

elumeo

Corporate News

elumeo SE: Possible insolvency of PWK would have no material impact on elumeo's Consolidated Financial Statements

- **The company's Consolidated Financial Statements bear an unqualified audit opinion**
- **Sufficient provision formed in the Consolidated Financial Statements for a possible insolvency of PWK**
- **Tax audit of elumeo SE in 2018 without objection to the current transfer pricing system**
- **Regional Court of Berlin has dismissed action for rescission and nullity against resolutions of the General Meeting of 12 December 2018 due to violation of reporting obligations.**
- **Application for appointment of a special auditor to support lawsuit by OSH against the company and was not aimed at clarifying the economic situation of elumeo**

Berlin, 25 September 2019. elumeo SE, the leading European company in the electronic distribution of high-quality gemstone jewelry, comments on the recent press release issued by attorney Schaetze dated 24 September 2019 and takes advantage of the recent judgement of the Regional Court of Berlin against the company's shareholder, Ottoman Strategy Holdings S.A. (hereinafter OSH) to refute further allegations made by OSH against the company and to present the facts correctly.

Over the past few weeks, OSH has spread further untrue allegations about elumeo SE via the media. In each case, OSH was represented by its legal representative and trustee attorney Roderich Schaetze, Munich. Attorney Schaetze is also a member of the Management Board of SWM Treuhand AG and plaintiff in a lawsuit filed by SWM Treuhand AG against elumeo SE for payment of EUR 10.2 million.

The investigations carried out by the Berlin public prosecutor's office regularly play an important role in the press releases issued by attorney Schaetze. Nevertheless, RA Roderich Schaetze refrains from mentioning that these investigations are based on criminal charges, the content of which is essentially congruent with the lawsuit brought forward by SWM Treuhand AG and was therefore presumably co-initiated by attorney Schaetze. elumeo SE and the respective members of the Executive Board and Managing Directors are cooperating fully with the investigating authorities.

In the legal dispute decided by the Regional Court of Berlin, OSH had filed a claim because it had been denied participation in the Extraordinary General Meeting on 12 December 2018. The Regional Court dismissed the action in its entirety as unfounded and also ordered the plaintiff to pay the costs.

Today, elumeo commented once again on all the accusations and refuted the untrue allegations.

- In the press releases dated 22 August 2019 and 6 September 2019, attorney Schaetze claims that a manager appointed by Wolfgang Boyé expressly instructed the local PWK management not to sell any assets owned by the elumeo subsidiary in order to provide for funds for the payment of compensation. **This assertion is untrue. It is true** that Wolfgang Boyé, as Chairman of the Executive Board, cannot appoint any managers to subsidiaries at all. Rather,

the appointment of Managing Directors in subsidiaries requires a decision by the Executive Board, which was the case at that time. Moreover, the content of the assertion is also incorrect. The manager in question merely pointed out that goods may not be sold below market value without approval. This is actually a matter of course for any responsible management.

- In the press release dated 6 September 2019, attorney Schaetze claims that the Managing Directors have been used as personal guarantors by resolution of the Executive Board (presumably by decision of the Executive Board). **This allegation is untrue. It is true** that, apart from the fact that it is neither possible under Thai law nor under German law to “use” guarantors against their will, the Executive Board of elumeo SE did not at any time demand personal guarantees from the Managing Directors of PWK.
- In the press release dated 6 September 2019, attorney Schaetze claims that elumeo SE allegedly did not pay off its liabilities to PWK, although elumeo and Juwelo in Germany hold jewelry worth EUR 4 million, which is proven to come from PWK. In addition, he claims that after a possible sale of assets of PWK, the “difference between liquidation and indebtedness remains in the books of elumeo SE.” **This allegation is untrue. It is true** that, as can be seen from the audited annual financial statements for 2018, there are no outstanding invoices from elumeo SE or Juwelo Deutschland GmbH to PWK. As a result, no liabilities of PWK can remain in the books of elumeo SE.
- In the press release dated 18 September 2019, attorney Schaetze claims that a VAT refund of EUR 1.1 million could allegedly be expected by PWK in three to five years at the earliest. **This claim is misleading. It is true** that the majority of the VAT refund claim dates back to 2014. The five-year period has therefore already expired.
- In the press release dated 18. September 2019, attorney Schaetze creates the impression that, in the event of an insolvency of PWK, an insolvency of elumeo SE is to be expected. In addition, he claims that the provision that elumeo SE has set aside for possible charges arising from the liquidation of PCC will “under no circumstances be sufficient.” **This assertion is untrue. It is true** that the provision formed for possible charges arising from the liquidation of PWK was also formed under the assumption that PWK would become insolvent. Even in the event of insolvency of PWK, the risk that elumeo SE could actually be burdened to such an extent is considered to be low.
- In the press releases dated 6 August 2019 and 14 August 2019, attorney Schaetze claims that his client OSH was not admitted to the Annual General Meeting of elumeo SE on 12 December 2018 because he criticized the course of the company’s management. **This assertion is untrue. It is true** that OSH was not prevented from exercising its voting rights by the company’s Executive Board and its Chairman Wolfgang Boyé. In fact, OSH had lost its shareholder rights following a grossly negligent breach of its reporting obligations under the German Securities Trading Act (WpHG). This was confirmed by the Regional Court of Berlin in its ruling on 2 August 2019 (AZ 100 O 4/19).
- In the press releases dated 6 August 2019 and 14 August 2019, attorney Schaetze asserts that elumeo had allegedly plundered PWK Jewelry Ltd. (“PWK”) by ordering goods but not paying for them. **This allegation is untrue. The truth is** that from March to September 2018 alone, the management of the factory was paid over EUR 9 million. According to PWK’s own

documents, however, jewelry worth only EUR 5.6 million was delivered.

- In the press releases dated 6 August 2019 and 22 August 2019, attorney Schätze claims that elumeo SE continued to order jewelry from PWK in Thailand despite drastically declining sales figures. **This claim is misleading. It is true** that, due to the high production costs at PWK and the declining sales volumes, the monthly order volume was reduced to 25,000 pieces in May 2018. Furthermore, contrary to the estimates made by attorney Roderich Schaetze, there were no viable restructuring proposals on the part of PWK's management.
- In the press releases dated 6 August 2019, attorney Roderich Schaetze claims that the four Managing Directors of PWK are facing high prison sentences under Thai labour law for non-payment of salaries and severance payments to the 600 employees. This was allegedly caused by elumeo SE's conduct. **This allegation is untrue. It is true** that liability under Thai law only exists if the managers deliberately failed to pay wages and severance payments although they would have been able to do so. The claims made by attorney Schaetze are therefore contradictory. The managers of PWK can only be held liable under criminal law if the non-payment of salaries and severance payments was not due to the conduct of elumeo SE. On the contrary, if the Thai judiciary sees a liability of the former managers of PWK, this confirms that the elumeo Group has fulfilled its payment obligations and that the managers of PWK were thus able to pay the wages and severance payments.
- In the press release dated 6 August 2019, attorney Schaetze alleges that the requested special audit was intended to uncover alleged breaches of duty and violations of the law by the Executive Board and to clarify whether and how the members of the Executive Board acted to the detriment of the company or its shareholders. **This allegation is misleading.** The scope of the special audit request was published in the Federal Gazette. The special audit request comprised a total of 13 questions relating exclusively to the supply and service relationships between elumeo SE, Juwelo Deutschland GmbH and Silverline Distribution Ltd. with PWK in 2018. The special audit request did not include any questions aimed at the causes of the economic situation of elumeo SE or the elumeo Group. It therefore appears that the request for special audit is intended solely to gather information for the action brought by SWM Treuhand AG against elumeo SE.
- In the press release dated 18 September 2019, attorney Schaetze tries to create the impression that the proceedings against KAT FLORENCE Design Ltd. will lead to additional burdens for elumeo SE. **This assertion is misleading. It is true** that these alleged claims have thus far not been substantiated at all. Short-term substantiation of these claims was announced in a formal submission dated August 8, 2019, but has not yet been received. An extensive extension of the deadline was requested instead. Therefore, this cannot be considered to be short-term substantiation.
- In the press release dated 23. September 2019, attorney Schaetze tries to create the impression that elumeo SE was threatened by tax arrears of more than EUR 10 million from the internal transfer pricing system as well as criminal prosecution pursuant to Section 370 AO. **This assertion is untrue. It is true** that the transfer pricing system of elumeo SE was the subject of a detailed tax audit in 2018 that did not raise any objections to the transfer pricing system.

All in all, it should be noted that the many press releases issued by attorney Roderich Schaetze are, in the opinion of the Executive Board of elumeo SE, aimed at sustainably damaging and destabilizing elumeo SE.

About the company:

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

Through a variety of electronic distribution channels (such as TV, the Internet, Smart TV and Smartphone App), the listed company offers its customers primarily colour gemstone jewelry at comparatively low prices. The company sells its jewelry predominantly through direct sales. For example, the elumeo Group operates home shopping television stations in Germany and Italy as well as web shops in Germany, the UK, Italy, France, the Netherlands, Spain, Belgium and the United States.

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