---------------|---------------|---------------|---------------|--------------|----------------------|----------------------|-------------|
| Revenue from product sales | 19,077 | 99.9% | 20,310 | 99.9% | -6.1% | 36,293 99.9% | 35,227 99.9% | 3.0% |
| Other revenue | 10 | 0.1% | 13 | 0.1% | -26.6% | 26 0.1% | 26 0.1% | 0.9% |
| Revenue | 19,087 | 100.0% | 20,323 | 100.0% | -6.1% | 36,319 100.0% | 35,253 100.0% | 3.0% |



Revenues from product sales by region (by registered office of the selling company)

| EUR thousand % of revenue from product sales | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|---------------|---------------|---------------|---------------|--------------|---------------------|---------------|---------------------|---------------|-------------|
| Germany | 13,740 | 72.0% | 12,382 | 61.0% | 11.0% | 25,402 | 70.0% | 21,348 | 60.6% | 19.0% |
| Italy | 2,494 | 13.1% | 2,241 | 11.0% | 11.3% | 4,860 | 13.4% | 5,174 | 14.7% | -6.1% |
| United Kingdom | 1,700 | 8.9% | 4,041 | 19.9% | -57.9% | 4,222 | 11.6% | 6,740 | 19.1% | -37.4% |
| Other countries | 1,144 | 6.0% | 1,646 | 8.1% | -30.5% | 1,809 | 5.0% | 1,966 | 5.6% | -8.0% |
| Revenue from product sales | 19,077 | 100.0% | 20,310 | 100.0% | -6.1% | 36,293 | 100.0% | 35,227 | 100.0% | 3.0% |

The revenue from product sales ("product revenue") in Germany increased by EUR 4,054 thousand or 19.0% HoH to EUR 25,402 thousand in H1 2017 (H1 2016: EUR 21,348 thousand). In Q2 2017, product revenue also amounted to EUR 13,740 thousand or 11.0% QoQ above the level of Q2 2016. The positive revenue trend also continued compared to the previous quarter (EUR 11,662 thousand) (+17.8%).

Due to persistently weaker revenue, product revenue in Italy in H1 2017 fell by a total of EUR -314 thousand or -6.1% HoH to EUR 4,860 thousand (H1 2016: EUR 5,174 thousand). Nevertheless, the negative revenue trend of the previous quarters could be stopped and product revenue in Q2 2017 increased by EUR 254 thousand or 11.3% QoQ to EUR 2,494 thousand (Q2 2016: EUR 2,241 thousand). This means that the positive revenue trend also continued compared to the previous quarter (EUR 2,366 thousand) (+5.4%).

In the United Kingdom, product revenue was generally in line with expectations and declined by EUR -2,517 thousand or -37.4% HoH to EUR 4,222 thousand (H1 2016: EUR 6,740 thousand) due to the adjusted TV distribution structure. Overall, the decline in sales in Q2 2017 in the amount of EUR -2,341 thousand or -57.9% QoQ to EUR 1,700 thousand was slightly higher than expected (Q2 2016: EUR 4,041 thousand). In local currency, revenue in the United Kingdom declined by -53.8% QoQ in Q2 2017.

In the other countries, revenue in H1 2017 dropped by EUR -157 thousand or -8.0% to EUR 1,809 thousand (H1 2016: EUR 1,966 thousand), primarily due to strong revenue from the marketing of residual items to a corporate customer in Hong Kong in Q2 2016. Revenue in H1 2017 was generated mainly through the cooperation with a TV channel in the USA for which a concrete continuation is already planned.



Revenue from product sales by sales channel

| EUR thousand % of revenue from product sales | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|---------------|---------------|---------------|---------------|--------------|---------------------|---------------|---------------------|---------------|-------------|
| Television revenue | 10,934 | 57.3% | 11,935 | 58.8% | -8.4% | 21,257 | 58.6% | 22,079 | 62.7% | -3.7% |
| eCommerce revenue | 7,024 | 36.8% | 6,758 | 33.3% | 3.9% | 13,283 | 36.6% | 11,532 | 32.7% | 15.2% |
| B2B revenue | 1,119 | 5.9% | 1,617 | 8.0% | -30.8% | 1,753 | 4.8% | 1,617 | 4.6% | 8.4% |
| Revenue from product sales | 19,077 | 100.0% | 20,310 | 100.0% | -6.1% | 36,293 | 100.0% | 35,227 | 100.0% | 3.0% |

Product revenue from TV sales declined by EUR -822 thousand or -3.7% HoH to EUR 21,257 thousand in H1 2017 (Q2 2017: EUR -1,001 thousand or -8.4% QoQ to EUR 10,934 thousand). In H1 2017, this decline could be compensated for by the increase in revenue from eCommerce sales by EUR 1,752 thousand or 15.2% HoH to EUR 13,283 thousand. In Q2 2017, the significant revenue growth of the previous quarters could not be continued in eCommerce sales (Q2 2017: EUR 266 thousand or 3.9% QoQ to EUR 7,024 thousand). The Group's classic European web business, attributable to eCommerce revenue, grew again in H1 2017 by EUR 1,198 thousand or 33.8% HoH to EUR 4,738 thousand (Q2 2017: EUR 479 thousand or 22.7% QoQ to EUR 2,584 thousand). The fundamentally positive growth was marred by a drop in revenues of eCommerce in the United Kingdom in Q2 2017 of -50.7% QoQ compared to Q2 2016. While revenues from the Online Bidding & Apps segment and the Classic Web business declined much less significantly, the revenue from Personal Shopping, with a historically strong share in eCommerce revenue in the United Kingdom, declined in Q2 2017 by -57.3% QoQ compared to Q2 2016.

Furthermore, product revenue from B2B sales of EUR 1,119 thousand, mainly from the cooperation with a TV channel in the USA, was generated in Q2 2017 (Q2 2016: EUR 1,617 thousand from the marketing of residual items to corporate customers).

(5.) Cost of goods sold

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

| EUR thousand % of revenue | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|---|---------------|--------------|---------------|--------------|--------------|---------------------|--------------|---------------------|--------------|--------------|
| Material costs | 9,570 | 50.1% | 12,587 | 61.9% | -24.0% | 19,109 | 52.6% | 18,713 | 53.1% | 2.1% |
| Change in inventory of finished goods, work in progress and merchandise | 228 | 1.2% | -1,450 | -7.1% | 115.7% | 312 | 0.9% | -1,154 | -3.3% | 127.0% |
| Personnel expenses | 1,059 | 5.6% | 851 | 4.2% | 24.4% | 1,925 | 5.3% | 1,707 | 4.8% | 12.8% |
| Depreciation and amortisation | 117 | 0.6% | 134 | 0.7% | -12.6% | 235 | 0.6% | 216 | 0.6% | 9.1% |
| Cost of goods sold | 10,975 | 57.5% | 12,122 | 59.6% | -9.5% | 21,581 | 59.4% | 19,482 | 55.3% | 10.8% |



Gross profit from product sales by sales channel

The gross profit from product sales by sales channel can be broken down as follows:

| EUR thousand % of revenue from product sales | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|--------------|--------------|--------------|--------------|--------------|---------------------|--------------|---------------------|--------------|--------------|
| Gross profit from television revenue | 5,156 | 27.0% | 5,190 | 25.6% | -0.7% | 9,346 | 25.7% | 10,383 | 29.5% | -10.0% |
| Gross profit from eCommerce revenue | 2,716 | 14.2% | 2,488 | 12.3% | 9.1% | 4,949 | 13.6% | 4,853 | 13.8% | 2.0% |
| Gross profit from B2B revenue | 231 | 1.2% | 509 | 2.5% | -54.6% | 417 | 1.1% | 509 | 1.4% | -18.2% |
| Gross profit from product sales | 8,103 | 42.5% | 8,188 | 40.3% | -1.0% | 14,712 | 40.5% | 15,746 | 44.7% | -6.6% |

Gross profit from TV revenue declined in H1 2017 to EUR 9,346 thousand or by -10.0% HoH and therefore disproportionately higher to the decline in revenues from TV sales (-3.7% HoH). As a result, the gross profit margin of TV business fell from 47.0% in H1 2016 to 44.0% in H1 2017. After a weak gross profit margin in Q1 2017 (40.6%) as a result of the sell-off in the United Kingdom, the gross profit margin rose again significantly to 47.1% in Q2 2017 (Q2 2016: 43.5%), as a consequence of which the gross profit was almost at the same level as in the prior year's quarter, despite lower revenues from TV sales (-8.4% QoQ).

Gross profit from eCommerce revenue in H1 2017 increased to EUR 4,949 thousand or by 2.0% HoH, which is below the increase in revenues from eCommerce sales (15.2% HoH). This represents a decline in the gross profit margin from 42.1% in H1 2016 to 37.3% in H1 2017. Due to an improvement in the gross profit margin from 36.8% in Q2 2016 to 38.7% in Q2 2017, gross profit rose by 9.1% QoQ to EUR 2,716 thousand in Q2 2017 and thus disproportionately higher compared to revenue (3.9% QoQ). The gross profit margin could also be slightly increased compared to the previous quarter (35.7%).

Gross profit from B2B revenue totalled EUR 417 thousand in H1 2017 (H1 2016: EUR 509 thousand). This corresponds to a gross profit margin of 23.8% (H1 2016: 31.5%).

(6.) Selling expenses

Selling expenses include the following positions:

| EUR thousand % of revenue | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|--------------|--------------|--------------|--------------|---------------|---------------------|--------------|---------------------|--------------|---------------|
| Broadcasting and channel rental costs | 2,439 | 12.8% | 3,456 | 17.0% | -29.4% | 5,053 | 13.9% | 7,090 | 20.1% | -28.7% |
| Personnel expenses | 1,577 | 8.3% | 1,633 | 8.0% | -3.4% | 3,204 | 8.8% | 3,220 | 9.1% | -0.5% |
| Expenses for external personnel services | 301 | 1.6% | 362 | 1.8% | -17.0% | 635 | 1.7% | 716 | 2.0% | -11.3% |
| Sales and marketing expenses | 686 | 3.6% | 460 | 2.3% | 49.0% | 1,353 | 3.7% | 858 | 2.4% | 57.7% |
| Depreciation and amortisation | 140 | 0.7% | 140 | 0.7% | 0.3% | 280 | 0.8% | 282 | 0.8% | -0.4% |
| Other selling expenses | 1,280 | 6.7% | 1,244 | 6.1% | 2.9% | 2,553 | 7.0% | 2,493 | 7.1% | 2.4% |
| Selling expenses | 6,424 | 33.7% | 7,295 | 35.9% | -12.0% | 13,078 | 36.0% | 14,658 | 41.6% | -10.8% |



(7.) Administrative expenses

Administrative expenses include the following expenses:

| EUR thousand % of revenue | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|--------------|--------------|--------------|--------------|---------------|------------------------|--------------|------------------------|--------------|---------------|
| Personnel expenses | 1,239 | 6.5% | 1,539 | 7.6% | -19.5% | 2,503 | 6.9% | 2,970 | 8.4% | -15.7% |
| Depreciation and amortisation | 165 | 0.9% | 159 | 0.8% | 3.6% | 333 | 0.9% | 351 | 1.0% | -5.2% |
| Equity-settled share-based payments | 85 | 0.4% | 110 | 0.5% | -22.0% | 188 | 0.5% | 250 | 0.7% | -24.8% |
| Losses from foreign currency translation | -608 | -3.2% | 1,336 | 6.6% | -145.5% | 0 | 0.0% | 1,903 | 5.4% | -100.0% |
| Other administrative expenses | 1,158 | 6.1% | 1,092 | 5.4% | 6.1% | 2,404 | 6.6% | 2,401 | 6.8% | 0.1% |
| Administrative expenses | 2,040 | 10.7% | 4,237 | 20.8% | -51.8% | 5,427 | 14.9% | 7,876 | 22.3% | -31.1% |

Following a net loss of EUR 608 thousand in Q1 2017, the result from foreign currency translation of the elumeo Group changed to a net gain of EUR 287 thousand in H1 2017. The gain from foreign currency translation attributable to Q2 2017 thus amounts to a total of EUR 895 thousand. Of this amount, EUR 608 thousand was reported under administrative expenses in Q2 2017 to offset the cumulative loss from foreign currency translation from Q1 2017 and the remaining net gain of EUR 287 thousand was disclosed under other operating income. The result from foreign currency translation is essentially the result of the subsequent valuation of intra-Group receivables and liabilities denominated in foreign currencies. The appreciation of the EUR in Q2 2017 has resulted in a net gain from foreign currency translation as of the reporting date 30 June 2017.

Administrative expenses (adjusted for foreign currency translation effects and share-based remuneration) of EUR 5,239 thousand in H1 2017 were -8.4% HoH below the prior year period (H1 2016: EUR 5,722 thousand). The primary reason for the development of costs is essentially reduced personnel expenses. In addition, other administrative expenses in H1 2017 include expenses directly attributable and rechargeable to non-Group third parties, which are offset by other operating income in the same amount.

(8.) Other operating income

| EUR thousand % of revenue | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|------------|-------------|-----------|-------------|---------------|------------------------|-------------|------------------------|-------------|---------------|
| Income from cost recharges to distribution partners | 62 | 0.3% | 0 | 0.0% | n.a | 360 | 1.0% | 0 | 0.0% | n.a |
| Income from the reversal of allowances for doubtful accounts | 3 | 0.0% | 0 | 0.0% | 719.7% | 3 | 0.0% | 0 | 0.0% | 734.1% |
| Gains from foreign currency translation | 287 | 1.5% | 0 | 0.0% | n.a | 287 | 0.8% | 0 | 0.0% | n.a |
| Other income from past reporting periods | 0 | 0.0% | 39 | 0.2% | -100.0% | 0 | 0.0% | 39 | 0.1% | -100.0% |
| Miscellaneous other operating income | 8 | 0.0% | 33 | 0.2% | -75.1% | 15 | 0.0% | 45 | 0.1% | -66.8% |
| Other operating income | 360 | 1.9% | 72 | 0.4% | 396.4% | 664 | 1.8% | 84 | 0.2% | 691.7% |



Other operating income of EUR 664 thousand in H1 2017 or EUR 360 thousand in Q2 2017 primarily comprises income from recharging administrative and selling expenses to non-Group third parties (H1 2017: EUR 360 thousand, Q1 2017: EUR 62 thousand) and net gains from foreign currency translation (H1 2017: EUR 287 thousand or Q1 2017: EUR 287 thousand).

(9.) Financial result

| EUR thousand % of revenue | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|--|-------------|--------------|-------------|--------------|---------------|------------------------|--------------|------------------------|--------------|---------------|
| Interest income from bank balances | 0 | 0.0% | 1 | 0.0% | -90.6% | 0 | 0.0% | 1 | 0.0% | -90.6% |
| Other interest and similar income | 0 | 0.0% | 0 | 0.0% | 2.0% | 0 | 0.0% | 0 | 0.0% | 1.4% |
| Interest income | 0 | 0.0% | 1 | 0.0% | -79.0% | 0 | 0.0% | 1 | 0.0% | -78.8% |
| Interest expenses from financial debt (bank loans and overdrafts) | -156 | -0.8% | -135 | -0.7% | -16.1% | -313 | -0.9% | -268 | -0.8% | -17.1% |
| Interest expenses from finance lease liabilities | -8 | 0.0% | -10 | -0.1% | 27.7% | -16 | 0.0% | -17 | 0.0% | 7.9% |
| Other interest and similar expenses | 0 | 0.0% | 0 | 0.0% | n.a. | 0 | 0.0% | 0 | 0.0% | n.a. |
| Interest expenses | -164 | -0.9% | -145 | -0.7% | -12.7% | -330 | -0.9% | -285 | -0.8% | -15.7% |
| Financial result | -163 | -0.9% | -144 | -0.7% | -13.3% | -329 | -0.9% | -284 | -0.8% | -16.0% |

(10.) Income tax

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

| EUR thousand % of revenue | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|---|-------------|--------------|-----------|-------------|----------------|------------------------|--------------|------------------------|--------------|--------------|
| Current income tax expense (-): Germany | 7 | 0.0% | 0 | 0.0% | >1.000% | 0 | 0.0% | 0 | 0.0% | 100.0% |
| Current income tax: other countries | -62 | -0.3% | -59 | -0.3% | -5.5% | -125 | -0.3% | -119 | -0.3% | -5.3% |
| Deferred tax expense (-)/income (+) | -86 | -0.5% | 102 | 0.5% | -184.1% | 59 | 0.2% | -156 | -0.4% | 137.8% |
| Income tax | -141 | -0.7% | 43 | 0.2% | -425.3% | -66 | -0.2% | -274 | -0.8% | 75.9% |

The current income taxes abroad relate to the pro rata temporis release of a tax prepayment in connection with the granting of an investment incentive certificate by the Thai Investment Authority to the Thai subsidiary PWK Jewelry Company Ltd., Chanthaburi, Thailand ("PWK").



Deferred taxes are attributable solely to a change in deferred tax assets from the elimination of the intercompany interim profits contained in the finished goods and merchandise of intercompany deliveries, insofar as they have not yet been realised as of the reporting date through the sale of goods to end customers. The deferred tax assets recognised were determined on the basis of the respective corporate tax rate of the company which received the delivery (acquirer) and realised the sale to non-Group third parties (end customers). As a result of the regular review of the transfer pricing model of the elumeo Group, the tax strategy of the elumeo Group, including the transfer prices, was adjusted as of financial year 2017. As a consequence, some of the historical intercompany interim profits of the elumeo Group have been transferred from the seller to the acquirer.

(11.) Personnel expenses

Personnel expenses (excluding share-based remuneration) consist of the following:

| EUR thousand % of revenue | Q2 2017 | | Q2 2016 | | QoQ in % | 1 Jan - 30 Jun 2017 | | 1 Jan - 30 Jun 2016 | | HoH in % |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|------------------------|--------------|------------------------|--------------|--------------|
| Wages and salaries | 3,475 | 18.2% | 3,655 | 18.0% | -4.9% | 6,813 | 18.8% | 7,042 | 20.0% | -3.2% |
| Social security contributions | 401 | 2.1% | 369 | 1.8% | 8.7% | 819 | 2.3% | 855 | 2.4% | -4.2% |
| Personnel expenses | 3,876 | 20.3% | 4,024 | 19.8% | -3.7% | 7,633 | 21.0% | 7,897 | 22.4% | -3.4% |

(12.) Earnings per share

Basic earnings per share are in general equivalent to the earnings attributable to shareholders divided by the weighted average number of shares outstanding during the reporting period.

Basic and diluted earnings per share are as follows:

| Earnings and number of shares | Unit | Q2 2017 | Q2 2016 | QoQ in % | 1 Jan - 30 Jun 2017 | 1 Jan - 30 Jun 2016 | HoH in % |
|---|--------------|--------------|--------------|--------------|------------------------|------------------------|--------------|
| Earnings of shareholders of elumeo SE | EUR thousand | -297 | -3,359 | 91.2% | -3,499 | -7,237 | 51.7% |
| Average number of outstanding shares | thousands | 5,500 | 5,500 | 0.0% | 5,500 | 5,500 | 0.0% |
| Earnings per share (basic and diluted) | EUR | -0.05 | -0.61 | 91.2% | -0.64 | -1.32 | 51.7% |

In the financial years 2015 and 2016, the Executive Board issued option rights to purchase shares of elumeo SE in a total of three tranches under the Stock Option Programme 2015 ("SOP 2015"). Exercising of the options of each tranche after the vesting period has expired is linked to capital market-based performance targets.

The performance targets for the first tranche ("Tranche I/2015") and the second tranche ("Tranche II/2015"), both issued in financial year 2015, were not met as of the reporting date. The potential shares are therefore not to be taken into account in the determination of diluted earnings per share, irrespective of any vesting that has already taken place.



The performance target for the third tranche ("Tranche III/2015"), issued in financial year 2016, was met as of the reporting date. As of the reporting, however, no option rights can be exercised, as the service period condition is not fulfilled yet. According to 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 into shares results in an increase in earnings per share or a reduction in the loss per share, dilution protection is applied and the diluted earnings per share is to be adjusted to the amount of basic earnings per share (IAS 33.43). The conversion of the option rights of Tranche III/2015 would lead to a reduction in the loss per share (dilution protection). The number of potential shares which would have to be taken into account in the event of non-existent dilution protection is 36,228 shares (notional free shares).

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

(13.) Other comprehensive income

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

As of 30 June 2017, the appreciation of the EUR in Q2 2017 resulted in a reporting date related decrease in the foreign currency translation reserve, which correspondingly had a negative impact on the total comprehensive income.



(14.) Intangible assets and property, plant and equipment

As of 30 June 2017, intangible assets acquired amounted to EUR 827 thousand (31 December 2016: EUR 925 thousand). They essentially comprised a TV broadcast license, a domain right and software. EUR 7 thousand in total (advance payments for assets that were not yet placed in operation) were invested in H1 2017 (H1 2016: EUR 103 thousand). In the same period, amortisation amounted to EUR 104 thousand (H1 2016: EUR 97 thousand).

| EUR thousand | Intangible assets |
|--|----------------------|
| <u>Historical cost</u> | |
| Balance as of 1 Jan 2017 | 1,314 |
| Additions | 7 |
| Foreign currency translation differences | 0 |
| Balance as of 30 Jun 2017 | 1,320 |
| <u>Amortisation</u> | |
| Balance as of 1 Jan 2017 | 389 |
| Additions | 104 |
| Foreign currency translation differences | 0 |
| Balance as of 30 Jun 2017 | 493 |
| <u>Carrying amount</u> | |
| Balance as of 31 Dec 2016 | 925 |
| Balance as of 30 Jun 2017 | 827 |



Investments of EUR 111 thousand (H1 2016: EUR 688 thousand including advance payments for assets under construction) in property, plant and equipment were made in H1 2017. In the same period, depreciation amounted to EUR 744 thousand (H1 2016: EUR 751 thousand).

| 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 | 6 | 0 | 20 | 85 | 1 | 111 |
| Disposals | -6 | 0 | 0 | -8 | 0 | -14 |
| Foreign currency translation differences | -165 | 0 | -27 | -63 | -3 | -258 |
| Balance: 30 Jun 2017 | 7,574 | 0 | 2,475 | 4,137 | 1,201 | 15,386 |
| <u>Depreciation</u> | | | | | | |
| Balance: 1 Jan 2017 | 922 | 0 | 1,377 | 1,836 | 169 | 4,303 |
| Additions | 142 | 0 | 170 | 356 | 75 | 744 |
| Disposals | -3 | 0 | 0 | -6 | 0 | -9 |
| Foreign currency translation differences | -7 | 0 | -14 | -30 | -1 | -51 |
| Balance: 30 Jun 2017 | 1,055 | 0 | 1,533 | 2,156 | 243 | 4,987 |
| <u>Carrying amount</u> | | | | | | |
| Balance: 31 Dec 2016 | 6,816 | 0 | 1,105 | 2,287 | 1,035 | 11,244 |
| Balance: 30 Jun 2017 | 6,519 | 0 | 942 | 1,980 | 958 | 10,399 |

(15.) Inventories

Inventories include the following items:

| EUR thousand % of balance sheet total | 30 Jun 2017 | | 31 Dec 2016 | | Change in % |
|---|---------------|--------------|---------------|--------------|--------------|
| Raw materials, consumables and supplies | 11,881 | 20.0% | 13,283 | 21.4% | -10.6% |
| Unfinished goods | 1,712 | 2.9% | 1,558 | 2.5% | 9.9% |
| Finished goods and merchandise | 23,304 | 39.2% | 24,081 | 38.8% | -3.2% |
| Advance payments | 8 | 0.0% | 11 | 0.0% | -29.4% |
| Inventories | 36,904 | 62.1% | 38,933 | 62.7% | -5.2% |



(16.) Other financial assets and other non-financial assets

Other financial assets comprise the following:

| EUR thousand % of balance sheet total | 30 Jun 2017 | | 31 Dec 2016 | | Change in % |
|---|-------------|-------------|-------------|-------------|--------------|
| Security deposits and other warranties | 53 | 0.1% | 56 | 0.1% | -5.1% |
| Receivables due from employees | 28 | 0.0% | 26 | 0.0% | 8.4% |
| Current other financial assets | 81 | 0.1% | 82 | 0.1% | -0.8% |
| Security deposits and other warranties | 498 | 0.8% | 513 | 0.8% | -2.9% |
| Receivables due from employees | 9 | 0.0% | 9 | 0.0% | -6.4% |
| Non-current other financial assets | 507 | 0.9% | 522 | 0.8% | -2.9% |
| Other financial assets | 588 | 1.0% | 604 | 1.0% | -2.6% |

Other non-financial assets comprise the following items:

| EUR thousand % of balance sheet total | 30 Jun 2017 | | 31 Dec 2016 | | Change in % |
|---|--------------|-------------|--------------|-------------|--------------|
| Receivables from taxes | 1,118 | 1.9% | 774 | 1.2% | 44.4% |
| Tax advance payments | 242 | 0.4% | 248 | 0.4% | -2.6% |
| Deferred expenses | 237 | 0.4% | 270 | 0.4% | -12.4% |
| Other advance payments | 92 | 0.2% | 7 | 0.0% | >1.000% |
| Creditors with debit balances | 5 | 0.0% | 9 | 0.0% | -40.7% |
| Miscellaneous other receivables | 31 | 0.1% | 1 | 0.0% | >1.000% |
| Current other non-financial assets | 1,725 | 2.9% | 1,309 | 2.1% | 31.7% |
| Receivables from taxes | 951 | 1.6% | 899 | 1.4% | 5.8% |
| Tax advance payments | 968 | 1.6% | 1,118 | 1.8% | -13.4% |
| Deferred expenses | 18 | 0.0% | 4 | 0.0% | 386.0% |
| Non-current other non-financial assets | 1,937 | 3.3% | 2,020 | 3.3% | -4.1% |
| Other non-financial assets | 3,662 | 6.2% | 3,330 | 5.4% | 10.0% |

(17.) Equity**Issued capital**

The issued capital of elumeo SE as of 30 June 2017 amounts to EUR 5,500,000 (31 December 2016: EUR 5,500,000) and is divided into 5,500,000 no-par value bearer shares with a theoretical share in the issued capital of EUR 1.00 per share.

There were no changes compared to the disclosures as of 31 December 2016.



Capital reserve

The capital reserve of elumeo SE as of 30 June 2017 amounts to EUR 34,050 thousand and increased by EUR 188 thousand compared to 31 December 2016 (EUR 33,862 thousand) due to share-based remuneration in accordance with IFRS 2 *Share-based Payment* (H1 2016: EUR 250 thousand).

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

There were no changes compared to the disclosures as of 31 December 2016.

Share-based remuneration

The pro rata weighted average number of outstanding option rights from the SOP 2015 amounted to 245,065 shares on 30 June 2017 (30 June 2016: 136,875 shares). As of 30 June 2017, the weighted average remaining term of the outstanding option rights up to the expiration date is approximately 8.50 years. The average exercise price is EUR 15.33 (30 June 2016: EUR 24.61) and the weighted average fair value of an option right on the issue date is EUR 5.90 (30 June 2016: EUR 8.68). No option rights can be exercised as of the reporting date.

A total of EUR 188 thousand (H1 2016: EUR 250 thousand) was recognised in H1 2017 for the share-based remuneration commitments of the three tranches from the SOP 2015.

There have been no additional changes compared to 31 December 2016.

(18.) Financial debt

| EUR thousand % of balance sheet total | 30 Jun 2017 | | 31 Dec 2016 | | Change in % |
|--|---------------|--------------|---------------|--------------|--------------|
| Bank liabilities: | | | | | |
| Bank overdrafts | 392 | 0.7% | 0 | 0.0% | >1.000% |
| Interest liabilities | 21 | 0.0% | 65 | 0.1% | -67.3% |
| Loans and current portion of non-current loans | 9,216 | 15.5% | 8,838 | 14.2% | 4.3% |
| Current financial debt | 9,629 | 16.2% | 8,904 | 14.3% | 8.1% |
| Bank liabilities: | | | | | |
| Loans | 3,658 | 6.2% | 4,011 | 6.5% | -8.8% |
| Non-current financial debt | 3,658 | 6.2% | 4,011 | 6.5% | -8.8% |
| Financial debt | 13,287 | 22.4% | 12,915 | 20.8% | 2.9% |

In financial year 2015, elumeo SE was granted two working capital loans with a total credit line of EUR 7,500 thousand. The fully utilised credit lines were originally due for redemption on 30 June 2017. A supplement to the loan agreement on 22 June 2017 reduced the total credit facility to EUR 6,000 thousand with effect from 30 June 2017. As of 30 June 2017, elumeo SE had repaid a total of EUR 1,500 thousand. Furthermore, the term of the working capital loan was extended until 30 June 2018. Depending on the fulfilment of certain conditions, the total credit line will gradually be reduced to at least EUR 5,000 thousand or a maximum of EUR 4,000 thousand.



The total credit facility is subject to variable interest with an interest rate premium of 4.00 percentage points per annum to the 3-month Euribor interest rate (minimum interest rate: 4.00% p.a.).

The decline in non-current financial debt results from the scheduled redemption of the investment loan (annuity loan) of PWK. The variable interest rate is applied with an interest rate discount of 1.50 percentage points to the so-called minimum loan rate (MLR) of 6.025% p.a. as of the reporting date (31 December 2016: 6.275% p.a.).

As of the reporting date, EUR 2,736 thousand or approximately 88.3% of the working capital credit line for short-term refinancing purposes granted to PWK (THB 120.0 million) was utilized. The interest rate is variable with an interest rate discount of 1.00% points on the so-called Money Market Rate (MMR) of 5.14% p.a. on the reporting date (31 December 2016: MMR 5.13%).

For more information on financial debt, please refer to the notes to the 2016 consolidated financial statements.

(19.) Other financial liabilities

Other financial liabilities are as follows:

| EUR thousand % of balance sheet total | 30 Jun 2017 | | 31 Dec 2016 | | Change in % |
|--|-------------|-------------|-------------|-------------|----------------|
| Current portion of non-current finance lease liabilities | 293 | 0.5% | 288 | 0.5% | 1.7% |
| Credit card liabilities | 11 | 0.0% | 23 | 0.0% | -51.7% |
| Miscellaneous other financial liabilities | 0 | 0.0% | 0 | 0.0% | n.a |
| Current other financial liabilities | 304 | 0.5% | 311 | 0.5% | -2.2% |
| Finance lease liabilities | 424 | 0.7% | 573 | 0.9% | -26.1% |
| Miscellaneous other financial liabilities | 0 | 0.0% | 0 | 0.0% | n.a |
| Non-current other financial liabilities | 424 | 0.7% | 573 | 0.9% | -26.1% |
| Other financial liabilities | 728 | 1.2% | 884 | 1.4% | -17.7% |



(20.) Other non-financial liabilities

The other non-financial liabilities as of the respective reporting date are as follows:

| EUR thousand % of balance sheet total | 30 Jun 2017 | | 31 Dec 2016 | | Change in % |
|--|--------------|-------------|--------------|-------------|----------------|
| Debtors with credit balances | 726 | 1.2% | 437 | 0.7% | 66.1% |
| Other accrued liabilities | 269 | 0.5% | 451 | 0.7% | -40.3% |
| Liabilities from value added tax | 450 | 0.8% | 440 | 0.7% | 2.1% |
| Liabilities from other taxes | 137 | 0.2% | 165 | 0.3% | -17.4% |
| Liabilities to employees | 291 | 0.5% | 164 | 0.3% | 77.5% |
| Miscellaneous other liabilities | 35 | 0.1% | 44 | 0.1% | -20.0% |
| Current other non-financial liabilities | 1,907 | 3.2% | 1,701 | 2.7% | 12.1% |
| Other accrued liabilities | 25 | 0.0% | 25 | 0.0% | 0.0% |
| Non-current other non-financial liabilities | 25 | 0.0% | 25 | 0.0% | 0.0% |
| Other non-financial liabilities | 1,932 | 3.3% | 1,726 | 2.8% | 11.9% |

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

The consolidated statement of cash flows was prepared in accordance with IAS 7 *Statement of Cash Flows* and shows the change in unrestricted cash and cash equivalents of the elumeo Group through cash inflows and outflows in the course of the reporting period.

The cash inflows and outflows from operating activities are derived indirectly based on the earnings before interest and taxes (EBIT). The cash inflows and outflows from investing and financing activities are determined directly. Cash and cash equivalents comprise unrestricted cash on hand and bank account balances. Current account credit facilities used as short-term financing instruments are included as negative components in the financial funds.

In H1 2017, the cash outflow from operating activities included, in addition to significantly improved EBIT of EUR -3,103 thousand (H1 2016: EUR -6,679 thousand), a decrease in provisions by EUR -372 thousand (H1 2016: EUR +60 thousand), an increase in other assets by EUR -708 thousand (H1 2016: EUR -181 thousand) and payments for interest expenses of EUR -365 thousand (H1 2016: EUR -526 thousand). In addition, non-cash income/expenses and items in the amount of EUR -977 thousand (H1 2016: EUR +1,276 thousand) were posted. The cash outflow was offset by depreciation and amortisation on fixed assets of EUR +848 thousand (H1 2016: EUR +848 thousand), a decrease in inventories of EUR +2,028 thousand (H1 2016: EUR -523 thousand) and an increase in other liabilities totalling EUR +1,764 thousand (H1 2016: EUR -64 thousand). The cash flow from operating activities in H1 2017 totalled EUR -693 thousand after EUR -5.702 thousand in H1 2016.

The cash flow from investing activities totalled EUR -115 thousand in H1 2017 (H1 2016: EUR -742 thousand).



The cash flow from financing activities mainly consisted of proceeds from an increase in financial debt in the amount of EUR +2,049 thousand (H1 2016: EUR +1,921 thousand) and payments for the redemption of financial debt and other financial liabilities in the amount of EUR -1,996 thousand (H1 2016: EUR -2,892 thousand).

Financial funds as of the reporting comprise positive components in the form of unrestricted cash at hand and bank account balances of EUR 1,472 thousand (31 December 2016: EUR 1,837 thousand) and negative components in the form of current account overdrafts of EUR -392 thousand (31 December 2016: EUR -0.3 thousand). As of the reporting date, an additional EUR 744 thousand in unutilised credit facilities were available.

(22.) Deferred taxes

Deferred taxes arise from differences between the carrying amount recognised in the IFRSs interim consolidated financial statements and the carrying amount recognised for tax purposes as well as on unused tax loss carryforwards to the extent to which future utilisation is sufficiently probable.

The deferred tax assets as of 30 June 2017 in the amount of EUR 1,524 thousand (31 December 2016: EUR 1,465 thousand) resulted solely from the elimination of the intercompany interim profits included in the inventories.

For further explanations on the development of deferred taxes, please refer to note (10).



(23.) Further disclosures on financial instruments

The following tables present the carrying amounts and fair values of the elumeo Group's financial instruments broken down by the classes of the measurement categories as well as the categories of financial instruments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*:

| EUR thousand | Category acc. IAS 39 | | |
|--|-------------------------|-----------------------|--------------|
| | Carrying amount | Loans and receivables | Fair value |
| Financial assets | | | |
| Statement of financial position as of 30 Jun 2017 | | | |
| Non-current assets: | | | |
| Other financial assets | 507 | 507 | 507 |
| Current assets: | | | |
| Cash and cash equivalents | 1,472 | 1,472 | 1,472 |
| Trade receivables | 3,820 | 3,820 | 3,820 |
| Receivables due from related parties | 227 | 227 | 227 |
| Other financial assets | 81 | 81 | 81 |
| Total | 6,107 | 6,107 | 6,107 |
| Statement of financial position as of 31 Dec 2016 | | | |
| Non-current assets: | | | |
| Other financial assets | 522 | 522 | 522 |
| Current assets: | | | |
| Cash and cash equivalents | 1,837 | 1,837 | 1,837 |
| Trade receivables | 3,473 | 3,473 | 3,473 |
| Receivables due from related parties | 279 | 279 | 279 |
| Other financial assets | 82 | 82 | 82 |
| Total | 6,192 | 6,192 | 6,192 |

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



| EUR thousand | Category acc. IAS 39 | | Fair value |
|--|-------------------------|--|---------------|
| | Carrying amount | Financial liabilities measured at amortised cost | |
| Financial liabilities | | | |
| Statement of financial position as of 30 Jun 2017 | | | |
| Non-current financial liabilities: | | | |
| Financial debt | 3,658 | 3,658 | 3,658 |
| Other financial liabilities | 424 | 424 | 424 |
| Current financial liabilities: | | | |
| Financial debt | 9,629 | 9,629 | 9,629 |
| Other financial liabilities | 304 | 304 | 304 |
| Payables due to related parties | 13 | 13 | 13 |
| Trade payables | 7,489 | 7,489 | 7,489 |
| Debtors with credit balances | 726 | 726 | 726 |
| Total | 22,243 | 22,243 | 22,243 |

Statement of financial position as of 31 Dec 2016

| | | | |
|------------------------------------|---------------|---------------|---------------|
| Non-current financial liabilities: | | | |
| Financial debt | 4,011 | 4,011 | 4,011 |
| Other financial liabilities | 573 | 573 | 573 |
| Current financial liabilities: | | | |
| Financial debt | 8,904 | 8,904 | 8,904 |
| Other financial liabilities | 311 | 311 | 311 |
| Payables due to related parties | 11 | 11 | 11 |
| Trade payables | 6,181 | 6,181 | 6,181 |
| Debtors with credit balances | 437 | 437 | 437 |
| Total | 20,428 | 20,428 | 20,428 |

The fair value of the interest-bearing financial debt was determined based on the effective interest method using most recent interest rate conditions.

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

There were no derivative financial instruments in H1 2017 and H1 2016.



(24.) Notes to the Group segment reporting

Total segment EBITDA improved significantly by EUR 1,323 thousand to EUR -2,354 thousand in H1 2017 compared to H1 2016 (EUR -3,677 thousand). In particular, operating losses (total segment EBITDA) were reduced from EUR -1,975 thousand in the Q1 2017 to EUR -379 thousand in Q2 2017. The segment reconciliations items eliminated in determining segment EBITDA comprised net gains from foreign currency translation of EUR 287 thousand in H1 2017 (H1 2016: net losses of EUR 1,903 thousand) or EUR 895 thousand in Q1 2017 respectively (Q2 2016: net losses of EUR 1,336 thousand) as well as expenses from the Stock Option Programme 2015 of EUR 188 thousand in H1 2017 (H1 2016: EUR 250 thousand) and EUR 85 thousand in Q2 2017 (Q2 2016: EUR 110 thousand).

Segment Sales division Germany & Italy

Revenue of EUR 30,288 thousand or approximately 83.5% of the total revenue of the elumeo Group (H1 2016: EUR 26,548 thousand or approximately 75.0%) was generated by the segment Sales division Germany & Italy in H1 2017. This corresponds to an increase in revenue of EUR 3,740 thousand or 14.1% HoH. In Q2 2017, revenue amounted to EUR 16,244 thousand, which is EUR 1,608 thousand or 11.0% QoQ above the level of Q2 2016 (EUR 14,636 thousand). Revenue continued to recover compared to Q1 2017 (EUR 14,044 thousand).

Gross profit in H1 2017 amounted to EUR 12,211 thousand and was thus 8.4% HoH higher than in the prior year comparative period (H1 2016: EUR 11,266 thousand). In total and with revenue increasing slightly disproportionately higher, gross profit margin of the segment decreased from 42.4% in H1 2016 to 40.3% in H1 2017. The reduction in the gross profit margin is in particular due to a higher share of high-priced items from third-parties procurement and a more intensive winter sale in Q1 2017. In Q2 2017 gross profit margin increased to 41.1% (Q2 2016: 38.3%, Q1 2017: 39.4%).

Segment EBITDA of EUR -666 thousand in H1 2017 improved significantly compared to H1 2016 (EUR -1.843 thousand). While segment EBITDA in Q1 2017 (EUR: -1,030 thousand) was approximately at the previous year's level (Q1 2016: EUR -966 thousand), positive segment EBITDA of EUR 364 thousand (Q2 2016: EUR -876 thousand) was achieved in Q2 2017. This corresponds to a segment EBITDA margin of 2.2%. In H1 2017, the segment EBITDA margin thus improved from -6.9% in H1 2016 to -2.2% in H1 2017.

Segment Sales division Others (UK, Asia, USA)

Revenue in the segment Sales division Others amounted to EUR 6,031 thousand in H1 2017 or approximately 16.5% of the elumeo Group's total revenue (H1 2016: EUR 8,706 thousand or approximately 25%) and thus decreased by EUR -2,674 thousand or -30.7% HoH. While revenue in Q1 2017 was still approximately at the same level as in the previous year, revenue in Q2 2017 fell significantly as expected by EUR -2,844 thousand or -50.0% QoQ to EUR 2,843 thousand (Q2 2016: EUR 5,687 thousand). The expected decline in revenue was mainly due to the adjusted TV distribution coverage in the United Kingdom. The segment also comprises revenue from B2B business. B2B revenue decreased by EUR -498 thousand or -30.8% to EUR 1,119 thousand in Q2 2017 (Q2 2016: EUR 1,617 thousand), mainly due to strong marketing of residual items in the previous year. The corporate customer business (B2B), which was launched at the end of 2016, however developed very favourably, particularly in the USA, with revenue increasing by 76.5% from EUR 634 thousand in Q1 2017 to EUR 1,119 thousand in Q2 2017.



In total, gross profit fell by -63.0% HoH to EUR 1,215 thousand in H1 2017 (H1 2016: EUR 3,281 thousand), a decrease which is clearly disproportionately higher compared to revenue. This was attributable to a drop in the gross profit margin from 37.7% in H1 2016 to 20.2% in H1 2017. This reduction is partially the result of the sell-off in the first two months of financial year 2017 in the United Kingdom. As a result, the gross profit margin decreased from 40.8% in Q1 2016 to 13.4% in Q1 2017. In Q2 2017, the gross profit margin for the segment had increased again to 27.7%, with a simultaneous decline in the gross profit margin for the B2B business, but again fell significantly below the previous year's quarter of 36.0% of revenue.

Segment EBITDA was EUR -1,421 thousand in H1 2017 (H1 2016: EUR -1,543 thousand). The segment EBITDA margin was -23.6% (H1 2016: -17.7%). Segment EBITDA thus declined, also due to the lower gross profit margin contribution from the B2B business, by EUR -390 thousand or -6.9% of segment revenue in Q2 2016 to EUR -605 thousand or -21.3% in Q2 2017.

Segment Group functions & eliminations

To offset the administrative and financing expenses of production, gross profit of EUR 1,311 thousand was allocated to the segment in H1 2017 (H1 2016: EUR 1,225 thousand) or EUR 649 thousand in Q2 2017 (Q2 2016: EUR 542 thousand) respectively, which correspondingly could not be attributed to the segments Sales division Germany & Italy and Sales division Others.

(25.) Related party disclosures

The elumeo Group engaged in the following significant transactions with related parties in H1 2017:

- The elumeo Group recorded selling expenses of EUR 102 thousand (H1 2016: EUR 102 thousand less a one-time credit note of EUR 79 thousand) for services in the area of TV broadcasting from UV Interactive Services GmbH, Berlin, Germany ("UVIS"), in which Mr. Wolfgang Boyé holds 100.0% of shares.

In addition, revenue of EUR 6 thousand (H1 2016: EUR 6 thousand) was generated from the provision of supporting administrative services for UVIS.

In connection with this, the elumeo Group recorded liabilities of EUR 10 thousand as of 30 June 2017 (31 December 2016: EUR 0 thousand) under current liabilities due to related parties.

- In financial years 2015 and 2016, a total of 37,000 options rights from Tranches I/2015 (17,000 option rights) and III/2015 (20,000 option rights) from the SOP 2015 were granted to a Managing Director. The option rights granted had an estimated fair value of EUR 213 thousand at the time that they were granted, assuming full vesting. In H1 2017, expenses of EUR 31 thousand were recognised (H1 2016: EUR 31 thousand still exclusively for Tranche I/2015).
- Sales commissions of EUR 40 thousand (H1 2016: EUR 37 thousand for fees) for a non-managing member of the Executive Board were recognised as selling expenses for freelance services as a TV presenter. The corresponding liabilities that have not yet been paid are recognised as current liabilities due to related parties. As of the reporting date, they amounted to EUR 3 thousand (31 December 2016: EUR 11 thousand).



In the first half of 2017, the following significant transactions were also made jointly by affiliated companies of the elumeo Group with non-Group third parties:

- On 15 February 2017, a new agreement on the transmission of the TV signal in the United Kingdom was concluded with the contractual partner of a subsidiary. As of 1 February 2017, an agreement was signed to repay outstanding liabilities (trade payables) from the existing contract. In connection with this matter, the respective contracting parties of the elumeo Group have declared that they will jointly act as guarantor for all contractual gross payments in GBP agreed to with the contractual partner. Furthermore, in the event of a sale of its shares in its indirectly controlled subsidiary, elumeo SE has committed itself to arrange for the intermediary directly controlled parent company to pay to the contractual partner a contractually agreed amount.
- Dated 22 June 2017, the total credit facility of elumeo SE was reduced to EUR 6,000 thousand with effect from 30 June 2017. In this context, Rocks & Co UK Limited, in addition to the existing collaterals provided by other subsidiaries, has granted a directly enforceable guarantee in the full amount of the credit facility.

(26.) Executive Board

The Executive Board

There were no changes in the composition of the Executive Board compared to 31 December 2016.

Shareholdings of the Executive Board and managers' share transactions subject to reporting pursuant to section 19 MAR

As of the reporting date, the direct shareholdings of Executive Board members did not individually exceed more than 2.56% individually (31 December 2016: 2.56%) or not more than 7.10% collectively (31 December 2016: 7.10%) of the total issued shares of elumeo SE.

Pursuant to section 19 MAR, the members of the Executive Board and related parties of the Executive Board are obliged to report transactions involving shares of elumeo SE (so-called **managers' transactions**) to the Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) and to elumeo SE. elumeo SE is obliged to publish these transactions immediately after notification.

In H1 2017, no managers' transactions were communicated to elumeo SE.

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



(27.) Operating leases and other financial obligations

With effect from 31 May 2017, the elumeo Group renegotiated the terms of a significant agreement on the transmission of TV signals by supplement. This results in an extension of the original contractual term by 16 months until 31 October 2022. In addition, the new terms result in additional (gross) minimum payment obligations totalling approximately EUR 3.2 million compared to the information disclosed as of 31 December 2016.

Furthermore, the elumeo Group is exposed to additional future (gross) minimum payment obligations of approximately EUR 0.5 million as of 31 December 2016 due to the increase in VAT rates.

In addition, the obligations from operating leases and other financial obligations arising from non-terminable contractual arrangements have not changed significantly since 31 December 2016, taking into account the continuation of the contractual obligations until the reporting date.

(28.) Events after the reporting date

There were no significant events after the reporting date that had a significant impact on the asset, financial and earnings position of the elumeo Group.





V. RESPONSIBILITY STATEMENT

Statement in accordance with section 37w para. 2 no. 3 WpHG

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

Berlin, 8 August 2017

elumeo SE

The Executive Managing Directors

Bernd Fischer

Thomas Jarmuske

Boris Kirn

