Section 1: 8-K (8-K/A)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 20, 2017 (October 19, 2017)

The Meet Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-33105**	**86-0879433**
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

100 Union Square Drive **New Hope, Pennsylvania**	**18938**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(215) 862-1162**

Not Applicable

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.01 Completion of Acquisition or Disposition of Assets.

On October 20, 2017, The Meet Group, Inc. (the “Company” or “The Meet Group”) filed a Current Report on Form 8-K (the “Initial Filing”) to report that The Meet Group had completed its previously announced acquisition of Lovoo GmbH (“Lovoo”) on October 19, 2017, pursuant to the terms of the Share Purchase Agreement (the “Original Purchase Agreement”) dated September 18, 2017, and as amended on October 18, 2017 (the “Amendment” and together with the Original Purchase Agreement as amended by the Amendment, the “Purchase Agreement”), by and among the Company, TMG Holding Germany GmbH, a limited liability company organized under the laws of Germany and a wholly-owned subsidiary of the Company (“Purchaser”), Bawogo Ventures GmbH & Co. KG, a limited partnership organized under the laws of Germany (“Seller”), and the seller guarantors.

On October 19, 2017, pursuant to the terms of the Purchase Agreement, Purchaser purchased from Seller all of the outstanding shares of Lovoo (the “Acquisition”).

On October 19, 2017, all outstanding shares of Lovoo capital stock, options to purchase Lovoo capital stock (“Lovoo Options”) and Lovoo restricted stock units (“Lovoo RSUs”) were cancelled, and all outstanding shares of Lovoo capital stock, all vested Lovoo Options with an exercise price less than the per share merger consideration and all vested Lovoo RSUs were exchanged for an aggregate of $65 million in cash. Purchaser will also pay additional contingent consideration, in the form of an earn-out amount of up to US $5 million, payment of which is subject to certain conditions set forth in the Purchase Agreement including the successful achievement of an adjusted EBITDA target by Lovoo following the Closing. A portion of the aggregate merger consideration is being held in escrow to secure the indemnification obligations of Lovoo security holders.

This amendment to the Initial Filing is being filed for the purpose of satisfying the Company’s undertaking to file the financial statements and pro forma financial statements required by Item 9.01 of Form 8-K, and this amendment should be read in conjunction with the Initial Filing. Except as set forth herein, no modifications have been made to information contained in the Initial Filing, and the Company has not updated any information contained therein to reflect events that have occurred since the date of the Initial Filing.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The financial statements of Lovoo comprised of the statements of financial position as of December 31, 2016, December 31, 2015, January 1, 2015, and the related statements of comprehensive loss, changes in equity, and cash flows for the two years ended December 31, 2016 and December 31, 2015 and the related notes to the financial statements, and the report of the independent auditor thereon are attached as Exhibit 99.1 hereto and incorporated herein by reference.

The interim financial statements of Lovoo as of September 30, 2017 and December 31, 2016 and for the nine months ended September 30, 2017 and 2016 are attached as Exhibit 99.2 hereto and incorporated herein by reference.

(b) Pro-Forma Financial Information

Unaudited pro forma condensed combined financial statements as of September 30, 2017, for the nine months ended September 30, 2017 and the year ended December 31, 2016 and 2015 and the notes related thereto, which reflect the acquisition of Lovoo, are attached as Exhibit 99.3 hereto and incorporated herein by reference.

(d) List of Exhibits

Exhibit No.	Description
23.1	Consent of KPMG AG Wirtschaftsprüfungsgesellschaft, independent auditor of Lovoo
99.1	The financial statements of Lovoo comprised of the statements of financial position as of December 31, 2016, December 31, 2015, January 1, 2015, and the related statements of comprehensive loss, changes in equity, and cash flows for the two years ended December 31, 2016 and December 31, 2015 and the related notes to the financial statements
99.2	The interim financial statements of Lovoo as of September 30, 2017 and December 31, 2016, and for the nine months ended September 30, 2017 and 2016
99.3	Unaudited pro forma condensed combined financial statements as of September 30, 2017, for the nine months ended September 30, 2017 and for the years ended December 31, 2016 and 2015

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE MEET GROUP, INC.

Date: December 20, 2017	By: /s/ Jim Bugden
	Name: Jim Bugden
	Title: Interim Chief Financial Officer

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Section 2: EX-23.1 (CONSENT)

Consent of Independent Auditor

We consent to the use of our report dated December 20, 2017, with respect to the statements of financial position of LOVOO GmbH as of December 31, 2016, December 31, 2015 and January 1, 2015, and the related statements of comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2016 and December 31, 2015 and the related notes to the financial statements, included herein.

/s/ KPMG AG Wirtschaftsprüfungsgesellschaft
Leipzig, Germany

December 20, 2017

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Section 3: EX-99.1 (LOVOO 12.31.2016 AND 2015 AUDITED FINANCIALS)

Financial statements
as of December 31, 2016

LOVOO GmbH
Dresden

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Independent Auditors' Report

The Managing Director
LOVOO GmbH:

We have audited the accompanying financial statements of LOVOO GmbH, which comprise the statements of financial position as of December 31, 2016, December 31, 2015 and January 1, 2015, and the related statements of comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LOVOO GmbH as of December 31, 2016, December 31, 2015 and January 1, 2015, and the results of its operations and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting standards as issued by the International Accounting Standards Board.

/s/ KPMG AG Wirtschaftsprüfungsgesellschaft
Leipzig, Germany, December 20, 2017

LOVOO GmbH
Statements of financial position

	Note	December 31, 2016	December 31, 2015	January 1, 2015
		EURk	EURk	EURk
Assets				
Non-current assets				
Intangible assets	5.1	658	209	88
Property, plant and equipment	5.2	1,890	1,813	643
Other financial assets	5.3	8,336	111	24
Deferred tax assets	5.8	1,484	0	0
		12,368	**2,133**	**755**
Current assets				
Trade and other receivables	5.4	2,132	3,362	3,312
Other financial assets	5.5	1,270	661	260
Other assets	5.6	99	310	41
Cash and cash equivalents	5.7	7,052	26,311	3,930
		10,553	**30,644**	**7,543**
		22,921	**32,777**	**8,298**
Equity and liabilities				
Equity				
Subscribed capital	5.9	25	25	25
Accumulated retained earnings	5.9	837	1,168	1,168
Profit or loss for the year	5.9	-4,113	-331	0
		-3,251	**862**	**1,193**
Non-current liabilities				
Provisions	5.10	486	237	99
Loans	5.11	19,954	22,985	1,000
Other financial liabilities	5.12	0	1,800	0
Other liabilities	5.13	359	464	7
Deferred tax liabilities	5.8	0	229	285
		20,799	**25,715**	**1,391**
Current liabilities				
Provisions	5.14	551	68	31
Loans	5.15	0	1,000	0
Trade and other payables	5.16	1,828	2,407	3,336
Advance payments received on account orders	5.17	781	781	863
Tax liabilities	5.18	0	136	255
Other financial liabilities	5.19	750	430	527
Other liabilities	5.20	1,463	1,378	702
		5,373	**6,200**	**5,714**
		22,921	**32,777**	**8,298**

The notes form an integral part of these financial statements.

LOVOO GmbH
Statements of comprehensive loss

	Note	Year ended December 31, 2016	Year ended December 31, 2015
		EURk	**EURk**
Net sales	6.1	30,142	35,571
Cost of sales	6.2	-8,711	-9,077
Gross profit		**21,431**	**26,494**
Other income	6.3	542	836
Selling and marketing expenses	6.4	-15,002	-19,586
General and administrative expenses	6.5	-4,830	-2,730
Product development expenses	6.6	-5,314	-4,282
Other expenses	6.7	-1,537	-613
Operating profit or loss		-4,710	119
Finance income	6.8	562	2
Finance expenses	6.9	-1,640	-566
Profit or loss before income taxes		**-5,788**	**-445**
Income taxes	6.10	1,675	114
Profit or loss		**-4,113**	**-331**
Other comprehensive income		0	0
Total comprehensive loss		**-4,113**	**-331**

The notes form an integral part of these financial statements.

LOVOO GmbH
Statements of changes in equity

	Subscribed capital	Accumulated retained earnings	Total equity
	EURk	**EURk**	**EURk**
January 1, 2015	**25**	**1,168**	**1,193**
Profit or loss for the year	0	-331	-331
December 31, 2015	**25**	**837**	**862**
Profit or loss for the year	0	-4,113	-4,113
December 31, 2016	**25**	**-3,276**	**-3,251**

The notes form an integral part of these financial statements.

LOVOO GmbH
Statements of cash flows

	Note	Year ended December 31, 2016	Year ended December 31, 2015
		EURk	**EURk**
Profit or loss		-4,113	-331
Adjustments for:			
Finance income	6.8	-562	-2
Finance expenses	6.9	1,850	566
Income taxes	6.10	-1,674	-121
Depreciation, amortization and impairments	5.1, 5.2	864	504
Impairment and write offs of current assets	5.4	56	0
Results from disposal of fixed assets	5.1, 5.2	-5	-263
Changes due to foreign currency changes		-12	85
Changes in provisions	5.10, 5.13	731	175
Changes in trade and other receivables	5.4	1,174	-50
Changes in trade and other payables	5.15	-579	-1,011
Changes in other financial assets and liabilities		-925	-1,391
Changes in other assets and liabilities		192	865
Income taxes paid or received	6.10	-136	-119
Interest received	6.8	10	2
Interest paid	6.9	-685	-228
Cash flow from operating activities		**-3,814**	**-1,319**
Cash-outflow from loans given to related parties	5.5	-5,220	0
Payment to escrow account	5.5	-3,000	0
Purchases of intangible assets and property, plant, equipment	5.1, 5.2	-1,038	-958
Proceeds from disposals of intangible assets and property, plant, equipment	5.1, 5.2	11	270
Cash flow from investing activities		**-9,247**	**-688**
Repayments of interest-bearing loans	5.14	-1,000	0
Cash-inflow from convertible bond issuance	5.11	0	25,000
Partial repayment of convertible bond	5.11	-5,000	0
Transaction cost of convertible bond	5.11	0	-527
Transaction cost of new loan	5.11	-210	0
Cash flow from financing activities		**-6,210**	**24,473**
Cash flow-related changes in cash and cash equivalents		**-19,271**	**22,466**
Cash and cash equivalents due Rates to exchange		12	-85
Cash and cash equivalents at the beginning of the year	5.7	26,311	3,930
Cash and cash equivalents at the end of the period	5.7	**7,052**	**26,311**

The notes form an integral part of these financial statements.

Notes to the financial statements of LOVOO GmbH as of December 31, 2016

1. Company information

LOVOO ("LOVOO" or the "company") runs a mobile local network with social components especially designed for all common smartphones. It is independent of a platform and can be used with iOS and Android as well as mobile and stationary internet. With the help of GPS (Location Based Services) users can search for and connect with other users with similar interests around the world but also socialize in their neighbourhood.

The business model is based on the freemium model, the basic structure of which is based on the already successfully established principle in the gaming industry. Freemium (free plus premium) means that all core functions are free of charge while enhanced functionality can be acquired for a fee.

From the start LOVOO was conceived based on the freemium model. Significant basic functions (e.g. the profile search, matchgame, basic chat functions) are free of charge for the users. Certain additional functions as well as additional benefits (e.g., releasing details of profile views, prioritisation of messages for the recipient, higher visibility of the profile) can, on the one hand, be made available based on premium memberships for a specified time period or, on the other hand, by redeeming so-called credits.

In addition to sales from premium memberships as well as credits, LOVOO sells advertising space within the application (mobile marketing).

LOVOO's application is available world-wide. LOVOO is market leader in the core region including the countries Germany, Austria and Switzerland. In the extended core region of southern Europe, including the countries France, Italy and Spain, LOVOO is one of the top three providers. In addition to the core regions, LOVOO offers its spectrum of services in the Netherlands, Belgium, Luxembourg, Great Britain, Brazil and Turkey.

LOVOO GmbH was incorporated under the laws of Germany on April 19, 2012 and is registered in the commercial register of Dresden under HRB 31175.

It is domiciled in Germany and has its registered headquarters at Prager Straße 10, 01069 Dresden, and an additional office at Karl-Liebknecht-Straße 32, 10178 Berlin. These financial statements were authorized for issue by the LOVOO's management board on December 20, 2017.

2. General principles

For the first time, LOVOO prepared its stand-alone financial statements in accordance with International Financial Reporting Standards (IFRS) as published by the International Auditing Standards Board (IASB), refer to note 4 for further information.

The financial statements have been prepared by accounting for assets and liabilities at amortized cost. Excluded from this are certain financial instruments that are measured at fair value. The statement of profit or loss was prepared using the function of expense method. Assets and liabilities are classified based on their maturities.

The fiscal year is the calendar year. The financial statements are presented in Euro ("EUR").

3. Accounting and valuation methods

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

3.1. Intangible assets

LOVOO's intangible assets include acquired computer software and other licenses. They are measured at amortized cost and have definite useful lives except for purchased domain rights.

Acquired computer software, a patent and other licences are capitalised on the basis of the costs incurred to acquire and bring them to use and amortized over their useful lives of 3 to 12.5 years on a straight-line basis.

The amortization expense is recognized in the statement of profit or loss in the expense category consistent with the function of the asset.

Gains or losses arising from the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

The amortization period and the amortization method are reviewed at least at the end of each reporting period. Changes in the residual values or the respective useful lives are taken into consideration prospectively when measuring amortization. Whenever there is an indication that an intangible asset may be impaired an impairment test is performed. When testing for impairment pursuant to IAS 36 is required, the carrying amount of the asset is compared to the recoverable amount, which is the higher of the asset's fair value less costs of disposal and the value in use. When the recoverable amount is less than the carrying amount, the asset is impaired and written down to the recoverable amount through profit or loss.

3.2. Property, plant and equipment

LOVOO's property, plant and equipment comprise mainly furniture, fixtures and office equipment. They are recognized at cost and depreciated according to their useful lives of 3 to 13 years using the straight-line method.

Low value items with a value below EUR 150.00 are expensed as incurred.

The depreciation expense is recognized in the statement of profit or loss in the expense category consistent with the function of the asset.

Gains or losses arising from the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.3. Leases

LOVOO determines whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. It requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or specific assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified.

A lease is classified as a finance lease if substantially all risks and rewards incidental to ownership of the leased asset are transferred to the lessee. Finance leases are recognized as assets and liabilities at the lower of fair value of the leased asset or the present value of minimum lease payments at the inception of the lease. Minimum lease payments are to be apportioned between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. The lease asset is depreciated over the shorter of the lease term and the estimated useful life.

LOVOO's significant finance leases pertain to various equipment. The classification as finance lease arrangements was based on the following situations established by the terms of the lease contracts, out of which at least one situation existed for each contract:

- ownership of the asset is transferred to the lessee by the end of the lease term,
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable and it is reasonably certain that this option will be exercised,
- the lease term is for the major part of the economic life of the asset,
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Where LOVOO is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership, the assets are not recognized and the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. Operating leases mainly pertain to computer software.

3.4. Impairment of non-financial assets

At each reporting date, LOVOO assesses whether there is any indication that a non-financial asset may be impaired and carries out an impairment test if any such indication exists or annual impairment testing is required.

3.5. Current versus non-current classification

LOVOO classifies its assets and liabilities in the statement of financial position as current or non-current.

An asset is classified as current when:

- it is expected to be realized or intended to be sold or consumed within the normal operating cycle,
- it is expected to be realized within 12 months after the end of the reporting period or
- it qualifies as cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for a period of at least 12 months.

All other assets are classified as non-current.

A liability is classified as current if:

- it is expected to be settled within the normal operating cycle,
- it is expected to be settled within 12 months after the end of the reporting period or
- the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always shown as non-current assets or liabilities.

3.6. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized and disclosed when LOVOO becomes a contractual party to either an asset or a liability. Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Amortized cost

The amortized cost of a financial instrument is the amount at which the instrument is measured at initial recognition less any repayment and any write-downs for impairment or uncollectibility (for financial assets) and plus or minus the cumulative amortization using the effective interest method over the term of the financial instrument.

The amortized cost of current financial assets and liabilities generally corresponds to the nominal value or settlement amount.

Fair value measurement

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. LOVOO applies fair value measurement techniques that are appropriate under the respective circumstances and for which sufficient data is available, observable market inputs are preferred to non-observable inputs.

LOVOO uses the following fair value hierarchy:

- Level 1: Quoted (unadjusted) prices in active markets for identical instruments (e.g. stock market prices).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly (e.g. interest yield curves).
- Level 3: Unobservable inputs for the assets and liabilities (e.g. estimated future results).

The classification of the valuation models into the respective levels is monitored at the end of each reporting period.

Financial assets

LOVOO's financial assets are either categorized as loans and receivables or financial assets at fair value through profit or loss. They are initially recognized at fair value, transaction cost incurred for loans and receivables are included. There are different measurement rules for the aforementioned categories and the allocation must be observed for subsequent measurement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at amortized cost. A write-down is recognized whenever objective indications such as insolvency or other considerable financial problems of the debtor suggest that the receivable may not be fully collectible. The write-down amount is measured as the difference between the carrying amount of the receivable and the present value of its estimated future cash flows (discounted). Impairments recognized in the form of allowances are recorded through profit or loss, if in the future the estimated amount of impairment loss increases or decreases the allowance account is adjusted accordingly. Receivables are written off when there is no realistic prospect of future recovery or the right to receive cash flows has been settled. LOVOO's loans and receivables mainly include cash and cash equivalents, trade and other receivables as well as receivables from related parties and short-term deposits.

Financial assets at fair value through profit or loss include financial derivatives with positive market values, changes in their respective fair value are recognized through profit or loss.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired or have been transferred to a third party, or when the company has assumed a contractual obligation to pay the cash flows to a third party, under which the risks and rewards or the power of control were transferred.

Financial liabilities

LOVOO's categorizes financial liabilities as either financial liabilities measured at amortized cost or financial liabilities at fair value through profit or loss. They are initially recognized at fair value, transaction cost incurred for loans and borrowings are included. The different measurement rules described for financial assets apply accordingly and the allocation must be observed for subsequent measurement.

Financial liabilities at fair value through profit or loss include financial derivatives with negative market values, changes in their respective fair value are recognized through profit or loss.

LOVOO's financial liabilities measured at amortised cost using the effective interest method mainly include loans from banks and related parties as well as trade and other payables.

Financial liabilities are derecognized when the contractual commitments have been settled, cancelled or have expired. If the terms and conditions of a financial liability are substantially modified, the existing financial liability is derecognized and the new financial liability is recognized at its fair value, with the resulting difference presented in profit or loss.

3.7. Provisions

Provisions are recognized when LOVOO has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

3.8. Share-based payment programs

As part of a performance-based remuneration program, LOVOO implemented a cash-settled share-based payment program with a maximum of 500 virtual shares with a nominal amount of EUR 1 each.

Under LOVOO’s virtual employee share option plan, the beneficiary shall receive for a single vested Option equal the price or proceeds per common share in case of a change in control over the company event (“exit”) or an Initial Public Offering (“IPO”) of the company’s shares. The vesting duration is 48 months with a first vesting period of 24 months for 50% of the virtual shares and then yearly vesting periods after 36 months for 75% and after 48 months the full 100%. The beneficiary loses any vested shares in case of a voluntary notice of the beneficiary and an employer termination caused by behavioral termination or notice for serious reason (“bad leaver”). The virtual employee share options can be exercised only in an exit event or an IPO.

In case of an exit event as described above, all granted virtual shares are vested except for the bad leaver and the beneficiary receives a cash amount calculated with the following formula: Net proceeds as a result of the exit event divided by the nominal capital in commercial register multiplied by the number of the beneficiaries vested shares multiplied by the percentage of sold nominal capital. In case of an IPO the beneficiary will receive equity shares within a Stock-Option-Plan following regulations according to stock corporation law.

LOVOO’s policy is to make cash payments to participants if possible, which means that settlement of the outstanding options is expected to be made in cash. Based on this stated policy, the arrangement is classified as cash-settled unless settlement in shares is most probable which is only the case in an IPO scenario.

The compensation components to be recognized as expenses over the vesting period are measured as the fair values of the options granted at the reporting date with the fair values being determined on the basis of generally accepted option pricing models. The corresponding amount is recognized as provision, additions are recognized in personnel expenses, reversals are also accounted for in personnel expenses.

3.9. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Translation differences related to changes in amortized cost are also recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented as finance income or expenses.

3.10. Revenue recognition

LOVOO generates revenue from the sale of premium memberships and credits as well as through mobile marketing.

In general, revenue is recognized when the services are rendered, the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is measured as the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The revenues for subscriptions are recognized over the life of the subscription on a daily calculation basis. The unused days of the subscription are accrued and recorded as a liability.

For example, a 3-month subscription in the amount EUR 30 bought on September 15th is recognized as revenue using the following methodology:

- First Month September: €4,95 (€30 minus €25,05 [30/91*76])
- Second Month October: €10,21 (amortization of accrual from €25,05 to €14,84 [30/91*45])
- Third Month November: €9,89 (amortization of accrual from €14,84 to €4,95 [30/91*15])
- Fourth Month December: €4,95 (no accrual, recognition of the remaining revenue of €4,95)

Lovoo applies a homogenous pool methodology to estimate the usage of purchased “credits” and “icebreakers”(Icebreaker is a premium feature, that enables users to send or receive chat messages without having a match, meaning two users have to like each other) as the quantity and similarities of users makes it unreasonable to apply a specific identification methodology. Purchasers of credits typically use the credits within the first 2 months of purchase (appr. 80% of purchased credits) and icebreaker purchaser use the icebreaker within the first month, if not immediately. Lovoo estimates the average life of the purchasing user to be approximately 6 months.

Lovoo estimates that purchased credits have an average life of 6 months, whereby the company estimates that 67.7% of the credits purchased in a given month would be recognized into revenue during that month, 12.0% would be recognized in the month after that given month, 4.5% would be recognized 2 months after that given month, 2.7% would be recognized 3 months after that given month, 1.9% would be recognized 4 months after that given month, 1.4% would be recognized 5 months after that given month, and that the remaining 9.8% of credits will not be used after 6 months and therefore are recognized as revenue at that point.

Due to the icebreaker purchasers very quick usage turnaround, the Company estimates that 98.7% of the icebreaker purchased in a given month would be recognized into revenue during that month, 0.5% would be recognized in the month after that given month and 0.1% would be recognized 2 months after that given month and the remaining 0.6% would be recognized after 6 months.

3.11. Cost of sales

LOVOO’s cost of sales mainly consists of transaction, server and personnel expenses as well as other revenue-related cost.

3.12. Income taxes

The income tax charge or credit comprises current and deferred taxes and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses. LOVOO regularly prepares tax returns, paying close attention to matters open to interpretation, and recognizes provisions based on the amounts that are expected to be payable to the tax authorities.

Deferred taxes are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements if these differences lead to future tax relief or expenses.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is sufficiently probable that future taxable profit will be available against which the deductions can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

LOVOO nets deferred tax assets and liabilities if a legally enforceable right to set off current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

3.13. Estimates and assumptions

In order to prepare the financial statements in accordance with IFRS, LOVOO’s management has to make estimates and assumptions that affect the amounts carried and the respective disclosures. Estimates and judgements are based on management’s experience as well as current events and measures and are continually evaluated. Nevertheless, they may differ from actual values.

Estimates and assumptions which are affected by uncertainty are associated in particular with determining the useful lives of intangible assets as well as property, plant and equipment (notes 3.1 and 3.2), determining the amount of deferred tax assets to be capitalized (note 3.12), determining fair values of financial assets and liabilities (note 3.6) and assessing share-based compensation programs (note 3.8).

3.14. New accounting standards

LOVOO's financial statements take into account all IFRS as issued by the IASB. Accounting standards and interpretations subject to first-time application in fiscal year 2016 have been applied for all periods presented and have not had any material impact on the financial performance and position.

The following standards will affect the company's reporting and have already been issued by the IASB as of the time the financial statements were authorized for issue, but their adoption is not yet mandatory and LOVOO has not yet adopted them. Management highlights that the company may not be required to prepare and publish IFRS compliant annual financial statements for fiscal years beginning on or after January 1, 2017.

IAS 7 "Statement of cash flows" was amended with regards to the disclosures on changes in respect of liabilities arising from financing activities. LOVOO will apply this amendment at January 1, 2017 and make the additional disclosures.

IFRS 9 "Financial Instruments" was finally published in July 2014, its key features are as follows:

- standardized approach for classification and measurement of financial assets and liabilities which is primarily based on the company's business model and the cash flows of the financial instruments,
- new impairment model which demands the recording of expected losses in addition to incurred losses,
- new guidelines for the use of hedge accounting, aiming at better illustration of the respective risk management activities of the company and the monitoring of non-financial risks.

Application IFRS 9 is mandatory for fiscal years beginning on or after January 1, 2018. LOVOO will apply this standard as of January 1, 2018 for the first time, should LOVOO be required to prepare and publish IFRS financial statements for that period. Significant changes in the presentation and recognition of the company's financial instruments are not expected.

IFRS 15 "Revenues from Contracts with Customers" was published in May 2014, including the following new regulations:

- revenue recognition, when the customer obtains control over the agreed goods and services and can derive benefits from these,
- revenue recognition in the amount of the consideration that the company will presumably receive,
- five step process to determine the volume of sales and the time or the period of implementation (identification of the customer contract, identification of the individual performance obligations, determination of the transaction price, allocation of the transaction price to the separate contractual obligations, realization of revenue when individual contractual obligations are fulfilled,
- requirements for future qualitative and quantitative disclosures.

The new revenue standard will have an effect on the financial statements of many companies, especially those with multiple element arrangement. The total expected compensation from a contract with multiple performance obligations would be allocated to all performance obligations based on their stand-alone selling prices. Such arrangements are uncommon in LOVOO's business model therefore management does not expect material impacts on the amount and timing of revenue recognized in its financial statements. IFRS 15 also governs revenue related issues such as the recognition of costs to obtain a contract. Incremental costs of obtaining a contract will be capitalized and amortized over the contract term. The group incurs significant incremental marketing costs, but the majority of contracts have a term of one year or less. LOVOO's management does not expect material impacts from the capitalization of costs of obtaining the contract in its financial statements.

Application IFRS 15 is to be applied to fiscal years starting on or after January 1, 2018. LOVOO will apply this standard as of January 1, 2018 for the first time, should LOVOO be required to prepare and publish IFRS financial statements for that period. Expanded notes disclosures from the application of IFRS 15 are expected.

IFRS 16 "Leasing" was published in January 2016, its key features are as follows:

- leasing contract exists if the fulfilment of the contract depends on the use of identifiable asset and the customer simultaneously acquires control of this asset,
- lessees are required to account for all leasing contracts in the form of a right of use, to be depreciated in a linear manner, and a corresponding leasing liability, to be updated using the effective interest method,
- exceptions for contracts with a total term of maximum 12 months or so-called low-value assets (below USD 5,000.00).

IFRS 16 is mandatory for fiscal years starting on or after January 1, 2019. LOVOO will apply this standard as of January 1, 2019 for the first time, should LOVOO be required to prepare and publish IFRS financial statements for that period. Significant effects are expected with regards to the accounting and measurement of rental and leasing items currently classified as operating leases. The future minimum lease payments from operating leases are disclosed in not 8.6. At the present time LOVOO cannot provide any conclusive and complete information on the effects of the new rule on the financial reporting.

4. First-time adoption of IFRS

For the first time, the company prepared financial statements in accordance with International Financial Reporting Standards (IFRS). The company's IFRS transition date is January 1, 2015. Subject to certain exceptions, IFRS 1 requires retrospective application of the version of standards and interpretations effective for the year ended December 31, 2016. These versions of standards and interpretations were applied in preparing the opening IFRS statement of financial position at January 1, 2015 and in subsequent periods up to the end of the first IFRS reporting period. In preparing these financial statements, the company has applied the mandatory exceptions.

LOVOO previously prepared its financial statements in accordance with German generally accepted accounting principles (local GAAP).

Since LOVOO prepared financial statements in accordance with local GAAP, a reconciliation in accordance with IFRS 1 is mandatory.

The reconciliations of equity reported under local GAAP to equity under IFRS both at the date of transition to IFRSs and at the end of the last annual period reported under the previous GAAP is as follows:

January 1, 2015	Note	Subscribed capital	Capital reserve	Accumulated retained earnings	Profit or loss for the year	Total equity
		EURk	EURk	EURk	EURk	EURk
Equity reported under local GAAP		**25**	**0**	**648**	**0**	**673**
Adjustment related to the provision for ESOP	5.10	0	0	8	0	8
Adjustment related to payments received for credits	6.1	0	0	512	0	512
Equity reported under IFRS		**25**	**0**	**1,168**	**0**	**1,193**

December 31, 2015	Note	Subscribed capital	Capital reserve	Accumulated retained earnings	Profit or loss for the year	Total equity
		EURk	EURk	EURk	EURk	EURk
Equity reported under local GAAP		**25**	**2,843**	**648**	**-307**	**3,209**
Adjustment related to the convertible bond conversion option	5.11	0	-2,843	0	507	-2,336
Adjustment related to the provision for ESOP	5.10	0	0	8	6	14
Adjustment related to payments received for credits	6.1	0	0	512	-402	110
Adjustment related to finance lease adjustments	5.13 5.20	0	0	0	-135	-135
Equity reported under IFRS		**25**	**0**	**1,168**	**-331**	**862**

The reconciliation of profit or loss for the last annual period reported under local GAAP to profit or loss under IFRS for the same period is shown in the table below:

	Note	Year ended December 31, 2015
		EURk
Profit or loss reported under HGB		**-307**
Reversal of convertible bond transaction cost expensed	5.11	528
Adjustment related to payments received for credits	6.1	-402
Reversal of operating expenses related to finance leasing	5.13, 5.20	169
Depreciation of finance lease assets	5.13, 5.20	-151
Finance lease interest and deferred tax expenses	6.9	-153
Convertible bond accrued interest	5.11	-21
Adjustment of provision for ESOP (including deferred tax)	5.10	6
Profit or loss reported under IFRS		**-331**

Material differences between the financial statements prepared under local GAAP and the financial statements in accordance with IFRS are presented below:

- In the financial statements prepared under local GAAP all lease agreements were classified as operate lease contracts. Under IFRS, finance leases for various equipment were identified and accounted for.
- According to HGB, the provision relating to the granted virtual stock options is calculated based on the discounted estimated amount to be paid to the employees while under IFRS, the provision is calculated based on the estimated fair value of the options granted, resulting in different amounts to be provided for and different deferred tax adjustments.
- In the financial statements as of December 31, 2015 prepared under local GAAP the conversion right of the convertible bond is accounted for as an equity instrument, calculated as the present value of the interest rate differential between the nominal interest rate and a market-based rate for the loan. Under IFRS, the conversion right does not meet the definition of an equity instrument in the meaning of IAS 32, but accounted for a as an embedded derivative measured at fair value within the financial liabilities. The option is not measured at the residual value as done under HGB, but measured using an option pricing model. The loan contract is initially measured at the residual value after deducting the option value from the initial value of the entire contract.
- Provisions under local GAAP which meet the criteria for accruals according to IFRS are shown in the other financial liabilities.

- Under IFRS, the calculation and cut off of the payments received from LOVOO's customers for credits that have not yet been used, which are recorded as liabilities from advance payments received under local GAAP, is based on a different calculation model than the model used under local GAAP.

5. Notes to the statements of financial position

5.1. Intangible assets

Movements in the carrying amount of intangible assets were as follows:

	Acquired software licences
	EURk
Cost at January 1, 2015	124
Accumulated amortisation	36
Carrying amount at January 1, 2015	**88**
Additions	175
Disposals	8
Amortisation charge	46
Carrying amount at December 31, 2015	**209**
Additions	540
Amortisation charge	91
Carrying amount at December 31, 2016	**658**

In the financial years 2016 and 2015 there were no impairment losses of intangible assets.

5.2. Property, plant and equipment

Movements in the carrying amount of property and equipment were as follows:

	Other equipment, operational and office equipment
	EURk
Cost at January 1, 2015	888
Accumulated depreciation	245
Carrying amount at January 1, 2015	**643**
Additions	1,629
Depreciation charge	459
Carrying amount at December 31, 2015	**1,813**
Additions	856
Disposals	6
Depreciation charge	773
Carrying amount at December 31, 2016	**1,890**

As of December 31, 2016 the carrying amount of property, plant and equipment pertaining to finance lease agreements amounted to EURk 642 (prior year: EURk 705), the respective depreciation charge amounted to EURk 328 (prior year: 152) and the interest expenses to EURk 48 (prior year: EURk 26).

In the financial years 2016 and 2015 there were no impairment losses of property, plant and equipment.

No borrowing costs were capitalized during the reporting period. There were neither restrictions on retention of title nor property, plant and equipment pledged as security for liabilities. There were no material contractual commitments for the purchase of property, plant and equipment as of the reporting date.

5.3. Other non-current financial assets

Other non-current financial assets include the following:

	December 31, 2016	December 31, 2015
	EURk	EURk
Receivable due from shareholder	3,800	0
Escrow receivable	3,000	0
Receivables due from other related parties	1,420	0
Advance payments	82	76
Deposits	34	35
	8,336	**111**

The receivable due from shareholders pertains to a loan in the amount of EURk 3,800. The receivables due from other related parties consist of four identical loans in the amount of EURk 300 to four related companies as well as four identical loans of EURk 55 to the same related companies (total loan amount for each company: EURk 355) and accrued interest. The loans from shareholders and other related parties were granted on December 8, 2016 and bear interest of 12% p.a. for the first two years and 15% for the third year. The fixed term of the loans is two or three years, depending on the extension of the loan granted to LOVOO on December 8, 2016 by Larmant LLC, (refer to note 5.11).

The Escrow receivable also relates to the loan granted to LOVOO on December 8, 2016 (refer to note 5.11)

5.4. Trade receivables

Trade receivables are comprised of the following:

	December 31, 2016	December 31, 2015
	EURk	EURk
Trade receivables	2,148	3,394
Accumulated bad debt allowances	16	32
	2,132	**3,362**

As of December 31, 2016 trade receivables of EURk 2,013 (December 31, 2015: EUR 3,012) were not due.

Of the bad debt allowances recognized as of December 31 of the prior year, EURk 15 were utilized. Bad debt losses for uncollectible receivables amounted to EURk 71 in 2016.

5.5. Other current financial assets

Current financial assets include the following:

	December 31, 2016	December 31, 2015
	EURk	EURk
Short-term deposits	506	0
Advance payments	229	119
VAT receivable	219	463
Suppliers with debit balances	141	0
Income tax receivable	53	52
Accrued interest	39	0
Other assets	83	27
	1,270	**661**

The deposits mainly pertain to a Paypal holdback of money in the amount of EURk 500 for possible customer reclaims.

5.6. Other current assets

Other current non-financial assets of EURk 99 (prior year: EURk 310) solely pertain to prepaid expenses.

5.7. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	December 31, 2016	December 31, 2015
	EURk	EURk
Cash in bank	7,051	26,309
Cash on hand	1	2
	7,052	**26,311**

5.8. Deferred tax assets and liabilities

Deferred tax assets (DTA) and liabilities (DTL) were recognized to account for temporary differences and tax loss carry-forwards (TLCF) as follows:

	December 31, 2016		December 31, 2015		January 1, 2015	
	DTA	DTL	DTA	DTL	DTA	DTL
	EURk	EURk	EURk	EURk	EURk	EURk
Property, plant and equipment	0	242	0	269	0	52
Trade Receivables	0	2	0	0	0	0
Other financial assets	0	0	6	0	0	0
Other assets	0	0	806	0	0	0
Provisions	116	0	0	0	0	3
Loans	0	0	0	819	0	0
Trade payables	0	0	0	6	0	0
Payments from customers	0	132	0	50	0	235
Other financial liabilities	20	0	0	0	5	0
Other liabilities	10	0	78	0	0	0
Temporary differences	146	376	890	1,144	5	290
TLCF	1,714	0	25	0	0	0
Total	**1,860**	**376**	**915**	**1,144**	**5**	**290**
Offsetting	-376	-376	-915	-915	-5	-5
	1,484	**0**	**0**	**229**	**0**	**285**

LOVOO's deferred tax balances were subject to the following changes during the financial year:

	2016	2015
	EUR	EUR
DTA as of January 1	915	5
DTL as of January 1	-1,144	-290
Net tax position as of January 1	**-229**	**-285**
Deferred tax income	1,713	56
Net tax position as of December 31	**1,484**	**-229**
DTA as of December 31	1,860	915
DTL as of December 31	-376	-1144

LOVOO has unused tax loss carry-forwards of EURk 5,479 as of December 31, 2016 (prior year: EURk 25) which do not expire.

5.9. Equity

The development of equity is shown in the statement of changes in equity.

5.10. Non-current provisions

Movements in non-current provisions for liabilities and charges are as follows:

	ESOP	Litigation	Storage requirements	Total provisions
	EURk	EURk	EURk	EURk
Carrying amount at January 1, 2015	**88**	**0**	**11**	**99**
Additions	110	28	0	138
Carrying amount at December 31, 2015	**198**	**28**	**11**	**237**
Additions	53	153	43	249
Carrying amount at December 31, 2016	**251**	**181**	**54**	**486**

Litigation

The provision for litigation in the amount of EURk 181 consists of the following positions (grouped by category):

- Expected legal costs in connection with one trademark litigation in an amount of EURk 55
- Legal fees connected to the adaptation of the loan agreement between LOVOO GmbH and Larmant LLC made in December 2016 in an amount of EURk 43
- Expected legal costs in connection with various cases where LOVOO GmbH disputed the invoices from various user acquisition service providers, because of alleged fraudulent activities of the respective service providers in an amount of EURk 70

– Expected costs for legal advice connected to answer third party requests related to the proceedings, terminated in 2016 in an amount of EURk 13.

ESOP

LOVOO implemented an Employee Stock Ownership Plan (ESOP) in 2013, under which employees are granted virtual stock options that are vested over a period of three years and cannot be sold.

In 2016, the total personnel expenses relating to the ESOP amounted to EURk 141 (prior year: EURk 109).

Movements in the number of share options outstanding are as follows:

	2016	2015
Outstanding options as of January 1	**295**	**377**
Granted during the year	59	30
Forfeited during the year	69	112
Outstanding options as of December 31	**285**	**295**

As of December 31, 2016 and 2015, respectively, no options were exercisable.

The grant date fair value of the options granted to employees was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historical average share price volatility of comparable companies.

The inputs used in the measurement of the fair values of the options are summarized below:

	2016	2015
Parameters for new options:		
Grant date fair value (EUR)	1,595	1,606
Exercise price (EUR)	1.00	1.00
Expected volatility (%)	37.12	37.70
Expected maturity (years)	3	3
Expected dividends (%)	-	-
Risk-free interest rate (%)	-0.76	-0.26
Fair value per option (EUR)	1,367	1,373

5.11. Non-current loans

Non-current loans as of December 31, 2015 solely pertain to a convertible bond issued on July 21, 2015 with a term through December 31, 2019 and a nominal value of EURk 25,000 to LOVOO’s former minority shareholder, Larmant LLC, Wilmington (Delaware, USA).

An extension option exists in the case the investors do not exercise the conversion option. The company may extend the period four times by three months.

The nominal interest rate is set at 2% p.a., upon the occurrence of a specifically defined step-up events interest is increased to 7% p.a., and during the extension period it is set at 4% plus additional payment-in-kind interest of 5% p.a..

At issuance in 2015, LOVOO determined that the convertible bond is a combined financial instrument, which contains three components: the bond liability (host component) as well as a conversion option (conversion component) and an extension option (extension component).

Based on accounting standards, both the conversion component and the extension component were classified as financial instruments at fair value through profit or loss. The conversion option was initially recognized as a financial liability with a fair value of EURk 1,785, the extension option was initially recognized as a financial asset with a fair value of EURk 68 and subsequently fair valued at EUR 0k, accordingly no further disclosures are presented relating to the extension option.

In determining the fair value of the conversion option, three generally accepted approaches were considered: income approach, market approach and cost approach. The company employed an income approach using a discounted cash flow analysis to estimate the company's total equity value. The value of the conversion option is subsequently derived by assuming two potential scenarios (i.e. the occurrence of a qualified financing (exit, IPO) or the contractual maturity scenario). Based on the essential features of the conversion option granted and the essential parameters for measuring the fair value, the fair value of the conversion option in the case of a qualified financing and the maturity scenario have been measured separately. A binominal option pricing model has been applied to determine the fair values in both scenarios. The probability of a qualified financing and holding the loan until maturity have been assessed, and these probabilities have been applied to compute the probability weighted fair value of the conversion option. The following parameters were applied to determine the fair values upon inception and substantial modification on December 8, 2016, resulting in the derecognition of the conversion option.

	2016	**2015**
Fair value conversion option (EURk)	1,287	1,800
Equity value (EURk)	40,328	40,838
Risk free interest rate (%)	-0.76	-0.14
Time to maturity	3 years	4 years
Volatility (%)	37	38
Weighting qualified financing scenario (%)	35	50
Weighting maturity scenario (%)	65	50

As of December 31, 2015 the fair value of the conversion option liability increased by EURk 15 to EURk 1,800 (refer to note 5.12) and the fair value of the extension option asset decreased by EURk 68 to EURk 0, both effects were recognized in the statement of profit or loss.

The fair value of the host component of EURk 22,756 at inception date has been derived as the residual amount of the face value of EURk 25,000 less conversion and extension component as described above and transaction cost amounting to EURk 527. The host component is subsequently carried at the amortized cost using the effective interest method. As of December 31, 2015 the total carrying value of the host component was EURk 22,984 including accrued interest.

As of December 8, 2016 an amount of EURk 5,000 of the convertible bond was paid back to the bond holder and the remaining amount of EURk 20,000 was converted into a regular loan (refer to note 5.14).
LOVOO determined that the partial repayment in the amount of EURk 5,000 to the holder of the convertible bond and the conversion of the remaining amount of EURk 20,000 into a regular loan from the former bond holder is to be accounted for as an extinguishment of the original financial liability and the recognition of the fair value of the new financial liability due to the substantially different terms, with the resulting difference accounted for in profit or loss. The discounted net present value of the cash flows under the terms of the new loan are more than 10% less than the discounted present value of the remaining cash flows of the convertible bond. In addition, the new loan does not include a conversion option and is therefore a completely different type of loan with different risk factors. All in all, there is substantial modification of the then outstanding financial liabilities.

As of December 8, 2016 the fair value of the conversion option liability was calculated at EURk 1,287, resulting in an adjustment gain of EURk 513 recognized in the statement of profit or loss. The total carrying value of the host component prior to conversion was EURk 23,440 including accrued interest. A negative conversion effect of EURk 273 between the total amount of EURk 25,000 to be repaid and converted and the total carrying value of host component and conversion option amounting to EURk 24,727 was recognized in profit or loss.

The movements of the convertible bond and its respective embedded derivatives between July 21, 2015 and December 8, 2016 can be summarized as follows:

	EURk
Nominal value	25,000
Transaction cost	-527
Conversion option (financial liability)	-1,785
Extension option (financial asset)	68
Host instrument as of July 21, 2015	**22,756**
Effective interest 2015	428
Interest payments 2015	-200
Fair value loss 2015 on conversion option	15
Fair value loss 2015 on extension option	68
Carrying amount as of December 31, 2015	**24,784**
thereof host instrument (loan)	**22,984**
thereof conversion option	**1,800**
Effective interest 2016	914
Interest payments 2016	-458
Fair value gain 2016 on conversion option	-513
Carrying amount as of December 8, 2016	**24,727**
thereof host instrument (loan)	**23,440**
thereof conversion option	**1,287**

Loan from Larmant LLC

A new loan in the amount of EURk 20,000 was granted by Larmant LLC on December 8, 2016 via partial conversion of the convertible bond. It has an original maturity date set at December 8, 2018 and an extended maturity date set at December 8, 2019.

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Out of the claim on total loan, the claim for repayment of EURk 5,500 is subordinated to any current and future claims of any current or future creditors of LOVOO in accordance with the German Insolvency Code. Interest is set at EURk 207 for the period up to December 31, 2016 and a nominal interest rate of 12% p.a. between January 1, 2017 and December 7, 2018. If the extension option is executed, the interest rate increases to 15%. The loan agreement also includes an interest rate step-up clause, increasing the interest rate by 5% p.a. in case of any continuing event of default or breaches of a company representation and by 3.5% p.a. on the subordinated claims during the existence of a subordination event.

In addition, a separate Escrow agreement was signed on December 8, 2016 between LOVOO and Larmant and an amount of EURk 3,000 was deposited to a separate escrow account to serve as security till two loan conditions have been fulfilled (refer to note 5.3).

At issuance in 2016, LOVOO determined that the new loan is a combined financial instrument, which contains two components: the bond liability (host component) and an extension option (extension component).

Based on accounting standards, the extension component was classified as a financial instrument at fair value through profit or loss. The extension option was initially recognized as a financial asset with an insignificant fair value of EUR 20. As of December 31, 2016 the fair value of the extension option remained unchanged.

LOVOO considers the underlying interest rate of 12% to be market-based, therefore the fair value of the host component is EURk 20,000 at inception date. The host component is subsequently carried at the amortized cost using the effective interest method. As of December 31, 2016 the total carrying value of the host component was EURk 20,161, out of which EURk 207 pertain to accrued interest to be paid in 2017 (refer to 5.18), resulting in a loan liability of EURk 19,954.

The movements of the loan in 2016 can be summarized as follows:

	EURk
Nominal value	20,000
Host instrument as of December 8, 2016	**20,000**
Effective interest 2016	161
Interest payments 2016	-207
Carrying amount as of December 31, 2016	**19,954**

5.12. Other non-current financial liabilities

As of December 31, 2015, other non-current financial liabilities include the conversion component of the convertible bond of EURk 1,800 (refer to note 5.11).

5.13. Other non-current liabilities

Finance leases

LOVOO signed finance lease agreements for various equipment. The contracts have remaining terms between 8 and 52 months and mostly contain purchase options for LOVOO and sale obligations for the lessor, respectively.

The reconciliation between the future minimum lease payments and their respective present value is shown below:

	December 31, 2016	December 31, 2015
	EURk	EURk
Future minimum lease payments	**701**	**758**
Less than one year	*350*	*282*
1-5 years	*351*	*476*
Future interest expenses on lease liabilities	-22	-46
Present value of future minimum lease payments	**679**	**712**
Less than one year	*320*	*248*
1-5 years	*359*	*464*

The short-term portion of the finance lease liability is included in other current liabilities, refer to note 5.18.

5.14. Current provisions

Movements in current provisions for liabilities and charges are as follows:

	Restructuring	Financial statement preparation and audit	Total provisions
	EURk	EURk	EURk
Carrying amount at January 1, 2015	**0**	**31**	**31**
Usage	0	26	26
Additions	0	63	63
Carrying amount at December 31, 2015	**0**	**68**	**68**
Usage	0	57	57
Additions	447	93	540
Carrying amount at December 31, 2016	**447**	**104**	**551**

Restructuring

Due to significantly decreasing revenues in 2016 LOVOO's management made the business decision to restructure the company and focus on core markets, thereby reducing the total projected overhead cost for 2016 of EURk 1,500 by approximately 40%. Restructuring measures mainly comprised the reduction, merger as well as closure of departments, personnel reductions (from 220 headcount to 126) and the termination of several contracts for software and other services. The total estimated restructuring cost amounted to EURk 895, including EURk 706 for personnel cost related to the restructuring. As of December 31, 2016 EURk 549 were used, resulting in a remaining provision for restructuring cost of EURk 447 at year end.

5.15. Current loans

As of December 31, 2015 current loans included a bank loan amounting to EURk 1,000. The investment loan was granted in 2014 with a nominal value of EURk 1,000, a nominal interest rate of 2.35% p.a. and a fixed repayment date set at October 31, 2016. The loan was fully repaid in 2016.

5.16. Trade payables

Trade payables are comprised of the following:

	December 31, 2016	December 31, 2015
	EURk	**EURk**
Trade payables	1,142	2,204
Other payables	686	203
	1,828	**2,407**

Other trade payables include debtors with a credit balance as well as accrued services not yet invoiced.

5.17. Advance payments received on customer orders

Advance payments received on customer orders amount to EURk 781 as of December 31, 2016 (prior year: EURk 781) and pertain to payments made by users in advance for premium memberships and credits and other advance payments from contractual partners.

5.18. Current tax liabilities

As of December 31, 2015 current tax liabilities amount to EURk 135 and pertain to German business and corporate taxes.

5.19. Other current financial liabilities

Other current financial liabilities include the following:

	December 31, 2016	December 31, 2015
	EURk	**EURk**
Other tax liabilities	410	179
Accrued liabilities	255	181
Cash in transit	64	61
Other financial liabilities	21	9
	750	**430**

As of December 31, 2016 other tax liabilities include EURk 196 for Swiss VAT (prior year: EURk 0) and EURk 192 for German payroll tax (prior year: EURk 115).

5.20. Other current liabilities

Current non-financial liabilities include deferred income of EURk 1,143 (prior year: EURk 1,130) as well as the current portion of the finance lease liabilities, refer to note 5.13.

5.21. Maturity analysis of financial liabilities

The contractually agreed undiscounted payments related to financial liabilities are as follows:

	Carrying amount	Undiscounted cash outflows		
	December 31, 2016	2017	2018-2021	2022 and longer
	EURk	EURk	EURk	EURk
Non-current loans	19,954	2,400	22,253	—
Trade and other payables	1,828	1,828	—	—
Other current financial liabilities	750	750	—	—

	Carrying amount	Undiscounted cash outflows		
	December 31, 2015	2016	2017-2020	2021 and longer
	EURk	EURk	EURk	EURk
Non-current loans	22,985	500	26,500	—
Other non-current financial liabilities	1,800	—	1,800	—
Current loans	1,000	1,020	—	—
Trade and other payables	2,407	2,407	—	—
Other current financial liabilities	430	430	—	—

6. Notes to the statements of comprehensive income

6.1. Net sales

The composition of net sales is shown in the following table:

	2016	2015
	EURk	EURk
Purchased credits	7,668	10,259
Subscriptions	13,455	12,608
Advertising	9,019	12,704
	30,142	**35,571**

6.2. Cost of sales

Cost of sales are comprised of the following:

	2016	2015
	EURk	EURk
Transaction cost	5,599	6,229
Server cost	1,015	958
Personnel cost	943	1,303
Office cost	140	108
Professional service cost	376	306
Depreciation	355	81
Other cost of sales	283	92
	8,711	**9,077**

6.3. Other income

Other income is as follows:

	2016	2015
	EURk	EURk
Rental income	190	0
Release of provisions / Write-off of liabilities	163	49
Foreign exchange gains	93	368
Income from previous years	24	73
Sale of assets	5	263
Reimbursements	0	72
Other income	67	11
	542	**836**

6.4. Selling and marketing expenses

Selling and marketing expenses are comprised of the following:

	2016	2015
	EURk	EURk
Direct marketing cost (performance and branding)	12,014	17,138
Personnel cost	2,031	1,609
Office cost	236	186
Professional service cost	452	380
Depreciation	126	116
Other cost	143	157
	15,002	**19,586**

6.5. General and administrative expenses

General and administrative expenses are presented in the following table:

	2016	2015
	EURk	EURk
Personnel cost	2,376	1,851
Office cost	416	268
Professional service cost	1,382	191
Depreciation	152	118
Other cost	504	302
	4,830	**2,730**

6.6. Product development expenses

Product development expenses are as follows:

	2016	2015
	EURk	EURk
Personnel cost	4,268	3,375
Office cost	378	291
Professional service cost	283	276
Depreciation	228	189
Other cost	157	151
	5,314	**4,282**

6.7. Other expenses

Other expenses are comprised of the following:

	2016	2015
	EURk	**EUR**
Restructuring cost	1,198	0
Other taxes	125	0
Foreign exchange losses	66	299
Bad debt	56	0
Operating supplies	0	281
Others	92	33
	1,537	**613**

6.8. Finance income

Finance income is as follows:

	2016	2015
	EURk	**EURk**
Fair value gain conversion component convertible bond	513	0
Interest income from related parties	40	0
Other finance income	9	2
	562	**2**

6.9. Finance expenses

Finance expenses are comprised of the following:

	2016	2015
	EURk	**EURk**
Effective interest on convertible bond	914	429
Conversion loss convertible bond	273	0
Transaction costs on Larmant loan (for modification)	210	0
Effective interest on Larmant loan	161	0
Interest on lease liabilities	48	26
Fair value loss conversion component convertible bond	0	15
Fair value loss extension component convertible bond	0	68
Interest on investment loan	20	24
Others	14	4
	1,640	**566**

6.10. Income Taxes

Current and deferred taxes are presented in the following table:

	2016	2015
	EURk	**EURk**
Income taxes	-38	58
Deferred taxes	1,713	56
	1,675	**114**

The difference between actual income taxes and expected income taxes that would arise using the weighted average tax rate to profits or loss before tax relates to the following reconciling items:

	2016	2015
	EURk	**EURk**
Income before income taxes	-5,788	-445
Tax rate	31.28%	31.58%
Expected tax income	1,810	141
Trade tax add-backs and reductions	-29	-26
Other	-106	-1
Income taxes	**1,675**	**114**

A tax rate of 31.284% is applicable as of December 31, 2016 (prior year: 31.575%) for LOVOO's taxation in Germany.

7. Notes to the statements of cash flows

The statements of cash flows shows how LOVOO's cash and cash equivalents have changed over the reporting period as a result of cash inflows and outflows. Cash flows from operating, investing and financing activities are divided according to their source und utilization. The change in cash and cash equivalents is derived indirectly from the profit or loss before income taxes. Cash inflows and outflows from investing and financing activities are calculated directly.

In 2016 LOVOO generated a net cash outflow from operating activities amounting to EURk 3,814 (prior year: net cash outflow of EURk 1,319) mainly due to the loss incurred.

The net cash outflow from investing activities of EURk 9,247 (prior year: net cash outflow of EURk 688) was driven by the further investment in software and other equipment and the cash outflow for loans granted to related parties and a payment into an escrow account.

The net cash outflow from financing activities amounted to EURk 6,210 (prior year: net cash inflow of EURk 24,473), mainly due to the partial repayment of EURk 5,000 of the convertible bond and the repayment of current loans of EURk 1,000.

LOVOO's cash and cash equivalents decreased by EURk 19,259 during the year, resulting in a cash and cash equivalents balance as of December 31, 2016 of EURk 7,052 (prior year: EURk 26,311).

8. Other notes

8.1. Capital management

Concerning capital management, LOVOO's policy is to preserve a strong and sustainable capital base in order to maintain business partner and market confidence and to support future business development.

LOVOO's employees participate in the company's performance through long-term remuneration components consisting of virtual stock options. These programs are issued to bind key employees to the company and the virtual stock options are granted without strings and vested over three years. Due to the fact that it is a virtual program the virtual stock options cannot be sold and employees are also bound too LOVOO beyond the three years.

There were no changes in the Group's approach to capital management in the course of the year.

LOVOO's equity ratio has developed as follows:

	December 31, 2016	December 31, 2015
	EURk	EURk
Equity		
Subscribed capital	25	25
Retained earnings	837	1,168
Profit or loss for the year	-4,113	-331
	-3,251	**862**
Liabilities		
Non-current liabilities	20,799	25,715
Current liabilities	5,373	6,200
	26,172	**31,915**
Equity and liabilities	**22,921**	**32,777**
Equity ratio in %	**-14.2**	**2.6**

8.2. Further information on financial instruments

Presentation by classes and categories

LOVOO's financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

	December 31, 2016				
	Carrying amount	Loans and receivables	Financial liabilities measured at amortized cost	Financial assets and liabilities at fair value through profit or loss	No category according to IAS 39 and Non-financial assets and liabilities
	EURk	EURk	EURk	EURk	EURk
Assets					
Trade receivables	2,132	2,132			
Other financial assets	9,607	9,607			
Other assets	99				99
Cash and cash equivalents	7,052	7,052			
Liabilities					
Loans	19,744		19,744		
Trade and other payables	1,828		1,828		
Advance payments received on account of orders	780				780
Other financial liabilities	750		750		
Tax and other liabilities	1,823				1,823

	December 31, 2015				
	Carrying amount	Loans and receivables	Financial liabilities measured at amortized cost	Financial assets and liabilities at fair value through profit or loss	No category according to IAS 39 and Non-financial assets and liabilities
	EURk	EURk	EURk	EURk	EURk
Assets					
Trade receivables	3,362	3,362			
Other financial assets	771	771			
Other assets	310				310
Cash and cash equivalents	26,311	26,311			
Liabilities					
Loans	23,985		23,985		
Trade and other payables	2,407		2,407		
Advance payments received on account of orders	780				780
Other financial liabilities	2,229		429	1,800	
Tax and other liabilities	1,978				1,823

The carrying amounts and their respective fair values of LOVOO's financial assets and liabilities are stated below:

	December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	EURk	EURk	EURk	EURk
Assets				
Trade receivables	2,132	2,132	3,362	3,362
Other financial assets	9,607	9,607	771	771
Cash and cash equivalents	7,052	7,052	26,311	26,311
Liabilities				
Loans	19,954	19,954	23,985	23,846
Trade and other payables	1,828	1,828	2,407	2,407
Other financial liabilities	750	750	2,230	2,230

As of December 31, 2016 LOVOO held the extension option of the shareholder loan at fair value through profit or loss. The extension component has been valued using a binominal option price model, with share volatility and share price and time to maturity being significant input factors, and as such is classified as a Level 3 (refer to note 3.6 for more information on the hierarchy, and note 5.11 for valuation model and parameters used).

As of December 31, 2015 LOVOO held the conversion option and the extension option of the convertible at fair value through profit or loss. Both the conversion and the extension option have been valued using a binominal option price model, with share volatility and share price and time to maturity being significant input factors, and as such is classified as a Level 3 (refer to note 3.6 for more information on the hierarchy, and note 5.11 for valuation model and parameters used). The parameter that is deemed to have the highest impact on the valuation of the conversion option is the weighting of the scenarios. A change of 5%-points of the probability weighting would increase or decrease the fair value of the conversion option by approximately 10%. A change of 5%-points of the company value would increase or decrease the fair value of the conversion option by approximately 2.3%.

As of December 31, 2016 the Larmant loan has a carrying amount of EURk 19,954 and the long-term loans to related parties have a carrying amount of EURk 5,260. All loans agreements were entered into by LOVOO at the beginning of December 2016, therefore the carrying amounts approximate the fair values of the loans.

As of December 31, 2015 the host instrument of the convertible bond had a carrying amount of EURk 22,984 while the carrying amount of the investment loan was EURk 1,000. We calculated respective fair values of EURk 22,841 and EURk 1,005 by discounting the future cash flows for both loans with market-related interest rates as of December 31, 2015 using a level 2 Market comparison/ discounted cash flow: The fair value is estimated considering (i) current or recent quoted prices for identical loans in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of loans with similar maturity and credit rating that are traded in active markets.

LOVOO's remaining financial assets and liabilities have mainly short terms to maturity and therefore their carrying amounts at the respective reporting dates approximate the fair value.

Net gains on LOVOO's financial assets and liabilities at fair value through profit or loss (embedded derivatives) amounted to EURk 513 in 2016 (prior year: EURk 0), included in finance income, net losses included in finance expenses were EURk 0 (prior year: EURk 98), refer to note 6.8 and 6.9, respectively.

Total interest income on LOVOO's loan's and receivables amounted to EURk 51 in 2016 (prior year: EURk 0), total finance expenses on financial liabilities measured at amortized cost and other financial liabilities were EURk 1,382 (prior year: EURk 458), refer to note 6.8 and 6.9, respectively.

8.3. Financial risk management

The risk management function within LOVOO is carried out in respect of financial risk, operational risk and legal risk. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The primary objectives of the financial risk management function are to establish risk limits and to ensure that exposure to risks stays within these limits.

The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures in order to minimize operational and legal risks.

LOVOO has established a comprehensive early warning system for all of the company's internal risks giving management the opportunity to quickly initiate and implement necessary measures.

Credit Risk

Financial instruments that may potentially subject LOVOO to concentrations of credit risk consist primarily of cash and cash equivalents, other financial assets as well as trade receivables.

The company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of LOVOO's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

On account of LOVOO's type of business, exposure to credit risk with commercial counterparties is limited because cash is normally received from two companies with excellent rating (Google, and Apple). Google and Apple receive the money from the app user at the time of the sale (prepayments, credit card payments, invoice and instalments) and transfer the money on a monthly basis to LOVOO.

The term structure of trade receivables as of December 31, 2016 and 2015, respectively, is composed as follows:

	December 31, 2016	December 31, 2015
	EURk	EURk
Trade receivables not due	2,028	3,012
Trade receivables due	120	382
up to 30 days	*63*	*88*
31 to 90 days	*40*	*244*
91 to 180 days	*7*	*4*
181 to 360 days	*9*	*11*
361 days and more	*1*	*35*
Trade receivables total	2,148	3,394
Less: Accumulated bad debt allowances	-16	-32
Trade receivables net	**2,132**	**3,362**

LOVOO's trade receivables include overdue receivables amounting to EURk 120 as of December 31, 2016 (prior year: EURk 382), for which an allowance for impairment was recorded based on the assessment of the management.

The majority of the receivables are generally due from two entities, Apple and Google, which leads to a concentration of credit risk between these two entities. However, the receivables from Apple and Google are entirely processed via their respective app stores and the underlying receivables consist of many very small amounts from end users. As per the company's current projections, there will be no liquidity shortfalls in the projection period.

Credit risk relating to other financial assets mainly relates to the loans to affiliated entities. They have terms of two to three years, resulting in a maximum credit risk of EURk 5,220 (refer to note 5.14). The loans are not secured. Nevertheless, the shares of the affliated entities of Lovoo serves as security.

As of December 31, 2016 and 2015, respectively, the company was not exposed to a credit risk from derivative financial instruments.

The maximum credit risk of financial guarantees relating to rent deposits as of December 31, 2016 amounts to EURk 41 (prior year: EURk 35).

The contractually agreed maturities and the corresponding cash flows of financial liabilities are within one year and five years, respectively.

Cash and cash equivalents are denominated in Euro and US Dollar. Cash and cash equivalents are maintained with several renowned financial institutions in Germany. LOVOO continuously monitors its positions with and the credit rating of these financial institutions and does not expect a risk of non-performance.

As of January 1, 2015, December 31, 2015 and 2016, Lovoo held cash and cash equivalents of EURk 3,930 thousand, EURk 26,311 thousand and EURk 7,052 thousand, respectively. The cash and cash equivalents are held with bank and financial institution counterparties, which hold at least an A-level credit rating.

Market Risk

LOVOO takes on exposure to market risks. Market risk is the risk that changes in market prices will affect the company's results of operations or the value of the financial instruments held. Market risks also arise from open positions in foreign currencies. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency Risk

The company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar. The most significant foreign currency markets in 2016 were Switzerland, Great Britain and Brasil.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

LOVOO's exposure to foreign currency risk based on carrying amounts as of December 31, 2016 is shown below:

	December 31, 2016	**December 31, 2015**
	EURk	**EURk**
Cash and cash equivalents	7,052	26,311
thereof in EURk	5,740	24,842
thereof in USDk	1,312	1,469
Trade receivables	2,148	3,393
thereof in EURk	1,913	2,832
thereof in USDk	233	561
thereof in other foreign currencies	2	0
Trade payables	1,828	2,407
thereof in EURk	1,480	1,674
thereof in USDk	315	675
thereof in other foreign currencies	33	58

According to LOVOO's management, the only significant foreign currency that needs to be monitored in order to control foreign currency risk is the US Dollar. A change in the USD/EUR exchange rate of 5% on the net USD position of all USD denominated line items above would result in an impact on profit or loss and equity of EURk 56 (prior year: EURk 59). Other foreign currency balances are immaterial.

Liquidity Risk

Liquidity risk is the risk that LOVOO will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. LOVOO's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to LOVOO's reputation.

LOVOO's management monitors its cash in- and outflows on a weekly basis and through proper budget planning with the help of weekly updated monthly rolling cash-flow forecasts. LOVOO's liquidity management is designed to ensure that sufficient funds are available to meet financial obligations when they become due. Additionally, many customers pay in advance for subscription and other services at the commencement of the subscription period and to get other services from credits, therefore LOVOO can usually maintain high cash and cash equivalents levels.

In addition to loans, the company's financial liabilities mainly comprise of trade and other payables as well as advance payments received on account of orders with maturities of less than 12 months.

As of the end of October 2017, LOVOO had an amount of EURk 4,912 cash at hand.

The remaining contractual maturities of financial liabilities at the reporting date are presented in note 5.21. The amounts shown in note 5.21 are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Lovoo has long-term borrowings and granted loans with fixed interest rates. Lovoo is therefore not exposed to interest rate risk.

Lovoo does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in variable interest rates at the reporting date would not affect profit or loss. For the year ended December 31, 2016, a change of 100 basis points in interest rates would have increased or decreased equity by EURk 250 thousand before tax (2015: EURk 110). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

LOVOO does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant to the company's business.

8.4. Information on related parties

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. For purposes of this policy, a related party is any executive officer, director (or nominee for director), including any of their immediate family members and any entity owned or controlled by such persons.

Parent company

The parent company and ultimate controlling party of LOVOO is Bawogo Ventures GmbH & Co KG, Dresden.

Key management compensation

Key management includes LOVOO's managing directors Benjamin Bak, Björn Bak and Alexander Friede. Benjamin and Björn Bak did not receive any directly paid remuneration in 2016 and 2015, respectively. However, both received short term payments through a related party of EURk 245 in 2016 (prior year: EURk 275). The remuneration (short term payment) paid to Alexander Friede is made up of contractual salary and amounted to EURk 115 in 2016 (prior year: EURk 94). In 2016 LOVOO paid a total amount of EURk 163 for all three managing directors relating to a reimbursement of legal expenses.

The management received no post-employment benefits, other long-term benefits, terminations benefits or share-based payments.

Related party transactions

LOVOO had transactions with related parties in the reporting period in the ordinary course of business.

These transactions gave rise to liabilities of EURk 80 as of December 31, 2016 (prior year: EURk 38). Trade and other receivables due from related parties amount to EURk 58 as of December 31, 2016 (prior year: EURk 4).

During the year ended December 31, 2016 the LOVOO granted loans to its shareholders as well as other related parties, refer to note 5.3 for more details. The total amount outstanding as of December 31, 2016 was EURk 5,220 and the amount of interest incurred during the year ended December 31, 2016 was EURk 39.

Service and interest income from related parties amounted to EURk 97 in the reporting period compared to EURk 78 in the prior year, the cost of services received amounted to EURk 1,296 (prior year: EURk 1,228).

8.5. Contingent liabilities

Contingent liabilities are potential obligations based on past events whose existence is confirmed only when one or more uncertain future events occur which are beyond the control of the Company. Current obligations may represent a contingent liability if there is not sufficient probability of an outflow of resources to justify the recognition of a provision. Moreover, it is not possible to make a sufficiently reliable estimate of the amount of the obligations.

LOVOO is unaware of any proceedings that may result in a significant obligation for the company and may lead to a material adverse effect on the company's net assets, financial position and results of operations.

8.6. Operating lease commitments

LOVOO leases facilities and equipment under operating leases. The contracts have remaining terms of less than 12 months and contain purchase options, which do not, however, affect the classification of the leases as operating leases.

In the reporting period the expenses recognized from operating leases amounted to EURk 75 (prior year: EURk 86).

The future minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
	EUR	**EUR**
Less than one year	258	121
1 to 5 years	183	31
More than 5 years	0	0
	441	**152**

8.7. Subsequent events

In September 2017, the Escrow receivable of EURk 3,000 pertaining to the shareholder loan and included in the current financial assets were released and paid back, thereby reducing the loan to EURk 17,000.

On October 18, 2017 100% of the shares of LOVOO were sold from Bawogo Ventures GmbH & Co KG to TMG Holding Germany GmbH for a total sum of USDk 70,000, thereof USDk 65,000 in cash and USDk 5,000 as a contingent earn-out component.

A capital increase of EURk 6,673 was resolved and executed on October 18, 2017.

All outstanding loans granted by LOVOO to related parties and amounting to EURk 5,260 as of October 18, 2017 were paid back on October 18, 2017.

On October 18, 2017 LOVOO paid back the remaining loan of EURk 17,000 to Larmant LLC and is therefore free of loans.

The virtual share options amounting to EURk 665 were paid out to the employees at the end of October 2017.

The managing director Benjamin Bak was released from his duties as managing director and left the company on October 18, 2017. He will be an advisor for LOVOO for at least the next 6 months. Björn Bak and Alexander Friede were released from their duties as managing directors and left the company on June 15, 2017.

Florian Braunschweig is the sole managing director since October 18, 2017. He was appointed managing director on June 15, 2017.

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Section 4: EX-99.2 (LOVOO 9.30.2017 AND 2016 INTERIM FINANCIALS)

Interim financial statements as of September 30, 2017

LOVOO GmbH, Dresden

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LOVOO GmbH
Statements of financial position

	Note	September 30, 2017	December 31, 2016
		EURk	EURk
Assets			
Non-current assets			
Intangible assets		808	658
Property, plant and equipment		1,320	1,890
Other financial assets	3.1	162	8,336
Deferred tax assets		826	1,484
		3,116	**12,368**
Current assets			
Trade and other receivables		3,862	2,132
Other financial assets		5,603	1,270
Other non-financial assets		71	99
Cash and cash equivalents		10,260	7,052
		19,796	**10,553**
		22,912	**22,921**
Equity and liabilities			
Equity			
Subscribed capital		25	25
Accumulated retained losses/earnings		-3,276	837
Profit or loss for the period		2,163	-4,113
		-1,088	**-3,251**
Non-current liabilities			
Provisions		457	486
Loans	3.2	0	19,954
Other financial liabilities		209	359
		666	**20,799**
Current liabilities			
Provisions	3.3	193	551
Loans	3.2	16,973	0
Trade and other payables		1,962	1,828
Advance payments received on account of orders		486	781
Tax liabilities		262	0
Other financial liabilities	3.4	1,766	750
Other non-financial liabilities		1,692	1,463
		23,334	**5,373**
		22,912	**22,921**

LOVOO GmbH
Statements of comprehensive income/loss

	Note	Period from January 1 to September 30, 2017	Period from January 1 to September 30, 2016
		EURk	EURk
Net sales		22,805	23,720
Cost of sales		-6,992	-6,590
Gross profit		**15,813**	**17,130**
Other income		80	65
Selling and marketing expenses	4	-6,895	-12,970
General and administrative expenses	4	-1,799	-3,360
Product development expenses	4	-2,837	-4,336
Other expenses		-23	-203
Operating profit or loss		**4,339**	**-3,674**
Finance income		434	487
Finance expenses		-1,669	-785
Profit or loss before income taxes		**3,104**	**-3,972**
Income taxes	4	-941	1,185
Profit or loss for the period		**2,163**	**-2,787**
Other comprehensive income		0	0
Total comprehensive income/loss		**2,163**	**-2,787**

LOVOO GmbH
Statements of changes in equity

	Subscribed capital	Accumulated retained losses/earnings	Total equity
	EURk	**EURk**	**EURk**
December 31, 2016	**25**	**-3,276**	**-3,251**
Profit or loss for the period	0	2,163	2,163
September 30, 2017	**25**	**-1,113**	**-1,088**

	Subscribed capital	Accumulated retained losses/earnings	Total equity
	EURk	**EURk**	**EURk**
December 31, 2015	**25**	**837**	**862**
Profit or loss for the period	0	-2,787	-2,787
September 30, 2016	**25**	**-1,950**	**-1,925**

LOVOO GmbH
Statements of cash flows

	Note	Period from January 1 to September 30, 2017	Period from January 1 to September 30, 2016
		EURk	EURk
Profit or loss		2,163	-2,787
Adjustments for:			
Finance income		-434	-487
Finance expenses		1,669	785
Income taxes		941	-1,045
Depreciation, amortization and impairments		710	427
Impairment and write offs of current assets		29	0
Results from disposal of fixed assets		-28	-2
Changes due to foreign currency changes		77	56
Changes in provisions		-136	560
Changes in trade and other receivables		-1,760	764
Changes in trade and other payables		-160	24
Changes in other financial assets and liabilities		1,108	-1,066
Changes in other assets and liabilities		107	-85
Income taxes paid		-20	-136
Interest received		333	2
Interest paid		-1,651	-947
Cash flow from operating activities		**2,948**	**-3,937**
Proceeds from loans given to related parties	3.1	600	0
Proceeds from repayment of escrow account	3.1	3,000	0
Purchases of intangible assets and property, plant, equipment		-299	-498
Proceeds from disposals of intangible assets and property, plant, equipment		36	2
Cash flow from investing activities		**3,337**	**-496**
Repayments of interest-bearing loans and borrowings received	3.2	-3,000	0
Cash flow from financing activities		**-3,000**	**0**
Cash flow-related changes in cash and cash equivalents		**3,285**	**-4,433**
Changes in cash and cash equivalents due to exchange rates		**-77**	**-56**
Cash and cash equivalents at the beginning of the year		7,052	26,311
Cash and cash equivalents at the end of the period		**10,260**	**21,822**

Selected explanatory notes to the interim financial statements

1. General information

LOVOO GmbH ("LOVOO" or the "company") was incorporated under the laws of Germany on April 19, 2012, is registered in the commercial register of Dresden under HRB 31175 and has its headquarters in Dresden.

The stand-alone interim financial statements of LOVOO as of and for the nine months ended September 30, 2017 comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared in condensed form in accordance with IAS 34 "Interim Financial Reporting" and other International Financial Reporting Standards as they are to be applied for interim financial statements.

LOVOO's interim financial statements as of September 30, 2017 do not include all of the information and disclosures required for annual financial statements and must therefore be read in conjunction with the stand alone financial statements as of and for the years ended December 31, 2016 and 2015, respectively.

The financial statements have been prepared by accounting for assets and liabilities at amortized cost. Excluded from this are certain financial instruments that are measured at fair value. The statement of profit or loss was prepared using the function of expense method. Assets and liabilities are classified based on their maturities.

The financial statements are presented in Euro ("EUR"). Due to rounding, it is possible that figures may not add up to the total stated.

These interim financial statements were authorized for issue by the LOVOO's management board on December 20, 2017.

2. Accounting and valuation methods

The accounting and valuation principles applied for preparing the interim financial statements correspond to those used while preparing the annual financial statements as of December 31, 2016.

2.1. Estimates and assumptions

In preparing these interim financial statements, LOVOO's management has made judgements, estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of December 31, 2016.

2.2. New accounting standards

The following new and amended standards were effective for annual periods beginning on or after January 1, 2017 and have been applied in preparing these interim financial statements.

Standard	Effective Date
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
• Amendments to IAS 7: Disclosure Initiative	January 1, 2017

These amendment to standards had no significant effect on the interim financial statements of LOVOO.

The following new standards, amendments to standards and interpretations are effective and will be applied in annual periods beginning after 1 January 2017. Management highlights that the company may not be required to prepare and publish IFRS compliant financial statements for those periods.

Standard or interpretation	Effective Date
• IFRS 9 “Financial Instruments”	January 1, 2018
• IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
• IFRS 16 “Leases”	January 1, 2019

IFRS 9 “Financial Instruments” was finally published in July 2014, its key features are as follows:

- standardized approach for classification and measurement of financial assets and liabilities which is primarily based on the company’s business model and the cash flows of the financial instruments,
- new impairment model which demands the recording of expected losses in addition to incurred losses,
- new guidelines for the use of hedge accounting, aiming at better illustration of the respective risk management activities of the company and the monitoring of non-financial risks.

Application of IFRS 9 is mandatory for fiscal years beginning on or after January 1, 2018. LOVOO will apply this standard as of January 1, 2018 for the first time, should LOVOO be required to prepare and publish IFRS financial statements for that period. Significant changes in the presentation and recognition of the company’s financial instruments are not expected.

IFRS 15 “Revenues from Contracts with Customers” was published in May 2014, including the following new regulations:

- revenue recognition, when the customer obtains control over the agreed goods and services and can derive benefits from these,
- revenue recognition in the amount of the consideration that the company will presumably receive,

- five step process to determine the volume of sales and the time or the period of implementation (identification of the customer contract, identification of the individual performance obligations, determination of the transaction price, allocation of the transaction price to the separate contractual obligations, realization of revenue when individual contractual obligations are fulfilled,
- requirements for future qualitative and quantitative disclosures.

The new revenue standard will have an effect on the financial statements of many companies, especially those with multiple element arrangement. The total expected compensation from a contract with multiple performance obligations would be allocated to all performance obligations based on their stand-alone selling prices. Such arrangements are uncommon in LOVOO's business model therefore management does not expect material impacts on the amount and timing of revenue recognized in its financial statements. IFRS 15 also governs revenue related issues such as the recognition of costs to obtain a contract. Incremental costs of obtaining a contract will be capitalized and amortized over the contract term. The group incurs significant incremental marketing costs, but the majority of contracts have a term of one year or less. LOVOO's management does not expect material impacts from the capitalization of costs of obtaining the contract in its financial statements.

Application IFRS 15 is to be applied to fiscal years starting on or after January 1, 2018. LOVOO will apply this standard as of January 1, 2018 for the first time, should LOVOO be required to prepare and publish IFRS financial statements for that period. Expanded notes disclosures from the application of IFRS 15 are expected.

IFRS 16 "Leasing" was published in January 2016, its key features are as follows:

- leasing contract exists if the fulfilment of the contract depends on the use of identifiable asset and the customer simultaneously acquires control of this asset,
- lessees are required to account for all leasing contracts in the form of a right of use, to be depreciated in a linear manner, and a corresponding leasing liability, to be updated using the effective interest method,
- exceptions for contracts with a total term of maximum 12 months or so-called low-value assets (below USD 5,000.00).

IFRS 16 is mandatory for fiscal years starting on or after January 1, 2019. LOVOO will apply this standard as of January 1, 2019 for the first time, should LOVOO be required to prepare and publish IFRS financial statements for that period. Significant effects are expected with regards to the accounting and measurement of rental and leasing items currently classified as operating leases. The future minimum lease payments from operating leases. At the present time LOVOO cannot provide any conclusive and complete information on the effects of the new standard on its financial reporting.

2.3. Seasonality of operations

LOVOO´s business does not underlie a certain degree of seasonality. Revenues and operating profits are usually stable over all months but have increased in the nine months ended September 30, 2017 due to a favorable business environment. This information is provided to allow for a better understanding of the results, and accordingly, management has concluded that this is not 'highly seasonal' in accordance with IAS 34.

3. Selected notes to the statement of financial position

3.1. Other financial assets

The receivable due from shareholders pertaining to a loan in the amount of EURk 3,800 granted on December 8, 2016 was included in the non-current financial assets as of December 31, 2016. As of September 30, 2017 the loan receivable and accrued interest totalling to EURk 3,914 are presented as current financial assets due to agreement between Bawogo Ventures GmbH & Co KG and TMG Holding Germany GmbH relating to the acquisition of 100% of the shares of LOVOO. The agreement was signed and executed in September 2017, resulting in a contractually agreed early settlement of all loans in October 2017.

The Escrow receivable of EURk 3,000 relating to the loan from Larmant LLC was repaid in September 2017 (refer to note 3.2).

In 2017 a partial repayment of EURk 600 was received on the receivables due from related parties, the remaining loan balance as well as accrued interest up to September 30, 2017 amount to EURk 845 and are included in current financial assets due to the contractually agreed early settlement in October 2017 as described above.

3.2. Loans

Current loans as of September 30, 2017 as well as of December 31, 2016 (non-current) pertain to the loan granted by Larmant LLC.

The loan had an original maturity date set at December 8, 2018, however at the end of September 2017, a partial repayment of EURk 3,000 was made by terminating the existing escrow agreement between LOVOO and Larmant LLC and transferring the amount to the escrow account (refer to note 2.1).

The movements of the loan in in the nine months ended September 30, 2017 can be summarized as follows:

	EURk
Carrying amount as of December 31, 2016	**19,954**
Repayments 2017	-3,000
Effective interest 2017	1,682
Interest payments 2017	-1,663
Carrying amount as of September 30, 2017	**16,973**

The remaining balance as well as accrued interest as of September 30, 2017 are presented as current loans due to the contractually agreed early settlement of the loan in October 2017 as described above.

3.3. Current provisions

From the total estimated restructuring cost of EURk 895, EURk 449 were used as of December 31, 2016, resulting in a remaining provision for restructuring cost of EURk 446. As of September 30, 2017 EURk 313 were used, resulting in a remaining provision of EURk 133.

3.4. Current financial liabilities

Up to September 30, 2017 LOVOO had granted its employees 295.5 virtual stock options under the Employee Stock Ownership Plan (ESOP) implemented in 2013. The shareholder and the management board of Lovoo modified the conditions of the ESOP plan marginal with a resolution on the 17th February 2017. The beneficiary stayed identical and the economic conditions of plan didn´t change. In September 2017, the plan was further modified to allow for an accelerated vesting. The total liability to employees from these options to be included in the current financial liabilities and adjusted for the modification in September 2017 as of September 30, 2017 amounts to EURk 665 and was calculated based on the net proceeds divided by the nominal capital, multiplied by the number of the beneficiaries vested shares and multiplied by the percentage of the nominal capital sold.

In the period from January 1 to September 30, 2017 the total personnel expenses relating to the ESOP amounted to EURk 414 compared to EURk 28 for the comparative period.

Movements in the number of share options outstanding are as follows:

	January 1 to September 30, 2017	**January 1 – December 31, 2016**	**January 1 to September 30, 2016**
Outstanding options at the beginning of the period	**285**	**295**	**295**
Granted during the year	40.5	59	59
Deleted during the year	30	69	25
Outstanding options at the end of the period	**295.5**	**285**	**329**

As of December 31, 2016 285 virtual stock options were granted, the obligation was measured at EURk 251 and included in non-current provisions.

As of September 30, 2016 329 virtual stock options were granted, the obligation was measured at EURk 225 and included in non-current provisions. In general the same approach was used to measure the fair value of the options granted as of September 30, 2016 like as at year end 2015 and 2016. However for the determination of the underlying company value an interpolated value was applied based on the fair values of the company as of December 31, 2016 und December 31, 2015 due to the high fluctuation of the base interest rate.

4. Selected notes to the statements of comprehensive income/loss

LOVOO's business decision made in the middle of the fiscal year 2016 to restructure the company and focus on core markets in order to reducing overhead cost is reflected in the statements of comprehensive income/loss for the period from January 1 to September 30, 2017 and 2016. The selling and marketing expenses, the general and administrative expenses as well as the product development expenses for the period from January 1 to September 30, 2017 amounted to EURk 11,530 compared to EURk 20,665 for the comparative period of the prior year.

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year 2017. The estimated average annual tax rate used for the nine months ended September 30, 2017 is 21.77%, compared to 31.28% for the nine months ended September 30, 2016.

5. Selected notes to the statements of cash flows

In the period from January 1 to September 30, 2017 LOVOO generated a net cash inflow from operating activities amounting to EURk 2,948 compared to a net cash outflow of EURk 3,937 for the comparative period of the prior year.

The net cash inflow from investing activities of EURk 3,337 (comparative period: EURk -496) was driven by the further investment in software and other equipment and the net cash inflow of EURk 3,000 from the repayment of the escrow account and of EURk 600 from partial repayments of loans from related parties.

As a result, cash and cash equivalents increased by EURk 3,208, resulting in a cash and cash equivalents balance as of September 30, 2017 of EURk 10,260 (December 31, 2016: EURk 7,052).

6. Other selected notes

6.1. Further information on financial instruments

The carrying amounts and their respective fair values are stated below:

	September 30, 2017		December 31, 2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	EURk	**EURk**	**EURk**	**EURk**
Assets				
Trade receivables	3,862	3,862	2,132	2,132
Other financial assets	5,603	5,603	8,336	8,336
Cash and cash equivalents	10,260	10,260	7,052	7,052
Liabilities				
Loans	16,973	16,973	19,954	19,954
Trade and other payables	1,962	1,962	1,828	1,828
Other financial liabilities	1,766	1,766	750	750

As of September 30, 2017 LOVOO held the extension option of the shareholder loan at fair value through profit or loss. The extension component has been valued using a binominal option price model, with share volatility and share price and time to maturity being significant input factors, and as such is classified as a Level 3. Net gains on LOVOO's financial assets and liabilities at fair value through profit or loss included in finance income amounted to EURk 0 in the reporting period and EURk 485 in the comparative period of the prior year due to the decrease of the fair value of the conversion option liability relating to the convertible bond issued in 2015 (September 30, 2016: EURk 1,315, December 31, 2015: EURk 1,800), the positive effect was recognized in the statement of profit or loss.

Total interest income on LOVOO's loan's and receivables amounted to EURk 434 in the period from January 1 to September 30, 2017 (prior period: EURk 487), total finance expenses on financial liabilities measured at amortized cost and other financial liabilities were EURk 1,669 (prior period: EURk 785).

6.2. Information on related parties

Except for the loans given to related parties there were no material contractual changes to the transactions with related parties during the period from January 1 to September 30, 2017 compared to the financial statements as of December 31, 2016. In 2017 a partial repayment of EURk 600 was received on the loan receivables due from related parties.

Björn Bak and Alexander Friede were released from their duties as managing directors and left the company on June 15, 2017. Florian Braunschweig was appointed as managing director on June 15, 2017.

Key management compensation

Key management includes LOVOO's managing directors Benjamin Bak, Björn Bak, Alexander Friede and Florian Braunschweig. Benjamin and Björn Bak and Florian Braunschweig did not receive any directly paid remuneration. However, all three received short term payments through a related party in an amount of EURk 215 from January 1 to September 30, 2017 (prior period: EURk 184). The remuneration (short term payments) paid to Alexander Friede is made up of contractual salary and amounted to EURk 87 in the period from January 1 to September 30, 2017 (prior period: EURk 87).

The management received no post-employment benefits, other long-term benefits, terminations benefits or share-based payments.

Related party transactions

LOVOO had transactions with related parties in the reporting period in the ordinary course of business.

These transactions gave rise to liabilities of EURk 61 as of September 30, 2017 (December 31, 2016: EURk 80). Trade and other receivables amount to EURk 52 as of September 30, 2017 (December 31, 2016: EURk 58). The loans granted to LOVOO's shareholders as well as other related parties amounted to EURk 4,759 as of September 30, 2017 including accrued interest (December 31, 2016: EURk 5,220 and EURk 39 accrued interest), refer to note 3.1 for more details.

Service income amounted to EURk 12 in the reporting period compared to EURk 19 in the comparative period of the prior year, interest income from related parties amounted to EURk 432 in the reporting period, the cost of services received amounted to EURk 567 (prior period: EURk 795).

6.3. Subsequent events

On October 18, 2017 100% of the shares of LOVOO were sold from Bawogo Ventures GmbH & Co KG to TMG Holding Germany GmbH for a total sum of USDk 70,000, thereof USDk 65,000 in cash and USDk 5,000 as a contingent earn-out component.

A capital increase of EURk 6,673 was resolved and executed on October 18, 2017.

All outstanding loans granted by LOVOO to related parties and amounting to EURk 5,260 as of October 18, 2017 were paid back on October 18, 2017.

On October 18, 2017 LOVOO paid back the remaining loan of EURk 17,000 to Larmant LLC and is therefore free of loans.

The virtual share options amounting to EURk 665 were paid out to the employees at the end of October 2017.

The managing director Benjamin Bak was released from its duties as managing director and left the company on October 18, 2017. He will be an advisor for LOVOO for at least the next 6 months.

Florian Braunschweig is the sole managing director since October 18, 2017.

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Section 5: EX-99.3 (PRO FORMA FINANCIALS)

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information has been prepared to illustrate the effects of the acquisition of Lovoo GmbH (“Lovoo”), which closed on October 19, 2017. The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are directly attributable to the acquisition, factually supportable and, with respect to the statements of operations, expected to have a continuing impact on the results of operations.

The unaudited pro forma condensed combined balance sheet is based on the individual historical balance sheets of The Meet Group, Inc. (“The Meet Group”) and Lovoo, as of September 30, 2017, and has been prepared to reflect the effects of the Lovoo acquisition as if it occurred on September 30, 2017. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2017, the years ended December 31, 2016 and 2015 and combine the historical results and operations of The Meet Group and Lovoo giving effect to the acquisition as if it had occurred on January 1, 2015.

The unaudited pro forma condensed combined statements of operations do not reflect future events that may occur after the completion of the acquisition, including, but not limited to, the anticipated realization of ongoing savings from operating synergies and certain one-time charges The Meet Group expects to incur in connection with the acquisition, including, but not limited to, costs in connection with integrating the operations of Lovoo.

These unaudited pro forma condensed combined financial statements are for informational purposes only. They do not purport to indicate the results that would actually have been obtained had the acquisition been completed on the assumed date or for the periods presented, or which may be realized in the future.

To produce the pro forma financial information, Lovoo's assets and liabilities were adjusted to their estimated fair values. As of the date of this filing, The Meet Group has not completed the detailed valuation work necessary to arrive at the required estimate of the fair value of Lovoo's assets acquired and liabilities assumed. Accordingly, the accompanying unaudited pro forma accounting for the business combination is preliminary and is subject to further adjustments as additional analyses are performed. The preliminary unaudited pro forma accounting for the business combination has been made solely for the purpose of preparing the accompanying unaudited pro forma condensed combined financial statements.

There can be no assurance that such finalization will not result in material changes from the preliminary accounting for the Lovoo acquisition included in the accompanying unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined financial statements have been derived from and should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- The Meet Group's audited financial statements and related notes contained within The Meet Group's Annual Report on Form 10-K for the year ended December 31, 2016;
- The Meet Group's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017; and
- Lovoo's financial statements filed within this Current Report on Form 8-K/A.

THE MEET GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(UNAUDITED)

	Historical The Meet Group	Historical Lovoo	Pro Forma Adjustments (Note 4)		Pro Forma The Meet Group Combined
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 24,642,002	$ 12,046,968	$ (81,148,750)	*4a*	$ 15,540,220
			60,000,000	*4b*	
Accounts receivable, net	22,680,468	4,472,716	—		27,153,184
Prepaid expenses and other current assets	2,131,095	1,168,732	—		3,299,827
Total current assets	49,453,565	17,688,416	(21,148,750)		45,993,231
Restricted cash	894,305	—	—		894,305
Goodwill	150,088,783	—	57,002,565	*4c*	207,091,348
Property and equipment, net	3,360,015	1,674,156	(645,596)	*4d*	4,388,575
Intangible assets, net	34,858,106	161,852	16,803,148	*4e*	51,823,106
Deferred taxes	32,501,672	1,019,144	—		33,520,816
Other assets	918,248	5,587,855	(5,587,855)	*4f*	918,248
Total assets	**$ 272,074,694**	**$ 26,131,423**	**$ 46,423,512**		**$ 344,629,629**
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 4,904,223	$ 2,304,127	$ —		$ 7,208,350
Accrued liabilities	13,926,046	3,143,958	—		17,070,004
Current portion of long-term debt	—	—	15,000,000	*4g*	15,000,000
Current portion of capital lease obligations	18,901	267,110	—		286,011
Deferred revenue	1,127,610	2,291,468	(696,827)	*4h*	2,722,251
Contingent consideration	—	—	5,000,000	*4i*	5,000,000
Total current liabilities	19,976,780	8,006,663	19,303,173		47,286,616
Long-term capital lease obligations		245,098	—		245,098
Long-term debt	—	19,928,258	(19,928,258)	*4j*	$ 45,000,000
	—	—	45,000,000	*4g*	
Total liabilities	**19,976,780**	**28,180,019**	**44,374,915**		**92,531,714**
STOCKHOLDERS' EQUITY:					
Preferred Stock	—	—	—		—
Common Stock	71,808	29,354	(29,354)	*4k*	71,808
Additional paid-in capital	405,345,104	(2,077,951)	2,077,951	*4k*	405,345,104
Accumulated deficit	(153,318,998)	—	—		(153,318,998)
Total stockholders' equity	**252,097,914**	**(2,048,597)**	**2,048,597**		**252,097,914**
Total liabilities and stockholders' equity	**$ 272,074,694**	**$ 26,131,422**	**$ 46,423,512**		**$ 344,629,628**

See the accompanying notes to the unaudited pro forma condensed combined financial information.

THE MEET GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(UNAUDITED)

	Historical The Meet Group	Historical Lovoo	Pro Forma Adjustments (Note 4)		Pro Forma The Meet Group Combined
Revenues	$ 83,634,737	$ 25,394,456	$ —		$ 109,029,193
Operating costs and expenses:					
Sales and marketing	14,305,498	7,546,441	—		21,851,939
Product development and content	41,006,376	10,430,331	—		51,436,707
General and administrative	13,044,965	1,596,102	—		14,641,067
Depreciation and amortization	7,619,584	887,012	1,679,954	*4l*	10,186,550
Acquisition and restructuring	8,648,692	321,539	(1,612,790)	*4m*	7,357,441
Total operating costs and expenses	84,625,115	20,781,425	67,164		105,473,704
Income (loss) from operations	(990,378)	4,613,031	(67,164)		3,555,489
Other income (expense):					
Interest income	5,344	482,765	(481,130)	*4n*	6,979
Interest expense	(421,947)	(1,783,757)	(631,891)	*4o*	(2,837,595)
Loss on foreign currency adjustment	(2,072)	(66,044)	—		(68,116)
Other income	—	54,803	—		54,803
Total other expense	(418,675)	(1,312,233)	(1,113,021)		(2,843,929)
Income (loss) before income tax (provision) benefit	(1,409,053)	3,300,798	(1,180,185)		711,560
Benefit (provision) from income taxes	4,934,216	(1,000,243)	—		3,933,973
Net income	$ 3,525,163	$ 2,300,555	$ (1,180,185)		$ 4,645,533
Basic and diluted net income per common stockholders:					
Basic net income per common stockholders	$ 0.05				$ 0.07
Diluted net income per common stockholders	$ 0.05				$ 0.06
Weighted average shares outstanding:					
Basic	67,711,324				67,711,324
Diluted	72,425,863				72,425,863

See the accompanying notes to the unaudited pro forma condensed combined financial information.

THE MEET GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	Historical The Meet Group	Historical Lovoo	Pro Forma Adjustments (Note 4)		Pro Forma The Meet Group Combined
Revenues	$ 76,124,109	$ 33,370,892	$ —		$ 109,495,001
Operating costs and expenses:					
Sales and marketing	15,089,987	16,468,978	—		31,558,965
Product development and content	25,790,173	14,888,242	—		40,678,415
General and administrative	9,494,804	4,570,756	—		14,065,560
Depreciation and amortization	4,069,211	1,089,866	1,875,959	*4l*	7,035,036
Acquisition and restructuring	2,457,295	2,009,193	—		4,466,488
Total operating costs and expenses	56,901,470	39,027,035	1,875,959		97,804,464
Income (loss) from operations	19,222,639	(5,656,143)	(1,875,959)		11,690,537
Other income (expense):					
Interest income	21,185	1,393,334	(43,738)	*4n*	1,370,781
Interest expense	(19,388)	(2,589,125)	(728,556)	*4o*	(3,337,069)
Change in warrant liability	(864,596)	—	—		(864,596)
Gain on foreign currency adjustment	33,416	29,806	—		63,222
Other income	—	271,842	—		271,842
Total other expense	(829,383)	(1,165,985)	(772,294)		(2,767,662)
Income (loss) before benefit from income taxes	18,393,256	(6,822,128)	(2,648,253)		8,922,875
Benefit from income taxes	27,875,362	1,895,211	—		29,770,573
Net income (loss)	$ 46,268,618	$ (4,926,917)	$ (2,648,253)		$ 38,693,448
Basic and diluted net income per common stockholders:					
Basic net income per common stockholders	$ 0.89				$ 0.74
Diluted net income per common stockholders	$ 0.80				$ 0.67
Weighted average shares outstanding:					
Basic	51,963,702				51,963,702
Diluted	57,745,652				57,745,652

See the accompanying notes to the unaudited pro forma condensed combined financial information.

THE MEET GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

	Historical The Meet Group	Historical Lovoo	Pro Forma Adjustments (Note 4)		Pro Forma The Meet Group Combined
Revenues	$ 56,903,773	$ 39,511,786	$ —		$ 96,415,559
Operating costs and expenses:					
Sales and marketing	6,618,837	21,626,415	—		28,245,252
Product development and content	24,615,304	14,548,454	—		39,163,758
General and administrative	14,534,861	2,900,492	—		17,435,353
Depreciation and amortization	3,140,205	650,974	2,890,871	*4l*	6,682,050
Acquisition and restructuring	—	—	—		—
Total operating costs and expenses	48,909,207	39,726,335	2,890,871		91,526,413
Income (loss) from operations	7,994,566	(214,549)	(2,890,871)		4,889,146
Other income (expense):					
Interest income	21,037	1,843	—	*4n*	22,880
Interest expense	(459,962)	(628,888)	(1,603,050)	*4o*	(2,691,900)
Change in warrant liability	(616,607)	—	—		(616,607)
Gain (loss) on foreign currency adjustment	(856,438)	76,349	—		(780,089)
Gain on sale of asset	163,333	—	—		
Other income	—	171,111	—		171,111
Total other expense	(1,748,637)	(379,585)	(1,603,050)		(3,894,605)
Income (loss) before income tax (provision) benefit	6,245,929	(594,134)	(4,493,921)		994,541
(Provision) benefit from income taxes	(276,301)	152,490	—		(123,811)
Net income (loss)	$ 5,969,628	$ (441,644)	$ (4,493,921)		$ 870,730
Basic and diluted net income per common stockholders:					
Basic net income per common stockholders	$ 0.13				$ 0.02
Diluted net income per common stockholders	$ 0.12				$ 0.02
Weighted average shares outstanding:					
Basic	45,419,175				45,419,175
Diluted	49,535,826				49,535,826

See the accompanying notes to the unaudited pro forma condensed combined financial information.

Note 1 - Background

On September 18, 2017, the Company entered into a Share Purchase Agreement (the “Original Purchase Agreement”) and amended it on October 18, 2017 (the “Amendment” and, together with the Original Purchase Agreement as amended by the Amendment, the “Purchase Agreement”) with TMG Holding Company GmbH, a limited liability company organized under the laws of Germany and wholly-owned subsidiary of the Company, Bawogo Ventures GmbH & Co. KG, a limited partnership organized under the laws of Germany, and the seller guarantors, to purchase all of the outstanding shares of Lovoo GmbH (“Lovoo”), a limited liability company incorporated under the laws of Germany (the “Lovoo Acquisition”), for total consideration of $70.0 million. The Lovoo Acquisition closed on October 19, 2017.

Included in the total consideration of $70.0 million is a $5.0 million contingent consideration in the form of an earn-out which is subject to certain conditions set forth in the Purchase Agreement, including the successful achievement of an Adjusted EBITDA target by Lovoo for the year ended December 31, 2017. At the closing of the Lovoo Acquisition, the Company granted restricted stock awards representing an aggregate of 534,500 shares of common stock to 97 former Lovoo employees as an inducement material to becoming non-executive employees of the Company.

The Company funded the Lovoo Acquisition from cash on hand and from a $60.0 million term credit facility from several banks and other financial institutions party thereto and JP Morgan Chase Bank, N.A., as administrative agent.

Note 2 - Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and pursuant to U.S. Securities and Exchange Commission Regulation S-X Article 11, and present the pro forma financial position and results of operations of the combined companies based upon the historical information after giving effect to the acquisition and adjustments described in these footnotes. The unaudited pro forma condensed combined balance sheet is presented as if the acquisition had occurred on September 30, 2017. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2017 and the years ended December 31, 2016 and 2015 are presented as if the acquisition had occurred on January 1, 2015.

The historical results of The Meet Group and Lovoo have been derived from their respective unaudited financial information for the nine months ended September 30, 2017 and audited financial statements for the years ended December 31, 2016 and 2015.

The unaudited pro forma condensed combined financial information does not reflect pro forma adjustments for ongoing cost savings that The Meet Group expects to and/or has achieved as a result of the acquisition or the costs necessary to achieve these costs savings or synergies.

Note 3 - Preliminary Consideration Transferred and Preliminary Fair Value of Assets Acquired and Liabilities Assumed

The acquisition has been reflected in the unaudited pro forma condensed combined financial statements as being accounted for under the acquisition method with The Meet Group treated as the accounting acquirer. Assets acquired and the liabilities assumed have been measured at fair value based on various preliminary estimates. Due to the fact that the unaudited pro forma condensed combined financial information has been prepared based on preliminary estimates, the final amounts recorded for the acquisition may differ materially from the information presented herein. These estimates are subject to change pending further review of the fair value of assets acquired and liabilities assumed.

The following is a summary of the preliminary estimate of consideration transferred:

Cash consideration [(1)]	$	65,400,000
Net working capital adjustment		15,748,750
Contingent consideration		5,000,000
Total estimated consideration	$	86,148,750

(1) Cash consideration includes a $10.5 million escrow payment, of which $6.0 million will be be paid out 24 months and $4.5 million will be paid 36 months from the date of the transaction.

Management has made preliminary allocation estimates based on currently available information. The final determination of the accounting for the business combination will be completed as soon as practicable. Management anticipates that the valuations of the acquired assets and liabilities will be determined using discounted cash flow analyses and other appropriate valuation techniques to determine the fair value of the assets acquired and liabilities assumed. In addition, management is still completing its analysis of deferred income taxes to be recorded in the transaction. The amounts allocated to the assets acquired and liabilities assumed could differ materially from the preliminary amounts presented in these unaudited pro forma condensed combined financial statements.

The following is a preliminary purchase price allocation as if the acquisition occurred on September 30, 2017:

Cash and cash equivalents	$	12,046,968
Accounts receivable		4,472,716
Prepaid expenses and other current assets		1,168,732
Property and equipment		1,028,559
Deferred tax assets		1,019,144
Intangible assets		16,965,000
Accounts payable		(2,304,127)
Accrued expenses and other current liabilities		(3,143,958)
Deferred revenue		(1,594,641)
Capital lease obligations		(512,208)
Net assets acquired	$	29,146,185
Goodwill		57,002,565
Total consideration	$	86,148,750

Note 4 - Pro Forma Adjustments

The preliminary pro forma adjustments included in the unaudited pro forma condensed combined financial statements related to the acquisition are as follows:

(a) Cash and cash equivalents— Adjustment reflects the preliminary net adjustment to cash in connection with the acquisition.

(b) Cash and cash equivalents— Adjustment reflects cash inflow from proceeds of borrowings incurred by the Company to help finance the purchase price.

(c) Goodwill— Adjustment reflects the preliminary estimated adjustment to goodwill as a result of the acquisition as if it had been completed on September 30, 2017. Goodwill represents the excess of the consideration transferred over the preliminary fair value of the assets acquired and liabilities assumed described in Note 3. The goodwill will not be amortized, but instead will be tested for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment exists.

(d) Property and equipment, net— Adjustment reflects the preliminary fair value related to the property and equipment acquired in the acquisition. The preliminary amounts assigned to property and equipment assets are as follows:

		Fair Value
Software	$	523,229
Office furniture and equipment		226,607
IT equipment		204,296
Leasehold improvements		74,427
Total property and equipment	$	1,028,559

(e) Intangible assets, net— Adjustment reflects the preliminary fair value related to the identifiable intangible assets acquired in the acquisition. The preliminary fair value of the Lovoo trademark was determined using an income approach, the preliminary fair value of software acquired, which represents the primary platform on which the Lovoo App operates, was determined using a cost approach and the preliminary fair value of customer relationships was determined using an excess earnings approach. The preliminary amounts assigned to the identifiable intangible assets are as follows:

		Fair Value
Trademarks	$	12,090,000
Software		1,335,000
Customer relationships		3,540,000
Total identifiable intangible assets	$	16,965,000

(f) Other assets— To eliminate amounts due from founders settled in conjunction with the acquisition.

(g) Current and long-term borrowings— To reflect borrowings incurred by the Company to help finance the acquisition of Lovoo.

(h) Deferred revenue— Adjustment reflects the fair value adjustment related to deferred revenue.

(i) Contingent consideration— Adjustment reflects the fair value of contingent consideration on the acquisition date.

(j) Long-term debt— To eliminate debt obligations settled in conjunction with the acquisition.

(k) Equity— The adjustments to eliminate the historical preferred stock, common stock and other equity components of Lovoo.

(l)Depreciation and amortization— Reflects the preliminary adjustment to the amortization and depreciation expense associated with the fair value of the identifiable intangible assets and property and equipment acquired in the acquisition. The preliminary pro forma adjustment for depreciation expense for the property and equipment and amortization expense for the intangible assets acquired is as follows:

	Estimated useful life (months)	Preliminary fair value	Depreciation expense for the nine months ended September 30, 2017	Depreciation expense for the year ended December 31, 2016	Depreciation expense for the year ended December 31, 2015
Software	36	$ 523,229	$ 130,807	$ 174,410	$ 174,410
Office furniture and equipment	60	226,607	33,991	45,321	45,321
IT equipment	36	204,296	51,074	68,099	68,099
Leasehold improvements	60	74,427	11,164	14,885	14,885
Total pro forma adjustment		$ 1,028,559	$ 227,036	$ 302,715	$ 302,715

Property and equipment is expected to be depreciation on a straight-line basis over the estimated useful life of the asset.

	Estimated useful life (months)	Preliminary fair value	Amortization expense for the nine months ended September 30, 2017	Amortization expense for the year ended December 31, 2016	Amortization expense for the year ended December 31, 2015
Trademarks	120	$ 12,090,000	$ 1,505,840	$ 1,460,970	$ 1,403,360
Software	24	1,335,000	—	603,780	731,220
Customer relationships - subscriptions	12	505,000	—	—	505,000
Customer relationships - advertisers	120	3,035,000	834,090	598,360	599,550
Total pro forma adjustment		$ 16,965,000	$ 2,339,930	$ 2,663,110	$ 3,239,130

The estimated fair value of the intangible assets is expected to be amortized using an accelerated method based on projected revenues over the estimated period of material economic benefit of the intangible assets.

(m) Acquisition and restructuring costs— An adjustment of $1,612,790 for the nine months ended September 30, 2017 reflects the removal of transaction costs incurred by The Meet Group and Lovoo related to the acquisition. Of this amount, The Meet Group incurred $1,291,251 and Lovoo incurred $321,539 related to the acquisition. These expenses are directly attributable to the acquisition and are not expected to have a continuing impact on the Company, and therefore have been removed for the purposes of the pro forma statements of operations. No adjustment for transaction costs was made for the years ended December 31, 2016 and 2015.

(n) Interest income— This adjustment reflects interest income from due from founders settled in conjunction with the acquisition.

(o) Interest expense— This adjustment reflects an increase in interest expense resulting from financing $60.0 million of the total estimated cash consideration of $86.1 million paid in the acquisition of Lovoo. The $60.0 million was financed under an amortizing term credit facility. The interest expense adjustment assumes the term loan is borrowed at the average three-month LIBOR interest rate plus 275 basis points per the loan agreement. This adjustment is offset by historical interest expense incurred by Lovoo of $171,906, $747,286 and $222,156 in the nine months ended September 30, 2017 and the years ended December 31, 2016 and 2015, respectively, for debt obligations settled in conjunction with the acquisition.