Prospectus dated November 11, 2021

Prospectus
for the admission to trading

of

11,492,043 ordinary registered shares with no par value (*Stückaktien*)

and

2,855,000 ordinary registered shares with no-par value (*Stückaktien*) from a capital increase against contributions in kind resolved by the management board on October 19, 2021, and approved by the supervisory board on the same day, utilizing the authorized capital resolved by the Company's ordinary shareholders' meeting on July 30, 2021 together with the exclusion of subscription rights

on the

regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

The Social Chain AG

International Securities Identification Number (ISIN): DE000A1YC996
German Securities Code (*Wertpapierkennnummer* (*WKN*)): A1YC99
Ticker Symbol: PU11

Listing Agent

Berenberg

The information contained in this prospectus will not be updated subsequent to the date hereof except for any significant new factor, material mistake or material inaccuracy relating to the information included in this prospectus which may affect the assessment of the securities and which arises or is noted between the time when this prospectus is approved, which is currently expected for November 11, 2021 and the time when trading on the regulated market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) of all shares to which this prospectus relates will have begun, which is currently expected for December 2021, which will be disclosed in a supplement to this prospectus without undue delay. The obligation to supplement this prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this prospectus is no longer valid.

The validity of this prospectus will expire at the time when trading of the Company's shares on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) and,

simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) commences. Commencement of trading on the regulated market is currently expected for November 12, 2021 regarding the 11,492,043 shares and for December 2021 regarding the 2,855,000 shares.

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TABLE OF CONTENTS

I. SUMMARY OF THE PROSPECTUS

A. – Introduction and Warnings

Name and international securities identification number (ISIN) of the securities – This prospectus (the "**Prospectus**") relates to 11,492,043 ordinary registered shares with no-par value (*Stückaktien*) of The Social Chain AG currently issued with the International Securities Identification Number ("**ISIN**") DE000A1YC996 (the "**Existing Shares**") and 2,855,000 ordinary registered shares with no-par value (*Stückaktien*) of The Social Chain AG from a capital increase against contributions in kind resolved by the management board on October 19, 2021, and approved by the supervisory board on the same day, utilizing the authorized capital resolved by the Company's ordinary shareholders' meeting on July 30, 2021 together with the exclusion of subscription rights (the "**New Shares**").

Identity and contact details of the issuer, including its legal entity identifier (LEI) – The issuer of the shares is The Social Chain AG (hereinafter, "**TSC AG**", the "**Company**" and, together with its fully consolidated subsidiaries, "**we**", "**us**", "**our**", the "**Group**" or "**TSC**"), with its registered office at Gormannstraße 22, 10119 Berlin, Federal Republic of Germany ("**Germany**"), (telephone: +49 (0)30 208 4840-10; website: www.socialchain.com) with legal entity identifier ("**LEI**") 529900ZARRZWUT1YO213. It is registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany, under docket number HRB 128790 B.

Identity and contact details of the person asking for admission to trading on a regulated market, including its legal entity identifier (LEI) – The Company and Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany (telephone: +49 (0)40 350 600), LEI 529900UC2OD7II24Z667, ("**Berenberg**") will ask for admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard).

Identity and contact details of the competent authority approving the Prospectus and date of the approval of the Prospectus – On November 11, 2021, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany, telephone +49 (0)228 4108 0, website: www.bafin.de, approved this Prospectus.

Warnings – *This summary should be read as an introduction to this Prospectus. Investors should base any decision to invest in the shares on a consideration of this Prospectus as a whole. Investors in the shares may lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have prepared this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the shares.*

B. – Key Information on the Issuer

B.1 – Who is the Issuer of the Securities?

Issuer Information – The Company has its registered seat in Berlin, Germany, and the LEI 529900ZARRZWUT1YO213. The Company is a stock corporation (*Aktiengesellschaft*) incorporated in Germany and governed by the laws of Germany.

Principal Activities – Our business model is based on the combination of a social media business unit (offering agency services and media production as well as organizing live events) and a social commerce business unit (distributing direct-to-consumer brands through e-commerce) under one roof allowing us to develop brands through social media marketing and thereby turning reach into sales. In our social commerce business unit, we sell our own direct-to-consumer brands, offering a wide range of more than 3,000 products focused on the three verticals (a term we use for the business areas within our social commerce business unit) of food, home & living, and beauty & health. Our social media business unit focuses on agency services and media production for third party customers as well as the organization of live events. In our social media business unit, we have developed online and offline channels that provide access to more than 80 million followers (as of August 31, 2021) from highly attractive consumer groups, and we deliver campaigns for what we believe to be some of the largest brands in the world as their social media agency.

On October 19, 2021, the Group, DS Holding GmbH, Stapelfeld ("**DS Holding**") and the DS Holding shareholders as of that time entered into an agreement concerning the contribution of all shares in DS Holding to the Group. The contribution is expected to be effected in December 2021. In exchange for the contribution of their DS Holding shares, the former DS Holding shareholders will receive a total of €100.281 million in cash as well as 2,855,000 newly issued shares in the Group, corresponding to 24.84% of the Group's share capital immediately before the contribution and the assumption of a liability of the former DS Holding shareholders by the Company in an amount of €4,080 thousand.

We consider the acquisition of DS Holding to be a landmark in our growth path which adds a large variety of complementary products to our existing social commerce portfolio, significantly broadening our addressed and addressable markets. DS Holding is an internationally operating brand and trading company with currently more than 4,000 non-food consumer goods in the verticals of kitchen, household, Do-it-yourself (DIY), garden, personal care, healthcare, sport, fitness & textile. One of its best known brands is the German barbecue manufacturer LANDMANN.

***Controlling Shareholder* –** As of the date of this Prospectus, Dr. Georg Kofler holds 47.55% of the shares in the Company indirectly through the companies Gruppe Georg Kofler GmbH, FORTUNA Beteiligungsgesellschaft mbH, Dacapo S.à r.l. and DA CAPO Vermögensverwaltung GmbH, all of which are under the control of Dr. Georg Kofler.

***Management Board* –** The members of the management board of the Company are Wanja S. Oberhof (chief executive officer), Christian Senitz (chief financial officer). Ralf Dümmel is expected to be appointed as chief product officer following completion of the acquisition of DS Holding.

***Statutory Auditors* –** For the fiscal year ended December 31, 2018, the Company's auditor was Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Theodor-Stern-Kai 1, 60596 Frankfurt am Main, Germany. For the fiscal years ended December 31, 2019 and December 31, 2020, the Company's auditor was Deloitte GmbH, Wirtschaftsprüfungsgesellschaft, Berlin Office, Kurfürstendamm 23, 10719 Berlin, Germany. For the fiscal year ending December 31, 2021, RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Office Frankfurt am Main, Ulmenstraße 37-39, 60325 Frankfurt am Main, Germany has been appointed as statutory auditor.

B.2 – What is the Key Financial Information regarding the Issuer?

Selected Financial Information of the Group

The audited consolidated financial statements of the Group as of and for the financial years ended December 31, 2020 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*). The audited consolidated financial statements of the Group as of and for the financial years ended December 31, 2018 and December 31, 2019 were prepared in accordance with the generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch* ("**HGB**")). The unaudited condensed consolidated interim financial statements of the Company as of and for the six-month period ended June 30, 2021, were prepared in accordance with IFRS on interim financial reporting (IAS 34).

Unless indicated otherwise, all financial information presented in the tables below is shown in millions of Euro (in € million). Certain financial information, including percentages, has been rounded according to established commercial standards. As a result, rounded figures in the tables included below may not add up to the aggregate amounts in such tables (sum totals or subtotals), which are calculated based on unrounded figures. Financial information presented in parentheses denotes the negative of such number presented. A dash ("–") signifies that there is no relevant figure, while a zero ("0" or "0.0") indicates that the relevant figure is available but has been rounded to, or equals, zero.

The Group emerged in October 2019 from the contribution of the former The Social Chain Group AG ("**TSCG AG**") and its investment companies into Lumaland AG. Subsequently, Lumaland AG was renamed The Social Chain AG. The acquisition was completed by contributing the shares in TSCG AG into Lumaland AG by way of contribution in kind. The comparability of the historical financial information is limited due to a large number of acquisitions effected during the periods under review. In addition, the consolidated financial statements for the years up to 2019 were prepared in accordance with local GAAP (HGB), while the consolidated financial information from 2020 onwards have been prepared in accordance with IFRS. Further, the consolidated financial statements according to local GAAP (HGB) represent the group and its formation from the perspective of Lumaland AG, while the consolidated financial statements according to IFRS reflect the group and its formation from the perspective of TSCG AG, i.e., as if TSCG AG had acquired Lumaland AG (reverse acquisition).

Due to the corporate contribution of The Social Chain Group AG as of October 9, 2019, the fiscal year ended December 31, 2019 is the first reporting period in which the Group existed in its current form under the name "The Social Chain AG" and the companies contributed to the Group are only included pro rata temporis for those periods during which they have been part of the Group. The consolidated statement of profit and loss of the consolidated financial statements for the fiscal year ended December 31, 2019 include the new The Social Chain AG (formerly Lumaland AG) for twelve months and The Social Chain Group AG and its investment companies for three months.

Selected Data from the Consolidated Statement of Profit or Loss Prepared in Accordance with IFRS

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	**2020**	**2020**	**2021**
	(audited)		**(unaudited)**	
	(in € million)		**(in € million)**	
Revenues	35.5	130.3	69.2	160.1
Increase or decrease of finished goods and work in progress	0.0	(0.0)	(0.4)	1.8
Other operating income	1.2	7.8	6.2	1.5
Material expenses	(20.7)	(67.7)	(39.9)	(109.6)
Personnel expenses	(18.3)	(32.0)	(12.6)	(19.2)
Net impairment loss on trade receivables and contract assets	(1.6)	(0.4)	(0.1)	0.0
Other operating expenses	(12.9)	(45.9)	(24.7)	(39.8)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**(16.8)**	**(8.0)**	**(2.3)**	**(5.3)**
Depreciation and amortization expenses	(6.2)	(15.5)	(3.2)	(3.6)
Earnings before interest and taxes (EBIT)	**(22.9)**	**(23.5)**	**(5.5)**	**(8.9)**
Interest and similar income	0.4	2.0	0.3	10.6
Interest and similar expenses	(4.7)	(5.1)	(2.6)	(7.9)
Share of profit of equity-accounted investees	(0.4)	(0.0)	0.0	(0.0)
Income before income tax expense	**(27.6)**	**(26.5)**	**(7.9)**	**(6.2)**
Income tax expense/benefit	0.1	0.8	0.9	(2.5)
Income after income tax expense	**(27.5)**	**(25.7)**	**(7.0)**	**(8.7)**

Selected Data from the Consolidated Statement of Profit or Loss Prepared in Accordance with the Generally Accepted Accounting Principles of the German Commercial Code (HGB)

	For the fiscal year ended December 31,	
	2018[(1)]	**2019**
	(audited)	
	(in € million)	
Revenue	**46.1**	**50.7**
Increase/decrease in finished goods and work in progress	0.0	0.0
Other operating income	0.3	1.3
Cost of materials	(22.3)	(25.7)
Thereof:		
Cost of purchased merchandise	(22.3)	(20.5)
Cost of purchased services	(0.0)	(5.2)
Personnel expenses	(6.3)	(12.2)
Thereof:		
Wages and salaries	(5.3)	(10.6)
Social security, post-employment and other employee benefit costs	(1.0)	(1.6)
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment	(2.0)	(5.5)
Other operating expenses	(21.0)	(25.2)
Share of net loss from associates	0.0	(0.2)
Other interest and similar income	0.0	0.0
Amortization and write-downs of long-term financial assets	0.0	(3.4)
Interest and similar expenses	(0.5)	(0.8)
Result from ordinary activities	**(5.7)**	**(21.0)**
Income taxes	0.1	0.1
Earnings after taxes	**(5.6)**	**(20.9)**
Other taxes	(0.1)	(0.0)
Consolidated loss for the period	**(5.7)**	**(21.0)**
Non-controlling interest	0.0	0.3
Consolidated accumulated losses brought forward	(1.4)	(7.1)
Consolidated net accumulated losses	**(7.1)**	**(27.8)**

Selected Data from the Consolidated Balance Sheet Prepared in Accordance with IFRS

	As of December 31,		As of June 30,
	2019	2020	2021
	(audited) (in € million)		(unaudited) (in € million)
Non-current assets	137.6	153.2	163.8
Current assets	35.5	51.4	97.1
Total assets	173.1	204.5	260.9
Total equity	90.0	98.7	97.8
Non-current liabilities	23.5	35.8	74.6
Current liabilities	59.6	70.1	88.6
Total equity and liabilities	173.1	204.5	260.9

Selected Data from the Consolidated Balance Sheet Prepared in Accordance with the Generally Accepted Principles of the German Commercial Code (HGB)

	As of December 31,	
	2018(1)	2019
	(audited) (in € million)	
Fixed Assets	17.8	124.5
Current Assets	7.6	27.0
Total assets	25.5	152.5
Consolidated equity	4.8	97.5
Liabilities	20.0	45.6
Total equity and liabilities	25.5	152.5

Selected Data from the Consolidated Statement of Cash Flows Prepared in Accordance with IFRS

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Net cash flow from operating activities	(10.3)	(24.7)	(0.7)	(33.0)
Net cash flow from investing activities	0.3	(6.1)	(0.8)	(1.7)
Net cash flow from financing activities	15.5	33.5	14.7	36.2
Cash and cash equivalents at end of the period	6.8	9.4	19.9	10.9

Selected Data from the Consolidated Statement of Cash Flows Prepared in Accordance with the Generally Accepted Accounting Principles of the German Commercial Code (HGB)

	For the fiscal year ended December 31,	
	2018(1)	2019
	(audited) (in € million)	
Cash flow from operating activities	(2.6)	(13.3)
Cash flow from investing activities	(0.1)	0.6
Cash flow from financing activities	2.5	16.3
Cash funds at end of the period	0.5	6.3

(1) To enhance comparability, certain items of the balance sheet and the statement of profit and loss have been reclassified in audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019 and their prior-year values have been restated. Accordingly, in order to show comparable numbers, financial information as of and for the fiscal year ended December 31, 2018 has been taken from the audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019.

Pro Forma Financial Information

Selected Data from the Pro Forma Balance Sheet as of June 30, 2021

	The Social Chain AG	DS Holding GmbH	Total	Pro Forma Adjust-ments	Total
	A	B	C=A+B	D	E=C+D
			(in € thousand)		
ASSETS					
Non-current assets	163,848	90,130	253,978	187,213	441,191
Current assets	97,083	161,867	258,950	14,389	273,340
Total assets	**260,931**	**251,997**	**512,928**	**201,602**	**714,530**
EQUITY AND LIABILITIES					
Equity attributable to owners	95,201	64,022	159,223	114,142	273,366
Total Equity	97,756	66,804	164,560	111,388	275,949
Non-current liabilities	74,600	80,123	154,723	85,992	240,715
Current liabilities	88,575	105,070	193,645	4,221	197,866
Total equity and liabilities	**260,931**	**251,997**	**512,928**	**201,602**	**714,530**

Selected Data from the Pro Forma Statement of Profit or Loss for the six-month period from January 1, 2021 to June 30, 2021

	The Social Chain AG	DS Holding GmbH	Total	Pro Forma Adjust-ments	Total
	A	B	C=A+B	D	E=C+D
			(in € thousand)		
Revenues	160,106	181,223	341,329	-	341,329
Increases or decreases of finished goods and work in progress	1,765	-	1,765	-	1,765
Other operating income	1,499	3,435	4,934	-	4,934
Material expenses	(109,572)	(147,056)	(256,628)	-	(256,628)
Personnel expenses	(19,213)	(14,424)	(33,637)	-	(33,637)
Net impairment loss on financial and contract assets	0	(121)	(121)	-	(121)
Other operating expenses	(39,844)	(5,723)	(45,567)	-	(45,567)
EBITDA	**(5,259)**	**17,333**	**12,074**	**-**	**12,074**
Depreciation and amortization expenses	(3,622)	(2,098)	(5,720)	(5,702)	(11,422)
EBIT	**(8,881)**	**15,235**	**6,354**	**(5,702)**	**652**
Income after income tax expense	**(8,694)**	**21,468**	**12,775**	**(4,724)**	**8,051**
	-				
Thereof attributable to:					
Owners of parent company	(8,811)	19,763	10,952	(3,043)	7,910
Non-Controlling interests	117	1,705	1,823	(1,681)	141

B.3 – What are the Key Risks that are Specific to the Issuer?

- Our efforts to retain existing customers and acquire new customers in both our social commerce and our social media business unit may not be successful, which could prevent us from maintaining or increasing our revenue.
- We face intense competition, which may intensify even further as existing competitors expand their operations and new financially stronger competitors enter the market. If we are not successful in competing against such competitors, it could harm our business and results of operations.
- The continuing COVID-19 pandemic, or the outbreak of other epidemics or pandemics, could have a material adverse effect on our revenue and supply chain, particularly as they relate / it relates to the organization of live events in our social media business unit.
- Failure to manage our growth effectively, including through improvements in our operations, financial controls and reporting procedures, could have a material adverse effect on our business, results of operations, financial condition and prospects.

- In connection with our acquisitions of companies in the past, we may not have adequately identified, assessed or avoided potential transactional risks, the materialization of which could have a material adverse effect on our business, results of operations and financial condition.
- We have in the past made and in the future may make acquisitions and investments, which could divert management's attention, result in operating difficulties and otherwise disrupt our operations and adversely affect our business, results of operations and financial condition.
- We rely on search engines and social networking websites to attract a portion of our customers. If we are not able to generate traffic to our websites through search engines and social networking websites, our ability to attract new customers and increase our revenues may be impaired.
- We may be negatively affected by the market dominance of social media platforms and changes in their algorithms and terms and conditions and any inability to understand and react to such changes promptly could adversely affect our business and results of operations.
- We rely on email and other social networking and messaging services in our marketing efforts, and restrictions on sending emails or messages, delays in their delivery, adverse actions by third parties or a declining use of social networking and messaging services could adversely affect our business.
- Our contemplated results and benefits from the envisaged acquisition of the DS Holding may not be met and the expected business development may not be achieved.
- Our business may be negatively affected by privacy-related regulation, particular by the General Data Protection Regulation (EU) 2016/679 (including as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of the U.K.-European Union Withdrawal Act 2018, the U.K. Data Protection Act 2018), as these provisions could interfere with our strategy to collect and use personal data for our marketing.
- As a result of the admission to trading of our shares in the regulated market, we will face additional regulatory and administrative requirements, including the obligation to issue quarterly group statements and other disclosure obligations. The additional regulatory and administrative burdens which we will be subject to as a result of the admission to trading of our shares in the regulated market could have an adverse impact on our business, results of operations and financial condition.
- We may be subject to litigation proceedings in connection with mergers, acquisitions – such as in the case of the Company's ongoing litigation with certain minority shareholders of KoRo Handels GmbH about the exercise of a put option – or other corporate transactions or measures, which could harm our business and results of operations.

C. – Key Information on the Securities

C.1 – What are the Main Features of the Securities?

The Prospectus relates to the Existing Shares and the New Shares, the latter as part of the consideration for the acquisition of DS Holding from a capital increase against contributions in kind resolved by the management board on October 19, 2021, with the approval of the supervisory board on the same day, utilizing the authorized capital resolved by the Company's ordinary shareholders' meeting on July 30, 2021 together with the exclusion of subscription rights, each such share representing a notional value of €1.00 and with full dividend rights from January 1, 2021.

Number and Nature of Shares – As of the date of this Prospectus, 11,492,043 shares of the Company are outstanding and 2,855,000 shares of the Company will be issued, the latter as part of the consideration for the acquisition of DS Holding from a capital increase against contributions in kind resolved by the management board on October 19, 2021, with the approval of the supervisory board on the same day, utilizing the authorized capital resolved by the Company's ordinary shareholders' meeting on July 30, 2021 together with the exclusion of subscription rights. All shares are ordinary registered shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00.

ISIN and Denomination – The ISIN of the shares is DE000A1YC996 and the shares are denominated in euros.

Rights Attached to the Shares and Transferability – All shares carry full dividend rights from January 1, 2021. Each share carries one vote at the Company's shareholders' meeting. The shares are subordinated to all other securities and claims in case of an insolvency of the Company and are freely transferable in accordance with the legal requirements for registered shares.

Dividend Policy – The Company does not intend to pay dividends for the foreseeable future. Any determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements.

C.2 – Where will the Securities be traded?

As of the date of this prospectus, 11,492,043 ordinary registered shares with no par value (*Stückaktien*), each with a notional value of €1.00 and with full dividend rights from January 1, 2021 are admitted to trading on the Open Market of the Düsseldorf Stock Exchange.

The Company together with Berenberg has applied for the admission of the Existing Shares and will apply for the admission of the New Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) respectively on October 29, 2021 regarding the Existing Shares and in December 2021 regarding the New Shares.

C.3 – What are the Key Risks that are Specific to the Securities?

- Based on a decision of the management of the Company, the Company does not intend to pay any dividends in the foreseeable future.
- Capitalization measures, such as the capital increase resolved by the management board on October 19, 2021, and approved by the supervisory board on the same day through the issuance of 2,855,000 new shares and the planned capital increase through the issuance of 1,145,000 new shares, could substantially dilute the interests of our existing shareholders.

D. – Key Information on the Offer of the Securities and the Admission to Trading

D.1 – Under which Conditions and Timetable can I invest in this Security?

Admission to Trading and Closing **–** The approval for admission to trading is expected to be announced on or about November 12, 2021 regarding the Existing Shares and in December 2021 regarding the New Shares. Commencement of trading of the Existing Shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurt Wertpapierbörse*) is expected to take place on or about November 12, 2021 and of the New Shares in December 2021.

Total Expenses – The costs related to the listing of the Existing and the New Shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Listing**") are expected to total approximately €2.3 million.

D.2 – Who is the Offeror and the Person asking for Admission to Trading?

Admission to Trading – The Company, together with Berenberg, has applied for the admission of the Existing Shares and will apply for the admission of the New Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) respectively on October 29, 2021 regarding the Existing Shares and in December 2021 regarding the New Shares. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on November 12, 2021 or in December 2021, respectively.

D.3 – Why is this Prospectus being Produced?

Reason for the Listing – The Company intends to pursue the Listing to gain better access to the capital markets.

Material Conflicts of Interest – Berenberg has entered into a listing agreement with the Company in connection with the Listing. Berenberg is advising the Company on the Listing and is coordinating the Listing process. Berenberg will receive a customary fixed commission for such services.

Furthermore, Berenberg or its affiliates have, and may from time to time in the future continue to have, business relations with members of the Group or may perform services for members of the Group in the ordinary course of business.

Other than the interests described above, there are no conflicts of interest with respect to the Listing.

II. PROSPEKTZUSAMMENFASSUNG

A. – Einleitung mit Warnhinweisen

Bezeichnung und internationale Wertpapier-Identifikationsnummer (ISIN) der Wertpapiere – Dieser Prospekt (der „**Prospekt**") bezieht sich auf 11.492.043 derzeit ausgegebene auf den Namen lautende Stammaktien ohne Nennwert (Stückaktien) der The Social Chain AG mit der internationalen Wertpapier-Identifikationsnummer („**ISIN**") DE000A1YC996 („**Bestehende Aktien**") sowie auf 2.855.000 auf den Namen lautende Stammaktien ohne Nennwert (Stückaktien) der The Social Chain AG aus einer vom Vorstand am 19. Oktober 2021 beschlossenen und vom Aufsichtsrat am selben Tag genehmigten Kapitalerhöhung gegen Sacheinlagen unter Ausnutzung des von der ordentlichen Hauptversammlung der Gesellschaft am 30. Juli 2021 beschlossenen genehmigten Kapitals und unter Ausschluss der Bezugsrechte („**Neue Aktien**").

Identität und Kontaktdaten des Emittenten, einschließlich der Rechtsträgererkennung (LEI) – Die Emittentin der Aktien ist The Social Chain AG (im Folgenden die „**TSC AG**", die „**Gesellschaft**" und zusammen mit ihren vollkonsolidierten Tochtergesellschaften „**wir**", „**uns**", „**unsere**", die „**Gruppe**" oder „**TSC**"), mit eingetragenem Sitz in der Gormannstraße 22, 10119 Berlin, Bundesrepublik Deutschland ("**Deutschland**"), (Telefon: +49 (0)30 208 4840-10; Website: www.socialchain.com), Rechtsträgerkennung („**LEI**") 529900ZARRZWUT1YO213, eingetragen im Handelsregister des Amtsgerichts Charlottenburg, Deutschland, unter der HRB 128790 B.

Identität und Kontaktdaten der die Zulassung zum Handel an einem Regulierten Markt beantragenden Person, einschließlich der Rechtsträgerkennung (LEI) – Die Gesellschaft und Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Deutschland (Telefon: +49 (0)40 350 600), LEI 529900UC2OD7II24Z667 („**Berenberg"**) werden die Zulassung zum Handel der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse und zugleich zum Teilbereich des regulierten Marktes mit zusätzlichen Zulassungsfolgepflichten (Prime Standard) beantragen.

Identität und Kontaktdaten der zuständigen Behörde, die den Prospekt billigt und Datum der Billigung des Prospekts – Die Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Deutschland, Telefon +49 (0)228 4108 0, Website: www.bafin.de, hat diesen Prospekt am 11. November 2021 gebilligt.

Warnhinweise – *Diese Zusammenfassung sollte als Prospekteinleitung verstanden werden. Anleger sollten sich bei jeder Entscheidung, in die Aktien zu investieren, auf diesen Prospekt als Ganzes stützen. Die Anleger könnten ihr gesamtes angelegtes Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die diese Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass diese Zusammenfassung, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die Aktien für die Anleger eine Entscheidungshilfe darstellen würden.*

B. – Basisinformationen über die Emittentin

B.1 – Wer ist die Emittentin der Wertpapiere?

Angaben zur Emittentin – Die Gesellschaft hat ihren eingetragenen Sitz in Berlin, Deutschland, und die LEI 529900ZARRZWUT1YO213. Die Gesellschaft ist eine in Deutschland gegründete und deutschem Recht unterliegende Aktiengesellschaft.

Haupttätigkeiten – Unser Geschäftsmodell besteht in der Kombination eines Social-Media-Geschäftsbereichs (in dem wir Agenturleistungen und Medienproduktionen anbieten sowie Live-Events organisieren) sowie eines Social-Commerce-Geschäftsbereichs (in dem wir Direct-to-Consumer-Marken im Wege des E-Commerce vertreiben) unter einem Dach. Dies ermöglicht es uns, Marken durch Social Media Marketing zu entwickeln und so Umsatz durch Reichweite zu generieren. In unserem Social-Commerce-Geschäftsbereich vertreiben wir unsere eigenen Direct-to-Consumer-Marken und bieten eine breite Palette von mehr als 3.000 Produkten an, die sich auf die drei Vertikalbereiche (eine Bezeichnung, die wir für die Geschäftsfelder innerhalb unseres Social-Commerce-Geschäftsbereichs verwenden) food, home & living sowie beauty & health konzentrieren. Unser Social Media-Geschäftsbereich konzentriert sich auf Agenturleistungen und Medienproduktion für Drittkunden sowie die Organisation von Live-Events. In unserem Social-Media-Geschäftsbereich haben wir Online- und Offline-Kanäle entwickelt, die Zugang zu mehr als 80 Millionen Followern (zum 31. August 2021) aus hochattraktiven Kundengruppen bieten und liefern Kampagnen für einige der aus unserer Sicht größten Marken der Welt als deren Social-Media-Agentur.

Am 19. Oktober, 2021 schlossen die Gesellschaft, die DS Holding GmbH, Stapelfeld („**DS Holding**") und die damaligen Gesellschafter der DS Holding einen Vertrag über die Einbringung aller Anteile an der DS Holding in die Gesellschaft. Die Einbringung wird für den Dezember 2021 erwartet. Im Gegenzug für die Einbringung ihrer DS Holding-Anteile sollen die ehemaligen DS Holding-Gesellschafter insgesamt €100,281 Mio. in bar sowie 2.855.000 neu ausgegebene Aktien der Gesellschaft erhalten, was im Zeitpunkt der Erstellung dieses Prospekts 24,84 % des Grundkapitals der Gesellschaft unmittelbar vor der Einbringung entspricht und die Übernahme einer Verbindlichkeit der ehemaligen DS Holding-Gesellschafter durch die Gesellschaft in Höhe von € 4.080 Tausend. Wir betrachten die Übernahme der DS Holding als einen Meilenstein auf unserem Wachstumspfad, der unser bestehendes Social-Commerce-Portfolio um eine Vielzahl komplementärer Produkte ergänzt und unsere adressierten und adressierbaren Märkte deutlich erweitert. Die DS Holding ist ein international tätiges Marken- und Handelsunternehmen mit derzeit mehr als 4.000 Non-Food-Konsumgüter. Die DS Holding entwickelt, vermarktet und vertreibt eigene Produkte und Marken und ist ein bedeutender Lieferant von Produkten in den Bereichen Küche, Haushalt, Do-it-yourself (DIY), Garten, Körperpflege, Gesundheit, Sport, Fitness und Textilien. Eine ihrer bekanntesten Marken ist der deutsche Grillhersteller LANDMANN.

Beherrschende Anteilseigner – Zum Datum dieses Prospekts hält Dr. Georg Kofler 47,55% der Aktien der Gesellschaft mittelbar über die Gesellschaften Gruppe Georg Kofler GmbH, FORTUNA Beteiligungsgesellschaft mbH, Dacapo S.à r.l. und DA CAPO Vermögensverwaltung GmbH, die sämtlich unter der Kontrolle von Dr. Georg Kofler stehen.

Vorstand – Die Mitglieder des Vorstands der Gesellschaft sind Wanja S. Oberhof (Vorstandsvorsitzender) und Christian Senitz (Finanzvorstand). Ralf Dümmel wird voraussichtlich nach Abschluss der Akquisition der DS Holding als Produktvorstand bestellt werden.

Abschlussprüfer – Abschlussprüfer der Gesellschaft für das zum 31. Dezember 2018 geendete Geschäftsjahr war Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Theodor-Stern-Kai 1, 60596 Frankfurt am Main, Deutschland. Abschlussprüfer der Gesellschaft für die zum 31. Dezember 2019 und 31. Dezember 2020 geendeten Geschäftsjahre war die Deloitte GmbH, Wirtschaftsprüfungsgesellschaft, Büro Berlin, Kurfürstendamm 23, 10719 Berlin, Deutschland. Für das zum 31. Dezember 2021 endende Geschäftsjahr wurde die RSM GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Büro Frankfurt am Main, Ulmenstraße 37-39, 60325 Frankfurt am Main, Deutschland zum Abschlussprüfer bestellt.

B.2 – Welche sind die wesentlichen Finanzinformationen über die Emittentin?

Ausgewählte Konzernfinanzinformationen der Gruppe

Der geprüfte Konzernabschluss der Gruppe für das zum 31. Dezember 2020 geendete Geschäftsjahr wurde erstellt in Übereinstimmung mit den von der Europäischen Union umgesetzten International Financial Reporting Standards („**IFRS**") und den zusätzlichen Anforderungen des deutschen Handelsrechts gemäß § 315e Abs. 1 HGB. Der geprüfte Konzernabschluss der Gruppe für das zum 31. Dezember 2018 und das zum 31. Dezember 2019 geendete Geschäftsjahr wurde erstellt in Übereinstimmung mit den Grundsätzen ordnungsgemäßer Buchführung des deutschen Handelsgesetzbuches („**HGB**"). Der verkürzte Konzernzwischenabschluss der Gesellschaft zum 30. Juni 2021 und für den zum 30. Juni 2021 geendeten Sechsmonatszeitraum wurde erstellt in Übereinstimmung mit IFRS in Bezug auf Konzernzwischenberichterstattung (IAS 34).

Die in den untenstehenden Tabellen aufgeführten Finanzinformationen werden in Millionen Euro (€ Mio.) angegeben, soweit nicht anders angegeben. Bestimmte Finanzinformationen, einschließlich Prozentsätze, wurden kaufmännisch gerundet. Daher entsprechen die gerundeten Zahlen in den untenstehenden Tabellen möglicherweise nicht in allen Fällen den Gesamtwerten (Summen oder Zwischensummen) in diesen Tabellen, die auf Basis ungerundeter Zahlen berechnet werden. Bei in Klammern angegebenen Finanzinformationen handelt es sich um den negativen Wert der dargestellten Zahlen. Ein Gedankenstrich („–") indiziert, dass die jeweilige Zahl nicht verfügbar ist, während eine Null („0" oder „0,0") bedeutet, dass die jeweilige Zahl verfügbar ist, jedoch Null beträgt oder auf Null gerundet wurde.

Die Gruppe ist im Oktober 2019 aus der Einbringung der früheren The Social Chain Group AG („**TSCG AG**") und ihrer Beteiligungsgesellschaften in die Lumaland AG hervorgegangen. In der Folge wurde die Lumaland AG in The Social Chain AG umbenannt. Die Übernahme erfolgte durch Einbringung der Aktien der TSCG AG in die Lumaland AG im Wege der Sacheinlage.

Die Vergleichbarkeit der historischen Finanzinformationen ist aufgrund einer Vielzahl von Akquisitionen, die in den Berichtszeiträumen getätigt wurden, eingeschränkt. Darüber hinaus wurden die Konzernabschlüsse für die Jahre bis 2019 nach den Rechnungslegungsvorschriften des HGB erstellt, während die konsolidierten Finanzinformationen ab 2020 nach den IFRS erstellt wurden. Ferner stellt der Konzernabschluss nach HGB den Konzern und seine Entstehung aus Sicht der Lumaland AG dar, während der Konzernabschluss nach IFRS den Konzern und seine Entstehung aus Sicht der TSCG AG darstellt, d.h. so, als hätte die TSCG AG die Lumaland AG erworben (Reverse Acquisition).

Aufgrund der gesellschaftsrechtlichen Einbringung der The Social Chain Group AG zum 9. Oktober 2019 ist das zum 31. Dezember 2019 geendete Geschäftsjahr die erste Berichtsperiode, in der die Gruppe in ihrer jetzigen Form unter dem Namen „The Social Chain AG" bestand. Die in die Gruppe eingebrachten Gesellschaften werden nur zeitanteilig einbezogen für Zeiträume, in denen sie Teil der Gruppe waren. In der Gewinn- und Verlustrechnung des Konzernabschlusses für das am 31. Dezember 2019 endende Geschäftsjahr sind die neue The Social Chain AG (vormals Lumaland AG) mit zwölf Monaten und die The Social Chain Group AG und ihre Beteiligungsgesellschaften mit drei Monaten enthalten.

Ausgewählte Daten aus der Konzern-Gewinn- und Verlustrechnung, Erstellt nach IFRS

	Für das zum 31. Dezember geendete Geschäftsjahr		Für den zum 30. Juni geendeten Sechsmonatszeitraum	
	2019	**2020**	**2020**	**2021**
	(geprüft)		**(ungeprüft)**	
	(in € Mio.)		**(in € Mio.)**	
Umsatzerlöse	35,5	130,3	69,2	160,1
Bestandsveränderungen	0,0	(0,0)	(0,4)	1,8
Sonstige Erträge	1,2	7,8	6,2	1,5
Materialaufwand	(20,7)	(67,7)	(39,9)	(109,6)
Personalaufwand	(18,3)	(32,0)	(12,6)	(19,2)
Nettowertminderungsaufwand aus Forderungen aus Lieferungen und Leistungen sowie Vertragsvermögenswerten	(1,6)	(0,4)	(0,1)	0,0
Sonstige Aufwendungen	(12,9)	(45,9)	(24,7)	(39,8)
Ergebnis vor Abschreibungen, Ertragssteuern und Zinsen (EBITDA)	**(16,8)**	**(8,0)**	**(2,3)**	**(5,3)**
Abschreibungen	(6,2)	(15,5)	(3,2)	(3,6)
Ergebnis vor Ertragssteuern und Zinsen (EBIT)	**(22,9)**	**(23,5)**	**(5,5)**	**(8,9)**
Finanzerträge	0,4	2,0	0,3	10,6
Finanzaufwendungen	(4,7)	(5,1)	(2,6)	(7,9)
Ergebnis aus at equity bilanzierten Unternehmen	(0,4)	(0,0)	0,0	(0,0)
Ergebnis vor Steuern	**(27,6)**	**(26,5)**	**(7,9)**	**(6,2)**
Ertragssteuern	0,1	0,8	0,9	(2,5)
Konzernergebnis	**(27,5)**	**(25,7)**	**(7,0)**	**(8,7)**

Ausgewählte Daten aus der Konzern-Gewinn- und Verlustrechnung, Erstellt nach den allgemein anerkannten Rechnungslegungsgrundsätzen des HGB

	Für das zum 31. Dezember geendete Geschäftsjahr	
	2018[1]	**2019**
	(geprüft)	
	(in € Mio.)	
Umsatzerlöse	**46,1**	**50,7**
Bestandsveränderungen	0,0	0,0
Sonstige Erträge	0,3	1,3
Materialaufwand	(22,3)	(25,7)
Davon:		
Aufwand für bezogene Waren	(22,3)	(20,5)
Aufwand für bezogene Dienstleistungen	(0,0)	(5,2)
Personalaufwand	(6,3)	(12,2)
Davon:		
Löhne und Gehälter	(5,3)	(10,6)
Soziale Abgaben, Aufwendungen für Leistungen nach Beendigung des Arbeitsverhältnisses und sonstige Personalaufwendungen	(1,0)	(1,6)
Abschreibungen und Wertberichtigungen auf immaterielle Anlagewerte und Sachanlagen	(2,0)	(5,5)
Sonstige Aufwendungen	(21,0)	(25,2)
Anteil am Nettoverlust von assoziierten Unternehmen	0,0	(0,2)
Finanzerträge	0,0	0,0
Abschreibungen und Wertberichtigungen auf langfristige Finanzanlagen	0,0	(3,4)
Finanzaufwendungen	(0,5)	(0,8)
Ergebnis aus der Geschäftstätigkeit	**(5,7)**	**(21,0)**

	Für das zum 31. Dezember geendete Geschäftsjahr	
	2018[1]	2019
	(geprüft)	
	(in € Mio.)	
Ertragssteuern	0,1	0,1
Ergebnis nach Steuern	**(5,6)**	**(20,9)**
Sonstige Steuern	(0,1)	(0,0)
Konzernverlust	**(5,7)**	**(21,0)**
Nicht beherrschende Anteile	0,0	0,3
Konzernverlustvortrag	(1,4)	(7,1)
Konsolidierter Bilanzverlust	**(7,1)**	**(27,8)**

Ausgewählte Daten aus der Konzernbilanz, Erstellt nach IFRS

	Zum 31. Dezember		Zum 30. Juni
	2019	2020	2021
	(geprüft) (in € Mio.)		(ungeprüft) (in € Mio.)
Langfristige Vermögenswerte	137,6	153,2	163,8
Kurzfristige Vermögenswerte	35,5	51,4	97,1
Summe Aktiva	173,1	204,5	260,9
Summe Eigenkapital	90,0	98,7	97,8
Langfristige Schulden	23,5	35,8	74,6
Kurzfristige Schulden	59,6	70,1	88,6
Summe Passiva	173,1	204,5	260,9

Ausgewählte Daten aus der Konzernbilanz, Erstellt nach den allgemein anerkannten Rechnungslegungsgrundsätzen des HGB

	Zum 31. Dezember	
	2018[1]	2019
	(geprüft) (in € Mio.)	
Anlagevermögen	17,8	124,5
Kurzfristige Vermögenswerte	7,6	27,0
Summe Aktiva	25,5	152,5
Konsolidiertes Eigenkapital	4,8	97,5
Schulden	20,0	45,6
Summe Passiva	25,5	152,5

Ausgewählte Daten aus der Konzern-Kapitalflussrechnung, Erstellt nach IFRS

	Für das zum 31. Dezember geendete Geschäftsjahr		Für den zum 30. Juni geendeten Sechsmonatszeitraum	
	2020	2020	2020	2021
	(geprüft)		(ungeprüft)	
	(in € Mio.)		(in € Mio.)	
Netto-Cashflows aus operativer Tätigkeit	(10,3)	(24,7)	(0,7)	(33,0)
Netto-Cashflows aus der Investitionstätigkeit	0,3	(6,1)	(0,8)	(1,7)
Netto-Cashflows aus der Finanzierungstätigkeit	15,5	33,5	14,7	36,2
Zahlungsmittel und Zahlungsmitteläquivalente am Ende der Periode	6,8	9,4	19,9	10,9

Ausgewählte Daten aus der Konzern-Kapitalflussrechnung, Erstellt nach den allgemein anerkannten Rechnungslegungsgrundsätzen des HGB

	Für das zum 31. Dezember endende Geschäftsjahr	
	2018[1]	2019
	(geprüft) (in € Mio.)	
Cashflows aus operativer Tätigkeit	(2,6)	(13,3)
Cashflows aus der Investitionstätigkeit	(0,1)	0,6

	Für das zum 31. Dezember endende Geschäftsjahr	
	2018[(1)]	2019
	(geprüft) (in € Mio.)	
Cashflows aus der Finanzierungstätigkeit	2,5	16,3
Finanzmittelfonds am Ende der Periode	0,5	6,3

(1) Zur Verbesserung der Vergleichbarkeit wurden bestimmte Positionen in der Bilanz und der Gewinn- und Verlustrechnung im geprüften Konzernabschluss der Gruppe zum 31. Dezember 2019 und für das zum 31. Dezember 2019 geendete Geschäftsjahr umgebucht und ihre Vorjahreswerte wurden neu gefasst. Um vergleichbare Zahlen aufzuzeigen, wurden Finanzinformationen zum 31. Dezember 2018 und für das zum 31. Dezember 2018 geendete Geschäftsjahr dem geprüften Konzernabschluss der Gruppe zum 31. Dezember 2019 und für das zum 31. Dezember 2019 geendete Geschäftsjahr entnommen.

Pro Forma Finanzinformationen

Ausgewählte Daten aus der Pro Forma Bilanz zum 30. Juni 2021

	The Social Chain AG	DS Holding GmbH	Total	Pro Forma Anpas-sungen	Gesamt
	A	B	C=A+B	D	E=C+D
			(in € Tsd.)		
AKTIVA					
Langfristige Vermögenswerte	163.848	90.130	253.978	187.213	441.191
Umlaufvermögen	97.083	161.867	258.950	14.389	273.340
Aktiva gesamt	**260.931**	**251.997**	**512.928**	**201.602**	**714.530**
PASSIVA					
Auf die Anteilseigner entfallendes Eigenkapital	95.201	64.022	159.223	114.142	273.366
Eigenkapital gesamt	97.756	66.804	164.560	111.388	275.949
Langfristige Verbindlichkeiten	74.600	80.123	154.723	85.992	240.715
Kurzfristige Verbindlichkeiten	88.575	105.070	193.645	4.221	197.866
Passiva gesamt	**260.931**	**251.997**	**512.928**	**201.602**	**714.530**

Ausgewählte Daten aus der Pro Forma-Gewinn- und Verlustrechnung für den Sechsmonatszeitraum vom 1. Januar 2021 bis zum 30. Juni 2021

	The Social Chain AG	DS Holding GmbH	Total	Pro Forma Anpas-sungen	Gesamt
	A	B	C=A+B	D	E=C+D
			(in € Tsd.)		
Umsatz	160.106	181.223	341.329	-	341.329
Erhöhungen oder Verminderungen des Bestands an Fertigerzeugnissen und unfertigen Erzeugnissen	1.765	-	1.765	-	1.765
Sonstige betriebliche Erträge	1.499	3.435	4.934	-	4.934
Materialkosten	(109.572)	(147.056)	(256.628)	-	(256.628)
Personalkosten	(19.213)	(14.424)	(33.637)	-	(33.637)
Netto-Wertminderungsaufwand für finanzielle Vermögenswerte und Vertragsvermögen	0	(121)	(121)	-	(121)
Sonstige betriebliche Aufwendungen	(39.844)	(5.723)	(45.567)	-	(45.567)
EBITDA	**(5.259)**	**17.333**	**12.074**	-	**12.074**
Abschreibungen	(3.622)	(2.098)	(5.720)	(5.702)	(11.422)
EBIT	**(8.881)**	**15.235**	**6.354**	**(5.702)**	**652**
Ergebnis nach Ertragsteuern	**(8.694)**	**21.468**	**12.775**	**(4.724)**	**8.051**
Davon entfallen auf:					
Anteilseigner des Mutterunternehmens	(8.811)	19.763	10.952	(3.043)	7.910
Nicht beherrschende Anteile	117	1.705	1.823	(1.681)	141

B.3 – Welche sind die zentralen Risiken, die für die Emittentin spezifisch sind?

- Unsere Bemühungen, bestehende Kunden zu halten und neue Kunden sowohl in unserem Social-Commerce- als auch in unserem Social-Media-Geschäftsbereich zu gewinnen, könnten nicht erfolgreich sein, was uns daran hindern könnte, unseren Umsatz zu halten oder zu steigern.
- Wir sind einem intensiven Wettbewerb ausgesetzt, der sich noch verschärfen könnte, wenn bestehende Wettbewerber ihre Geschäftstätigkeit ausweiten und neue, finanziell stärkere Wettbewerber in den Markt eintreten. Wenn wir im Wettbewerb mit solchen Konkurrenten nicht erfolgreich sind, könnte dies unserem Geschäft und unseren Betriebsergebnissen schaden.
- Die anhaltende COVID-19-Pandemie oder der Ausbruch anderer Epidemien oder Pandemien könnte erhebliche negative Auswirkungen auf unseren Umsatz und unsere Lieferkette haben, insbesondere in Bezug auf die Organisation von Live-Events in unserem Social-Media-Geschäftsbereich.
- Sollte es uns nicht gelingen, unser Wachstum wirksam zu steuern, insbesondere durch Verbesserungen unserer Betriebsabläufe, Finanzkontrollen und Rechnungslegungsverfahren, könnte dies erhebliche nachteilige Auswirkungen auf unsere Geschäftstätigkeit, unsere Betriebsergebnisse, unsere Finanzlage und unsere Aussichten haben.
- Im Zusammenhang mit unseren in der Vergangenheit vorgenommenen Unternehmensakquisitionen haben wir möglicherweise potenzielle Transaktionsrisiken nicht angemessen identifiziert, bewertet oder vermieden, deren Eintreten erhebliche nachteilige Auswirkungen auf unsere Geschäftstätigkeit, unsere Betriebsergebnisse und unsere Finanzlage haben könnte.
- Wir haben in der Vergangenheit Akquisitionen und Investitionen getätigt und könnten solche auch in der Zukunft tätigen, welche die Aufmerksamkeit des Managements ablenken, zu betrieblichen Schwierigkeiten führen und unseren Betrieb anderweitig stören und sich nachteilig auf unser Geschäft, unsere Betriebsergebnisse und unsere finanzielle Lage auswirken könnten.
- Wir sind auf Suchmaschinen und Websites sozialer Netzwerke angewiesen, um einen Teil unserer Kunden zu gewinnen. Wenn wir nicht in der Lage sind, über Suchmaschinen und soziale Netzwerke die Besucherzahlen auf unsere Websites zu steigern, könnte unsere Fähigkeit, neue Kunden zu gewinnen und unsere Umsätze zu steigern, beeinträchtigt werden.
- Die Marktdominanz von Social-Media-Plattformen und Änderungen ihrer Algorithmen und Geschäftsbedingungen könnten sich negativ auf uns auswirken und jedes Unvermögen, solche Änderungen zu verstehen und hierauf kurzfristig zu reagieren, könnte sich negativ auf unser Geschäft und unsere Betriebsergebnisse auswirken.
- Wir sind bei unseren Marketingbemühungen auf E-Mails und andere soziale Netzwerke und Messaging-Dienste angewiesen. In diesem Rahmen auftretende Einschränkungen beim Versand von E-Mails oder Nachrichten, Verzögerungen bei der Zustellung, nachteilige Maßnahmen Dritter oder eine rückläufige Nutzung von sozialen Netzwerken und Messaging-Diensten könnten sich negativ auf unser Geschäft auswirken.
- Die von uns mit dem geplanten Erwerb der DS Holding angestrebten Ergebnisse und Vorteile könnten nicht erreicht werden, und die erwartete Geschäftsentwicklung könnte nicht eintreten.
- Unser Geschäft kann durch datenschutzrechtliche Vorschriften negativ beeinflusst werden, insbesondere durch die Datenschutz-Grundverordnung (EU) 2016/679 (einschließlich des U.K.-European Union Withdrawal Act 2018, dem U.K. Data Protection Act 2018, der Teil des Rechts von England und Wales, Schottland und Nordirland ist), da diese Vorschriften unsere Strategie beeinträchtigen könnten, persönliche Daten für unser Marketing zu sammeln.
- Infolge der Zulassung unserer Aktien zum Handel im regulierten Markt werden wir mit zusätzlichen regulatorischen und administrativen Anforderungen konfrontiert, einschließlich der Verpflichtung, vierteljährliche Konzernberichte zu veröffentlichen und andere Offenlegungspflichten zu erfüllen, welche sich nachteilig auf unsere Geschäfts-, Betriebs- und Finanzlage auswirken könnten.
- Wir können Gerichtsverfahren ausgesetzt sein im Zusammenhang mit Fusionen, Akquisitionen – wie im Fall des bestehenden Verfahrens zwischen der Gesellschaft und einigen Minderheitsgesellschaftern der KoRo Handels GmbH über die Ausübung einer Put-Option - oder anderen Unternehmenstransaktionen oder –maßnahmen, die unser Geschäft sowie unsere Ertragslage schädigen könnten.

C. – Basisinformationen über die Wertpapiere

C.1 – Welche sind die wichtigsten Merkmale der Wertpapiere?

Der Prospekt bezieht sich auf die Bestehenden Aktien und die Neuen Aktien, letztere als Teil der Gegenleistung für den Erwerb der DS Holding aus einer am 19. Oktober 2021 vom Vorstand beschlossenen, mit Zustimmung des Aufsichtsrats vom selben Tag, genehmigten Kapitalerhöhung gegen Sacheinlagen unter Ausnutzung des von der Hauptversammlung der Gesellschaft am 30. Juli 2021 beschlossenen genehmigten Kapitals, jede dieser Aktien mit einem rechnerischen Anteil von je 1,00 € und mit voller Dividendenberechtigung ab dem 1. Januar 2021.

Anzahl und Art der Aktien – Zum Datum dieses Prospekts sind 11.492.043 Aktien der Gesellschaft ausgegeben und 2.855.000 Aktien der Gesellschaft werden ausgegeben, letztere als Teil der Gegenleistung für den Erwerb der DS Holding aus einer am 19. Oktober 2021 vom Vorstand beschlossenen, mit Zustimmung des Aufsichtsrats vom selben Tag, genehmigten Kapitalerhöhung gegen Sacheinlagen unter Ausnutzung des von der Hauptversammlung der Gesellschaft am 30. Juli 2021 beschlossenen genehmigten Kapitals. Alle Aktien sind Namensaktien (Stückaktien) mit einem Nominalwert von je €1,00.

ISIN und Währung – Die ISIN der Aktien lautet DE000A1YC996 und die Aktien sind in Euro denominiert.

Mit den Aktien verbundene Rechte und Übertragbarkeit – Alle Aktien sind voll dividendenberechtigt ab dem 1. Januar 2021. Jede Aktie gewährt eine Stimme in der Hauptversammlung der Gesellschaft. Die Aktien sind gegenüber allen anderen Wertpapieren und Forderungen nachrangig im Falle einer Insolvenz der Gesellschaft und nach den gesetzlichen Bestimmungen für Namensaktien frei übertragbar.

Dividendenpolitik – Die Gesellschaft beabsichtigt auf absehbare Zeit nicht, Dividenden zu zahlen. Eine Dividendenzahlung erfolgt in Übereinstimmung mit den geltenden Gesetzen und hängt unter anderem von unserer Ertrags- und Finanzlage und unseren vertraglichen Beschränkungen sowie Kapitalanforderungen ab.

C.2 – Wo werden die Wertpapiere gehandelt?

Zum Datum dieses Prospekts sind 11.492.043 auf den Namen lautende Stammaktien ohne Nennwert mit einem rechnerischen Anteil von je € 1,00 und voller Dividendenberechtigung ab dem 1. Januar 2021 in den Handel im Freiverkehr der Börse Düsseldorf einbezogen.

Die Gesellschaft hat am 29. Oktober 2021 zusammen mit Berenberg die Zulassung der Bestehenden Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse und gleichzeitig zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (*Prime Standard*) der Frankfurter Wertpapierbörse beantragt und wird im Dezember 2021 die Zulassung der Neuen Aktien beantragen.

C.3 – Welche sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

- Die Gesellschaft beabsichtigt aufgrund einer Entscheidung der Geschäftsleitung der Gesellschaft nicht, in absehbarer Zeit Dividenden auszuschütten.
- Kapitalisierungsmaßnahmen wie die am 19. Oktober 2021 mit Beschluss des Vorstands und Zustimmung des Aufsichtsrats vom selben Tag beschlossene Kapitalerhöhung durch Ausgabe von 2.855.000 neuen Aktien sowie die geplante Kapitalerhöhung durch Ausgabe von 1.145.000 neuen Aktien könnten die Beteiligungen unserer bestehenden Aktionäre erheblich verwässern.

D. – Basisinformationen über das Angebot der Wertpapiere und die Zulassung zum Handel

D.1 – Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Zulassung zum Handel und Vollzug – Die Zulassung zum Handel wird bezüglich der Bestehenden Aktien voraussichtlich am oder um den 12. November 2021 und bezüglich der Neuen Aktien voraussichtlich im Dezember 2021 bekannt gegeben. Die Aufnahme des Handels der Bestehenden Aktien der Gesellschaft im regulierten Markt an der Frankfurter Wertpapierbörse wird voraussichtlich am oder um den 12. November 2021 und der Neuen Aktien voraussichtlich im Dezember 2021 erfolgen.

Gesamtkosten – Die im Zusammenhang mit der Börsennotierung der Bestehenden und der Neuen Aktien im regulierten Markt der Frankfurter Wertpapierbörse (die „**Börsennotierung**") erwarteten Kosten belaufen sich auf insgesamt ca. €2,3 Millionen.

D.2 – Wer ist der Anbieter und/oder die die Zulassung zum Handel beantragende Person?

Zulassung zum Handel – Die Gesellschaft hat am 29. Oktober 2021 zusammen mit Berenberg die Zulassung der Bestehenden Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse und gleichzeitig zum

Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (*Prime Standard*) der Frankfurter Wertpapierbörse beantragt und wird im Dezember 2021 die Zulassung der Neuen Aktien beantragen. Der Handel der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse wird voraussichtlich am 12. November 2021 bzw. im Dezember 2021 beginnen.

D.3 – Weshalb wird dieser Prospekt erstellt?

***Gründe für die Börsennotierung* –** Die Gesellschaft beabsichtigt die Börsennotierung zu verfolgen, um einen besseren Zugang zu den Kapitalmärkten zu erhalten.

***Wesentliche Interessenkonflikte* –** Berenberg hat mit der Gesellschaft anlässlich der Börsennotierung eine Notierungsvereinbarung geschlossen. Berenberg berät die Gesellschaft bezüglich der Börsennotierung und koordiniert den Prozess der Börsennotierung. Berenberg wird eine marktübliche feste Provision für diese Leistungen erhalten.

Des Weiteren standen Berenberg oder deren verbundene Unternehmen in Geschäftsbeziehungen zu Mitgliedern der Gruppe und werden möglicherweise auch zukünftig in Geschäftsbeziehungen zu Mitgliedern der Gruppe stehen und Leistungen für Mitglieder der Gruppe im Rahmen des gewöhnlichen Geschäftsverkehrs erbringen.

Außer den vorstehend beschriebenen Interessen bestehen keine Interessenkonflikte im Hinblick auf die Börsennotierung.

1. RISK FACTORS

*Prospective investors should carefully consider the risk factors set out below, together with the other information contained in this prospectus (the "**Prospectus**"), before making an investment decision with respect to investing in shares in The Social Chain AG, Berlin, Germany (hereinafter, "**TSC AG**" and the "**Company**" and, together with its fully consolidated subsidiaries, "**we**", "**us**", "**our**", the "**Group**" or "**TSC**"). According to Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), the risk factors featured in a prospectus shall be limited to risks which are specific to the issuer and/or to the securities and which are material for making an informed investment decision. Therefore, the following risks are only those risks that are specific to TSC and to the Issuer's shares and that, based on the Issuer's current assessment, are material for making an informed investment decision with respect to the Issuer's shares. The basis for determining whether risks are material was the Issuer's current expectation concerning probability of the risks' occurrence and the expected magnitude of their negative impact.*

The following risk factors are categorized into subcategories based on their respective nature. Within each such subcategory, the order of risk factors is based on the Issuer's current assessment with respect to the probability of occurrence and expected magnitude of the adverse impact of such risk factors, with at least the two most material risk factors mentioned at the beginning of each subcategory.

1.1 Risks Related to the Industry and Markets in which we operate

1.1.1 Our efforts to retain existing customers and acquire new customers in both our social commerce and our social media business unit may not be successful, which could prevent us from maintaining or increasing our revenue.

Our business consists of our social commerce business unit and our social media business unit. In our social commerce business unit, we focus on the creation, promotion and sale of our own direct-to-consumer brands within the verticals (a term we use for the business areas within our social commerce business unit) food, home & living and beauty & health. We market our products through our social media presence via our own social media channels (such as Sporf, Love Food or Gamebyte) with an aggregate of more than 80 million followers as of August 31, 2021, the involvement of more than 2,500 influencers (including well-known personalities such as Jay & Arya, Shirin David, Stefanie Giesinger and Julia Beautx) and more than 10,000 micro influencers and live social events (such as Glow, which we believe to be Europe's largest beauty festival, and World Fitness Day, which we believe to be one of the world's largest fitness convention, each in terms of visitors), the latter of which is important for our social media business unit.

In our social media business unit, we focus on agency (*e.g.*, the implementation of advertising campaigns for third-party customers and the management of influencers with the aim of promoting the influencer's career development), production (*e.g.*, the creation of TV productions and commercials for TV stations, the development of IT applications and the offering of web hosting services) and events (i.e., the organization of trade fairs and other events).

If these marketing activities in both our social commerce business unit and our social media business unit are unsuccessful, we may fail to retain existing customers or acquire the new customers required to maintain or increase our revenue.

In both of these business units, our ability to provide a high-quality user experience is highly dependent on external factors over which we may have little or no control, including, for instance, the reliability, performance and perception of third-party brands and, in our social commerce business unit, third-party fulfilment partners.

1.1.2 We face intense competition, which may intensify even further as existing competitors expand their operations and new financially stronger competitors enter the market. If we are not successful in competing against such competitors, it could harm our business and results of operations.

According to management's belief, the markets in which we operate are highly competitive and rapidly changing.

In our social commerce business unit, our competitors may have distinct advantages over us such as longer operating histories, greater brand recognition, greater technical capabilities, significantly greater financial, marketing and other resources and a larger customer base compared to us. Such competitors in our social commerce business unit include The Hut Group, Boohoo Group plc, Zalando SE and others. These advantages may allow our competitors to generate more revenue and profits from their existing customer base, acquire customers at lower costs or respond faster to new or emerging technologies and changes in consumer habits. An increasing number of offline competitors are currently seeking to establish an online presence to complement the traditional paper- and telephone-based order process. In addition, retailers might want to restrict us from offering our products and services to end-customers directly in order to be able to control the supply of our products through their own retail shops and network. All these factors increase the competitive pressure on us.

In our social media business unit, we may face competition from companies with a larger reach through their social media presence via their own social media channels, cooperation with influencers or social events.

Potential customers may decide to hire other social media companies due to a real or perceived competitive rivalry between products offered by us through our social commerce business unit and products offered by the prospective customer.

In both our social media and our social commerce business units, new financially strong competitors can penetrate the market and change it with substantial capital investments including:

- established media companies shifting their business model more towards social media, such as Bertelsmann SE & Co. KGaA;
- e-commerce companies with a focus on D2C markets, i.e. markets in which products are sold directly to consumers, such as food and other consumer goods shifting their business model towards social media with substantial capital investments, benefiting from a low market entry barrier;
- food delivery companies extending their service offering to social media based grocery shops, thereby utilizing their strong existing customer base;
- social media platforms such as Instagram, Facebook and TikTok expanding into social commerce;
- so-called roll-up models of brands selling on Amazon or other marketplaces with lower overhead cost due to the outsourcing of fulfillment to the respective marketplace; and
- offline retailers developing online and social commerce sales channels.

1.1.3 The continuing COVID-19 pandemic, or the outbreak of other epidemics or pandemics, could have a material adverse effect on our revenue and supply chain, particularly as they relate / it relates to the organization of live events in our social media business unit.

The COVID-19 pandemic has as of today mainly affected our event business due to local lockdowns and our social media business unit due to our B2B (business-to-business) customers reducing their marketing budgets in the second and third quarter of 2020. Since the beginning of the second quarter of 2021, we have been able to cautiously revive our event business as a result of the introduction of hygiene concepts and an exclusive admission of visitors who test negatively against COVID-19 at the time of the event, who are fully vaccinated against COVID-19 or who have recovered from COVID-19 within the last months or an exclusive admission of only those visitors who are fully vaccinated against COVID-19 or who have recovered from COVID-19 within the last months, but there is no guarantee that there will not be another lock-down, in which case we would have to bear the elevated cost due to the revival of our event business.

In the future, any resurgence of COVID-19 cases as well as the spread of any contagious disease that may result in an epidemic or pandemic on a regional or global scale may have a negative impact on our results of operations and the markets in which we operate. The spread of COVID-19 has led and may in the future lead to a deterioration in the economies of the countries directly affected and on a global level, with possible negative effects on customers' purchasing power. Lockdowns or the fear of a further spread of the COVID-19 pandemic may – as in 2020 and 2021 – prevent us from holding conventions such as the annual beauty convention Glow or the international sports event World Fitness Day and may limit our ability to offer and sell products offline for certain periods. This may also affect our B2B retail business, *e.g.*, the sale of food and non-food products in bulk packages to B2B customers in the food vertical of our social commerce business unit. During certain periods in 2020, one Group company was not able to fulfill all orders due to supply problems. Another Group company was forced to shut down some of its offline stores.

Any even involuntary violation of Covid-19 regulation, in particular with regard to public events, could also impact our event business, as we would not only be liable to pay fines but such violations could also lead influencers and business partners to avoid doing business with us or it could lead to negative publicity if such violations were made public. Our staff may be affected by labor law or health security regulation and, accordingly, our currently planned staff level might become insufficient to provide our service offering and, as a result, we may incur significant additional costs for outsourcing processes which we otherwise could perform ourselves.

1.1.4 Our business may not grow at the same pace as it historically has grown or as fast as our forecasts indicate if we are unable to accurately assess and act upon emerging trends in our industries. The inability to anticipate and act upon emerging trends could harm our business and results of operations.

Our strategy is based on our ability to assess and act upon certain emerging trends, such as an increase in the use of social media, an increase in disposable income and an increase in mobile internet use, the increasing importance of non-conventional marketing channels such as influencer marketing, micro influencer networks and social media communities and the projected growth of our key markets. Historical trends may, however, not be indicative of future trends and forecast or estimated growth rates may not be accurate, in whole or part, or ever materialize. Any inability on our part to assess and act upon such emerging trends could have a material adverse effect on our business and results of operations.

1.1.5 Our business, results of operations and financial condition might be adversely affected by the continuing effects of the withdrawal of the United Kingdom (the "U.K.") from the European Union ("EU") and the political, legal and economic uncertainties arising thereof.

A large part of our social media business unit generates significant revenues from business operations in the U.K. The U.K. withdrew from the EU on February 1, 2020, and, upon expiry of a so-called transition period on December 31, 2020, ultimately left the EU on terms as further set out in a so-called withdrawal agreement negotiated between the EU and the U.K. ("**Brexit**"). On January 1, 2021, after prolonged negotiations, a further agreement between the EU and the U.K. entered into force, setting out the overall political, legal and economic framework governing the parties' future relationship ("**Trade and Cooperation Agreement**"). The Trade and Cooperation Agreement, however, to a large extent, constitutes only a basic political arrangement, addressing the matters concerned in a rather abstract and general manner, and, by nature, does not cover all legal and economic issues that may potentially arise in connection with future business operations between or within the EU and the U.K. In addition, due to the abstract nature of its provisions as well as the short period of time for which the Trade and Cooperation Agreement, as of the date of this Prospectus, has been in effect, it cannot be determined with certainty how governmental authorities and courts will interpret the individual provisions of the Trade and Cooperation Agreement in the future. As a result, the U.K.'s exit from the EU continues to render the current political, legal and economic environment in the EU and the U.K. highly uncertain. In addition, any potential future agreements between the EU and the U.K. or other countries, or future EU or U.K. legislation could add even more complexity to the relationship between the EU and the U.K., thereby increasing the uncertainty surrounding the current legal and economic environment in both regions.

Given that we, through our British subsidiaries, maintain significant business operations in the U.K. in our social media business unit, thereby generating revenues and expenses denominated in British pounds, and hold funds denominated in British pounds, we are particularly exposed to the risks arising from Brexit as described above. For example, trade restrictions of any kind as well as newly implemented customs or other duties could impair the commercialization of our products in the U.K. or, more generally, our competitive position in the U.K., or reduce potential proceeds.

Accordingly, it cannot be excluded that current and future developments resulting from Brexit could adversely impact our business, results of operations and financial condition.

1.1.6 General macroeconomic factors, natural disasters or other unexpected events could adversely affect our business, financial performance and results of operations.

Our business, financial performance and results of operations depend significantly on worldwide macroeconomic conditions, the occurrence of any natural disasters and unexpected events and their impact on consumer spending. Recessionary economic cycles, higher interest rates, volatile fuel and energy costs, inflation, levels of unemployment, conditions in the residential real estate and mortgage markets, access to credit, consumer debt levels, unsettled financial markets and other economic and political factors that may affect consumer spending or buying habits, such as increasing political tensions between Western countries and China, could materially and adversely affect demand for our products. The occurrence of natural disasters and other unexpected events, such as political crises, terrorist attacks, wars or industrial accidents, that impact either several markets in which we operate or single countries in which we generate a significant amount of our revenue or profit, can impact our industry in such regions and disrupt our operations or the operations of one or more of our brands or suppliers. In particular, harvest failures caused by a climate change could adversely affect the food vertical of our social commerce business unit. Such events may cause a temporary inability to obtain supplies or impact consumer discretionary spending, including spending on our products.

The development of any of the above factors or occurrence of any of the above events may materially adversely affect our business, financial performance and results of operations.

1.1.7 There can be no assurance that our organizational structures and our compliance procedures in our food, home & living and beauty & health verticals of our social commerce business unit have been adequate at all times given our rapid growth in these verticals or that senior management level employees will not become involved in disputes which could distract management attention or involve significant costs. Compliance problems, if they occur, could adversely affect our business, results of operations and financial condition.

Our rapid growth and the pressures to scale our local operations in the online food, home & living and beauty & health businesses increase the risk that we prioritize swift execution over thorough analysis of legal, tax and regulatory issues of the investments we make in our social commerce business. We sometimes make executive decisions in which taking a risk has to be weighed against the advantages of moving forward quickly. In addition, there can be no guarantee that we have identified and are aware of all relevant risks. Our general and administrative capacity has in the past not always grown in line with the expansion and the complexity of the Group.

Once an entity has been added to the Group, our central management takes steps to establish and maintain adequate compliance procedures and effective internal controls. The priority of covering the individual entities is defined based on a quantitative and qualitative scoping analysis. However, such procedures and internal controls must be implemented promptly and reviewed on an ongoing basis, and the processes to establish and maintain such procedures and internal controls may be delayed due to the lack of internal resources or as a result of human error. Accordingly, our compliance procedures and internal controls may not been adequate for the scale and scope of our operations at all times in the past and may prove inadequate in the future.

In addition, senior management level employees may be involved in the future in various legal proceedings, including disputes, investigations or enforcement actions concerning professional liability, criminal, civil or other proceedings, as well as inquiries from, or investigations commenced by, regulators or other authorities. Some of the proceedings may concern claims for substantial amounts of money and could divert management's attention from day-to-day business operations to address such issues, as well as result in substantial monetary damages and legal expenses, damage to our reputation and/or decreased demand for our services. In one isolated case, a public prosecution department initiated preliminary investigations against the member of a supervisory board of one of the Group companies, which were subsequently terminated as the allegations were found to be false. However, even false allegations may deter prospective business partners from doing business with us.

The materialization of any of the risks described above could have a material adverse effect on our business, results of operations and financial condition.

1.2 Risks Related to Our Operations

1.2.1 Failure to manage our growth effectively, including through improvements in our operations, financial controls and reporting procedures, could have a material adverse effect on our business, results of operations, financial condition and prospects.

As we expand our operations, we will be required to continue to improve our operational and financial controls and reporting procedures and our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage our future operations, especially as we employ personnel in many different geographic locations, some of which have different standards for operational control and reporting procedures than we do. In particular, our anticipated growth may place significant demands on our management and key employees. Our existing teams may not be adequately staffed to handle an increase in the workload or our workforce management may prove insufficient for our expanding business and growth plans. If we are unable to address these issues as we expand our operations, such developments could have a material adverse effect on our business, results of operations, financial condition and prospects.

1.2.2 In connection with our acquisitions of companies in the past, we may not have adequately identified, assessed or avoided potential transactional risks, the materialization of which could have a material adverse effect on our business, results of operations and financial condition.

We made significant acquisitions in the past and intend to continue to engage in acquisitions in the future. During the periods under review, we completed 18 acquisitions for a total of €117.67 million. In connection with acquisitions, we have not always conducted a full due diligence review for a number of reasons, including due to time constraints. Therefore, we cannot in all cases guarantee that the companies we acquired own the tangible assets and intangible assets such as IT rights, patents or trademarks, or hold all the necessary licenses and registrations for their operations, including among others, online payment licenses or commercial licenses, have duly paid all relevant taxes on their entities or that there is adequate asset protection in place. Any failure by us to identify, correctly assess or avoid the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, data protection, regulatory compliance, potential product liability or reputational issues relating to acquired companies or their products, accounting practices, employee or customer issues or insufficient contract management, including violations of contractual agreements, could harm our business or our reputation. As a result, we could incur extraordinary or unexpected legal, regulatory, contractual, labor or other costs as a consequence of our acquisitions and we may not be able to achieve the cost savings, synergies or other benefits we hoped to achieve from such acquisitions.

The materialization of any of the risks described above could have a material adverse effect on our business, results of operations and financial condition.

1.2.3 We have in the past made and in the future may make acquisitions and investments, which could divert management's attention, result in operating difficulties and otherwise disrupt our operations and adversely affect our business, results of operations and financial condition.

We have grown and will continue to grow through a buy-and-build strategy with targets in different countries, including the United States of America (the "**U.S.**") and, potentially, China in the future. These acquisitions have a material impact on our financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Given the high number of transactions, we may in the past not always have made or may, in the future, not always make appropriate investment or disinvestment decisions because of incomplete information about a particular target, an incorrect assessment of market conditions in the market in which we made the acquisition, a lack of understanding of local market conditions or a number of other factors.

In the course of our acquisitions and investments we face in particular the following risks:

- a potentially lower suitability of products and brands of acquired companies for our social media marketing channels;
- diversion of management time and focus from operating the business;
- use of resources that are needed in other areas of the business;
- implementation or remediation of controls, procedures and policies of the acquired company;
- difficulty integrating the accounting systems, IT systems and operations of the acquired company, including potential risks to our corporate culture;
- co-ordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company and difficulty converting the customers of the acquired company onto our platform and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- retention and integration of employees from the acquired company;
- retention, alignment of interest and integration of key management of the acquired company;
- unforeseen costs or liabilities;

- adverse effects on our existing business relationships with customers and merchants;
- adverse tax consequences;
- risks of the actual values of investment targets deviating from their calculated values, also in those share deal acquisitions in which considerations consist, in part, of shares in the Company;
- high acquisition and execution costs due to acquisitions being performed in stages with the acquisition of a controlling stake in a first stage and the acquisition of the remaining shares in a later stage by executing call and/or put options, in which case we also incur the risk of those call/put options not being executed in the jurisdiction of the respective target company at the time of exercise;
- litigation or other claims; and
- the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries. Any frictions in the process of integrating an acquired company into our Group governance may result in us not gaining timely access to information required by us to comply with capital market reporting.

For example, we intend to acquire DS Holding GmbH, Stapelfeld ("**DS Holding**") against consideration of €100.281 million in cash as well as 2,855,000 newly issued shares in the Group, corresponding to 24.84% of the Group's share capital immediately before the contribution and the assumption of a liability of the former DS Holding shareholders by the Company in an amount of €4,080 thousand. We believe that DS Holding offers a large variety of complementary products to our existing social commerce portfolio and will enable us to broaden our addressed and addressable markets. Considering the size and the complexity of the transaction, there can be no assurance that we will be able to integrate DS Holding´s business into our business without the commitment of significant financial, management and strategic resources. If we were to experience operational difficulties in integrating DS Holding´s business into our business, if the integration process were to disrupt our normal business for an extended period of time, or if we did not yield the expected returns from the acquisition of the DS Holding business, the occurrence of any of these developments could materially adversely affect our business, financial condition and results of operations (regarding the risks related to the intended acquisition of DS Holding please also see "*1.3 Risks related to the DS Holding Acquisition*").

In addition, a significant portion of the purchase price of our acquisitions may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually (see "*1.2.29 The recognition of impairments with regard to goodwill and other intangible assets could have a material adverse effect on our business, financial condition and results of operations, and could also have a significant negative effect on the confidence of important stakeholders.*"). Further, we may not be able to identify acquisition or investment opportunities that meet our strategic objectives, or, to the extent such opportunities are identified, we may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to us.

In the future, if our acquisitions or investments do not yield expected returns, we may be required to take charges or impairments to our operating results based on this impairment assessment process, which could adversely affect our business, results of operations and financial condition.

1.2.4 We rely on search engines and social networking websites to attract a portion of our customers. If we are not able to generate traffic to our websites through search engines and social networking websites, our ability to attract new customers and increase our revenues may be impaired.

We rely on search engines and social networking websites to attract a portion of our customers. If our social media content and our websites are listed less prominently or fail to appear in search results for any reason, including as a result of search engines modifying their algorithm, visits to our websites could decline significantly, and we may not be able to replace this traffic. In addition, if the price of marketing our websites or brands over search engines or social networking websites increases, we may be required to increase our marketing expenses or to allocate a larger portion of our marketing spend to search engine marketing and our business and results of operations could be adversely affected.

New search engines or social networking websites may develop, including in respect of individual jurisdictions or regions, which may result in reduced traffic on existing search engines and social networking websites, and if we are not able to achieve prominence on these new search engines or social networking websites through advertising or otherwise, we may not achieve significant traffic to our websites through these new platforms and our business, results of operations and financial condition could be adversely affected as a result.

Furthermore, customer complaints or negative publicity about our websites, products, product delivery times, customer data handling and security practices or customer support, especially on blogs, social media websites and our websites, could reduce consumer traffic to and use of our websites and result in harm to our brands.

The occurrence of any of the above could impair our ability to attract new customers and increase our revenues.

1.2.5 We may be negatively affected by the market dominance of social media platforms and changes in their algorithms and terms and conditions and any inability to identify and react to such changes promptly could adversely affect our business and results of operations.

Prominent social media platforms such as Facebook, Instagram, Twitter and YouTube are permanently changing their business models and modifying their algorithms. If we fail to understand the consequences of these changes and do not react promptly, our reach may be reduced, our own social media channels may be blocked or our followers could lose interest in our content.

In addition to these potential negative developments, changes in terms and conditions of social media platforms, including marketplaces with applications available through iOS Appstore or Google Play Store, might limit our ability to extract and analyze customer and transactional data, which may limit our ability to adjust our marketing strategy to match the changing dynamics of the marketplace accordingly. Also, the conditions for marketing our products through these applications may change, resulting in higher costs for us.

The occurrence of any of these developments could materially adversely affect our business and results of operations.

1.2.6 We rely on email and other social networking and messaging services in our marketing efforts, and restrictions on sending emails or messages, delays in their delivery, adverse actions by third parties or a declining use of social networking and messaging services could adversely affect our business.

We depend upon email and other messaging services to promote our sites and products. We circulate emails and alerts to inform our customers of the offerings on our respective online marketplaces, and we believe these emails help generate a substantial portion of our revenue. If we are unable to deliver emails or other messages to our customers, if such messages are delayed, or if customers do not open them, our revenue and profitability could be materially adversely affected. Changes in how webmail apps organize and prioritize email could reduce the number of customers opening emails from us. Inbox organizational features could result in messages sent by us being shown as "spam" or lower priority to our customers, which could reduce the likelihood of customers opening or responding positively to them. Actions by third parties to block, impose restrictions on or charge for the delivery of emails or other messages, as well as legal or regulatory changes limiting our right to send such messages or imposing additional requirements on us in connection with them, could impair our ability to communicate with our customers using emails or other messages. We also rely on social networking and messaging services to communicate with our customers. Changes to the terms and conditions of these services could limit our promotional capability, and there could be a decline in the use of such social networking services by customers and potential customers. In addition, we rely on third-party service providers to deliver emails, and delays or errors in the delivery of such emails or other messaging could occur and are largely beyond our control. The use of email and other messaging services by us could also result in legal claims against us, which could increase our expenses and potentially expose us to additional liability.

The materialization of any of the risks described above could adversely affect our business.

1.2.7 A failure to maintain the quality, performance or safety of the products in our social commerce business unit could result in product recalls, product liability claims, administrative fines and criminal charges, and the reputation of the relevant brands could be damaged, any of which could have a material adverse effect on the business, results of operations, financial condition of our social commerce business.

The success of our social commerce business depends in part on the quality, performance and safety of our products. As most of our products are manufactured by third-party suppliers, including suppliers from emerging markets and underdeveloped countries, we have only limited control over the quality of these products. As a result, we may inadvertently sell defective products. In isolated incidents in the past, the Group companies detected product defects, which resulted in the recall of such products. If any of the products offered in the verticals of our social commerce business unit are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet customers' expectations, the appeal to customers of our branded products could suffer, in particular in our food vertical given consumers' high sensitivity to food safety. We may need to recall some of our products and/or become subject to regulatory action, including administrative fines and criminal charges, and we could lose sales or market share or become subject to boycotts or liability claims. Recalls and government, customer or consumer concerns about product safety could harm the reputation of the respective brand and reduce sales and possibly even result in partners, such as food retail stores, discontinuing the distribution of our products. There can be no guarantee that we will be adequately insured against such risks or will be able to take recourse against the suppliers from whom we sourced these products, in particular if these are located in regions such as China or South-East Asia or do not have sufficient capital to indemnify us.

The occurrence of any of these developments could have a material adverse effect on our business, results of operations, financial condition and prospects.

1.2.8 A deterioration in our own TSC brand or reputation or in the brands under which our products are marketed could undermine our efforts to attract new customers.

Developing and maintaining the reputation of our own brand and the brands under which we operate is of central importance to our success. The recognition and reputation of our brands among existing and potential customers and suppliers are critical for the growth and continued success of our business as well as for our competitiveness in our target markets.

Customers come into contact mainly with the brands under which we market our products, especially in our social commerce business, as opposed to our social media business where we interact with our customers through our own TSC brand. Any failure to offer high-quality products and maintain a consistently high level of customer service, or a market perception that our products do not satisfy customers' expectations and that our brands or platforms do not maintain high-quality customer service, could adversely affect the reputation of our brands and platforms and the number of positive customer referrals that we receive. Negative information concerning our brands and platforms, whether accurate or not, may be posted on social media platforms at any time and may have a disproportionately adverse impact on our brands and platforms, including our reputation. This could undermine our efforts to attract new customers.

The development of any of the above factors or occurrence of any of the above events may undermine our efforts to attract new customers, thereby materially adversely affecting our business, financial performance and results of operations.

1.2.9 We could encounter difficulties in our cooperation with influencers, which could subject us to reputational damage and harm the business and results of operations of our social media business unit.

With the constantly increasing popularity of social media (*e.g.*, Facebook, Instagram, Twitter and YouTube, TikTok, Twitch), influencer marketing has become one of our marketing strategies in our social media business unit.

We integrate independent influencers into our branding and content creation by using their endorsements and mentions on their social media channels to enhance our brand awareness and drive our sales. The success of such cooperation depends on our influencers' successful marketing and brand image vis-à-vis their followers. If they are unsuccessful, we may not reach the expected number of sales, which could negatively affect our business and results of operations.

We currently co-operate with more than 2,500 influencers and 10,000 micro-influencers. The larger number of cooperation activities and the fast-paced social media centered nature of influencer marketing which often relies on the influencer's authenticity require us to enforce our marketing standards on influencers. However, any actual or asserted misbehavior on the part of the various influencers cooperating with us could harm their reputation and thus the success of our cooperation, diminish their own marketing appeal as influencers and thus adversely affect sales of our products through their marketing efforts or could be attributed to us and directly harm our reputation. Such negative publicity may be accelerated through social media due to its immediacy and accessibility as a means of communication without affording us an opportunity to redress or correct the matter and we may lose valuable customers as a result.

The materialization of any of the risks described above could harm the business and results of operations of our social media business unit.

1.2.10 Unfavorable publicity in social media could damage our reputation, diminish the value of our brands and undermine trust and credibility in our business and products.

Unfavorable publicity in social media, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands and undermine the trust and credibility we have established. An inappropriate response to such unfavorable publicity may harm our reputation vis-à-vis our customers, suppliers and the capital market. Any such reputational damage may be accelerated through social media due to its immediacy and accessibility as a means of communication.

The materialization of any of the risks described above could adversely affect our business.

1.2.11 If our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers, which could have a material adverse effect on our business, results of operations and financial condition.

The software we use may contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when new software is introduced or when new versions or enhancements are released and particularly because our new software is developed by third parties over which we have no control. We may be unable to correct such defects in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation, any of which could have an adverse effect on our business, results of operations and financial condition.

1.2.12 If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our customers' evolving needs, our business may be adversely affected.

We are heavily reliant on our technology platforms such as our platform LINKS. These technologies are, however, characterized by constant change and innovation, and we expect them to continue to evolve rapidly. Our ability to improve our business, results of operations and financial condition will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of our technology platform. We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements to our technology platforms. These issues may be aggravated by the skilled labor shortage in the IT sector. To the extent we are not able to improve and enhance the functionality, performance, reliability, design, security and scalability of our technology platform in a manner that responds to our own or our customers' evolving needs, our business will be adversely affected.

1.2.13 If we fail to properly adjust and optimize the individual shops within our social commerce business unit in response to relevant technological changes, these businesses could experience declines in customers and revenues. In addition, any failure to adjust to changes in the algorithms, commissions and fees, and terms and conditions of distribution platforms such as Amazon could adversely affect our business.

E-commerce is characterized by rapid technological development. New advances in technology can increase competitive pressure. Among other factors, our success therefore depends on our ability to improve our current technological machine learning algorithms and big data infrastructure and to develop new online features for a variety of platforms in a timely manner in order to remain competitive. Failure to adopt and apply new technological advances in a timely manner could decrease the attractiveness of our websites to customers and lead to customer churn and consequently to significant revenue losses. In addition, changes to distribution platforms such as Amazon can have a negative impact on revenues and profitability due to changes in algorithms, which may lead to our products being listed less prominently, and commissions.

The materialization of any of the risks described above could adversely affect our business.

1.2.14 If users decrease their level of engagement with social media platforms such as Facebook, YouTube, Instagram and others, our business, results of operations and financial condition could be materially adversely affected.

We rely heavily on social media platforms to promote our brand and inform customers of our product offering. Due to the increasing sensitivity of many social media users regarding data protection and due to recent data breach scandals of some of the leading social media providers as well as frequent changes to the terms and conditions of the respective providers, the use of these social media platforms by our customers could decline and our ability to communicate via social media could be limited. If users limit their engagement with social media platforms such as Facebook and others, we could be forced to find other, potentially more expensive, channels of communication and our business, results of operations and financial condition could be materially adversely affected. In addition, social media companies may start charging fees for the use of their platforms, which could also adversely affect our ability to communicate with our customers, thereby negatively impacting our marketing efforts, and result in the loss of customers.

Any of these factors could have a material adverse effect on our business, results of operations and financial condition.

1.2.15 Actions by governments to restrict access to social media could adversely affect our business, results of operations and financial condition.

Our marketing relies heavily on prominent social media platforms such as Facebook, Instagram, Twitter and YouTube. The government of the People’s Republic of China has been restricting access to some of these social media platforms, such as YouTube and Twitter. While we are currently not active in China, we cannot rule out that governments in some of our markets may restrict access to social media platforms in the future or may encourage self-censorship mechanisms. If we were to enter the Chinese market, our marketing may become increasingly susceptible to access restrictions. If we are restricted from accessing social media platforms which are essential to our success in a certain market, such as the Chinese market, we may not be able to establish ourselves successfully in such market. Also, if we are restricted from accessing platforms in which we already have invested our marketing efforts, such marketing investments may be in vain.

Any of these factors could have a material adverse effect on our business, result of operations and financial condition.

1.2.16 Any significant disruption in services on our websites or apps or in our computer systems could damage our reputation and result in a loss of customers, which would harm our business and results of operations.

Our brand, reputation and ability to attract and retain customers to use our websites, platforms and services depend upon the reliable performance of our network infrastructure and content delivery processes. Interruptions in these systems, whether due to system failures, human input errors, computer viruses or physical or electronic break-ins, and denial-of-service attacks on us or communications infrastructure, could affect the availability of our services and platforms and prevent or inhibit the ability of customers to access or complete purchases on our websites and apps. Problems with the reliability of our systems could prevent us from earning revenue and could harm our reputation. Damage to our reputation, any resulting loss of consumer, retailer or brand confidence and the cost of remedying these problems could negatively affect our business, results of operations and financial condition.

Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur. A system failure at one site could result in reduced platform functionality for our consumers, and a total failure of our systems could cause our websites or apps to be inaccessible by some or all of our consumers. In addition, if our warehouse management systems prove to be inadequate for the growing size of our business and the growing number of transactions, we may fail to adequately keep track of our inventories. Any errors, defects, disruptions or other performance problems with our platforms or services could harm our reputation and may have a material adverse effect on our business and results of operations.

1.2.17 In our social commerce business unit, we rely on third parties over whom we have limited control for the transportation, delivery and fulfilment of our orders. Any logistical complications involving such third parties could harm our business and results of operations.

We rely on suppliers and third-party brand owners to properly and promptly prepare products ordered by us for shipment. Any failure by these suppliers to prepare such products for shipment to us on a timely basis, whether as a result of a breakdown in their supply chains or otherwise, will have an adverse effect on the fulfilment of consumer orders, which could negatively affect the consumer experience and result in higher costs. If we fail to stock up our inventories, our ability to serve customers on short notice may be limited and we may lose customers to our competitors. These risks may be increased due to effects of the COVID-19 pandemic on sourcing and logistics.

We also rely upon third-party carriers and transportation providers for substantially all of our merchandise shipments, including shipments of items from our retailers and brands to our facilities for processing, shipments returning these items to our retailers and brands and the shipments to our consumers after purchase. Our shipments also are subject to risks that could increase our distribution costs, including rising fuel costs and events such as labor disputes, inclement weather, pandemic restrictions or other disruptions at ports, which may impact the third party's ability to provide delivery services that adequately meet our needs.

If we needed to change third-party carriers or transportation providers, we could face logistical difficulties that could adversely impact deliveries, and we could be forced to incur additional costs and expend resources in connection with such change.

The materialization of any of the risks described above could harm our business and results of operations.

1.2.18 We rely on third parties for payment services, and any disruption to those services could undermine our model of providing frictionless retail service and harm our business and results of operations.

We rely on third parties for the provision of our payment services. If our third-party payment services were disrupted, we could incur substantial delays and expenses in finding and integrating alternative third-party payment service providers, and the quality and reliability of such alternative payment service providers may not be comparable. Any long-term disruption that impedes the ability of our customers to pay easily and securely on our platforms could undermine our model of providing frictionless retail service and harm our business and results of operations as a result.

1.2.19 Some of the raw materials we use are commodities, the prices of which may fluctuate significantly. Any sustained increase in our raw material costs could harm our business and results of operations.

Some of the raw materials we use, in particular in the food and home & living verticals of our social commerce business unit, expose us to price fluctuations and supply uncertainties which are subject to factors such as commodity market price volatility, currency fluctuations and supply uncertainties. Underlying base material price changes may result in unexpected increases in raw material and production costs, and we may be unable to fully reflect these increases by raising prices without suffering reduced volume, revenue and operating income. Although we monitor our exposure to commodity market prices, we do not hedge against changes in raw materials or commodity prices, and thus are not fully protected against increases in specific raw material costs. Any long-term change in our raw material costs may impact our business and results of operations, in particular in the food and home & living verticals of our social commerce business unit.

1.2.20 We may be exposed to increased logistical costs for the third party transportation of our products sold and the raw materials we purchase, the occurrence of which may adversely affect our margins, sales or reduce our profitability.

We rely on our distribution networks transport our products sold and the raw materials we purchase. In the fiscal year ended December 31, 2019 and 2020, our expenses for packaging and outgoing freight increased from €2.5 million in 2019 to €19.3 million in 2020, an increase of over +650% over this period, which was mainly driven by our acquisitions of companies in 2020. Worldwide, freight costs for a 40ft container have surged from $2,000 in July 2020 to $15,000 currently. Fluctuations in the logistical costs for the transportation of our products sold and the raw materials we purchase may limit our growth prospects. We may not be able to pass these logistical costs on to our customers.

Logistical costs vary depending on capacity utilization rates of our suppliers, quantities demanded from our suppliers, and other factors. As a result, our logistical costs can vary materially in the short-term and, in cases of supply shortages, can increase significantly. Although we attempt to pass on these logistical cost increases to our customers with higher sales prices, we have not always been able to do so successfully in the past and may not be able to do so in the future. Any price increases in our logistical operations which we cannot fully pass on to our customers may materially affect our margins, sales or reduce our profitability.

1.2.21 The Group companies rely on third parties for the supply of raw materials for their products in the food and home & living verticals in our social commerce business unit. Disruptions in these supply relationships, including any significant price increases for raw materials imposed upon the Group companies by their suppliers, could therefore materially and adversely affect the business, results of operations and financial condition of the social commerce business unit.

In the food and home & living verticals of our social commerce business unit, the Group companies rely on third parties to supply raw materials which are used to manufacture the nutrition products of the brands under which Group companies operate. Even if all raw material suppliers met the specifications of the materials they are supplying and even if applicable requirements for safety, quality and legality throughout the supply chain are met, relationships with raw material suppliers involve risks. Identifying, negotiating and documenting relationships with suitable raw material suppliers requires significant time and resources. Third-party raw material suppliers may choose to terminate their relationships with the Group companies or to make material changes to their businesses, products or services. Price increases for raw materials imposed upon the Group companies by their suppliers as a result of increasing prices of raw materials in the global market may also adversely effect the operations of the Group companies. Moreover, the competitors of the Group companies in the food and home & living verticals of our social commerce business unit may be effective in providing incentives to raw material suppliers to supply them which could reduce available supply to the Group companies. In addition, these suppliers may not perform as expected under the agreements of the Group companies with them, and the Group companies may in the future have disagreements or disputes with such suppliers.

If the Group companies lose access to products or services from a particular raw material supplier, or experience a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have an adverse effect on the business, results of operations and financial condition of the food and home & living verticals of our social commerce business unit.

1.2.22 In its social commerce business unit, the Company operates as a holding company with no direct cash generating operations and relies on operating subsidiaries to provide it with funds necessary to meet its financial obligations. Its dependence on loans, dividends and other payments as a result of this could harm its business and results of operations.

In its social commerce business unit, the Company operates as a holding company with no material, direct business operations, and its principal assets are the equity interests it directly or indirectly holds in its operating subsidiaries. As a result, the Company depends on loans, dividends and other payments from these subsidiaries to generate the funds necessary to meet its financial obligations in the social commerce business unit, whereas the Company does not require payments from its subsidiaries in the social media business unit. The ability of the Company's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to contractual or statutory limitations or the legal requirement of having distributable profit or distributable reserves. As an equity investor in its subsidiaries, the Company's right to receive assets upon their liquidation or reorganization will be effectively subordinated to the claims of their creditors. To the extent that the Company is recognized as a creditor of subsidiaries, its claims may still be subordinated to any security interest in or other lien on their assets and to any of their debt or other (lease) obligations that are senior to the Company's claims.

1.2.23 In its limited operating history, the Company has acquired shareholdings in a large number of young and developing businesses, resulting in its complex organizational and operating structure. The Company may be unable to simplify this structure or to successfully integrate or achieve the expected benefits from acquired businesses, any of which could harm our business and results of operations.

The complexity of the Group, the variety of markets we operate in as well as newly implemented organizational structures within parts of our Group could negatively affect our business and make it difficult to accurately forecast our revenue and appropriately plan our expenses. Business decisions may not have been based on a proper financial analysis. The fast growth of the our business to date and the number of acquisitions of shareholdings in young and evolving companies has in the past challenged our ability to steer our business on a group-wide level, to establish effective communication channels between the Company and its subsidiaries and to bridge cultural differences between the Company's central management and local subsidiaries. We expect these challenges to continue as we grow further and as the Company might acquire additional businesses. Some of our local brands are dependent on us with respect to certain intragroup services and our responsiveness in relation to any related inquiries by subsidiaries may be slow. For a significant number of acquired businesses we retained their management and operational structure which did not in all cases harmonize with our governance structure and therefore affected our ability to manage these businesses. In order to support their growth strategy, some of our businesses have outsourced certain key functions to external service providers such as in relation to tax, legal and payroll services. We rely on the quality of the services provided to us and may be adversely affected by the discontinuation of any such outsourcing arrangements.

Moreover, our internal control systems may prove insufficient for our complex structure, operations and the integration of our local operations and various IT systems, especially with respect to our IT systems and segregation of duties. In addition, the ongoing integration of local operations and various IT systems may place substantial demands on our management, may lead to negative publicity, may be more costly than originally anticipated and may pose organizational challenges, including with respect to our IT systems, any or all of which we may fail to address effectively. Our efforts to effectively integrate acquired businesses, including the IT systems associated with their operations, and simplify our organizational and operating structure through restructuring or other measures, may prove unsuccessful and/or result in less growth than we anticipated and may prevent us from lowering our cost base.

The occurrence of any of these events could harm our business and results of operations.

1.2.24 We are exposed to the risk of security breaches, including cyber attacks, and unauthorized use of one or more of our websites, databases, online security systems or computerized logistics management systems. In particular, any failure to protect our customers' confidential or personal information could damage our reputation and brand and substantially harm our business, results of operations and financial condition.

We collect, maintain, transmit and store data about our customers, including credit card information and personally identifiable information, as well as other confidential information. We rely on encryption and authentication technology licensed from third parties to securely transmit sensitive and confidential information. Advances in computer capabilities, new technological discoveries or other developments may result in the whole or partial failure of this technology to protect transaction data or other sensitive and confidential information from being breached or compromised. Furthermore, our security measures, and those of our third-party payment service providers, may not detect or prevent all attempts to breach our systems, denial-of-service attacks, ransomware attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in or transmitted by our websites, networks and systems or that it or such third parties otherwise maintain. In one isolated incident in 2019, email communication of an employee was compromised due to a virus attack which resulted in an expense in the amount of €150,000 due to an intentionally deceptive communication. If any of these breaches of security should occur, the reputation of our brands could be damaged, customers could perceive our systems as not being secure, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such breaches, and we could be exposed to a risk of loss, litigation or regulatory action and possible liability. This risk is exacerbated by the fact that the Group does not have a cybersecurity insurance.

The occurrence of any of these events could damage our reputation and brand and substantially harm our business, results of operations and financial condition.

1.2.25 Our consolidated financial statements are not readily comparable on a period-to-period basis which may make it difficult for an investor to accurately gauge the development of our business and results of operations during the periods under review.

The comparability of the consolidated financial statements is limited as a result of these non-cash capital increases and various corporate acquisitions between 2018 and the date of this prospectus. In addition, the consolidated financial statements for the years up to 2019 were prepared in accordance with local GAAP (HGB), while the consolidated financial information from 2020 onwards were prepared in accordance with IFRS. The material business combinations are also reflected differently between local GAAP and IFRS. Due to the different scope of consolidation depending on whether local GAAP or IFRS is applied, the financial information is also limited in terms of comparability. All of these factors may make it difficult for an investor to accurately gauge the development of our business and results of operations during the periods under review.

1.2.26 We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our corporate culture, business, results of operations and financial condition.

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not maintain key person life insurance policies on any of our employees or managers.

The loss of the services of one or more of our senior management or other key employees for any reason could adversely affect our operations and reputation, and could require significant amounts of time, training and resources to find suitable replacements and integrate them within our business and could adversely affect our corporate culture, business, results of operations and financial condition.

1.2.27 We require additional capital to support our business growth, and this capital might not be available on acceptable terms, if at all. If we fail to implement additional measures to secure capital and liquidity, this could pose an existential risk to us.

Our growth and expansion will require additional capital. We will need additional capital to extend our geographic reach and to increase the penetration of the markets in which we are already active. The need for additional financing could result from us becoming admitted to the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange (the "**Regulated Market**"), leading to an increase of administrative costs. We therefore require periodic injections of capital in order to continue to run our business, service our debts and realize our growth plans. Any deterioration in the performance, prospects or perceived value of us or our businesses may have a material adverse effect on our share price and valuation. Such a development would make it more difficult and substantially more expensive to obtain financing and could trigger additional capital requirements. Any liquidity concerns encountered by us or any of our businesses may require us to curtail or abandon our growth strategy.

In addition, the agreements for external financing we enter into usually provide for collateral to be granted by us in favor of the lender subjecting us to strict contractual terms on the use and disposal of the collateral. Such contractual restrictions on our assets may negatively affect our operations and ability to freely engage with third parties. As a result, we may be forced to limit operations, which, in turn, may negatively affect our reputation and finances.

There is no guarantee that we will be able to obtain additional financing at favorable terms, or at all, in order to satisfy our need for capital. If we need capital and are unable to raise it, we may be required to take additional steps, such as borrowing money on unfavorable terms in order to raise capital, which could limit our growth and may negatively affect our market shares. We may also be forced to scale back operations or even cease to exist as a going concern. In addition, we may also not have the same access to equity and debt capital as our competitors, and general economic disruptions and downturns may negatively affect our ability to raise capital when needed. Until now, our major shareholder has provided us and our controlled entities with significant financial means through direct funding and shareholder loans. In the future, this funding source might no longer be available or we may have to repay funds shortly after completion of the uplisting to the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange (the "**Uplisting**"). We may also fail to accurately project our capital needs and may not have sufficient capital to continue to run our business in the medium to long term. If we are unable to receive the capital needed to secure liquidity, this may ultimately force us to file for bankruptcy.

1.2.28 We are exposed to a default risk from our B2B customers, in particular in our social media business unit, and may need to write off or write down receivables if our contractual partners are unable to meet their obligations, which could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to a default risk from our B2B customers, in particular in our social media business unit. We try to minimize this risk by verifying and assessing the creditworthiness of the future business partners before entering into joint projects, as well as by regularly agreeing on payments on account. However, we may incur losses if the credit quality of our contractual partners deteriorates or if they default on, or fall behind schedule with, their payment obligations to us. A decision to write down or write off claims against contractual partners involves management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis.

The materialization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

1.2.29 The recognition of impairments with regard to goodwill and other intangible assets could have a material adverse effect on our business, financial condition and results of operations, and could also have a significant negative effect on the confidence of important stakeholders.

Goodwill and other intangible assets represent a significant portion of our total assets, which could be significantly reduced if we had to recognize impairments. Our current business was built through the acquisition of companies and through contributions of shares in companies in exchange for the issuance of new shares. Furthermore, companies were acquired in exchange for cash and purchase prices that exceeded the reported equity were paid. Valuation reports were prepared for each transaction and valuations were made on the basis of the discounted cash flow ("**DCF**") method. The positive difference was allocated to tangible and intangible assets through the purchase price allocation ("**PPA**") method and the remaining difference was recognized as goodwill in the consolidated balance sheet. The recoverability of the reported assets and goodwill depends on the requirements described in IAS 36. It cannot be ruled out that individual companies or assets will not meet those requirements and that this will result in impairment of goodwill or intangible assets in accordance with IAS 36 and IAS 38.

A variety of factors, including a deterioration in our performance, adverse market conditions and adverse changes in applicable laws or regulations, or required changes to our brands' business models may cause an impairment of goodwill and other intangible assets if they have a lasting negative impact on our business. Such risks may in particular materialize as a result of a long-lasting economic downturn due to COVID-19, either globally or in any particular region. In addition, an increase in the discount rate used, i.e., the weighted average cost of capital ("**WACC**"), due to an adverse change in parameters (*e.g.*, beta factor, base interest rate, market risk premium, country risk premium) may lead to a higher impairment risk. The amount of any quantified impairment must be expensed immediately as a charge to our results of operations. Therefore, depending on future circumstances, we may not be able to realize the full value of our goodwill.

1.2.30 Exchange rate fluctuations may adversely affect our results.

We are subject to fluctuations in foreign exchange rates between the Euro, our reporting currency, and other currencies of countries in which we operate, in particular the U.S. dollar and the U.K. pound. Such fluctuations may result in significant increases or decreases in our reported operating results as expressed in Euro, and in the reported value of our cash flows. We do not currently hedge foreign exchange risks. Furthermore, currency fluctuations may adversely affect payables, forecast transactions and other instruments denominated in foreign currencies. The timing and extent of currency fluctuations may be difficult to predict. Furthermore, depending on the movements of particular exchange rates, we may be adversely affected at a time when the same currency movements benefit some of our competitors.

1.3 Risks Related to the DS Holding Acquisition

1.3.1 Our contemplated results and benefits from the envisaged acquisition of the DS Holding may not be met and the expected business development may not be achieved.

On October 19, 2021, we entered into an agreement (the "**Share Purchase Agreement**") with the shareholders of DS Holding concerning the contribution of all shares in DS Holding to the Company to effectuate the acquisition of DS Holding and its subsidiaries by the Company (the "**Acquisition**"). The contribution is planned to be effected in December 2021. We consider the Acquisition to be a landmark in our growth path and expect a near doubling of the Group's revenues compared to the Group's 2021 revenues. We expect considerable growth on the basis of the integration of DS Holding and estimate the EBITDA-effective synergy effects of the transaction at a total €40 million to €50 million in the first three years after the Acquisition.

However, we cannot exclude that these benefits may not be met, or that that they may be met only in part or at a later date. The business development of the DS Holding depends on various factors and could be different from our internal projections.

In particular, our expectations regarding DS Holding's product portfolio, innovation potential and retail partnerships and the positive effects thereof on the Group's business could turn out to be inaccurate. Accordingly, the expected optimization of the combined group's value chain may be lower than originally calculated. Our assumptions regarding cost reductions in the course of the integration of DS Holding, in particular due to combined product sourcing, optimized shipping costs, a combined IT and data infrastructure and combined financial compliance and HR departments could turn out to be incorrect and such cost reductions could not be fully achieved. Accordingly, no assurance can be given that a corresponding benefit will be available to offset the investment costs incurred through the Acquisition. Additionally envisaged transaction costs incurred by us may turn out to be higher than originally anticipated and impact our financial condition unfavorably.

1.3.2 Warranty claims and claims for damages are limited in content, time frame and maximum amount.

In the Share Purchase Agreement, the shareholders of DS Holding made certain warranties. It is possible, however, that these warranties do not cover all risks, or that they fail to cover all risks sufficiently. Additionally, a warranty made by a shareholder of DS Holding could be unenforceable for a number of reasons, including insolvency. The Share Purchase Agreement also limits the assertion of warranty claims and claims for damages in terms of content, time frame and maximum amount. Therefore, under certain circumstances, we may not be in a position to assert claims against the shareholders of DS Holding based on defects and damages identified subsequently in connection with the Acquisition.

1.3.3 The envisaged Acquisition of the DS Holding may not close or not as currently contemplated, for example due to conditions in the Share Purchase Agreement concerning the DS Holding

The Acquisition is still subject to a number of customary closing conditions. If certain conditions precedent set out in the Share Purchase Agreement are not fulfilled, the Acquisition may not occur or may not occur as currently contemplated. A failure of the Acquisition would prevent the Group from achieving the contemplated synergies, results and benefits from the Acquisition, which could have significant adverse effects on our net assets financial condition and results of operation.

1.4 Regulatory, Tax and Legal Risks

1.4.1 Our business may be negatively affected by privacy-related regulation, particular by the General Data Protection Regulation (EU) 2016/679 (the "GDPR") (including as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of the U.K.-European Union Withdrawal Act 2018, the U.K. Data Protection Act 2018), as these provisions could interfere with our strategy to collect and use personal data for our marketing.

Privacy-related regulation of the internet could interfere with our strategy to collect and use personal information as part of our marketing efforts and operations. The GDPR imposes strict conditions and limitations on the processing, use and transmission of personal data. We must comply with such regulations in the European Union and the U.K., as well as with other regulations in other countries where we may do business. Local authorities may construe the relevant data protection laws in a restrictive way and there is no guarantee that we will be able to comply with such restrictive approaches. Any noncompliance by us with the applicable regulations could lead to fines and other sanctions. For example, the GDPR provides that violations of data protection rules can be fined, depending on the circumstances, by up to the higher of €20 million (in the European Union (£17.5 million in the U.K.)) and 4% of the annual global turnover of the infringing person.

Even if we as TSC do not make use of data collected in the verticals within our social commerce business unit, we may nevertheless be held liable for any non-compliance with the GDPR or other applicable privacy-related regulation within the verticals of our social commerce business unit. There also remains a certain degree of legal uncertainty in the European Union with regard to the cookie banner settings on our websites, which may result in a non-compliant use of cookies which may be subject to substantial fines. We may incur substantial costs in order to ensure our compliance with privacy-related regulation, which is different in the different geographical areas in which we operate.

1.4.2 As a result of the Uplisting, we will face additional regulatory and administrative requirements, including the obligation to issue quarterly group statements and other disclosure obligations. The additional regulatory and administrative burdens which we will be subject to as a result of the Uplisting could have an adverse impact on our business, results of operations and financial condition.

Following the Uplisting, we will be subject to additional and more stringent legal and regulatory requirements. These requirements include, in addition to the half-yearly financial report, quarterly financial reporting in the form of quarterly group statements of the first and third quarter of each financial year and other public disclosures of information. Compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. In addition, our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these requirements for companies admitted to the Regulated Market. Our senior management team may not successfully or efficiently manage the transition to being a company admitted to the Regulated Market with its significant regulatory oversight and reporting obligations.

Following the Uplisting, we will also be subject to the German Securities Trading Act (*Wertpapierhandelsgesetz*) and the German Corporate Governance Code. Our accounting, controlling, legal or other corporate administrative functions may not be capable of responding to these additional requirements without difficulties and inefficiencies that may cause us to incur significant additional expenditures and/or expose it to legal, regulatory or civil costs or penalties.

Any inability to manage the additional demands placed on us as a result of the Uplisting, as well as any costs resulting therefrom, could have a material adverse effect on our business, financial condition, cash flows, results of operations and the value of our direct and indirect interests in the companies in our network, and directly or indirectly on our business, results of operations and financial condition.

1.4.3 We may be subject to litigation proceedings in connection with mergers, acquisitions - such as in the case of the Company's ongoing litigation with certain minority shareholders of KoRo Handels GmbH about the exercise of a put option - or other corporate transactions or measures, which could harm our business and results of operations.

We face potential liability, expenses for legal claims and harm to our business resulting from litigation proceedings in connection with the acquisition and divestment of operations, including potential claims related to business combinations, implementation of squeeze-outs or other corporate measures by third-party shareholders of the Group companies as well as other adverse legal consequences due to claims of regulatory authorities. In particular, in those companies in which we have acquired the position of a majority shareholder, minority shareholders may exercise actual or alleged rights which may contradict our interests and which may lead to litigation. As a result of our position as a minority shareholder in some of our investments, we may also be required to defend our legal position in litigation in certain cases.

In one case involving minority shareholder rights, there is currently ongoing civil litigation before the district court (*Landgericht)* of Berlin between the Company and certain minority shareholders of KoRo Handels GmbH (the "**KoRo Minority Shareholders**") about the legal implications of the exercise of a put option, which the Company had granted to the KoRo Minority Shareholders, in the course of the Company's step-by-step acquisition of KoRo Handels GmbH, in respect of all shares in KoRo Handels GmbH held by the KoRo Minority Shareholders.

The KoRo Minority Shareholders exercised their put options on July 5, 2021. As a result, the Company secured an additional 41.39% of the shares, so that the Company controlled a total of 99.57% of the shares of KoRo Handels GmbH as of July 5, 2021, subject to payment of the put option purchase price. Pursuant to the Company's contract with the KoRo Minority Shareholders, the put option purchase price is determined by means of a contractually agreed calculation method based on the latest corporate planning as resolved by the shareholders' meeting. Pursuant to the contractual provisions, half of the put option purchase price is to be paid in cash and half in shares in the Company.

The Company initially calculated the put option purchase price to be €4.2 million. However, no agreement has yet been reached with the KoRo Minority Shareholders on the implications of the exercise of the put option and on the calculation of the purchase price, as the KoRo Minority Shareholders requested a purchase price of a high double-digit million euro amount as adequate. The management of the Company has not agreed with the purchase price requested by the KoRo Minority Shareholders and, instead, has enforced the valuation procedure agreed with the KoRo Minority Shareholders and, in this context, has filed a law-suit against the KoRo Minority Shareholders arguing that the basis for the calculation of the high double-digit million euro amount is unfounded.

There are currently ongoing constructive negotiations regarding a potential settlement of the case involving evaluation of various solutions to the dispute. A conceivable outcome would be that the KoRo Minority Shareholders will withdraw their exercise of the put options from July 5, 2021. This would mean that the KoRo Minority Shareholders would keep their 41.39% of shares in KoRo Handels GmbH and that the Company would not be required to pay the put option purchase price.

The Company did not record a provision for the put option purchase price in its unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2021.

In each case, litigation or administrative proceedings, whether potential or actual, can be costly and may also damage our reputation and have a material adverse impact on our ability to compete for business.

1.4.4 We may be subject to claims that content on our platforms is illegal or infringes the intellectual property or other rights of others, which could have a material adverse effect on our business, results of operations and financial condition.

We rely on third-party brands for information, including product characteristics and availability shown on our platforms, that may be inaccurate. In particular, we may be subject to civil or criminal liability for activities carried out, including products listed for sale on our platforms (including in respect of websites that we own and/or operate as well as third-party websites that we host). If a governmental authority determines that we have aided and abetted the infringement or sale of counterfeit goods, we could face regulatory, civil or criminal penalties. Successful claims by third-party rights owners could require us to pay substantial damages or refrain from permitting any further listing of the relevant items.

The occurrence of any of these above matters could materially adversely affect our business, results of operations and financial condition.

1.4.5 Failure to adequately protect, maintain or enforce our intellectual property rights could substantially harm our business, results of operations and financial condition.

Despite our efforts to protect and enforce our proprietary rights, unauthorized parties may use our trademarks or similar trademarks, copy aspects of our website images, features, compilation and functionality or obtain and use information that we consider as proprietary, such as the technology used to operate our websites or content. Litigation or similar proceedings may be necessary in the future to protect, register and enforce our intellectual property rights, to protect our trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. Any litigation or adverse priority proceedings could result in substantial costs and diversion of resources, and could substantially harm our business, results of operations and financial condition.

1.4.6 Government regulation of the internet and e-commerce is evolving and may change in a manner that is unfavorable to our business, and any failure to comply with the often complex regulations to which we and our business operations are subject could expose us to increased compliance costs, fines and sanctions and could harm our business and results of operations.

Government regulation and legal uncertainties may place administrative and financial burdens on our businesses. As the internet continues to revolutionize commercial relationships on a global scale, and as the use of the internet and mobile devices in everyday life becomes more prevalent, new laws and regulations relating to the internet and in particular the e-commerce sector may be adopted. These laws and regulations may cover issues such as the collection, use and protection of data from website visitors and related privacy issues, online payments, pricing, anti-bribery, tax, content, copyrights, trademarks, origin and distribution and quality of goods and services. The adoption or modification of such laws or regulations relating to our operations could adversely affect our business by increasing compliance costs, including as a result of confidentiality or security breaches in the case of noncompliance, and administrative burdens. We may also fail to comply with applicable regulations due to complications in the integration of companies acquired by us. Moreover, our IT systems might need to be updated faster than anticipated to ensure compliance with regulatory requirements, in particular with regard to reporting and transparency. Any noncompliance by us with the applicable regulations could lead to fines and other sanctions.

1.4.7 A failure to comply with current or future laws, rules or regulations could subject us to substantial penalties and other liabilities and could damage our reputation, any of which would adversely affect our business, results of operations and financial condition.

Our business, results of operations and financial condition could be adversely affected by changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to us and our businesses, including those relating to the internet and e-commerce, including data protection and privacy, geo-blocking and other geographically based restrictions, internet advertising and price display, general consumer protection, product labelling, anti-corruption, antitrust and competition, economic and trade sanctions, tax, accounting standards, banking, data security and network and information systems security. Current risk drivers result from planned regulatory adjustments, such as the DBM initiative ("*Digitaler Binnenmarkt*"), the planned platform-to-business regulation ("**P2B**") and the expected modified framework conditions for consumers.

As a result of changes to laws, rules and regulations, regulatory authorities could prevent or temporarily suspend us from carrying on with some or all of our activities or otherwise penalize us if our practices were found not to comply with applicable regulatory or licensing requirements or any binding interpretation of such requirements. Any such changes, interpretations or other legal uncertainties could decrease demand for our services, limit marketing methods and capabilities, affect our margins, increase costs or subject us to additional liabilities.

1.4.8 Our expansion into the U.S. market will result in our companies and businesses becoming subject to significant and complex additional regulations, with which we have had little or no prior experience, and could therefore heighten the risk of regulatory or legal non-compliance. Any such non-compliance may result in substantial fines or other sanctions, and the development of new processes and standards in connection therewith could lead to substantial additional expenses, any of which could adversely affect our business, results of operations and financial condition.

Business activities in the U.S. involve increased legal, regulatory, financial and organizational risks. For the periods under review, we acquired shareholdings in four U.S. entities, of which we acquired a controlling stake in one, and are continuing to look to the U.S. market for growth opportunities. In addition, the implementation by the U.S. government of COVID-19 related travel restrictions makes it more difficult to integrate our headquarters in Berlin with our subsidiaries in the U.S. In one case, a newly appointed director of one of our U.S. subsidiaries was not able to enter the U.S. It cannot be ruled out that the integration of our subsidiaries and activities in the U.S. cannot be implemented as intended or can only be implemented with delay or only partially as expected. It cannot be ruled out that Group-wide processes and standards are not implemented at all, implemented only partially or with a delay, and that monitoring is associated with increased time and resource expenditure.

Any difficulties in complying with U.S. law, rules and regulations, especially in light of the COVID 19 pandemic, may adversely affect our business, especially considering our plans to continue our strong growth in the U.S. market.

1.4.9 Any failure to comply with environmental, social and governance ("ESG") and corporate social responsibility ("CSR") standards and expectations could adversely impact our business and reputation, and processes and practices that we need to develop or maintain to comply with ESG and CSR standards could pose additional challenges to our business.

We must increasingly meet ESG and CSR standards and expectations regarding environmental concerns (*e.g.*, climate change and sustainability), social concerns (*e.g.*, diversity and human rights), and corporate governance concerns (*e.g.*, employee relations when making business and investment decisions). We may not always be able to identify and adequately assess the relevant concerns, which may result in a failure to meet ESG and CSR standards and expectations of stakeholders or the public, which could adversely impact our reputation.

At the same time, compliance with certain ESG and CSR standards, in particular environmental standards, may pose challenges to our business and lead to additional costs in our business. Future changes in regulatory and legal requirements related to climate change may significantly impact our growth, financial results and legal exposure. In the wider context of ESG, there is a risk of insufficient funding or procurement of other financing instruments and other financial services such as financing, securities, hedging instruments or insurance provided by banks, insurance companies and other financial institutions for specific projects or our whole business operations due to financial institutions' internal, industry-wide or policy-driven prerequisites for all dimensions of ESG.

Non-compliance with ESG/CSR may be caused by our rapid expansion into new markets and a potentially insufficient awareness of the respective socio-economic environment. Additionally, an inappropriate vendor selection with regard to CSR regulation may affect the Group. It cannot be ruled out that inadequate reporting on our own activities and precautions regarding sustainability-related issues leads to a loss of trust by the capital market. As a result, we may face legal risks, become unable to acquire talent, may be exposed to higher refinancing costs due to EU taxonomy (CSR regulation) and reduced trust in our brands may impact growth and financial results.

1.4.10 We could be subject to litigation, regulatory disputes or government inquiries that could harm our business and results of operations.

As a growing company with expanding operations, we may increasingly face the risk of claims, lawsuits, government investigations and other proceedings involving competition and antitrust, intellectual property, privacy, consumer protection, accessibility claims, securities, tax, labor and employment, commercial disputes, services and other matters, including litigation with the other shareholders in the Group companies (see "*1.4.3 We may be subject to litigation proceedings in connection with mergers, acquisitions – such as in the case of the Company's ongoing litigation with certain minority shareholders of KoRo Handels GmbH about the exercise of a put option – or other corporate transactions or measures, which could harm our business and results of operations.*"). The general litigation risk is increased in our case due to our high degree of (social) media exposure and due to the fact that there are limitations to our possibilities of controlling the behavior of our influencers and comments on our social media channels.

We cannot predict the outcome of any of these disputes and inquiries, and such disputes or inquiries could have an adverse impact on us due to legal costs, diversion of management resources, and other factors. Legal proceedings or inquiries could also result in reputational harm, criminal sanctions, consent decrees or orders preventing us from offering certain products or services. Furthermore, litigation and other claims and regulatory proceedings against us could result in unexpected expenses and liabilities and harm our business and results of operations.

1.4.11 The application of existing tax laws, rules and regulations are subject to interpretation by tax authorities, and both those interpretations and the laws, rules and regulations themselves are subject to change. Any additional tax or regulatory burden resulting from such interpretations or changes could have a material adverse effect on our business, results of operations and financial condition.

We currently have operations in 25 countries. Our fast geographical expansion exposes us to a number of different tax regimes in those jurisdictions and has increased our risk of non-compliance. Ensuring our compliance with all tax laws in the countries in which we operate, such as the respective provisions regarding VAT, significantly increases our overall administrative burden.

If any tax or other laws, rules or regulations were amended, or if new unfavorable laws, rules or regulations were enacted, the results could increase our tax payments or other obligations, prospectively or retrospectively, subject us to interest and penalties, and decrease the demand for our services if we pass on such costs to the consumer. Any such new laws, rules or regulations may result in increased costs to update or expand our technical or administrative infrastructure or effectively limit the scope of our business activities if we decided not to conduct business in particular jurisdictions. As a result, these changes may have a material adverse effect on our business, results of operations and financial condition.

In addition, the application of the tax laws of various jurisdictions to our international business activities is subject to interpretation. The taxing authorities of the jurisdictions in which we operate may challenge their methodologies, including their transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and adversely affect our financial position and results of operations.

Significant judgement and estimation are required in determining our worldwide tax liabilities. In the ordinary course of our business, there are transactions and calculations for which the ultimate tax determination is uncertain or otherwise subject to interpretation. Tax authorities in any of the countries in which we operate may disagree with our intercompany charges, including the amount of, or basis for, such charges or cross-jurisdictional transfer pricing, and assess additional taxes.

As we operate in numerous jurisdictions, the application of tax laws of these jurisdictions can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, whether a permanent establishment exists in a particular jurisdiction, transfer pricing, or the valuation of intellectual property. For example, if the taxing authority in one country where we operate were to reallocate income from another country where we operate, and the taxing authority in the second country did not agree with the reallocation asserted by the first country, we could become subject to tax on the same income in both countries. If taxing authorities were to allocate income to a higher tax jurisdiction, subject our income to double taxation or assess interest and penalties, this could increase our tax liability, which could adversely affect our financial position and results of operations.

Although we believe our tax estimates and methodologies are reasonable, taxing authorities have become more aggressive in their interpretation and enforcement of such laws, rules and regulations over time, as governments are increasingly focused on ways to increase revenues. This has contributed to an increase in audit activity and harsher stances by tax authorities. As such, additional taxes or other assessments may be in excess of our current tax reserves or may require us to modify our business practices to reduce our exposure to additional taxes going forward, any of which may have a material adverse effect on our business, results of operations and financial condition.

1.4.12 Any change in our tax status or in taxation legislation or its interpretation could affect our share price or our ability to provide returns to our shareholders or alter the post-tax returns to our shareholders, which could harm our business and results of operations.

The tax rules and their interpretation relating to an investment in us may change during the life of an investment. Any change in our tax status or in taxation legislation or its interpretation could affect the value of investments held in us or our ability to provide returns to our shareholders or alter the post-tax returns to our shareholders. In particular, changes to the indirect taxation of shipment and consignment or the introduction of a "parcel tax" for e-commerce companies might increase our cost and overall regulatory burden. The imposition of trade tariffs and duties for the import of raw materials, for the export of our products to customers residing in non-EU countries and for return consignments may also increase our cost burden and may result in us not being able to reclaim tax pre-payments, for example with regard to input VAT.

Statements in this Prospectus concerning the taxation of us and our investors are based upon current tax law and practice which is subject to change. Current and potential investors should obtain their own independent tax advice if they are in any doubt as to their tax status.

The materialization of any of the risks described above could harm our business and results of operations.

1.4.13 We are exposed to risks in connection with actual or alleged infringements of food labelling regulations. Any actual or alleged infringement of us against these regulations could harm our business and results of operations.

In the food vertical of our social commerce business unit, we are subject to numerous food labelling regulations. These regulations provide for, among other things, labelling requirements with regard to the name of the food, the list of ingredients and particularly those causing allergies or intolerances, the net quantity of the food or the consume by date. Non-compliance with applicable food labelling regulations could result in further legal disputes, litigation and enforcement actions by authorities as well as damage claims by consumers. Any such actions could result in substantial monetary claims against us, substantial fines and other measures being imposed by competent authorities. We could also experience significant loss of revenue should we be forced to take individual marketplaces offline until compliance with food labelling rules is achieved.

The materialization of any of the risks described above could harm our business and results of operations.

1.4.14 Offering payment options to our customers subjects us to a number of regulations and compliance requirements. The applicability of additional regulations and compliance requirements could materially adversely affect our business.

We are subject to payment card association operating rules, certification requirements, payment card industry and data security standards, regulations concerning payment service providers and rules governing electronic funds transfers. We have to comply with the contracts we entered into with payment card or service providers set forth certain standards of conduct and any violation of these standards potentially subjects us to substantial contractual penalties. We may also lose our ability to accept credit or debit card payments from customers, process electronic funds transfers or facilitate other types of online payments which would lead to a substantial loss of revenue. Moreover, if we offer new payment options to our customers, we may become subject to additional regulations and compliance requirements, which may increase the administrative costs and negatively affect our business. Furthermore, there can be no assurance that licenses we may apply for will be granted as necessary to continue our business as currently undertaken.

In addition, with respect to payment transactions that cross a certain threshold or result in the issuance of e-money, “know your customer” (“**KYC**”) requirements may apply, forcing us to comply with certain additional formal requirements. Such KYC compliance requirements may slow down payment processes and significantly increase our cost of compliance.

The occurrence of any of the above developments could materially adversely affect our business.

1.5 Risks Related to Our Shareholder Structure

1.5.1 Our shareholder structure is dominated by a few large shareholders, in particular by one shareholder, including entities controlled by such shareholder. The materialization of any risks associated with this shareholder structure could harm our business, results of operations and financial condition.

Our shareholder structure is characterized by a few major shareholders, in particular by one shareholder who indirectly owns altogether approximately 47% of our shares, which in light of historic participation quota at general shareholder meetings allows such shareholder to effectively control us. The interests of our largest shareholders, in particular of our largest shareholder, may differ from the interest of other shareholders. The stake of our largest shareholders, especially our largest shareholder, may have the effect of delaying, postponing or preventing certain major corporate actions, including a change of control in us, and could thus prevent mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors, or overall deter investments in us.

The realization of any of our major shareholders’ interests, in particular those of our largest shareholder, that are in conflict with those of the other shareholders or the deterrence of investments in us as a result of our shareholder structure may have a material adverse effect on our business, results of operations and financial condition.

1.6 Risks Related to Our Shares

1.6.1 We do not expect to pay any dividends in the foreseeable future which may make our shares less attractive to investors and which could harm our business.

We have historically not paid any dividends to our shareholders and currently do not expect to be in a position to, nor do we intend to, pay dividends in the foreseeable future. Our ability to pay dividends depends upon, among other things, our results of operations, financing and investment requirements, as well as the availability of distributable profit. Certain reserves must be established by law and have to be deducted when calculating the distributable profit.

In addition, debt financing arrangements, which may be entered into in the future may contain covenants that impose restrictions on our ability to pay dividends under certain circumstances. Any of these factors, individually or in combination, could restrict our ability to pay dividends.

1.6.2 Future offerings of additional debt or equity securities by us could adversely affect the market price of our shares, and future capitalization measures could substantially dilute the interests of our existing shareholders, which could have a material adverse effect on our business, results of operations and financial condition.

We may require additional capital in the future to finance our business operations and growth, or repay debts that we incur. We may seek to raise capital through offerings of additional debt securities or additional equity securities. An issuance of additional equity securities or securities containing a right to convert into equity, such as convertible debentures and option debentures, could potentially reduce the market price of our shares and would dilute the economic and voting rights of our existing shareholders if made without granting subscription rights to our existing shareholders.

In particular, the capital increase resolved by the management board on October 19, 2021, and approved by the supervisory board on the same day through the issuance of 2,855,000 new shares and the additional planned capital increase through the issuance of 1,145,000 new shares against cash contribution will, in sum, already dilute the interests of our existing shareholders by more than 25%, as statutory subscription rights of the existing shareholders are or will be excluded in these capital increases.

Because the timing and nature of any future offering would depend on market conditions at the time of such an offering, we cannot predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of us, as well as the exercise of stock options by our employees in the context of the existing and possible future stock option programs or the issuance of our shares to employees in the context of possible future employee stock participation programs, could lead to a dilution of the economic and voting rights of our existing shareholders. Certain current shareholders of us may be protected by anti-dilution protection mechanisms, such as down round protections, entitling them to subscribe a number of additional shares in us in connection with certain capital measures. As a result of any future offering by us, existing shareholders may experience a material decline in the market price of our shares or a significant dilution.

1.6.3 Future sales by our existing shareholders could depress the price of our shares, which could harm our business.

Sales of a substantial number of our shares in the public market, including any coordinated sale of shares, or the perception that such sales might occur, could depress the market price of our shares and could impair our ability to raise capital through the sale of additional equity securities. If, for example, one or more larger shareholders of us effect a sale or sales of a substantial number of our shares in the stock market, or if the market believes that such sales might take place, the market price of our shares could decline.

1.6.4 Our share price could fluctuate significantly, and investors could lose all or part of their investment, which could have a material adverse effect on our business, results of operations and financial condition.

Our share price is affected primarily by the supply and demand for our shares and could fluctuate significantly in response to numerous factors, many of which are beyond our control, including, but not limited to, fluctuations in actual or projected results of operations, changes in projected earnings or failure to meet securities analysts' earnings expectations, the absence of analyst coverage on us or our subsidiaries, changes in trading volumes in our shares, changes in index inclusion, changes in macroeconomic conditions, such as recently experienced in the COVID-19 crisis, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception in us or the industry in which we operate, changes in the statutory framework in which we operate and other factors, and can therefore be subject to substantial fluctuations.

In addition, general market conditions and fluctuations of share prices and trading volumes generally, such as recently experienced in the COVID-19 crisis, could lead to pricing pressures on our shares, even though there may not be a reason for this based on our business performance or earnings outlook. In particular, public perception of us as an internet or e-commerce company could result in our share price moving in line with the prices of other shares of similar companies, which have traditionally tended to be more volatile than the share prices of companies operating in other industries.

If our share price or the trading volume in our shares decline as a result of the realization of any or all of these events, investors could lose part or all of their investment in our shares.

2. GENERAL INFORMATION

2.1 Responsibility Statement

The following persons assume responsibility for the contents of this prospectus (the "**Prospectus**") pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in conjunction with Article 11 of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), and declare that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts, and that this Prospectus makes no omission likely to affect its import:

- The Social Chain AG ("**TSC AG**", the "**Company**" and, together with its fully consolidated subsidiaries, "**we**", "**us**", "**our**", the "**Group**" or "**TSC**"), with its registered office at Gormannstraße 22, 10119 Berlin, Federal Republic of Germany ("**Germany**"), (telephone: +49 (0)30 208 4840-10; website: www.socialchain.com), legal entity identifier ("**LEI**") 529900ZARRZWUT1YO213, and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany, under docket number HRB 128790 B; and

- Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany (telephone: +49 (0)40 350 600), LEI 529900UC2OD7II24Z667, ("**Berenberg**" or the "**Listing Agent**").

2.2 General Disclaimers

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

The information contained in this Prospectus will not be updated subsequent to the date hereof, except for any significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Company's shares and which arises or is noted between the time when this Prospectus is approved, which is currently expected for November 11, 2021 and the time when trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) of all shares to which this prospectus relates will have begun, which is currently expected for December 2021, which will be disclosed in a supplement to this Prospectus without undue delay. The obligation to supplement the Prospectus pursuant to Article 23 of the Prospectus Regulation will no longer apply following the expiration of the validity of this Prospectus at the beginning of the first day of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is currently expected for November 12, 2021 regarding the Existing Shares and for December 2021 regarding the New Shares.

2.3 Competent Authority Approval

This Prospectus has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**")), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany, telephone +49 228 4108 0, www.bafin.de, as the competent authority under the Prospectus Regulation on November 11, 2021. BaFin has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or the quality of the Company's shares and investors should make their own assessment as to the suitability of investing in the Company's shares.

2.4 Purpose of this Prospectus

The subject matter of this prospectus is the admission of 11,492,043 ordinary registered shares with no par value (*Stückaktien*) and full dividend rights from January 1, 2021 (the "**Existing Shares**") and of 2,855,000 ordinary registered shares with no-par value (*Stückaktien*) newly issued under exclusion of subscription rights (the "**New Shares**") as part of the consideration for the acquisition of DS Holding from a capital increase against contributions in kind resolved by the management board on October 19, 2021 with the approval by the supervisory board of the same day, utilizing the authorized capital resolved by the Company's ordinary shareholders' meeting on July 30, 2021, each such share representing a notional value of €1.00 and with full dividend rights from January 1, 2021, to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange

(*Frankfurter Wertpapierbörse*) and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

2.5 Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company's Existing Shares are currently traded on the Open Market of the Düsseldorf Stock Exchange.

The Company, together with Berenberg, has applied for the admission of the Existing Shares and will apply for the admission of the New Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) respectively on October 29, 2021 regarding the Existing Shares and in December 2021 regarding the New Shares. The listing approval for the Company's shares is expected to be granted on November 11, 2021 regarding the Existing Shares and in December 2021 regarding the New Shares; however, there can be no guarantee for such approval. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on November 12, 2021 or in December 2021, respectively.

2.6 Information on the Shares

2.6.1 Voting Rights

Each share in the Company carries one vote at the Company's shareholders' meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights.

2.6.2 Dividend Rights, Paying Agent and Liquidation Rights

Each share in the Company carries and the New Shares will carry full and equal dividend rights from January 1, 2021.

The paying agent is Quirin Privatbank AG, Kurfürstendamm 119, 10711 Berlin, Germany.

In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

2.6.3 Form and Certification of the Shares

All of the Company's shares are ordinary registered shares with no par value (*Stückaktien*). The Company's existing share capital in the amount of €11,492,043.00 is represented by a global share certificate, deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**").

Pursuant to Section 3 para. 2a of the Company's articles of association (the "**Articles of Association**"), the Company may, at its discretion, issue individual or global share certificates, whereas the shareholders' right to receive individual share certificates is excluded.

All shares of the Company provide holders thereof with the same rights and no shares provide any additional rights or advantages.

The New Shares will be represented by a global share certificate which will be deposited with Clearstream for collective safe custody (*Girosammelverwahrung*).

2.6.4 Currency of the Securities Issue

The Company's shares are denominated in Euros.

2.6.5 ISIN/WKN/Ticker Symbol

International Securities Identification Number (ISIN)	DE000A1YC996
German Securities Code (*Wertpapierkennnummer* (*WKN*))	A1YC99
Ticker Symbol	PU11

2.6.6 Existing Quotation

As of the date of this prospectus, 11,492,043 ordinary registered shares with no par value (*Stückaktien*), each with a notional value of €1.00 and with full dividend rights from January 1, 2021 are admitted to trading on the Open Market of the Düsseldorf Stock Exchange.

2.6.7 Transferability of Shares and Limitations on Disposal

The Company's shares are freely transferable in accordance with the legal requirements for registered shares. There are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

2.7 Designated Sponsors

Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, Germany and Hauck & Aufhäuser Privatbankiers AG, Kaiserstraße 24, 60311 Frankfurt am Main, Germany (together, the "**Designated Sponsors**") have been mandated as designated sponsors of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Pursuant to the designated sponsor agreements entered into between the Company and the Designated Sponsors, the Designated Sponsors will, among others, place limited buy and sell orders for the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's shares.

2.8 Total Cost of the Listing and Proceeds

The costs related to the listing of the shares are expected to total approximately €2.3 million. Investors will not be charged expenses by the Company or the Listing Agent.

This prospectus does not relate to an offering of shares. Accordingly, neither the Company nor any shareholder of the Company will receive any proceeds from the issuance of shares.

2.9 Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information the Group's future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which the Group is exposed. Statements made using words such as "predicts", "forecasts", "projects", "plans", "intends", "expects" or "targets" generally indicate forward-looking statements.

The forward-looking statements contained in this Prospectus are subject to opportunities, risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Group's actual results, including its financial condition and profitability, to differ materially from those expressed or implied in the forward-looking statements. These expressions can be found, in particular, in the sections "*6.4 Key Factors Affecting our Results of Operations, Financial Condition and Cash Flows*", "*6.8.3.1 Future and Planned Capital Expenditures*", "*7. Business Description*", "*8.5 DS Holding's geographic footprint and brands"*; *18. Recent Developments and Outlook*" and wherever information is contained in this Prospectus regarding the Company's plans, intentions, beliefs or current expectations relating to the Group's future financial condition and results of operations, plans, liquidity, business prospects, growth, strategy and profitability, investments and capital expenditure requirements, future growth in demand as well as the economic and regulatory environment which the Group is subject to.

In light of these uncertainties and assumptions, future events mentioned in this Prospectus may not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party sources could prove to be inaccurate (for further information on the third-party sources used in this Prospectus, see "*2.10 Sources of Market Data*"). Actual results, performance or events may turn out to be better or worse compared to the results, performance and events described in the forward-looking statements, in particular due to:

- adverse developments of the European economy and consumer behavior, including due to an increase of inflation rates and/or (other) effects of the pandemic spread of a strain of the coronavirus and the infectious disease caused by it;
- significantly increasing customer online demand, disruptions of supply or distribution chains, and/or supply shortages, particular due to COVID-19 related restrictions or effects;
- an increase of competitive pressure, resulting, for example, from the launch of new e-commerce platforms by competitors or market consolidation;
- changes in laws, regulations, governmental policies or tax regimes, in particular relating to data protection or e-commerce;
- dependence on third parties, such as brand partners, suppliers, fulfillment or payment service providers;
- interruptions of the Group's information technology systems or infrastructure;
- interruptions of our operations or warehouse processes due to, for example, software malfunctions, fires, natural disasters, acts of terrorism, vandalism or sabotage;
- an inability to retain key employees of the Group;
- increased regulatory controls;
- litigation and product liability claims; and
- reputational risks in connection with the public perception of the Group.

Moreover, it should be noted that all forward-looking statements only speak as of the date of this Prospectus and that neither the Company nor the Listing Agent assume any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. Actual developments may deviate from those envisaged in the forward looking statements.

2.10 Sources of Market Data

Unless otherwise specified, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which the Group operates are based on the Company's assessments. These assessments, in turn, are based in part on internal market observations and on various market studies.

The following sources were used in the preparation of this Prospectus:

- Bundesverband E-Commerce und Versandhandel in Deutschland e.V. (https://www.bevh.org/presse/pressemitteilungen/details/e-commerce-beschleunigt-wachstum-deutlich-auf-mehr-als-83-mrd-euro-warenumsatz-in-2020-bevh-forde.html, "**Bundesverband E-Commerce und Versandhandel in Deutschland e.V.**";
- Statista (Digital Advertising Report 2021 - Social Media Advertising, https://de.statista.com/statistik/studie/id/36293/dokument/digital-advertising-report-social-media-advertising/, "**Statista**");
- Datareportal (Digital 2021 July Global Statshot Report — DataReportal – Global Digital Insights, https://datareportal.com/reports/digital-2021-july-global-statshot "**Datareportal**");
- Infogram (App Annie - Evolution of Social Media Apps Report https://infogram.com/1pmrg199wrmd76s3gpw7gr9w5dbz91z2x9d?live, "**Infogram**").

It should be noted, in particular, that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained from the aforementioned sources. The Company has accurately reproduced such information and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Prospective investors are, nevertheless, advised to consider these data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. The fact that information from the aforementioned third-party sources has been included in this Prospectus should not be considered as a recommendation by the relevant third parties to invest in, purchase or take any other action with respect to, shares in the Company.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Listing Agent (see "*2.1 Responsibility Statement*"), neither the Company nor the Listing Agent have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Listing Agent make no representation or warranty as to the accuracy of any such information from third-party studies included in this Prospectus. In addition, prospective investors should note that the Company's own estimates and statements of opinion and belief are not always based on studies of third parties.

2.11 Documents Available for Inspection

For the period during which this Prospectus remains valid, the following documents will be available on the Company's website www.socialchain.com under the "Investor Relations" section:

- the Articles of Association;
- the unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2021 of The Social Chain AG prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, on interim financial reporting (IAS 34);
- the audited consolidated financial statements of The Social Chain AG as of and for the fiscal year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*);
- the audited consolidated financial statements of The Social Chain AG as of and for the fiscal years ended December 31, 2019, prepared in accordance with generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch* ("**HGB**"));
- the audited consolidated financial statements of Lumaland AG (now: The Social Chain AG) as of and for the fiscal year ended December 31, 2018, prepared in accordance with the general accepted accounting principles of the HGB; and
- the audited standalone financial statements of The Social Chain AG as of and for the fiscal years ended December 31, 2020, prepared in accordance with generally accepted accounting principles of the HGB.

The Company's future consolidated financial statements, unconsolidated financial statements and condensed interim consolidated financial statements will be available from the Company on its website and the paying agent designated in this Prospectus (see "*2.6.2 Dividend Rights, Paying Agent and Liquidation Rights*"). The Company's consolidated and unconsolidated financial statements will also be published in the German Federal Gazette (*Bundesanzeiger*).

Information on the Company's website www.socialchain.com and information accessible via this website is neither part of, nor incorporated by reference into, this Prospectus.

2.12 Currency Presentation

In this Prospectus, "**Euro**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany.

The consolidated financial statements were compiled based on the functional currency concept. The functional currency is the primary currency of the economic environment in which the Group operates. It is the Euro, which is also the presentation currency of the consolidated financial statements. The functional currency of the subsidiaries is generally the local currency of the economic environment in which the subsidiary concerned operates independently.

In the financial statements of the individual Group companies, transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the average rates prevailing at the balance sheet day (closing rate).

2.13 Presentation of Financial Information

Where financial information in the tables included this Prospectus is labeled “audited”, this means that it has been taken from (i) the audited financial statements of The Social Chain AG prepared in accordance with IFRS and the additional requirements pursuant to Section 315e para. 1 of the HGB, (ii) the audited consolidated financial statements of The Social Chain AG as of and for the fiscal years ended December 31, 2019, prepared in accordance with generally accepted accounting principles of the HGB, (iii) the audited consolidated financial statements of Lumaland AG (now: The Social Chain AG) as of and for the fiscal year ended December 31, 2018, prepared in accordance with the general accepted accounting principles of the HGB or (iv) the audited standalone financial statements of The Social Chain AG as of and for the fiscal years ended December 31, 2020, prepared in accordance with generally accepted accounting principles of the HGB, each as mentioned in section “*2.11 Documents Available for Inspection*”. The label “unaudited” indicates financial information that has not been taken from the audited financial statements mentioned above, but was taken from the accounting records or internal reporting system of the Group, or is based on calculations of figures from the aforementioned sources.

Unless indicated otherwise, all financial information presented in the text and tables included in this Prospectus is shown in millions of Euro (in € million). Certain financial information, including percentages, has been rounded according to established commercial standards. As a result, rounded figures in the tables included in this Prospectus may not add up to the aggregate amounts in such tables (sum totals or subtotals), which are calculated based on unrounded figures. Furthermore, differences and ratios are calculated based on rounded figures and may therefore deviate from differences or ratios calculated based on unrounded figures appearing elsewhere in this Prospectus.

Financial information presented in parentheses denotes the negative of such number presented. A dash (“–”) signifies that there is no relevant figure, while a zero (“0” or “0.0”) indicates that the relevant figure is available but has been rounded to, or equals, zero.

2.14 Comparability of Financial Information

The Group emerged in October 2019 from the contribution of the former The Social Chain Group AG (“**TSCG AG**”) and its investment companies into Lumaland AG. Subsequently, Lumaland AG was renamed The Social Chain AG. The acquisition was completed by contributing the shares in TSCG AG into Lumaland AG by way of contribution in kind. The annual general meeting of Lumaland AG approved this step on August 19, 2019 with a majority of 99.8% of the votes cast. The comparability of the historical financial information is limited due to a large number of acquisitions effected during the periods under review. In addition, the consolidated financial statements for the years up to 2019 were prepared in accordance with local GAAP (HGB), while the consolidated financial information from 2020 onwards have been prepared in accordance with IFRS. Further, the consolidated financial statements according to local GAAP (HGB) represent the group and its formation from the perspective of Lumaland AG, while the consolidated financial statements according to IFRS reflect the group and its formation from the perspective of TSCG AG, i.e., as if TSCG AG had acquired Lumaland AG (reverse acquisition).

The contributed company, TSCG AG, was newly founded in the year 2018. In 2018 and 2019, TSCG AG acquired various equity investments. After its establishment, Lumaland AG acquired numerous different equity investments and operated in selling products directly to end consumers via Amazon.

Due to the corporate and organizational contribution of The Social Chain Group AG as of October 9, 2019, the fiscal year ended December 31, 2019 is the first reporting period in which the Group existed in its current form under the name “The Social Chain AG” and the companies contributed are only included pro rata temporis. The consolidated statement of profit and loss of the consolidated financial statements for the fiscal year ended

December 31, 2019 include the new The Social Chain AG (formerly Lumaland AG) for twelve months and The Social Chain Group AG and its investment companies for three months.

2.15 Alternative Performance Measures

Throughout this Prospectus, we present financial information and operating data that is not prepared in accordance with IFRS, or any other internationally accepted accounting principles, including gross profit, gross profit margin, earnings before interest and taxes, depreciation and amortization ("**EBITDA**") margin, adjusted EBITDA, adjusted EBITDA margin and capital expenditures. We present non-IFRS financial information because it is used by our management in monitoring our business and because management believes that such measures will be used by securities analysts, investors and other interested parties to assess our performance.

Gross profit is defined as the sum of revenues and increase or decrease of finished goods and work in progress less material expenses. We defined gross profit margin as gross profit divided by revenues. Gross profit, as we define, is a non-IFRS financial measure as it subtracts the material expenses from the sum of revenue and increase or decrease of finished goods and work in progress and does not take any other direct internal costs of goods sold into account. We believe that gross profit and gross profit margin are meaningful for investors because they are key performance indicators used by our management for managing and monitoring our business. Although we are presenting these measures to enhance the understanding of our historical performance, gross profit should not be considered as an alternative to EBITDA as an indicator of our operating performance. Please also refer to "*6.2 Key Financial Information and Operating Data*".

We define EBITDA margin as EBITDA divided by revenues. We also refer to "*6.2 Key Financial Information and Operating Data*".

We define adjusted EBITDA as earnings before interest and taxes, depreciation and amortization, adjusted for (i) share based compensation, (ii) uplisting preparation, (iii) M&A / financing, (iv) write-offs, (v) new business ramp-up costs, (vi) IT migration (PMI) and (vii) certain other non-recurring expenses ("**Adjusted EBITDA**"). We use Adjusted EBITDA to assess the operating performance of our business as Adjusted EBITDA shows our EBITDA as adjusted for share based compensation transaction expenses and other one-off effects for the relevant period. Please also refer to "*6.2 Key Financial Information and Operating Data*".

Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenues.

We believe that EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are meaningful financial measures to evaluate our operating performance over time. We understand that these measures is also broadly used by analysts, rating agencies and investors in assessing other companies' operating performance. Our management specifically relies on EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin to steer the Group's business, making strategic decisions based on the projected impact proposed courses of action could have on these measures. Although we consider both EBITDA and Adjusted EBITDA when making these decisions, the Group's management believes that Adjusted EBITDA offers management a more accurate look at its operating performance by excluding items that may impact the comparability of earnings for a particular period, such as uplisting and related expenses. We believe the presentation of EBITDA margin and Adjusted EBITDA margin provides useful information on how our business has developed in its markets and enhances the ability of its investors to compare its profitability over time.

We define capital expenditures as the sum of additions to property, plant and equipment and additions to intangible assets. Additions to property, plant and equipment in the consolidated financial statements as of and for the fiscal year ended December 31, 2019 refers to payments to acquire property, plant and equipment and in the consolidated financial statements as of and for the fiscal year ended December 31, 2020 to disbursements for investments in property, plant and equipment. Additions to intangible assets in the consolidated financial statements as of and for the fiscal year ended December 31, 2019 refers to payments to acquire intangible fixed assets and in the consolidated financial statements as of and for the fiscal year ended December 31, 2020 to disbursements for investments in intangible assets. We believe capital expenditures is useful for helping management to track our investment needs and to ensure that we are making adequate investments in the property, plant and equipment and intangible assets we need for our future growth. For further details on our capital expenditures, we refer to "*6.8.3 Capital Expenditures*".

Alternative performance measures should not be considered as alternatives or substitutes for result for the period, EBIT, EBITDA, operating cash flow or other data from our consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position or consolidated statements of cash flows prepared in accordance with IFRS, or as measures of profitability or liquidity.

Alternative performance measures do not necessarily indicate whether cash flows will be sufficient for our cash requirements and may not be indicative of its future results. Furthermore, the alternative performance measures are not recognized under IFRS, should not be considered as substitutes for an analysis of our operating results prepared in accordance with IFRS, and may not be comparable to similarly titled information published by other companies.

Even though the Alternative Performance Measures are used by us to assess ongoing operating performance and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of the Groupˈs results or cash flows as reported under IFRS. For example, some of the limitations for the Alternative Performance Measures include the following:

- they exclude certain tax payments that may represent a reduction in cash available to us;
- they do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest payments on our debts; and
- the further adjustments made in calculating Adjusted EBITDA are those that management consider are not representative of our underlying operations and therefore are, by definition, subjective in nature.

For further information on alternative performance measures, including a reconciliation to IFRS measures, see "*6.2 Key Financial Information and Operating Data*".

2.16 Material Interests, Including Conflicts of Interests

Berenberg has entered into a listing agreement with the Company in connection with the listing of the Company's shares on the regulated segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Berenberg is advising the Company on the listing and is coordinating the listing process. Berenberg will receive a customary fixed commission for such services.

Furthermore, Berenberg or its affiliates have, and may from time to time in the future continue to have, business relations with members of the Group or may perform services for members of the Group in the ordinary course of business.

Other than the interests described above, there are no conflicts of interest with respect to the listing.

2.17 Lock-up Agreements with Certain Shareholders and Members of the Management Board

Gruppe Georg Kofler GmbH, FORTUNA Beteiligungsgesellschaft mbH, Wanja S. Oberhof, Dacapo S.à.r.l., DA CAPO Vermögensverwaltung GmbH and HoHa Holding GmbH (see "*10.1 Major Shareholders*"), which collectively hold 61.88% of our share capital as of date of this Prospectus have undertaken towards Berenberg that during the period commencing on the date of the listing agreement among the Company and Berenberg (November 11, 2021) and ending six months after the first day of trading of the Company's shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange, without the prior written consent of Berenberg, which shall not be unreasonably withheld, it will not: (i) offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares in the Company or any other securities of the Company, including securities convertible into or exercisable or exchangeable for shares in the Company; (ii) make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares in the Company or any security convertible into or exercisable or exchangeable for shares in the Company; (iii) propose any or vote in favor of a proposed increase of the share capital of the Company (other than the authorization of an authorized or contingent capital) or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares in the Company; or (iv) enter into a transaction or perform any action economically similar to those described in (i) through (iii) above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares in the Company, whether any such transaction is to be settled by delivery of shares in the Company or such other securities, in cash or otherwise.

This undertakings shall not restrict (i) the tender, sale and transfer of Shares in a takeover bid for the Company pursuant to the German Securities Acquisition and Takeover Act (*WpÜG*), (ii) any transfer of Shares to affiliates of the undersigned, if any, or to any other shareholders that held Shares immediately prior to the admission to trading, (iii) future pledges and (iv) any transfers of shares to the pledgee pursuant to enforcement of any pledge entered into in accordance with (iii), provided that the recipient of such transfer assumes, by written confirmation to Berenberg, the obligations of the undersigned hereunder for the then remaining term of this undertaking.

2.18 Company Lock-Up

The Company has undertaken towards Berenberg that during the period commencing on the date of the granting of the admission to trading of the Existing Shares and ending six months after the granting of the admission to trading of the Existing Shares and without the prior written consent of Berenberg, which shall not be unreasonably withheld, the Company will not:

(a) announce or effect an increase of the share capital of the Company out of authorized capital; or

(b) submit a proposal for a capital increase against contributions in kind or cash (other than the authorization of an authorized or contingent capital) to any meeting of the shareholders for resolution; or

(c) announce to issue, effect or submit a proposal for the issuance of any securities convertible into shares of the Company or with option rights for shares of the Company; or

(d) enter into a transaction or perform any action economically similar to those described in (a) through (c) above.

The Company's undertakings above shall not apply to (i) any increase of the Company's share capital by way of a contribution in kind in connection with the acquisition of DS Holding, as further described under section "*8. The DS Holding Acquisition*", (ii) any other increase of the Company´s share capital by way of a contribution in kind in connection with the acquisition of companies by utilizing the existing authorized share capital, (iii) the contemplated capital increase of up to 10% of the Company's share capital without subscription rights of the existing shareholders of the Company to finance the cash component of the DS Holding Acquisition, as announced by the Company in its ad-hoc release dated October 19, 2021 and as further described under section "*8. The DS Holding Acquisition*" and section "*18. Recent Developments and Outlook"*, (iv) any increase of the Company's share capital resulting from conversions of the Convertible Bonds as defined and described under caption "*7.16. Convertible Bonds"* into shares of the Company, (v) any increase of the Company's share capital if the relevant subscriber of shares in the Company undertakes vis-à-vis the Company to observe and comply with the then remaining portion of the lock-up as set forth above, or (vi) proposals to the Company's shareholders' meeting to create authorized capital, contingent capital, an authorization to issue securities convertible into or exercisable or exchangeable for shares in the Company's share capital (such authorizations, for the avoidance of doubt, not to be exercised throughout the lock-up period). The Company may further issue or sell shares or other securities to directors or employees of the Company or of its subsidiaries under a customary directors' and/or employees' stock option plan.

3. DIVIDEND POLICY; RESULTS AND DIVIDENDS PER SHARE

3.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a German stock corporation (*Aktiengesellschaft*) under German law, such as the Company, the distribution of dividends for any given fiscal year and the amount and payment date thereof, are resolved by the Company's shareholders' meeting (*Hauptversammlung*) in the subsequent fiscal year, based upon either a joint proposal by the Company's management board (*Vorstand*, the "**Management Board**") and the supervisory board of the Company (*Aufsichtsrat*, the "**Supervisory Board**") or upon the Management Board's or the Supervisory Board's proposal. Notwithstanding currently applicable exemptions under Article 2 Section 1 para. 5 of the German Act on Reducing the Effects of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) dated March 27, 2020 as extended by the Act on the Further Reduction of the Procedure for the Relief of Reaming Debt (*Gesetz zur weiteren Verkürzung des Restschuldbefreiungsverfahrens*) dated December 22, 2020 (the "**COVID-19 Act**"), the shareholders' meeting must be held within the first eight months of each fiscal year.

Dividends may only be distributed from the net retained profits (*Bilanzgewinn*) of the Company. The net retained profits are calculated based on the Company's unconsolidated financial statements prepared in accordance with generally accepted accounting principles of the HGB. Accounting principles set forth in the HGB differ from IFRS in material respects.

When determining the net retained profits, the net income or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for retained profit/loss carryforwards (*Gewinn-/Verlustvorträge*) from the previous fiscal year and withdrawals from, or appropriations, to reserves (retained earnings). Certain reserves must be set aside by law and deducted when calculating the net retained profits available for distribution.

The Management Board must prepare unconsolidated financial statements (balance sheet, income statement and notes to the unconsolidated financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present a proposal for the allocation of the Company's net retained profits to the Supervisory Board pursuant to Section 170 para. 2 of the German Stock Corporation Act ("**AktG**"). According to Section 171 AktG, the Supervisory Board must review the unconsolidated financial statements, the Management Board's management report and the proposal for the allocation of the net retained profits and report to the shareholders' meeting in writing on the results of such review.

The shareholders' meeting resolves on the allocation of the net retained profits by a simple majority of votes cast. Pursuant to Section 17 para. 2 of the Articles of Association, the shareholders' meeting may also adopt a resolution that dividends be distributed partially or entirely in kind (*e.g.*, as a distribution of treasury shares if such shares are held by the Company at that time). Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) without undue delay after the shareholders' meeting.

The COVID-19 Act provides in deviation from general rules that the Management Board may, with the consent of the Supervisory Board, decide to pay an interim dividend from the retained profits to shareholders. The relevant provisions under the COVID-19 Act currently apply only to shareholders' meetings held in and interim dividends paid out in 2020 and 2021.

Dividends resolved by the shareholders' meeting are due and payable in compliance with the rules of the respective clearing system on the third business day following the relevant shareholders' meeting, unless a later date is specified in the dividend resolution or the Articles of Association. Since all of the Company's dividend entitlements are evidenced by the global share certificates deposited with Clearstream, Clearstream will transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under an obligation to distribute these funds to their customers. Shareholders using a custodian bank located outside of Germany must inquire at their respective bank about the terms and conditions applicable in their case. To the extent dividends can be distributed by the Company in accordance with the HGB and corresponding decisions are taken, there are no restrictions on shareholders' rights to receive such dividends.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For further information on the taxation of dividends, see "*15.1 General Taxation of Dividends*".

Any dividends not claimed become time-barred within three years pursuant to the general statute of limitations. Once the statute of limitations applies, the right to receive the relevant dividend payments passes to the Company.

3.2 Dividend Policy and Dividends per Share

No dividends or distributions of profits were paid to the Company's shareholders in the fiscal years ended December 31, 2019 or 2020 or between January 1, 2021 and the date of this Prospectus.

The Company currently intends to retain all available funds and any future earnings to support its operations and to finance the growth and development of its business. The Company currently does not intend to pay dividends for the foreseeable future.

Any determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, its results of operations, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

4. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

The following tables set forth the actual capitalization and indebtedness of the Group as of August 31, 2021 derived from the Company's internal accounting records or reporting systems.

Investors should read the following tables in conjunction with the section "6 Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations" and the unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2021 included in this Prospectus, including the related notes thereto, and additional financial information contained elsewhere in this Prospectus.

4.1 Capitalization

	As of August 31, 2021
	(unaudited) **(in € million)**
Total current debt (including current portion of non-current debt)(1)	**90.7**
Thereof guaranteed(2)	0.4
Thereof secured(3)	13.1
Thereof unguaranteed/unsecured	77.2
Total non-current debt (excluding current portion of non-current debt)(4)	**76.1**
Thereof guaranteed(2)	0.6
Thereof secured(3)	0.9
Thereof unguaranteed/unsecured	74.6
Shareholder equity	**92.1**
Share capital	11.5
Legal reserve(s)(5)	172.6
Other reserves(6)	(92.0)
Total	**258.9**

(1) Referred to as current liabilities in the Company's consolidated financial statements.
(2) Referred to as liabilities for which a 3rd party company/individual person outside of the Group provides a promise to settle the debt in case of payment default by the Group.
(3) Referred to as liabilities for which a specific asset or group of assets as presented in the consolidated balance sheet serves as an underlying security for a financial debt in case of payment default by the Group.
(4) Referred to as non-current liabilities in the Company's consolidated financial statements.
(5) Referred to as capital reserves in the Company's consolidated financial statements.
(6) Corresponds to the difference between total assets and the sum of total liabilities, share capital and legal reserve(s) as of August 31, 2021.

4.2 Indebtedness

		As of August 31, 2021
		(unaudited) **(in € million)**
A	Cash(1)	8.5
B	Cash equivalents(2)	7.7
C	Other current financial assets(3)	2.7
D	**Liquidity (A + B + C)**	**18.8**
E	Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)(4)	33.0
F	Current portion of non-current financial debt	13.9
G	**Current financial indebtedness (E + F)**	**46.8**
H	**Net current financial indebtedness (G - D)**	**28.0**
I	Non-current financial debt (excluding current portion and debt instruments)(5)	62.0
J	Debt instruments	0.3
K	Non-current trade and non-current other payables(6)	0.8
L	**Non-current financial indebtedness (I + J + K)**	**63.1**
M	**Total financial indebtedness (H + L)**	**91.1**

(1) Thereof restricted cash in the amount of €1.0 million, referring to two bank deposits pledged as securities
(2) Referred to as both cash-in-transit and receivables being due within days from payment providers, such as Payone, Paypal, Klarna and other credit card payment processors. Cash and cash equivalents included restricted amounts of €1.0 million, which are deposited in five pledged accounts for security deposits.
(3) Referred to as current other financial assets in the Company's consolidated financial statements.
(4) Referred to as current financial liabilities to banks, other loans, convertibles and current lease liabilities, liabilities from put-options from equity instruments in the Company's consolidated financial statements.
(5) Referred to as other non-current financial liabilities to banks, other loans, convertibles and lease liabilities in in the Company's consolidated financial statements.
(6) Referred to as other non-current trade liabilities and non-current other liabilities in the Company's consolidated financial statements (excluding non-current deferred tax liabilities and non-current tax provisions).

Current financial debt (including debt instruments, but excluding current portion of non-current financial debt) and non-current financial debt (excluding current portion and debt instruments) include liabilities related to leases of €9.5 million and €3.9 million, respectively.

4.3 Contingent and Indirect Liabilities

As of August 31, 2021, there were no material contingent or indirect liabilities of the Group. See also "*6.9 Contingent Liabilities and Other Financial Obligations*."

4.4 Statement on Working Capital

In the Company's opinion, the Group's working capital is sufficient to meet its present requirements over at least the next twelve months.

5. PRO FORMA FINANCIAL INFORMATION

5.1 Introduction

On October 19, 2021, the Company and the shareholders of DS Holding GmbH, Stapelfeld ("**DS Holding**") entered into an agreement concerning the contribution of all shares in DS Holding to the Company to effectuate the acquisition of DS Holding and its subsidiaries (together the "**DS Group**") by the Company (the "**Acquisition**"). The contribution is planned to be effected in December 2021. In exchange for the contribution of their DS Holding shares, the former DS Holding shareholders shall receive 2,855 thousand newly issued shares in the Group, corresponding to 24.84% of the Group's share capital immediately before the contribution, as well as a total of €100,281 thousand in cash, and the assumption of a liability of the former DS Holding shareholders by the Company in an amount of €4,080 thousand.

To issue the newly 2,855 thousand shares in the Group, the management board of the Company, with the approval of the supervisory board, has resolved a capital increase by way of contribution-in-kind by practically using the Authorized Capital 2021/I (as defined below) of the Company and the exclusion of subscription rights to issue new shares in the Company of the shareholders. It is expected that the shares will be admitted to trading in the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

In addition to finance the cash consideration for the Acquisition, the Company will (i) issue 1,145 thousand new shares via a capital increase; (ii) enter in several loan agreements for an aggregate amount (i) of €19,000 thousand, bearing interest of 4.75% per annum and (ii) of €50,000 thousand, bearing interest of 1.95% per annum.

The Company expects the Acquisition and related transactions to have a material impact on the net assets, financial position and results of operations of the Company. Therefore, the Company has prepared the following pro forma financial information (the "**Pro Forma Financial Information**"), comprising a pro forma statement of profit or loss for the period from January 1, 2021 to June 30, 2021 (the "**Pro Forma Statement of Profit or Loss**"), a pro forma balance sheet as of June 30, 2021 (the "**Pro Forma Balance Sheet**") and accompanying pro forma notes thereto (the "**Pro Forma Notes**").

The purpose of the Pro Forma Financial Information is to show the material effects that the Acquisition and related transactions would have had on the Company's consolidated balance sheet as of June 30, 2021, as if the Acquisition had occurred on June 30, 2021 for the purpose of the Pro Forma Balance Sheet, and the Company's consolidated statements of profit or loss for the periods from January 1, 2021 to June 30, 2021, as if the Acquisition had occurred on January 1, 2021 for the purpose of the Pro Forma Statement of Profit or Loss.

The Pro Forma Financial Information is presented for illustrative purposes only and is based on assumptions and bears uncertainties and therefore does not represent the actual performance of the financial development of the Company. Therefore, the Pro Forma Financial Information describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect what the actual net assets, financial position and results of operations of the Company would have been had the Acquisition and related transactions occurred on the dates assumed, nor is it necessarily indicative of the Group's net assets, financial position and result of operations after the Acquisition and related transactions have been completed. Furthermore, the Pro Forma Financial Information should not be considered as an indicator for the future performance of the financial position of the Company and the results of its operations and its cash flows after completion of the Acquisition and related transactions. The Pro Forma Financial Information should only be read in conjunction with the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020 prepared in accordance with IFRS and the unaudited condensed consolidated interim financial statements as of and for the six-months ended June 30, 2021 prepared in accordance with IFRS, on interim financial reporting IAS 34.

The Pro Forma Financial Information was prepared by the Company on October 23, 2021.

5.2 Historical Financial Information included in the Pro Forma Financial Information

The preparation of the Pro Forma Financial Information is based on the following underlying information:

- The Company`s consolidated statement of profit or loss included in the Company's unaudited and published condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2021, prepared in accordance with IFRS applicable to interim financial statements (IAS 34);

- The Company`s consolidated balance sheet included in the Company's unaudited and published condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2021, prepared in accordance with IFRS applicable to interim financial statements (IAS 34);

- DS Group´s unaudited and unpublished combined statement of profit or loss for the six-month period ended June 30, 2021, prepared on a combined basis solely for the purpose of inclusion in the Pro Forma Financial Statements using the same recognition and measurement principles as applied in the unaudited and published condensed consolidated interim financial statements of the Company as of and for the six-month period ended June 30, 2021; and

- DS Group´s unaudited and unpublished combined balance sheet as of June 30, 2021, prepared on a combined basis solely for the purpose of inclusion in the Pro Forma Financial Statements using the same principles as applied in the unaudited and published condensed consolidated interim financial statements of the Company as of and for the six-month period ended June 30, 2021.

The DS Group has not prepared financial statements in accordance with IFRS before. The combined balance sheet as of June 30, 2021 and the combined income statement for the period from January 1, 2021 to June 30, 2021 were prepared on the basis of IFRS and the accounting policies consistently applied by the Company and were prepared solely for the purpose of inclusion in the accompanying Pro Forma Financial Information. Therefore, no accounting policy alignment adjustments were required for the preparation of the Pro Forma Financial Information. DS Aviation GmbH (the "**DS Aviation**"), a wholly owned subsidiary of the DS Holding, was sold to the external buyer H²B Aviation GmbH immediately after signing of the Acquisition agreement. As such, DS Aviation will not be included in the DS Group acquired by Company and therefore DS Aviation is not included in aforementioned DS Group combined financial information that have been prepared solely for the purpose of the Pro Forma Financial Information.

5.3 Basis of Preparation

5.3.1 Preparation principles

The Pro Forma Financial Information was prepared on the basis of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) (*IDW Rechnungslegungshinweis: Erstellung von Pro Forma-Finanzinformationen* (IDW RH HFA 1.004)), as promulgated by the Institute of Public Auditors in Germany (IDW, *Institut der Wirtschaftsprüfer in Deutschland e. V*.). The preparation was solely conducted for illustrative purposes. Due to their nature, the Pro Forma Financial Information present only a hypothetical situation and not the actual status of the Company.

The Pro Forma Financial Information has been prepared consistently in all material aspects on the basis of IFRS and the accounting policies of the Company, as described in the notes to the audited consolidated financial statements for the financial year ended December 31, 2020, and the unaudited condensed consolidated interim financial statements of the Company as of and for the six-month period ended June 30, 2021, unless otherwise stated.

The pro forma assumptions and pro forma adjustments, based on such assumptions, have been prepared as described below.

The pro forma adjustments made for purposes of the Pro Forma Financial Information are based on information available at the time of preparation and certain Pro Forma assumptions and estimates as described in these Pro Forma Notes. The Pro Forma Financial Information neither contains any potential synergies or cost savings nor any normalization of any restructuring or any additional future expenses that could result from the Acquisition. The pro forma adjustments are directly attributable to the Acquisition, factually supportable and described in the accompanying Pro Forma Notes.

The Pro Forma Financial Information is presented in Euro. Amounts are stated in thousands of Euro except if otherwise indicated. The figures presented in the tables of the Pro Forma Financial Information were rounded according to established commercial principles. Additions of the figures can thus lead to amounts that deviate from those shown in the tables. Parentheses around any figures in the tables indicate negative values. A dash ("—") indicates there is no relevant figure, while a zero ("0" or "0.0") indicates that the relevant figure is available but has been rounded to, or equals, zero.

5.3.2 Pro Forma Accounting and Assumptions

Pro Forma adjustments have been made using the assumptions and significant accounting considerations as described below:

5.3.2.1 *Acquisition and related transactions dates*

For the purpose of the Pro Forma Financial Information, it is assumed, that (i) the Acquisition and related transactions had occurred on January 1, 2021 for purposes of the Pro Forma Statement of Profit or Loss for the six-month period from January 1, 2021 to June 30, 2021 and (ii) the Acquisition had occurred as of June 30, 2021 for purposes of the Pro Forma Balance Sheet as of June 30, 2021.

5.3.2.2 *Acquisition of DS Group*

For the purpose of the Pro Forma Financial Information, it is assumed that the Acquisition will be accounted for as a business combination in accordance with IFRS 3 with the Company being both the legal and accounting acquirer as the shareholder of the Company retains majority ownership and voting rights in the Company after the Acquisition. As such, the initial consolidation of a business acquired takes place at the time at which the acquiring company obtains control in accordance with IFRS 10 over the acquired business. As control was not obtained before June 30, 2021, for the purpose of the Pro Forma Financial Information it is assumed the Company obtains control, thus recognizing the purchase accounting adjustments and consolidating the DS Group on the assumed dates indicated above. Prior to the closing of the Acquisition, no significant transactions existed between the Company and the DS Group.

5.3.2.3 *Landmann Business non-controlling interest*

Before July 1, 2021, DS Group held 49% in Landmann Polska Sp.z.o.o, Landmann Hungaria Kft and Landmann Ltd (United Kingdom) as well as the assets of the former Landmann GmbH & Co. Handels KG (together the "**Landmann Business**").

As DS Group controls the Landmann business 100% of the assets and liabilities as well as revenues and expenses of the Landmann Business are included in its unaudited and unpublished combined balance sheet as of June 30, 2021 and it's unaudited and unpublished combined statement of profit or loss for the six-month period ended June 30, 2021.The net assets and income after income tax expense attributable to the non-controlling interests in the Landmann Business were presented separately in the DS Group´s unaudited and unpublished combined balance sheet as of June 30, 2021 and its unaudited and unpublished combined statement of profit or loss for the six-month period ended June 30, 2021.

As of July 1, 2021, DS acquired the remaining 51% of the Landmann Business for a consideration of €3,060 thousand. For purpose of the Pro Forma Financial Information, it is assumed that the acquisition of the remaining 51% in the Landmann Business took place before January 1, 2021.

5.3.2.4 *Contribution-in-kind and considerations transferred*

In exchange for the contribution of 100% of DS Holding shares, the Company will issue 2,855 thousand new shares. The management board of the Company, with the approval of the supervisory board, has resolved a capital increase by way of contribution-in-kind by practically using the authorized capital of the Company and the exclusion of subscription rights of the shareholders to issue new shares in the Company. For the purpose of the Pro Forma Financial Information, the share consideration transferred for 100% of DS Holding shares is calculated based on an assumed share price of €45.00 per share and a par value of €1.00 per share based on the Company's existing shares, for a total share consideration value €128,475 thousand.

In addition to the share consideration, the purchase consideration includes a cash payment of €100,281 thousand, as well as the assumption of a liability of the former DS Holding shareholders by the Company in an amount of €4,080 thousand (the "**Assumed Liability**"). For the purpose of the Pro Forma Financial Information, it is assumed the Assumed Liability is paid in full on the assumed dates indicated above. Therefore, (i) no expenses and interest relating to the Assumed Liability are incurred in the period from January 1, 2021 to June 30, 2021 and (ii) the Assumed Liability is not recognized as a liability in the Pro Forma Balance Sheet as June 30, 2021 but as an additional cash payment on June 30, 2021.

5.3.2.5 *Purchase Price Allocation*

IFRS 3 generally requires all assets, liabilities and contingent liabilities to be measured at fair value at the time of acquisition.

For the purpose of the Pro Forma Financial Information, the purchase price allocation of the Acquisition was performed on the basis of a preliminary valuation of the acquired net assets at fair value as of June 30, 2021. The income statement effects from the development of the preliminary purchase price allocation were taken into account in the Pro Forma Statement of Profit or Loss for the six-month period from January 1, 2021 to June 30, 2021 as if the Acquisition had been completed on January 1, 2021.

This purchase price allocation is based on the most current available information using certain estimates and assumptions in order to assess the fair value of the assets acquired and liabilities assumed. Fair value adjustments on customer relationships, brands and order backlog were indicated in the preliminary purchase price allocation. These fair value step ups are to be amortized over a weighted average period of seven years for brands and customer relationships and one year for the order backlog. The additional amortization will be expensed in the Pro Forma Statement of Profit or Loss for the six-month period from January 1, 2021 to June 30, 2021.

Considering the Pro Forma assumptions described in this section, the preliminary total consideration for DS Holding amounted to €232,836 thousand. Compared with the pro forma net fair value amount of identifiable assets acquired, including cash and cash equivalents acquired, and liabilities assumed amounting to €60,804 thousand, the Acquisition results in pro forma goodwill of €172,032 thousand.

The final purchase price allocation will be carried out based on the actual total consideration transferred and the fair value of the acquired net assets as of the actual future acquisition date in accordance with IFRS 3. Therefore, the final purchase price allocation and resulting goodwill resulting from the Acquisition may differ significantly from the preliminary purchase price allocation performed for the purposes of the Pro Forma Financial Information.

5.3.2.6 *Financing of the Acquisition*

In addition to the contribution in kind, to finance the Acquisition, the Company will issue 1,145 thousand new shares via a capital increase that results, after deducting estimated transaction costs of approximately €1,525 thousand, in a net cash inflow of €50,000 thousand, based on an assumed share price of €45.00, which is equal to the assumed price per new share for the calculation of the consideration transferred for 100% of DS Holding shares. The Company will also enter into several loan agreements resulting in cash inflows of (i) €19,000 thousand, bearing interest of 4.75% per annum and (ii) € 50,000 thousand, bearing interest of 1.96% per annum. (together, the "**Financing Transactions**"). The amount exceeding the cash component of the purchase price will be recorded under cash and cash equivalents.

For the purpose of the Pro Forma Financial Information, it is assumed the Financing Transactions occurred on the assumed dates indicated above. Therefore, (i) all expenses and interest relating to the Financing Transactions incurred in the period from January 1, 2021 to June 30, 2021 are included in the Pro Forma Statement of Profit or Loss and (ii) the proceeds received and liabilities assumed relating to the Financing Transactions are recognized as of June 30, 2021 in the Pro Forma Balance Sheet as of June 30, 2021.

5.3.2.7 *Participating Right (Genussrecht)*

The participating right agreement, which was concluded on June 13, 2013 by DS Holding, was terminated in the Acquisition process by DS Holding due to the change of control clause. For the purpose of the Pro Forma Financial Information, it is assumed that the participating right was cancelled on the assumed dates of Acquisition indicated above. Therefore, (i) all expenses and interest relating to this participating right incurred in the period from January 1, 2021 to June 30, 2021 are eliminated from the Pro Forma Statement of Profit or Loss and (ii) the participating right was derecognized in the Pro Forma Balance Sheet as of June 30, 2021.

5.3.2.8 *Renewal of lease agreements*

Upon conclusion of the Acquisition agreement, DS Holding is obliged to renegotiate the lease agreements of the logistic center in Valluhn and Gallin with the lessors of the respective contracts. As this is a closing condition of the Acquisition agreement, the renegotiation is closely related and directly attributable to the Acquisition and therefore included for purposes of the Pro Forma Financial Information. For the purpose of the Pro Forma

Financial Information, it is assumed that the renegotiations occurred on the assumed dates of Acquisition indicated above. Therefore, (i) expenses and interest relating to the revised lease terms incurred in the period from January 1, 2021 to June 30, 2021 are included in the Pro Forma Statement of Profit or Loss and (ii) the adjusted lease labiality and right-of-use asset balances are recognized the Pro Forma Balance Sheet as June 30, 2021.

5.4 Pro Forma Balance Sheet as of June 30, 2021 and Pro Forma Statement of Profit or Loss for the six-month period from January 1, 2021 to June 30, 2021

5.4.1 Pro Forma Balance Sheet as of June 30, 2021

	The Social Chain AG	DS Holding GmbH	Total		Pro Forma Adjust-ments	Total
	A	B	C=A+B	Ref.	D	E=C+D
			(in € thousand)			
ASSETS						
Intangible assets	20,381	2,823	23,204	(1)	31,775	54,979
Goodwill	104,302	24,960	129,262	(1)	147,072	276,334
Property, plant and equipment	6,205	15,747	21,952		-	21,952
Right of use assets	8,869	31,505	40,374	(5)	8,366	48,740
Non-current trade and other receivables	94	4,029	4,123		-	4,123
Other non-current financial assets	16,416	10,049	26,465	(1)	-	26,465
Income tax receivables	-	-	-		-	-
Equity-accounted investees	2,590	961	3,551		-	3,551
Other non-current financial assets	-	-	-		-	-
Deferred tax assets	4,991	56	5,047		-	5,047
Non-current assets	**163,848**	**90,130**	**253,978**		**187,213**	**441,191**
Inventories	37,793	50,303	88,096		-	88,096
Current contract assets	1,432	-	1,432		-	1,432
Trade and other receivables	24,535	69,174	93,709		-	93,709
Other financial assets	11,608	722	12,330		-	12,330
Income tax receivables	69	-	69		-	69
Other non-financial assets	10,775	35,700	46,475		-	46,475
Cash and cash equivalents	10,871	5,968	16,839	(1), (3)	14,389	31,229
Current assets	**97,083**	**161,867**	**258,950**		**14,389**	**273,340**
Total assets	**260,931**	**251,997**	**512,928**		**201,602**	**714,530**

	The Social Chain AG	DS Holding GmbH	Total		Pro Forma Adjust-ments	Total
	A	B	C=A+B	Ref.	D	E=C+D
			(in € thousand)			
EQUITY AND LIABILITIES						
Share capital	11,448	16,000	27,448	(1), (3)	(12,000)	15,448
Capital reserve	172,490	32,420	204,910	(1), (3)	142,055	346,965
Currency translation reserve	650	68	718	(1)	(68)	650
Retained earnings	(8,178)	-	(8,178)		-	(8,178)
Profit carried forward	(81,209)	15,534	(65,675)	(1), (2), (4), (5)	(15,845)	(81,519)
Equity attributable to owners	**95,201**	**64,022**	**159,223**		**114,142**	**273,366**
Non-Controlling interests	2,555	2,782	5,337	2	(2,754)	2,583

	The Social Chain AG	DS Holding GmbH	Total		Pro Forma Adjust-ments	Total
	A	B	C=A+B	Ref.	D	E=C+D
			(in € thousand)			
Total Equity	**97,756**	**66,804**	**164,560**		**111,388**	**275,949**
Other non-current financial liabilities	59,716	79,366	139,082	(3), (4), (5)	76,633	215,715
Non-current income tax liabilities	495	-	495		-	495
Other non-current provisions	201	351	552	(4)	(674)	(122)
Other non-current non-financial liabilities	886	-	886		-	886
Deferred tax liabilities	13,302	406	13,708	(1)	10,033	23,741
Non-current liabilities	**74,600**	**80,123**	**154,723**		**85,992**	**240,715**
Trade payables	22,415	35,679	58,094		-	58,094
Other current financials liabilities	45,552	17,502	63,054	(2), (4), (5)	4,221	67,275
Current provisions	4,604	5,668	10,272		-	10,272
Current income tax liabilities	205	2,598	2,803		-	2,803
Other current non-financial liabilities	9,860	19,593	29,453		-	29,453
Current contract liabilities	5,868	-	5,868		-	5,868
Current refund liabilities	71	24,031	24,102		-	24,102
Current liabilities	**88,575**	**105,070**	**193,645**		**4,221**	**197,866**
Total equity and liabilities	**260,931**	**251,997**	**512,928**		**201,602**	**714,530**

	Pro Forma adjustments					
	Acquisition of DS Group	Landmann Business	Financing Transactions	Partici-pation right	Leasing	Total
	(1)	(2)	(3)	(4)	(5)	
			(in € thousand)			
ASSETS						
Intangible assets	31,775	-	-	-	-	31,775
Goodwill	147,072	-	-	-	-	147,072
Property, plant and equipment	-	-	-	-	-	-
Right of use assets	-	-	-	-	8,366	8,366
Non-current trade and other receivables	-	-	-	-	-	-
Other non-current financial assets	-	-	-	-	-	-
Income tax receivables	-	-	-	-	-	-
Equity-accounted investees	-	-	-	-	-	-
Other non-current financial assets	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-
Non-current assets	**178,847**	**-**	**-**	**-**	**8,366**	**187,213**
Inventories	-	-	-	-	-	-
Current contract assets	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Income tax receivables	-	-	-	-	-	-
Other non-financial assets	-	-	-	-	-	-
Cash and cash equivalents	(104,361)	-	118,750	-	-	14,389

	Acquisition of DS Group (1)	Landmann Business (2)	Financing Transactions (3)	Partici-pation right (4)	Leasing (5)	Total
Current assets	**(104,361)**	**-**	**118,750**	**-**	**-**	**14,389**
Total assets............................	**74,486**	**-**	**118,750**	**-**	**8,366**	**201,602**

	Pro Forma adjustments					
	Acquisition of DS Group	**Landmann Business**	**Financing Transactions**	**Partici-pation right**	**Leasing**	**Total**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	
			(in € thousand)			
EQUITY AND LIABILITIES						
Share capital..........................	(13,145)	-	1,145	-	-	(12,000)
Capital reserve	93,200		48,855	-	-	142,055
Currency translation reserve..	(68)		-	-	-	(68)
Retained earnings..................	-		-	-	-	-
Profit carried forward	(15,534)	(306)	-	(145)	140	(15,845)
Equity attributable to owners................................	**64,453**	**(306)**	**50,000**	**(145)**	**140**	**114,142**
Non-Controlling interests......	-	(2,754)	-	-	-	(2,754)
Total Equity	**64,453**	**(3,060)**	**50,000**	**(145)**	**140**	**111,388**
Other non-current financial liabilities	-	-	68,750	(312)	8,195	76,333
Non-current income tax liabilities	-	-	-	-	-	-
Other non-current provisions	-	-	-	(674)	-	(674)
Other non-current non-financial liabilities.............	-	-	-	-	-	-
Deferred tax liabilities...........	10,033	-	-	-	-	10,033
Non-current liabilities	**10,033**	**-**	**68,750**	**(986)**	**8,195**	**85,992**
Trade payables	-	-	-	-	-	-
Other current financials liabilities	-	3,060	-	1,131	31	4,221
Current provisions................	-	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-	-
Other current non-financial liabilities	-	-	-	-	-	-
Current contract liabilities.....	-	-	-	-	-	-
Current refund liabilities	-	-	-	-	-	-
Current liabilities	**-**	**3,060**	**-**	**1,131**	**31**	**4,221**
Total equity and liabilities ..	**74,486**	**-**	**118,750**		**8,366**	**201,602**

5.4.2 *Pro Forma Statement of Profit or Loss for the six-month period from January 1, 2021 to June 30, 2021*

			Pro Forma adjustments			
	The Social Chain AG	**DS Holding GmbH**	**Total**		**Pro Forma Adjust-ments**	**Total**
	A	**B**	**C=A+B**	**Ref.**	**D**	**E=C+D**
			(in € thousand)			
Revenues	160,106	181,223	341,329		-	341,329
Increases or decreases of finished goods and work in progress	1,765	-	1,765		-	1,765
Other operating income	1,499	3,435	4,934		-	4,934
Material expenses	(109,572)	(147,056)	(256,628)		-	(256,628)
Personnel expenses	(19,213)	(14,424)	(33,637)		-	(33,637)
Net impairment loss on financial and contract assets	0	(121)	(121)		-	(121)
Other operating expenses	(39,844)	(5,723)	(45,567)		-	(45,567)
EBITDA	**(5,259)**	**17,333**	**12,074**		**-**	**12,074**
Depreciation and amortization expenses	(3,622)	(2,098)	(5,720)	(6), (9)	(5,702)	(11,422)
EBIT	**(8,881)**	**15,235**	**6,354**		**(5,702)**	**652**
Interest and similar income	10,601	12,167	22,768		-	22,768
Interest and similar expenses	(7,923)	(2,711)	(10,634)	(8), (9)	(1,063)	(11,697)
Share of profit of equity-accounted investees	(31)	1,215	1,184		-	1,184
Income before income tax expense	**(6,234)**	**25,906**	**19,672**		**(6,765)**	**12,907**
		-				
Income tax expense/benefit	(2,460)	(4,437)	(6,897)		2,042	(4,856)
Income after income tax expense	**(8,694)**	**21,468**	**12,775**		**(4,724)**	**8,051**
	-					
Thereof attributable to:						
Owners of parent company	(8,811)	19,763	10,952	(6), (7), (8), (9)	(3,043)	7,910
Non-Controlling interests	117	1,705	1,823	(7)	(1,681)	141

	Pro Forma adjustments				
	Acquisition of DS Group	Landmann Business	Financing Transactions	Leasing	Total
	(6)	(7)	(8)	(9)	
	(in € thousand)				
Revenues	-	-	-	-	-
Increases or decreases of finished goods and work in progress	-	-	-	-	-
Other operating income	-	-	-	-	-
Material expenses	-	-	-	-	
Personnel expenses	-	-	-	-	
Net impairment loss on financial and contract assets	-	-	-	-	
Other operating expenses	-	-	-	-	
EBITDA	**-**	**-**	**-**	**-**	
Depreciation and amortization expenses	(5,650)	-	-	(52)	(5,702)
EBIT	**(5,650)**	**-**	**-**	**(52)**	**(5,702)**
Interest and similar income	-	-	-	-	-
Interest and similar expenses	-	-	(966)	(97)	(1,063)
Share of profit of equity-accounted investees	-	-	-	-	-
Income before income tax expense	**(5,650)**	**-**	**(966)**	**(149)**	**(6,765)**
		-			
Income tax expense/benefit	1,705	-	292	45	2,042
Income after income tax expense	**(3,945)**	**-**	**(675)**	**(104)**	**(4,724)**
Thereof attributable to:					
Owners of parent company	(3,945)	1,681	(675)	(104)	(3,043)
Non-Controlling interests		(1,681)			(1,681)

5.4.3 *Explanation of the Pro Forma adjustments to the Pro Forma Balance Sheet as of June 30, 2021 and the Pro Forma Statement of Profit or Loss for the six-month period from January 1, 2021 to June 30, 2021*

In the following Pro Forma Notes, the Pro Forma adjustments in column D are explained in detail in order to illustrate the effects on the Pro Forma Balance Sheet as of June 30, 2021 and Pro Forma Statement of Profit or Loss as if the Acquisition was successfully completed as of January 1, 2021.

(1) Reflects the recognition of total consideration transferred to DS Holding shareholders in exchange for the contribution of 100% of DS Holding shares, comprised of the following adjustments:
- The issuance of 2,855 thousand new shares of the Company at assumed share price of €45.00 per share (with a par value of €1.00 per share) resulting in an increase to share capital of €2,855 thousand and capital reserve of €125,620 thousand;
- The payment of the cash consideration of €100,281 thousand resulting in a decrease to cash and cash equivalents; and
- Assumption and immediate payment of the Assumed Liability of €4,080 thousand resulting in a decrease to cash and cash equivalents.

Reflects the recognition of the fair value adjustments to the identifiable asset acquired and liabilities assumed and resulting goodwill based on the preliminary purchase price allocation for the Acquisition as shown below:

	(in € thousand)
Acquired net assets of DS Holding	64,022
Fair value step up of brands as of June 30, 2021	7,600
Fair value step up of customer relationships as of June 30, 2021	24,175
Deferred tax liabilities as of June 30, 2021	(10,033)
Goodwill DS Holding as of June 30, 2021	(24,960)
Revalued net assets of DS Holding as of June 30, 2021	**60,804**

Total consideration for 100% of DS Holding	232,836
Revalued net assets of DS Holding as of June 30, 2021	60,804
Goodwill of DS Holding as of June 30,2021	**172,032**

The preliminary purchase price allocation resulted an increase to intangible assets and goodwill of €26,179 thousand and €147,072 thousand, respectively, above the historical balances of the DS Group as well as recognition of €10,033 thousand of deferred tax liabilities related to the fair value adjustments. The elimination of the historical equity balances of DS Group amounts to €16,000 thousand in share capital, €32,420 thousand in capital reserve, €68 thousand in currency translation reserve, and €15,534 thousand in profit carried forward for the consolidation of DS Group.

(2) Reflects the de-recognition of the non-controlling interest in the Landmann Business of €2,754. The consideration of €3,060 thousand was recorded under other current financial liabilities and the difference between the non-controlling interests and the consideration of €306 thousand was recorded in profit carried forward.

(3) Reflects the aggregate cash proceeds of €118,750 thousand from the Financing Transactions as a result of; (i) the issuance of 1,145 thousand new shares of the Company with assumed net proceeds of €50,000 thousands resulting in an increase to share capital of €1,145 thousand and capital reserve of €48,855 thousand; and (ii) execution of the loan agreements in the amount of €69,000 thousand resulting in an increase in other non-current financial liabilities. Transaction costs for the Financing Transaction in the amount of €250 thousand are recognized in the Pro Forma Balance Sheet.

(4) Reflects the recognition of a financial liability from the participation right (*Genussrecht*) that will be paid back due to a change of control clause. The participating right was derecognized, and a corresponding financial liability was recognized in the amount of €312 thousand in the Pro Forma Balance Sheet. The interest expenses are also recognized as financial payable in the amount of € 818 thousand as of June 30, 2021 in the Pro Forma Balance Sheet. DS Holding had already recognized a provision for the settlement of the variable interest in the amount of €674 thousand. For Pro Forma purposes, this provision is used for the payment of the interest obligation.

(5) Reflects the recognition of lease modification in accordance with IFRS 16 due to the increase of the lease payment and an extension of the lease contract from renegotiation of the lease agreement for the logistic center in Gallin resulting in an increase to the right-of-use asset of €8,366 thousand and an increase to the lease liability by an amount of €8,195 thousand.

The pro forma adjustments included in the Pro Forma Statement of Profit or Loss for the period from January 1, 2021 to June 30, 2021 all have recurring effects and are as follows:

(6) Reflects the additional amortization in relation to the fair value step ups of €5,650 thousand that were expensed in the Pro Forma Statement of Profit or Loss. The fair value step ups of the brands and customer relationships were amortized as recurring effect over a weighted average period of seven years. The order backlog was amortized over a period of one year, Applying an average tax rate of 30.19% the respective income tax adjustment amounts to €1,705 thousand.

(7) Reflects the reclassification of net income after income tax expense attributable to non-controlling interests to of net income after income tax expense attributable to owners of the parent company in the amount of €1,681 thousand.

(8) Reflects the additional interest expense in the amount of € 966 thousand resulting from the financing of the acquisition that would have been incurred if the Acquisition had been completed as of January 1, 2021. Applying an average tax rate of 30.19% the respective income tax adjustment amounts to €292 thousand.

(9) Reflects the additional expense of €52 thousand from amortization of the increased right-of-use asset for the logistics center in Gallin as well as the additional interest expense of €97 thousand in connection with the related lease liability. Applying an average tax rate of 30.19% the respective income tax adjustment amounts to €45 thousand.

5.4.4 Auditor’s report to the Pro Forma Financial Information

To The Social Chain AG, Berlin

We have audited whether the pro forma financial information as of June 30, 2021 of The Social Chain AG (the “Company”) has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma financial information comprises a pro forma statement of income for the period from January 1, 2021 to June 30, 2021 and a pro forma balance sheet as of June 30, 2021 as well as pro forma notes.

The purpose of the pro forma financial information is to present the material effects the transaction described in the pro forma notes would have had on the historical financial statements if the group had existed in the structure created by the transaction throughout the entire reporting period of the pro forma statement of income or as at the pro forma balance sheet date would have existed in the structure created by the transaction.

As pro forma financial information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period of the pro forma statement of income or at the pro forma balance sheet date.

Therefore, we do not issue an opinion on the actual effects of the transaction described in the pro forma notes. The compilation of pro forma financial information in accordance with the principles of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) is the responsibility of the management of the Company.

Our responsibility is to express an opinion, based on our audit, whether the pro forma financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. This includes the evaluation of the overall presentation of the pro forma financial information. The subject matter of this engagement does neither include an audit or review of the basic figures including their adjustment to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our audit in accordance with the IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1) promulgated by the Institut der Wirtschaftsprüfer in

Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Frankfurt am Main, Germany, November 4, 2021

RSM GmbH

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

/s/ Santosh Varughese	/s/ Arno Kramer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of net assets, financial condition and results of operations in conjunction with the Sections "1. Risk Factors" and "7 Business Description".

The financial information contained in the following text and tables is taken or derived from the audited consolidated financial statements as of and for the fiscal years ended December 31, 2020, December 31, 2019, or December 31, 2018, the unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2021, as well as the Company's accounting records or internal reporting systems. The audited consolidated financial statements as of and for the year ended December 31, 2020 were its first financial statements prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2021 were prepared in accordance with IFRS for interim financial reporting (IAS 34). The consolidated financial statements as of and for the fiscal year ended December 31, 2019 were prepared in accordance with the generally accepted accounting principles of the HGB.

*Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Theodor-Stern-Kai 1, 60596 Frankfurt am Main ("**Mazars**"), has audited and issued an unqualified independent auditor's report (uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers) with respect to Lumaland AG's (now: The Social Chain AG) German language consolidated financial statements as of and for the fiscal year ended December 31, 2018. The aforementioned Financial Statements and the independent auditor report thereon are included in this Prospectus.*

*Deloitte GmbH, Wirtschaftsprüfungsgesellschaft, Berlin office, Kurfürstendamm 23, 10719 Berlin, Germany ("**Deloitte**"), has audited and issued unqualified independent auditor's reports (uneingeschränkte Bestätigungsvermerke des unabhängigen Abschlussprüfers) with respect to the Company's German language consolidated financial statements as of and for the fiscal years ended December 31, 2020 and December 31, 2019. The aforementioned Financial Statements and the independent auditor report thereon are included in this Prospectus.*

Where financial information in the following tables is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited financial statements mentioned above, but has been taken from the unaudited condensed consolidated interim financial statements mentioned above, the Company's internal accounting records or reporting systems, or has been calculated based on figures from the aforementioned sources.

Unless indicated otherwise, all financial information presented in the text and tables included in this Prospectus is shown in millions of Euro (in € million). Certain financial information, including percentages, has been rounded according to established commercial standards. As a result, rounded figures in the tables included in this Prospectus may not add up to the aggregate amounts in such tables (sum totals or subtotals), which are calculated based on unrounded figures. Furthermore, differences and ratios are calculated based on rounded figures and may therefore deviate from differences or ratios calculated based on unrounded figures appearing elsewhere in this Prospectus.

Financial information presented in parentheses denotes the negative of such number presented. A dash ("–") signifies that there is no relevant figure, while a zero ("0" or "0.0") indicates that the relevant figure is available but has been rounded to, or equals, zero.

6.1 Overview

The Group brings together social media and social commerce under one roof. This concept is reflected through our organization in two main business units – social commerce and social media. In our social commerce business unit, we create, promote and sell our own direct-to-consumer brands, selling consumer products focused on the three verticals (a term we use for the business areas within our social commerce business unit) of food, home & living, and beauty & health. Our portfolio includes more than 15 direct to customer brands offering a wide range of more than 3,000 products. As of June 30, 2021, we had 1.5 million active customers who placed 1.6 million orders in the six months ended June 30, 2021. In the six months ended June 30, 2021, our social commerce business generated 88% of our revenue. Our social media business unit focuses on agency services and media production for third party customers as well as the organization of live events. In our social media business unit, we have developed online and offline channels that provide access to more than 80 million followers (as of

August 31, 2021) from highly attractive consumer groups, and we deliver award-winning campaigns for our customer brands as their social media agency. Most recently in 2020, we have received the Digiday Media Award for the Best Podcast for our campaign for PrettyLittleThings. In the six months ended June 30, 2021, our social media business - mainly social media campaigns for third party customers and events - contributed 12% to our revenue.

We operate in large and growing addressable markets at the intersection of social media and e-commerce. These markets are expected to grow as disposable income rises, new generations that have grown up with social media enter the market, the number of mobile internet users increases and people have more trust in online shopping experiences. The global social media advertising market is expected to grow at a compound annual growth rate ("**CAGR**") of 7.5% between 2019 and 2025, the global social commerce at a CAGR of 27.6% between 2020 and 2027 and global e-commerce retail sales were expected to grow by 28.5% in 2020. We focus our operations in Germany, the United Kingdom (the "**U.K.**") and the United States of America (the "**U.S.**"). We see Asia as another strategic target market, which we may enter in the near future. We have adopted a buy and build acquisition strategy and intend to continue to implement this strategy to fuel our future growth. For the periods under review, we conducted 18 acquisitions.

Our brand portfolio consists of more than 15 brands, which serve a wide range of consumer needs in the verticals of food, home & living and beauty & health. We develop our brands via our social media capabilities based on three components: our social media channels (such as Sporf, Love Food or Gamebyte) with more than 80 million followers (as of August 31, 2021) and a reach of up to 1.2 billion views per quarter; the regular engagement of more than 2,500 influencers that we engage for our brands (including well-known personalities such as Jay & Arya, Shirin David, Stefanie Giesinger and Julia Beautx) and more than 10,000 micro influencers, which provides us access to 20 million fans and potential customers to amplify our brand messages and inspire our customers to purchase our products as well as live social events (such as Glow, which we believe to be Europe's largest beauty festival and World Fitness Day, which we believe to be one of the world's largest fitness convention, each in terms of visitors) with more than 25,000 attendees per year connecting the online and offline worlds. In addition to developing our own brands, we also use our social media expertise and social media reach to provide creative marketing services for leading international brands including Beats, Zalando, Amazon, TikTok and Boohoo.

In 2020, our realized revenue was €130 million and our EBITDA was a loss of €8 million, and Adjusted EBITDA was €1.1 million. Our headquarters are in Berlin, and we have offices in Munich, London, Manchester, New York, San Diego and Los Angeles.

6.2 Key Financial Information and Operating Data

The following table provides an overview of certain key financial data relating to our performance for the periods indicated:

	For the fiscal year ended December 31,		**For the six-month period ended June 30,**	
	2019	**2020**	**2020**	**2021**
	(unaudited, unless otherwise indicated) (in € million, unless otherwise indicated)		**(unaudited) (in € million, unless otherwise indicated)**	
Revenues(1)	35.5	130.3	69.2	160.1
Gross profit	14.8	62.6	28.9	52.3
Gross profit margin (in %)	*41.7%*	*48.0%*	*41.7%*	*32.7%*
EBITDA	(16.8)	(8.0)	(2.3)	(5.3)
EBITDA margin (in %)(2)	*(47.3)%*	*(6.1)%*	*(3.4)%*	*(3.3)%*
Adjusted EBITDA	(11.8)	1.1	(1.1)	(0.5)
Adjusted EBITDA margin (in %)(3)	*(33.2)%*	*0.8%*	*(1.6)%*	*(0.3)%*
Average employees (Group)	269	601	603	697

(1) Audited.
(2) EBITDA margin is defined as EBITDA divided by revenues.
(3) Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

The table below shows a reconciliation of gross profit for the years ended December 31, 2020 and 2019 and for the six months ended June 30, 2021 and 2020.

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited, unless otherwise indicated) (in € thousand)		(unaudited) (in € thousand)	
Revenues	35,492	130,319	69,169	160,106
+/- Increase or decrease of finished goods and work in progress	0	(31)	(388)	1,765
- Material expenses	(20,698)	(67,720)	(39,926)	(109,572)
Gross Profit	14,794	62,568	28,855	52,299

(1) Unaudited.

The table below shows a reconciliation of Adjusted EBITDA for the years ended December 31, 2020 and 2019 and for the six months ended June 30, 2021 and 2020.

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited, unless otherwise indicated) (in € thousand)		(unaudited) (in € thousand)	
Income after income tax expense	(27,527)	(25,736)	(6,980)	(8,694)
+/- Income tax expense/benefit	(68)	(796)	(891)	2,460
+ Share of profit of equity-accounted investees	390	39	(16)	31
+ Interest and similar expenses	4,699	5,057	2,647	7,923
- Interest and similar income	(437)	(2,022)	(291)	(10,601)
+ Depreciation and amortization expenses	6,152	15,503	3,196	3,622
EBITDA	**(16,791)**	**(7,955)**	**(2,335)**	**(5,259)**
Adjusted for:				
Share based compensation	1,821	5,609	0	0
Uplisting preparation(1)(2)	-	1,496	429	1,681
M&A / Financing(1)(3)	2,203	816	586	900
Write-offs(1)(4)	973	550		426
New business ramp-up costs(1)	-	-	0	862
IT migration (PMI)(1)	-	-	0	577
Miscellaneous non-operating items (1)(5)	18	566	184	330
Adjusted EBITDA (unaudited)	**(11,776)**	**1,082**	**(1,136)**	**(483)**

(1) Unaudited.
(2) Including mainly costs for advisors and interim staff incurred for the IFRS conversion and other preparation in connection with the contemplated uplisting.
(3) Including mainly costs for M&A advisors, Due Diligence costs and commissions for financing.
(4) Including mainly receivable write-offs and costs for returned goods due to a product defect.
(5) Miscellaneous non-operation items are adjusted as those items do not reflect the underlying operating performance of the Company and refer to hiring and redundancy costs for key management. For the twelve months ended December, 31 2020, this includes € 0.3 million for top management search costs and €0.1 million in severance payments.

The table below shows selected key performance indicators as of and for the periods indicated:

	January 1 – June 30, 2020	July 1 – December 31, 2020	January 1 – June 30, 2021
Orders shipped	529,899	808,412	1,164,366
No. of active customers (D2C (direct to consumers)	219,731	380,549	697,715
No. of active customers (MP)	498,355	727,351	893,916
No. of new customers	398,432	596,953	736,917

6.3 Business Unit Information

The Social Chain AG has two business units, i.e. "social commerce" and "social media". For each of the units, the chief operating decision maker ("**CODM**") is the management board, which makes the key operating decisions on a day-to-day basis. The CODM receives daily financial information of the business activities within a business unit, and uses this information to allocate resources, make operating decisions and monitor the performance of the respective unit as a whole. For a detailed description of the business activities of each unit we refer to "*7.5.1 Social Commerce*" and "*7.5.2 Social Media*".

All other minor business activities which are commercially not directly linked with the business units above are reported as "Other".

Our consolidated revenues, prepared in accordance with IFRS, are derived from the following business units:

	As of December 31,		**As of June 30,**	
	2019	**2020**	**2020**	**2021**
	(audited) **(in € million)**		**(unaudited)** **(in € million)**	
Social Commerce	10.9	103.5	55.0	141.4
Social Media	24.0	26.6	14.2	18.6
Other	0.7	0.2	0.0	0.1
Total	**35.5**	**130.3**	**69.2**	**160.1**

Our consolidated revenues, prepared in accordance with the HGB, are derived from the following units:

	As of December 31,	
	2018(1)	**2019**
	(audited) **(in € million)**	
E-Commerce	46.1	41.7
Social Media	–	7.5
Other	–	1.6
Total	**46.1**	**50.7**

(1) Taken from the audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019.

6.4 Key Factors Affecting our Results of Operations, Financial Condition and Cash Flows

The key factors discussed below have significantly affected our results of operations, financial condition and cash flows during the periods for which financial information is included in the Prospectus, and we believe that these factors will continue to affect us in the future:

6.4.1 Growth of E-Commerce

In our social commerce business unit, our revenues are mainly driven by the number of active customers, the number of orders and the average order values. As we are primarily engaged in online direct-to-customer distribution, these parameters are fueled by the growth of e-commerce. Consumers are becoming more comfortable and have more trust in buying online as they recognize the greater variety, convenience, information and interaction offered by e-commerce. This has led to a shift from offline to online shopping which drives growth in our revenues broadly across the verticals and products.

In contrast to the overall economy, the Covid-19 pandemic has accelerated the development of e-commerce. In Germany, our biggest market in the social commerce business unit, gross sales via e-commerce increased by 14.6% to €83.3 billion (2019: €72.6 billion) in 2020 (*Source: Bundesverband E-Commerce und Versandhandel in Deutschland e.V.*). It is expected that e-commerce sales in Germany will exceed the €100 billion mark for the first time in 2021 as a result of the changes in 2020 (*Source: Bundesverband E-Commerce und Versandhandel in Deutschland e.V.*). The increase in e-commerce usage among elderly people is of particular note. In 2020, a third of all online shoppers was over 60, whereas in 2019 only a quarter was part of that age group. The increased penetration of the e-commerce market through this numerically (and often financially) strong age group will likely accelerate its growth.

The ongoing trend in e-commerce, which we consider to be a lasting shift from offline to online, has fueled an increase in our active customers, which more than doubled from 1.5 million in the six months ended June 30, 2020 to 3.2 million in the six months ended June 30, 2021 and orders, which more than doubled from 0.5 million in the six months ended June 30, 2020 to 1.2 million in the six months ended June 30, 2021. These developments drove an increase in revenue in our social commerce business unit €55.0 million in the six months ended June 30, 2020 to €141.4 million in the six months ended June 30, 2021.

6.4.2 Increase in Social Media Use

Both in our social commerce business unit as well as in our social media business unit, our financial performance depends on the reach of our social media channels, social media ambassadors, influencers and micro influencers, which we seek to measure by the quantity of followers, views and interactions. Our deep understanding of social media and all relevant social media platforms helps us in both business units.

We use our social media presence to build, develop and promote our own e-commerce brands. An increase in followers and views equals an increase in customer reach, sales opportunities and potential revenue in our social commerce business unit.

In our social media business unit, our ability to provide real value through advertising third party brands is intrinsically linked to the scope of reach and visibility we can create for our partners.

We benefit from an increased use of social media. By July 2021, the global social media reach grew by 13.1% compared to July 2020 to 4.48 billion active users (*Source: Datareportal*). A driver of this development is the increase in mobile internet use for social media which is expected to become even more attractive in the future due to the roll out of the advanced 5G standard.

According to Company information, a relevant factor for our business activities is also the fact that nearly half of all social media users worldwide uses social media to explore brands and collect information about products in the course of the customer journey. When shopping, social media has also become increasingly important as a source of information for the target group of over 35-year-olds.

According to data from Infogram, in the six-month period ended June 30, 2021, $3.2 billion were spent globally on social media apps. Market projections indicate total spending of $25 billion on social apps though to 2025 globally, with an annual spending of $17.7 billion in 2025, equaling a CAGR of 29% between 2021 and 2025.

Data from Infogram indicates that in the six-month period ended June 30, 2021, people were spending 740 billion hours on social media. In 2021, the average daily social media usage of internet users worldwide amounted to 150 minutes per day, up from 145 minutes in 2020.

Overall, the business environment for social media marketing shows a quite positive development. According to Company information digital advertising investment grew by 6.5% and spending on social media advertising by 9.1%. Between 2019 and 2025, we expect the global social media advertising market to grow at a CAGR of 7.5%.

6.4.3 Customer/Follower Relationships

Our performance does not only depend on the number of customers and social media users we are able to attract but also on our ability to generate revenue from repeat customers and loyal followers. To grow our customer and follower base and increase order frequency, order size and customer reach, we focus on the needs and preferences of our customers and followers when we assess the development of our brand products and the creation of social media content. In analyzing these factors, we rely on our LINKS tech platform which provides us with valuable data driven insights regarding the customer/follower behavior to predict future demand. Offline conventions such as the Glow allow us to further strengthen the relationships between our social media ambassadors and brands with our customers and followers. In our businesses that lend themselves to repeat purchases, such as in our food vertical, we track customer retention rates, which have been at historically high levels.

6.4.4 *Distribution and Sourcing Costs*

To facilitate and grow our sales across our web shops, in addition to further enhancing our technology platform capabilities, we have invested in our logistics infrastructure for our own brands and have five logistics hubs, of which four are located in Germany and one in the U.S., with 36,000 sqm in total. Logistics locations in Germany, the UK, the U.S. and Hong Kong run by third parties extent our logistics infrastructure.

6.4.5 *Acquisitions*

We have a strong track record of successfully acquiring and scaling brands. Besides organic growth, as part of our ongoing buy and build strategy, we intend to expand or enhance the business through acquisitions. Acquired brands have historically increased their margins and revenues after integration, often already in the first full year after acquisition.

We currently expect that acquisitions will play an important role in our overall strategy and that we will typically invest approximately €50million to €150million per annum in form of cash and newly issued shares in acquisitions, subject to opportunities. Acquisitions are typically structured in steps pursuant to which we acquire a controlling stake at the time of our initial investment, either through the acquisition of a majority of the shares in the target or, more often, through a minority stake coupled with a voting agreement, and secure the acquisition of the remaining target shares through call and put options. Acquisitions can be fully funded by new shares in the Company (equity financed) or a mix of cash consideration and new shares in the Company. Historically, our acquisitions have been a mix of brands and assets that expand our vertical integration. For details on the acquired businesses, see "*6.5.1 Business Combinations*" in this section.

Our future acquisitions may involve the purchase of businesses or business lines similar to those in which we already operate. We will seek to capture synergies through the integration of acquired businesses into our operations as a whole, including the synergy effects associated with reducing costs in our supply arrangements, supply chain and distribution channels. Each of these synergies and benefits may take time to realize, and may therefore have the effect of depressing unit margins during the integration period (however, depending on the circumstances, one-off integration costs may be treated as adjusted items).

Additionally, the type of market in which acquisitions are made may also affect our margins. Further, our selling and marketing costs and general and administrative costs may initially increase as a result of acquisition expenses. Our income tax expense may also be affected when we acquire businesses in countries with different corporate or other tax rates. As a result of each of these factors, our profit for the period in which an acquisition is completed may not increase immediately in proportion with the increase in our revenues.

Legal, financial and taxation due diligence costs related to acquisition activities in the year are included within adjusted items, given that the costs incurred are deemed inherently non-recurring. Post-acquisition reorganization and restructuring costs, costs associated with dual site and technology costs, redundancies, onerous lease costs and other costs of a one-off nature, including store closures, are all typically included as adjusted items.

6.4.6 *Covid-19*

Since spring 2020, the global outbreak of Coronavirus disease 2019 ("**Covid-19**"), a contagious disease, has led to an ongoing pandemic. The Covid-19 pandemic has had an unprecedented effect on global business activity worldwide as governments around the world have imposed "lockdown" orders including far-reaching restrictions on business operations and travel to contain its further spread. Such measures have led, and continue to lead, to a standstill or slowdown of public life in many countries and to challenges in supply chain and revenue channels. Due to the Covid-19 pandemic and the related measures, the global economy experienced a sharp decline in its growth rate. At the same time, the Covid-19 pandemic has further accelerated sustained growth in almost all areas of the digital economy.

During the Covid-19 lockdowns, many traditional retailers had to close their brick and mortar shops, which accelerated the consumers' shift to online sales channels. We saw a decrease in our offline sales, most importantly in our Ravensberger shops. We also saw companies reduce their marketing budgets during the early phase of the Covid-19 pandemic, which negatively impacted our social media business unit. Industry wide freight capacity limitations increased freight costs and increased shipping time, which in turn adversely affected our inventory.

Some of the jurisdictional restrictions on movements of people and goods implemented during recent periods as a result of Covid-19 have increased the costs associated with our transportation, delivery and fulfilment of orders in 2020 and 2021 mainly due to the impact of the cargo market pricing. Lockdown measures have also heavily negatively impacted our agency and event business in our social media business unit. In particular, we have not been able to hold physical conventions such as the beauty convention Glow after March 2020. While we continue to incur a number of these Covid-19 related costs, we believe their overall impact is outweighed by the pandemic's acceleration of the positive, structural trends underpinning our growth (*e.g.*, channel shift online, increased direct-to-customer outsourcing, increased use of social media), strengthening our market position.

6.4.7 Cost structure

The largest component of our cost structure is material expenses, primarily consisting of the cost for raw materials, consumables and supplies and the cost of purchased services. In general, we expect that our material expenses will grow as we continue to expand our business, including by way of acquisitions. For 2019 and 2020, our material expenses amounted to €20.7 million and €67.7 million, respectively. This increase was less pronounced than the increase in the scale of our operations. As a percentage of revenues, our material expenses decreased from 58.3% in 2019 to 52.0% in 2020.

Personnel expenses, consisting of wages and salaries as well as social security contributions, is the second largest component of our cost structure. As our business grows through acquisitions and organic growth, our personnel expenses are expected to increase. For 2019 and 2020, our personnel expenses were €18.3 million and €32.0 million, respectively. This increase was driven by the increase in the size of our business and the acquisitions undertaken during the periods under review. As a percentage of revenues, our personnel expenses decreased from 51.6% in 2019 to 24.6% in 2020, showing economies of scale as we grow our business organically and inorganically.

6.4.8 Foreign currency fluctuations

The international scope of our business means that we earn revenue and incur expenses in a number of different currencies, and the currency of the revenue may not match the currency of the expense. While the euro is our reporting currency other currencies of countries in which we operate include, in particular in the social media business unit, the U.S. dollar and the U.K. pound. This creates an exchange rate risk. Movements in exchange rates therefore impact our results and cash flows. Our results are presented in Euro and are thus exposed to exchange rate risk on translation of foreign currency assets and liabilities. Currently we do not hedge translation risk.

6.5 Comparability of Financial Statements

6.5.1 Business Combinations

The subsidiaries of The Social Chain AG organized in the two business units - Social Commerce and Social Media – were included into the Group as contributions in the process of several non-cash capital increases or as various corporate acquisitions. The tables below provide a summary overview of key aspects of these diverse corporate transactions during the 2019 and 2020 financial years.

The comparability of the historical financial statements is limited as a result of these non-cash capital increases and various corporate acquisitions between 2018 and the date of this prospectus. In addition, the consolidated financial statements for the years up to 2019 were prepared in accordance with local GAAP (HGB), while the consolidated financial information from 2020 onwards have been prepared in accordance with IFRS. The material business combination set out in section 6.5.1.2 is reflected differently between local GAAP and IFRS. According to IFRS 3 the contribution of TSCG AG into Lumaland AG is economically considered as the acquisition of Lumaland AG by TSCG AG resulting in TSCG AG treated as the acquirer for accounting purposes (reverse acquisition). Consequently, the consolidated financial statements according to IFRS reflect the group and its formation from the perspective of TSCG AG. By contrast, the consolidated financial statements according to local GAAP (HGB) represent the group and its formation from the perspective of Lumaland AG. Due the different scope of consolidation depending on the applied GAAP, the financial information is limited in terms of comparability.

In 2019, several significant organizational and structural measures were implemented. The Group was created in October 2019 through the contribution of The Social Chain Group AG (with its shareholdings) to Lumaland AG, which was subsequently renamed to The Social Chain AG.

The TSCG AG, which was contributed in October 2019, was newly formed on July 1, 2018 by the acquisition of BytePark GmbH. In 2018 and 2019, TSCG AG acquired various stakes in companies, mainly through non-cash capital increases. Essentially, this is the foundation for the current operations in the business unit social media.

The M&A transactions in 2020 were mainly characterized by further international expansion, in particular in the U.S. ("**U.S. Acquisitions**"), as well as the acquisition of Carl Wilhelm Clasen Group ("**Clasen Bio**") to expand our food vertical, and a number of acquisitions of smaller subsidiaries within the scope of our strategic acquisition policy to increase the existing shareholdings in our investments.

6.5.1.1 *Capital increase in TSCG AG*

As part of a non-cash capital increase of TSCG AG, the portfolio of the companies listed below was contributed to TSCG AG on June 1, 2019 in exchange for the grant of new shares for the total value of €42.7 million.

This portfolio of companies with the total value of €42.7 million comprises the subsidiaries described below, which were valued at €35.5 million, and three equity investments, which were valued at €7.2 million. The contributed investments are primarily shareholdings in internationally operating social media agencies and social commerce companies offering non-perishable natural foods and dietary supplements.

The Group companies contributed as part of this transaction were in particular:

Subsidiary	Acquired Shareholding	Focus of business operations	Business unit
Social Chain Group Ltd.	100.0%	Holding and financing function for the Social Chain Ltd. and the Media Chain Group Ltd.	Social Media
Social Chain Ltd.	100.0%	Leading social media agency in the UK with a service portfolio of Social Media, Strategy & Management, Paid Media, Creative Productions and Consulting & Workshops	Social Media
Social Chain USA, Inc.	100.0%	Subsidiary of Social Chain Ltd. for the agency business in social media at the U.S. market	Social Media
Media Chain Group Ltd.	100.0%	Complementary publishing activities for our own brands, third party clients and the social media agency business	Social Media
Media Chain Products GmbH	100.0%	Agency for the distribution of beauty and cosmetic products, in particular private labels. Services to third parties in the functional areas of brand development, project management and multi-channel distribution	Social Media / Social Commerce
KoRo Handels GmbH (equity investment at the time of contribution)	34.82%	Distribution of non-perishable natural foodstuffs in various packaging units	Social Commerce
SOLIDMIND Nutrition GmbH (at-equity investment at the time of contribution)	30.01%	Distribution of vitamin and trace element complexes and other dietary supplements, Services for third parties in the Amazon business	Social Commerce
World Fitness GmbH	100.0%	Event agency in the areas of sports, fitness, lifestyle	Social Media

Subsidiary	Acquired Shareholding	Focus of business operations	Business unit
Media-Part GmbH, (Joint Venture; at-equity investment at the time of contribution)	67.68%	Influencer marketing agency for creation, conceptualization and implementation of influencer marketing	Social Media

6.5.1.2 *Reverse acquisition of Lumaland AG-Group*

From a corporate law perspective, the Group was created through the contribution of TSCG AG group in October of 2019. The acquisition took place through a contribution of the shares in TSCG AG to Lumaland AG, which is considered legally as the ultimate parent company (legal acquirer – relevant view according to local GAAP / HGB). The annual general meeting of shareholders of Lumaland AG approved this step on August 19, 2019. This annual general meeting also approved the change of name from Lumaland AG to The Social Chain AG.

According to the applicable standards of IFRS 3, the aforementioned contribution of TSCG AG into Lumaland AG is accounted for as a reverse acquisition resulting in TSCG AG as the ultimate parent company from a IFRS accounting perspective. As a consequence, the legal contribution of TSCG AG into Lumaland AG is recorded as the acquisition of Lumaland AG by TSCG AG (accounting acquirer – relevant view according to IFRS). A mandatory adjustment of its equity accounts for consolidation purposes ensures that the equity accounts of the legal acquirer, i.e. the former Lumaland AG, are nevertheless reported in the subsequent IFRS financial statements.

The Group companies acquired as part of this transaction were in particular:

Subsidiary	Acquired Shareholding	Focus of business operations	Business unit
The Social Chain AG, (formerly Lumaland AG)	100.0%	International Social Commerce Network for Home & Living Accessories	Social Commerce
Lumaland Inc., East Lansing (USA)	80.0%		
Lumaland International GmbH	100.0%		
Lumaland Vertriebs GmbH	100.0%		
Ravensberger Holding GmbH	100.0%	Distribution of individual mattresses and bedroom accessories	Social Commerce
Ravensberger Logistik GmbH	100.0%		
Ravensberger Matratzen GmbH	100.0%		
Möbelfreude Vertriebs GmbH	100.0%	Distribution of contemporary furniture and box spring beds	Social Commerce
The Fitness Chain GmbH	100.0%	Distribution of home fitness devices	Social Commerce
#Do your Sports GmbH	100.0%		
Smilebaby GmbH	100.0%	Baby and toddler equipment distribution	Social Commerce
LINKS Logistics GmbH (originally Pets & Partners GmbH)	100.0%	Logistics services to affiliate companies (commodity management, commodity administration, logistics, raw material requirements and resource planning)	Social Commerce
Belsonno GmbH	100.0%	Production and distribution of household textiles and establishment of textile brands	Social Commerce
Urbanara Home & Living GmbH	100.0%	Holding company	Social Commerce

Subsidiary	Acquired Shareholding	Focus of business operations	Business unit
Links Operations & Intelligence GmbH (originally Wonista GmbH)	100.0%	The provision of logistical and organizational services to affiliated companies and third parties, especially in the field of business analytics through collection, evaluation and presentation of data in electronic form, as well as control, maintenance and further development of information technology infrastructure and processes, and of software development and related activities, and activities, as well as in the in the field of customer service and organization or supervision of work processes	Social Commerce

In general, the subsidiaries of the former Lumaland AG Group are business-to-customer distribution companies. Many of these subsidiaries have already established their own successful brands in social commerce and have a historical track record of profitable growth.

6.5.1.3 *Acquisition of Silvester in Berlin Veranstaltungen GmbH*

On December 1, 2019, Shine Conventions GmbH, one of our subsidiaries, acquired 100% of the shares in Silvester in Berlin Veranstaltungen GmbH for a purchase price of €2.5 million. The acquiree is an event agency with a focus on the organization of the annual New Year´s Eve party at the Brandenburg Gates in Berlin. We recognized goodwill of €1.9 million, mainly reflecting the joint growth expectations from the linking of social media and commerce activities with professionally organized major events.

6.5.1.4 *Step-by-step acquisition of drtv.agency*

On December 23, 2019, we purchased 20.4% of the share capital of drtv.agency GmbH for a cash purchase price of €1.4 million and the issuance of new shares pursuant to a capital increase in The Social Chain AG to the sellers. We also entered into a voting agreement in our favor, giving us control over drtv.agency GmbH. As a data-driven media agency with a focus on TV, drtv.agency supports out-of-home, radio and print campaigns. We recognized goodwill of €1.3 million, mainly reflecting future revenue and income expectations from target-group specific and more effective marketing of the various products from our brand portfolio in the offline media environment. We granted a put option to the remaining non-controlling shareholders of drtv.agency GmbH, for which we recognized a provision of €4.8 million by reducing consolidated equity as of December 31, 2019.

On January 1, 2020, we increased our stake in drtv.agency GmbH to 51% for the cash purchase price of €2.1 million. We also acquired 51% of the shares in its subsidiary datalytics.io GmbH, a subsidiary of drtv.agency GmbH, which is a data-driven full-service media agency for offline marketing focused on social commerce clients.

6.5.1.5 *Step-by-step acquisition of SOLIDMIND Nutrition*

On June 1, 2019, we acquired 30.1% of the equity of SOLIDMIND Nutrition GmbH and entered into a voting agreement in our favor, which became effective at the end of 2019. SOLIDMIND Nutrition GmbH was initially valued at equity with a shareholding of 30.1% between July 1 and December 31, 2019. As of December 31, 2019, SOLIDMIND Nutrition GmbH was consolidated in the consolidated financial statements of TSCG AG. We recognized goodwill of €1.2 million, mainly reflecting the joint revenue and income expectations from a target-group specific and more efficient marketing of the various SOLIDMIND products through our social media channels. We granted a put option to the remaining non-controlling shareholders in respect of the outstanding shares in SOLIDMIND Nutrition GmbH, which they could exercise until June 30, 2020. We recognized a provision of €2.3 million by reducing consolidated equity for this put option as of December 31, 2019.

6.5.1.6 *Step-by-step acquisition of KoRo Handels GmbH*

The Company acquired a 34.82% stake in KoRo Handels GmbH in June 2019. On December 23, 2019, the Company arranged for a step-by-step increase of its shareholding in KoRo Handels GmbH from 34.82% to a total of 51.72% and entered into a supplemental voting agreement, resulting in KoRo Handels GmbH having been consolidated in its consolidated financial statements since December 31, 2019. The Company recognized goodwill of €1.9 million mainly reflecting the joint revenue and income expectations from target-group specific and more efficient marketing of the various KoRo products through the Company's social media channels. A further 4.13% of the shares in KoRo Handels GmbH were acquired with effect on December 1, 2020, increasing the Company's total stake in KoRo Handels GmbH to 55.85% as of December 31, 2020. A total purchase price of €3.2 million was paid for these two increases in the Company's stake in KoRo Handels GmbH. With effect from April 21, 2021, the shareholding in KoRo Handels GmbH, Berlin (Germany), was increased by €2 million by way of a capital increase. The shareholding thus increased from 55.58% to 58.18%. The contribution was fully paid in cash. Pursuant to the same investment agreement, €2 million were granted as convertible loan agreement, allowing us to convert until July 2022, based on a valuation of an average revenue run rate at the time of the conversion.

The Company also granted a put option to certain minority shareholders of KoRo Handels GmbH (the "**KoRo Minority Shareholders**") in respect of the outstanding shares in KoRo Handels GmbH. The KoRo Minority Shareholders exercised their put options on July 5, 2021. As a result, the Company secured an additional 41.39% of the shares, so that the Company controlled a total of 99.57% of the shares of KoRo Handels GmbH as of July 5, 2021, subject to payment of the put option purchase price. No agreement has yet been reached with the KoRo Minority Shareholders on the purchase price, as the KoRo Minority Shareholders believe that the purchase price has to be substantially higher. According to the contract, the acquisition will be made – upon closing – with economic effect from January 1, 2021.

The Company did not record a provision for the put option purchase price in its unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2021.

There are currently ongoing constructive negotiations regarding a potential settlement of the case involving evaluation of various solutions to the dispute. A conceivable outcome would be that the KoRo Minority Shareholders will withdraw their exercise of the put options from July 5, 2021. This would mean that the KoRo Minority Shareholders would keep their 41.39% of shares in KoRo Handels GmbH and that the Company would not be required to pay the put option purchase price.

6.5.1.7 *Conditional acquisition of shares in Urbanara*

On December 6, 2019, we purchased 100% of the shares in Urbanara GmbH, Berlin, a direct-to-customer sales company offering interior accessories with an innovative own brand concept, for a purchase price of €3.9 million, which was paid in the form of newly issued shares. We recognized goodwill of €3.4 million, mainly reflecting future joint revenue and income expectations from joint marketing of own brands making use of our integrated understanding of social media and social commerce. The capital increase of The Social Chain AG related to this transaction was only registered and implemented in March 2020. Urbanara GmbH has been fully consolidated since December 31, 2019.

On February 27, 2020, we implemented capital measures associated with the acquisition of Urbanara and thus the acquisition, which was still conditional at the end of 2019, was updated accordingly as a transaction between shareholders upon contribution of Urbanara with the contribution value of €3.9 million.

6.5.1.8 *Clasen Bio*

On December 17, 2020, we acquired 100% of the shares in Carl Wilhelm Clasen GmbH, Elmenhorst, and its subsidiary LGR Nuss & Trockenfrucht Veredlungs GmbH & Co KG, Elmenhorst. The total acquisition price for the equity was €4.2 million. The business of the Clasen Bio Group focuses on distribution of currently approximately 85 organic and Demeter products in eight groups of goods: nuts, dry fruits, snacks, seeds, cereals, pulses, powders and special flour types, which are distributed mainly through grocery retail and social commerce platforms (starting in 2021, also through own online shop).

6.5.1.9 *US acquisitions: FFLV, A4D and Coral*

As of December 31, 2020, we acquired 49% of the shares in FFLV Inc., Delaware, for a purchase price of €2.6 million (USD 3 million). Additionally, we entered into a voting agreement in our favor regarding 100% of the entire voting rights, which was terminated in June 2021. Due to certain management regulations to the benefit of the minority shareholder, FFLV Inc. was classified as a joint venture as of December 31, 2020 and therefore included as an equity investment in the consolidated financial statements as of the December 31, 2020 reporting date.

As of the acquisition date, FFLV Inc. held stakes in a number of companies, including:

A4d Inc., Carlsbad, US, a specialized company for digital performance marketing with an integrated business model of technology, creativity and brand management, sustainably supporting its clients from the digital industry in developing scalable business models. As of December 31, 2020, FFLV held 10% of A4d Inc. and hence we indirectly held 4.9% in A4d Inc.

Coral LLC, Carson City, US, a consumer goods company selling oral hygiene products and food supplements made of all-natural ingredients and using a direct sales model. The calcium used for its products originates from overseas coral concentrates which are harvested ecologically (EcoSafe certificate). Direct sales to end customers are almost exclusively processed directly via its own online shops and other digital points of sale from its own logistics hub, which will also serve in the future as shipping logistics hub for other Social Chain brands in the U.S. as part of our plan to accelerate growth on the U.S. market. As of December 31, 2020, we indirectly held 24.99% in Coral LLC.

6.5.1.10 *Gradual acquisition of Media-Part*

On August 28, 2020, we increased our shareholding in the joint venture Media-Part GmbH from 67.68% to 85.97%. As a result of this acquisition of these shares, we obtained full control over Media-Part GmbH. The total acquisition cost of the acquired 85.97% was €4.6 million. In this context, the remaining 14.03% of the shares were acquired by HoHa Holding GmbH, a shareholder of The Social Chain AG.

6.5.2 Divestitures

Under the contribution and purchase agreement dated June 30, 2020, The Social Chain AG and its subsidiary, The Social Chain Group AG, sold their shares in Solidmind Nutrition GmbH (51.99% of the latter's share capital) to SynBiotic SE, a co-shareholder of Solidmind Nutrition GmbH, with effect on January 1, 2020, and contributed them to SynBiotic SE in exchange for the total of 520 thousand treasury shares. However, the transfer of the beneficial ownership took place on June 30, 2020 – and thus Solidmind Nutrition GmbH was deconsolidated and sold as of that date and the existing put-option was terminated as of that date. Deconsolidation income of €5.7 million is reported in other operating income.

6.5.3 Reclassifications

To enhance comparability, certain items of the balance sheet and the statement of profit and loss have been reclassified in audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019 and their prior-year values have been restated. These reclassifications and restatements relate to (i) technical equipment and machinery and other equipment, operating and office equipment, (ii) revenue and other operating income, (iii) Cost of materials and freight costs and (iv) an internal reclassification within personnel expenses. Accordingly, in order to show comparable numbers, financial information as of and for the fiscal year ended December 31, 2018 has been taken from the audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019.

6.5.4 Purchase Price Adjustments

On December 17, 2020, we acquired 100% of the shares in Carl Wilhelm Clasen GmbH, Elmenhorst, and its subsidiary LGR Nuss & Trockenfrucht Veredlungs GmbH & Co KG, Elmenhorst. The purchase price allocation for this transaction had not been completed at the time of publication of the 2020 consolidated financial statements. The following table shows the balance sheet changes resulting from the purchase price allocation completed in 2021. The adjustments from the purchase price allocation were carried out as of December 31, 2020. As the acquisition date was at the end of December 2020, the changes from the purchase price allocation have no effect on the consolidated income statement for 2020.

(unaudited, in € million)	**Goodwill**	**Brands**	**Customer Relationships**	**Deferred Tax Liability**
Retrospective PPA Adjustments	(1.8)	0.4	2.1	0.8

The balance sheet data as of December 31, 2020 shown in this prospectus has been taken from the audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2020 and, accordingly, does not reflect the balance sheet changes resulting from the purchase price allocation completed in 2021.

6.6 Results of Operations

6.6.1 Consolidated Statement of Profit or Loss Prepared in Accordance with IFRS

The following table shows selected financial information taken from the Company's consolidated statement of profit or loss prepared in accordance with IFRS for the periods indicated:

	For the fiscal year ended December 31,		**For the six-month period ended June 30,**	
	2019	**2020**	**2020**	**2021**
	(audited)		**(unaudited)**	
	(in € million)		**(in € million)**	
Revenues	35.5	130.3	69.2	160.1
Increase or decrease of finished goods and work in progress	0.0	(0.0)	(0.4)	1.8
Other operating income	1.2	7.8	6.2	1.5
Material expenses	(20.7)	(67.7)	(39.9)	(109.6)
Personnel expenses	(18.3)	(32.0)	(12.6)	(19.2)
Net impairment loss on trade receivables and contract assets	(1.6)	(0.4)	(0.1)	0.0
Other operating expenses	(12.9)	(45.9)	(24.7)	(39.8)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**(16.8)**	**(8.0)**	**(2.3)**	**(5.3)**
Depreciation and amortization expenses	(6.2)	(15.5)	(3.2)	(3.6)
Earnings before interest and taxes (EBIT)	**(22.9)**	**(23.5)**	**(5.5)**	**(8.9)**
Interest and similar income	0.4	2.0	0.3	10.6
Interest and similar expenses	(4.7)	(5.1)	(2.6)	(7.9)
Share of profit of equity-accounted investees	(0.4)	(0.0)	0.0	(0.0)
Income before income tax expense	**(27.6)**	**(26.5)**	**(7.9)**	**(6.2)**
Income tax expense/benefit	0.1	0.8	0.9	(2.5)
Income after income tax expense	**(27.5)**	**(25.7)**	**(7.0)**	**(8.7)**

6.6.1.1 <u>Revenue</u>

Our revenues are comprised of revenues from sales of goods (social commerce) and from rendering social media services (social media). We generate the majority of our revenues (in the six months ended June 30, 2021: 88.3%, in the fiscal year ended December 31, 2020: 79.4%) from the sale of goods through our owned and operated online shops as well as from sales on online market places operated by third parties. All revenue generated by us is included in the line item revenue. We recognize revenues to reflect the transfer of goods or services to customers at an amount that represents the consideration which we expect to receive from such customer, including fixed amounts, variable amounts or both. Revenue is recognized when the relevant customer receives physical control over the shipped product, which is upon delivery of the product if ordered from our websites, or at the time of purchase when the customer has received the goods in our store.

Despite the pandemic situation in the business regions Germany, UK and USA, the social commerce companies were able to generate significant increase in revenue and thus overcompensate for the reduced revenue of the social media companies, especially in the event sector, so that a significant increase in revenue could be achieved in the fiscal year ended December 31, 2020. In particular, the 2020 Christmas seasonal business of the social commerce companies was above average, while the 2019 Christmas seasonal business was burdened by a non-recurring effect of the longer integration process as a result of the company contribution and was therefore weaker than originally expected. As a result of a more effective supply chain and working capital management, the Social Chain was able to benefit greatly from the increased demand for digital models in 2020. The establishment of new partnerships in the social media business unit contributed to an increase in revenues.

6.6.1.1.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Revenues increased from €69.2 million in the six months ended June 30, 2020 by €90.9 million to €160.1 million in the six months ended June 30, 2021 was mainly driven by the increased performance of existing companies, i.e. essentially KoRo Handels GmbH as well as Media Chain Products GmbH and additional revenues contributed by the newly acquired companies, i.e. essentially Carl Wilhelm Clasen GmbH.

6.6.1.1.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Revenues increased from €35.5 million in the fiscal year ended December 31, 2019 by €94.8 million to €130.3 million in the fiscal year ended December 31, 2020 primarily due to acquisitions. Owing to a more effective supply chain and working capital management, we benefitted greatly from increased demand for digital models in 2020. The establishment of new partnerships in the social media business unit contributed to an increase in revenues in this business unit.

6.6.1.2 *Other Operating Income*

The following table provides an overview of the composition of our other operating income for the periods indicated:

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € thousand)		(unaudited) (in € thousand)	
Income from deconsolidation of subsidiaries	0	5,656	5,655	0
Income from derecognized liabilities	0	435	0	435
Income from the disposal of fixed assets	10	171	17	66
Income from insurance reimbursements	52	92	125	80
Income from other services	17	77	(17)	26
Income from exchange rate differences	12	71	7	892
Miscellaneous other operating income	1,151	1,276	407	0
Other operating income	**1,242**	**7,778**	**6,194**	**1,499**

6.6.1.2.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Other operating income decreased from €6.2 million in the six months ended June 30, 2020 by €4.7 million to €1.5 million in the six months ended June 30, 2021 mainly as a result of the deconsolidation of the former subsidiary Solidmind Nutrition GmbH in 2020, which did not recur in the six month ended June 30, 2021.

6.6.1.2.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Other operating income increased from €1.2 million in the fiscal year ended December 31, 2019 by €6.6 million to €7.8 million in the fiscal year ended December 31, 2020 largely due to the divestiture of Solidmind Nutrition GmbH in 2020.

6.6.1.3 *Material Expenses*

Material expenses consist of the cost for raw materials, consumables and supplies and the cost of purchased services.

6.6.1.3.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Material expenses increased from €39.9 million in the six months ended June 30, 2020 by €69.7 million to €109.6 million in the six months ended June 30, 2021 attributable to the growth of Social Commerce.

6.6.1.3.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Material expenses increased from €20.7 million in the fiscal year ended December 31, 2019 by €47.0 million to €67.7 million in the fiscal year ended December 31, 2020 as a result of the growth of Social Commerce.

6.6.1.4 *Personnel Expenses*

The following table is a breakdown of our personnel expenses for the periods indicated:

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Wages and salaries	16.7	29.1	11.2	17.1
Social security	1.7	2.9	1.4	2.1
Personnel expenses	**18.3**	**32.0**	**12.6**	**19.2**

6.6.1.4.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Personnel expenses increased from €12.6 million in the six months ended June 30, 2020 by €6.6 million to €19.2 million in the six months ended June 30, 2021 driven by the increase in headcount in line with the growth of the business and partly due to acquisitions, which led to the increase in personnel expenses from the acquired entities.

6.6.1.4.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Personnel expenses increased from €18.3 million in the fiscal year ended December 31, 2019 by €13.7 million to €32.0 million in the fiscal year ended December 31, 2020, which was primarily attributable to the increase in headcount due to the acquisitions.

6.6.1.5 *Other Operating Expenses*

The following table provides an overview of the composition of our other operating expenses for the periods indicated:

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Packaging materials and outgoing freight	2.5	19.3	7.8	14.9
Advertising and travel expenses	2.5	10.1	3.9	8.7
Legal and consulting costs	4.2	6.8	3.1	3.9
Fees and contributions	0.7	2.8	1.3	1.6
Rental and leasing	0.3	2.0	0.7	1.3
Outsourced services administration	0.2	1.4	0.4	1.1
Administration	0.3	1.3	0.7	0.8
Maintenance and repair	0.5	1.0	0.5	0.9
Occupancy costs	0.4	0.7	0.3	0.6
Insurance premiums	0.1	0.2	0.1	0.2
Miscellaneous expenses	1.0	0.2	5.9	5.9
Other operating expenses	**12.9**	**45.9**	**24.7**	**39.8**

6.6.1.5.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Other operating expenses increased from €24.7 million in the six months ended June 30, 2020 by €15.1 million to €39.8 million in the six months ended June 30, 2021 mainly due to higher packaging materials costs, outgoing freight charges and advertising costs in line with the revenue growth in Social Commerce.

6.6.1.5.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Other operating expenses increased from €12.9 million in the fiscal year ended December 31, 2019 by €33.0 million to €45.9 million in the fiscal year ended December 31, 2020 as a result of the full year effect of the distribution expenses and marketing expenses incurred particularly by the social commerce companies we acquired. Other significant expenses relate to consulting and legal costs in connection with the capital increases as well as with acquisitions.

6.6.1.6 *Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)*

6.6.1.6.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Our earnings before interest, taxes, depreciation and amortization (EBITDA) decreased from negative €2.3 million in the six months ended June 30, 2020 by €3.0 million to negative €5.3 million in the six months ended June 30, 2021 as a result of uplisting related consulting costs, M&A and financing related service fees. Furthermore, in the first six months ending June 30, 2020 the sale of Solidmind Nutrition GmbH contributed a profit of €5.7 million.

6.6.1.6.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Our earnings before interest, taxes, depreciation and amortization (EBITDA) increased from negative €16.8 million in the fiscal year ended December 31, 2019 by €8.8 million to negative €8.0 million in the fiscal year ended December 31, 2020 primarily due to strong revenue growth and the deconsolidation of subsidiaries, partially offset by an increase in costs for consulting services and expert fees resulting from a significant number of company acquisitions, contribution transactions and capital increases as well as related costs of integration.

6.6.1.7 *Depreciation and Amortization Expenses*

The following table provides an overview of the composition of our depreciation and amortization expenses for the periods indicated:

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Impairment of intangible assets	2.8	9.2	0.0	(0.0)
Amortization of intangible assets	2.1	3.3	1.9	1.7
Depreciation of property, plant and equipment	1.2	3.0	1.2	1.9
Depreciation and amortization expenses	**6.2**	**15.5**	**3.2**	**3.6**

6.6.1.7.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Depreciation and amortization expenses increased from €3.2 million in the six months ended June 30, 2020 by €0.4 million to €3.6 million in the six months ended June 30, 2021.

6.6.1.7.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Depreciation and amortization expenses increased from €6.2 million in 2019 by €9.3 million to €15.5 million in the fiscal year ended December 31, 2020 resulting from an impairment of goodwill, higher depreciation of the rights of use on property, plant and equipment and to higher amortization of capitalized intangible assets as part of the initial measurement.

6.6.1.8 *Earnings before Interest and Taxes (EBIT)*

6.6.1.8.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Our earnings before interest and taxes (EBIT) decreased from negative €5.5 million in the six months ended June 30, 2020 by €3.4 million to negative €8.9 million in the six months ended June 30, 2021.

6.6.1.8.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Our earnings before interest and taxes (EBIT) slightly decreased from negative €22.9 million in the fiscal year ended December 31, 2019 by €0.6 million to negative €23.5 million in the fiscal year ended December 31, 2020.

6.6.1.9 *Interest and Similar Income and Expenses*

The following table provides an overview of the composition of our interest and similar income and expenses for the periods indicated:

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited)		(unaudited)	
	(in € million)		(in € million)	
Miscellaneous interest and similar income	0.4	2.0	0.3	10.6
Interest and similar income	**0.4**	**2.0**	**0.3**	**10.6**
Interest expense on and from compounding of financial liabilities	0.7	4.1	2.5	7.4
Changes in financial assets and financial liabilities recorded at fair value	3.8	0.6	(0.0)	0.1
Interest expense from leasing liabilities	0.1	0.3	0.1	0.4
Interest and similar expenses	**4.7**	**5.0**	**2.6**	**7.9**
Financial result	**(4.3)**	**(3.0)**	**(2.3)**	**2.7**

6.6.1.9.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Our financial result increased from negative €2.3 million in the six months ended June 30, 2020 by € 4.9 million to €2.6 million in the six months ended 2021 primarily due to changes in financial assets and financials liabilities recorded at fair value and miscellaneous interest and similar income.

6.6.1.9.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Our financial result increased from negative €4.3 million in the fiscal year ended December 31, 2019 by €1.3 million to negative €3.0 million in the fiscal year ended December 31, 2020 primarily due to higher interest and similar income in the fiscal year ended December 31, 2020.

6.6.1.10 *Income Before Income Tax Expense*

6.6.1.10.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Income before income tax expense increased from negative €7.9 million in the six months ended June 30, 2020 by €1.7 million to negative €6.2 million in the six months ended June 30, 2021 as a result of the strong revenue growth partly offset by increased exceptional expenses in the context of the uplisting project, M&A activities and integration projects.

6.6.1.10.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Income before income tax expense increased from negative €27.6 million in the fiscal year ended December 31, 2019 by €1.1 million to negative €26.5 million in the fiscal year ended December 31, 2020 due to strong revenue growth translating into an improvement of our EBITDA. Higher impairments of intangible assets in 2020 than in 2019 partially offset the positive revenue effect.

6.6.1.11 *Income After Income Tax Expense*

6.6.1.11.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Income after income tax expense decreased from negative €7.0 million in the six months ended June 30, 2020 by €1.7 million to negative €8.7 million in the six months ended June 30, 2021.

6.6.1.11.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Income after income tax expense increased from negative €27.5 million in the fiscal year ended December 31, 2019 by €1.8 million to negative €25.7 million in the fiscal year ended December 31, 2020.

6.6.2 *Consolidated Statement of Profit or Loss Prepared in Accordance with the Generally Accepted Accounting Principles of the HGB*

The following table shows selected financial information taken from the Company's consolidated statement of profit or loss prepared in accordance with the generally accepted accounting principles of the HGB for the periods indicated:

	For the fiscal year ended December 31,	
	2018[(1)]	2019
	(audited)	
	(in € million)	
Revenue	**46.1**	**50.7**
Increase/decrease in finished goods and work in progress	0.0	0.0
Other operating income	0.3	1.3
Cost of materials	(22.3)	(25.7)
Thereof:		
Cost of purchased merchandise	(22.3)	(20.5)
Cost of purchased services	(0.0)	(5.2)
Personnel expenses	(6.3)	(12.2)
Thereof:		
Wages and salaries	(5.3)	(10.6)
Social security, post-employment and other employee benefit costs	(1.0)	(1.6)
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment	(2.0)	(5.5)
Other operating expenses	(21.0)	(25.2)
Share of net loss from associates	0.0	(0.2)
Other interest and similar income	0.0	0.0
Amortization and write-downs of long-term financial assets	0.0	(3.4)
Interest and similar expenses	(0.5)	(0.8)
Result from ordinary activities	**(5.7)**	**(21.0)**
Income taxes	0.1	0.1
Earnings after taxes	**(5.6)**	**(20.9)**
Other taxes	(0.1)	(0.0)
Consolidated loss for the period	**(5.7)**	**(21.0)**
Non-controlling interest	0.0	0.3
Consolidated accumulated losses brought forward	(1.4)	(7.1)
Consolidated net accumulated losses	**(7.1)**	**(27.8)**

(1) Taken from the audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019.

6.6.2.1 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

6.6.2.1.1 Revenue

Revenue increased from €46.1 million in the fiscal year ended December 31, 2018 by €4.6 million, or 10.0%, to €50.7 million in the fiscal year ended December 31, 2019 primarily due to acquisitions.

6.6.2.1.2 Cost of Materials

Cost of materials increased from €22.3 million in the fiscal year ended December 31, 2018 by €3.4 million, or 15.2%, to €25.7 million in the fiscal year ended December 31, 2019 mainly as a result of the increase in revenues associated with organic and inorganic growth and partly due to the change in the product mix.

6.6.2.1.3 Personnel Expenses

Personnel expenses increased from €6.3 million in the fiscal year ended December 31, 2018 by €5.9 million, or 93.7%, to €12.2 million in the fiscal year ended December 31, 2019 driven by the increase in headcount due to employees employed in the entities acquired in 2019.

6.6.2.1.4 Amortization and Write-downs of Intangible Fixed Assets and Depreciation and Write-downs of Property, Plant and Equipment

Amortization and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment increased from €2.0 million in the fiscal year ended December 31, 2018 by €3.5 million to €5.5 million in the fiscal year ended December 31, 2019, which is mainly attributable to due higher fixed assets due to M&A activities and the restructuring of the Group in 2019.

6.6.2.1.5 Other Operating Expenses

Other operating expenses increased from €21.0 million in the fiscal year ended December 31, 2018 by €4.2 million, or 20.0%, to €25.2 million in the fiscal year ended December 31, 2019 mainly as a result of a strong increase in legal and consultation fees concerning a significant number of corporate acquisitions, several contributions and capital increases as well as integration costs.

6.6.2.1.6 Amortization and Write-downs of Long-term Financial Assets

Amortization and write-downs of long-term financial assets was €0.0 million in the fiscal year ended December 31, 2018 and €3.4 million in the fiscal year ended December 31, 2019.

6.6.2.1.7 Interest and Similar Expenses

Interest and similar expenses increased from €0.5 million in the fiscal year ended December 31, 2018 to €0.8 million in the fiscal year ended December 31, 2019 primarily due to the increase in borrowings.

6.6.2.1.8 Result from Ordinary Activities

Our result from ordinary activities decreased from negative €5.7 million in the fiscal year ended December 31, 2018 by €15.3 million to negative €21.0 million in the fiscal year ended December 31, 2019 mainly due to the increase in personnel expenses, higher other operating expenses as well as higher amortization and write downs.

6.6.2.1.9 Earnings after Taxes

Our earnings after taxes decreased from negative €5.6 million in the fiscal year ended December 31, 2018 by €15.3 million to negative €20.9 million in the fiscal year ended December 31, 2019.

6.6.2.1.10 Consolidated Accumulated Losses Brought Forward

The consolidated accumulated losses brought forward increased from a loss of €1.4 million in the fiscal year ended December 31, 2018 by €5.7 million to a loss of €7.1 million in the fiscal year ended December 31, 2019 as a result of the consolidated loss for 2019.

6.6.2.1.11 Consolidated Net Accumulated Losses

Consolidated accumulated losses increased from a loss of €7.1 million in the fiscal year ended December 31, 2018 by €20.7 million to a loss of €27.8 million in the fiscal year ended December 31, 2019 mainly due to the increase in personnel expenses, higher other operating expenses as well as higher amortization and write downs.

6.7 Assets, Equities and Liabilities

6.7.1 Assets as per the Consolidated Balance Sheet Prepared in Accordance with IFRS

The following table provides an overview of our assets as of the dates indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	(audited) (in € million)		(unaudited) (in € million)
Intangible assets(1)	21.6	18.5	20.4
Goodwill(1)	100.0	104.8	104.3
Property, plant and equipment	1.6	4.8	6.2
Right of use assets	4.5	5.4	8.9
Non-current trade and other receivables	0.1	0.1	0.1
Other non-current financial assets	5.1	14.1	16.4
Income tax receivables	0.0	0.1	0.0
Equity-accounted investees	3.8	2.6	2.6
Other non-current non-financial assets	0.0	0.0	0.0
Deferred tax assets	0.8	2.8	5.0
Non-current assets(1)	**137.6**	**153.2**	**163.8**
Inventories	6.3	22.5	37.8
Current contract assets	1.6	1.3	1.4
Trade and other receivables	14.1	10.1	24.5
Other financial assets	1.7	1.3	11.6
Income tax receivables	0.3	0.1	0.1
Other non-financial assets	4.7	6.6	10.8
Cash and cash equivalents	6.8	9.4	10.9
Current assets	**35.5**	**51.4**	**97.1**
Total assets(1)	**173.1**	**204.5**	**260.9**

(1) Does not reflect the balance sheet changes resulting from the purchase price allocation completed in 2021. See also "*6.5.4 Purchase Price Adjustments*".

6.7.1.1 *Non-Current Assets*

6.7.1.1.1 June 30, 2021 Compared to December 31, 2020

Non-current assets increased from €153.2 million as of December 31, 2020 by €10.6 million, or 6.9%, to €163.8 million as of June 30, 2021 due to increases in right of use assets, property, plant and equipment as well as deferred tax assets.

6.7.1.1.2 December 31, 2020 Compared to December 31, 2019

Non-current assets increased from €137.6 million in the fiscal year ended December 31, 2019 by €15.6 million, or 11.3%, to €153.2 million in the fiscal year ended December 31, 2020 mainly as a result of long-term securities that were received in exchange for the contribution of Solidmind Nutrition GmbH to SynBiotic SE and an increase in goodwill due to the acquisition of the Bio Clasen group.

6.7.1.2 *Current Assets*

6.7.1.2.1 June 30, 2021 Compared to December 31, 2020

Current assets increased significantly from €51.4 million as of December 31, 2020 by €45.7 million, or 88.9%, to €97.1 million as of June 30, 2021 driven by increased inventories and increased trade receivables (in line with the growth of operating activity) as well as by increased other financial assets which was mainly attributable to securities of SynBiotic SE, which were classified as current assets.

6.7.1.2.2 December 31, 2020 Compared to December 31, 2019

Current assets increased from €35.5 million in the fiscal year ended December 31, 2019 by €15.9 million, or 44.8%, to €51.4 million in the fiscal year ended December 31, 2020, which was mainly attributable to a significant increase in inventories resulting mainly from the purchase of trade goods as part of the acquisition of the Bio Clasen group.

6.7.2 *Assets as per the Consolidated Balance Sheet Prepared in Accordance with the Generally Accepted Principles of the HGB*

The following table provides an overview of our assets, prepared in accordance with generally accepted accounting principles of the HGB, as of the dates indicated:

	As of December 31,	
	2018[1]	2019
	(audited) (in € million)	
Internally generated industrial rights and similar rights and assets	0.0	0.0
Purchased industrial rights and similar rights and assets	0.2	12.5
Goodwill	15.4	105.6
Prepayments	0.0	0.0
Intangible fixed assets	**15.6**	**118.1**
Land, land rights and buildings	1.7	0.0
Technical equipment and machinery	0.1	0.1
Other equipment, operating and office equipment	0.3	1.6
Property, plant and equipment	**2.1**	**1.6**
Shares in affiliated companies	0.0	0.2
Loans to affiliated companies	0.0	0.1
Shares in associates	0.0	3.8
Shares in other long-term investees and investors	0.0	0.3
Loans other long-term investees and investors	0.0	0.0
Other loans	0.0	0.2
Long-term financial assets	**0.0**	**4.7**
Fixed Assets	**17.8**	**124.5**
Raw materials, consumables and supplies	0.2	0.2
Unfinished goods; work in progress	0.0	0.5
Finished goods	5.0	6.0
Prepayments on inventories	0.2	2.9
Inventories	**5.5**	**9.5**
Trade receivables	0.3	7.3
Receivables from affiliated companies	0.0	1.1
Receivables from other long-term investees and investors	0.0	0.0
Other assets	1.3	2.7
Receivables and other current assets	**1.6**	**11.2**
Other securities	0.0	0.0
Cash-in-hand and bank balances	0.5	6.3
Current Assets	**7.6**	**27.0**
Prepaid expenses	0.2	1.0
Total assets	**25.5**	**152.5**

(1) Taken from the audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019.

6.7.2.1 December 31, 2019 Compared to December 31, 2018

6.7.2.1.1 Fixed Assets

Fixed assets increased from €17.8 million in the fiscal year ended December 31, 2018 by €106.7 million to €124.5 million in the fiscal year ended December 31, 2019 as a result of the increase in Goodwill. Group-wide goodwill increased due to the recognition of €94.3 million based on the contribution of the Social Chain Group AG group of consolidated companies as of October 19, 2019, the acquisition of Urbanara GmbH, Berlin/Germany, and drtv.agency GmbH, Stuttgart/Germany, and the initial consolidation of KoRo Handels GmbH Berlin/Germany, and Solidmind Nutrition GmbH, Wangen/Germany, as of 31 December 2019.

6.7.2.1.2 Current Assets

Current assets increased from €7.6 million in the fiscal year ended December 31, 2018 by €19.4 million to €27.0 million in the fiscal year ended December 31, 2019 as a result of increased operating activities which drives the significant increase in inventories and trade receivables.

6.7.3 Equity and Liabilities as per the Consolidated Balance Sheet Prepared in Accordance with IFRS

The following table provides an overview of our equity and liabilities, prepared in accordance with IFRS, as of the dates indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	(audited) (in € million)		(unaudited) (in € million)
Share capital	9.9	11.3	11.4
Capital reserve	135.0	167.2	172.5
Currency translation reserve	0.9	(0.4)	0.7
Retained earnings	(11.5)	(9.1)	(8.2)
Profit carried forward	(45.8)	(72.6)	(81.2)
Equity attributable to owners	**88.4**	**96.5**	**95.2**
Non-controlling interests	1.5	2.2	2.6
Total equity	**90.0**	**98.7**	**97.8**
Other non-current financial liabilities	15.6	27.0	59.7
Non-current income tax liabilities	0.2	0.2	0.5
Other non-current provisions	0.0	0.0	0.2
Other non-current non-financial liabilities	0.0	0.3	0.9
Deferred tax liabilities (1)	7.7	8.3	13.3
Non-current liabilities	**23.5**	**35.8**	**74.6**
Trade payables	27.8	17.9	22.4
Other current financial liabilities	19.3	37.8	45.5
Current provisions	2.3	4.0	4.6
Current income tax liabilities	0.2	0.1	0.2
Other current non-financial liabilities	7.4	8.1	9.9
Current contract liabilities	1.7	1.1	5.9
Current refund liabilities	0.9	1.0	0.1
Current liabilities	**59.6**	**70.1**	**88.6**
Total equity and liabilities	**173.1**	**204.5**	**260.9**

(1) Does not reflect the balance sheet changes resulting from the purchase price allocation completed in 2021. See also "*6.5.4 Purchase Price Adjustments*".

6.7.3.1 *Equity*

6.7.3.1.1 June 30, 2021 Compared to December 31, 2020

Equity decreased slightly from €98.7 million as of December 31, 2020 by €0.9 million, or 0.9%, to €97.8 million as of June 30, 2021 due to the total loss of comprehensive income of €7.7 million in the six months ended June 30, 2021, which was largely compensated by the fair value of the equity component of a convertible bond issued in the six months ended June 30, 2021.

6.7.3.1.2 December 31, 2020 Compared to December 31, 2019

Equity increased from €90.0 million in the fiscal year ended December 31, 2019 by €8.7 million, or 9.7%, to €98.7 million in the fiscal year ended December 31, 2020, which was primarily a result of several capital increases totaling €27.8 million in 2020. These capital increases were almost fully offset by the total loss of comprehensive income of €27.2 million in 2020.

6.7.3.2 *Non-Current Liabilities*

6.7.3.2.1 June 30, 2021 Compared to December 31, 2020

Non-current liabilities increased from €35.8 million as of December 31, 2020 to €74.6 million as of June 30, 2021 primarily due to the successful placement of convertible bonds.

6.7.3.2.2 December 31, 2020 Compared to December 31, 2019

Non-current liabilities increased by 52.3% from €23.5 million as of December 31, 2019 to €35.8 million as of December 31, 2020, mainly due to third party loans.

6.7.3.3 *Current Liabilities*

6.7.3.3.1 June 30, 2021 Compared to December 31, 2020

Current liabilities increased from €70.1 million as of December 31, 2020 by €18.5 million, or 26.4%, to €88.6 million as of June 30, 2021 mainly due to higher VAT liabilities and higher advance payments received from customers. Both increases are due to the expansion of business activities in 2021 compared to 2020. Trade payables and other current financial liabilities also contributed to the increase in current liabilities.

6.7.3.3.2 December 31, 2020 Compared to December 31, 2019

Current liabilities increased by 17.6% from €59.6 million as of December 31, 2019 to €70.1 million as of December 31, 2020, mainly due to current financial liabilities for put options on own equity instruments.

6.7.4 Equity and Liabilities as per the Consolidated Balance Sheet Prepared in Accordance with the Generally Accepted Accounting Principles of the HGB

The following table provides an overview of our equity and liabilities, prepared in accordance with the generally accepted accounting principles of the HGB, as of the dates indicated:

	As of December 31,	
	2018[(1)]	**2019**
	(audited) **(in € million)**	
Subscribed capital	2.8	9.9
Capital reserves	9.2	114.0
Adjustment item for foreign currency translation	0.0	(0.1)
Consolidated accumulated losses brought forward	(1.4)	(7.1)
Consolidated net profit/loss for the period attributable to the Group	(5.7)	(20.7)
Consolidated net accumulated losses	**(7.1)**	**(27.8)**
Consolidated equity of the parent	4.9	96.0
Non-controlling interests	(0.1)	1.4
Consolidated equity	**4.8**	**97.5**
Tax provisions	0.0	0.3
Other provisions	0.4	5.4
Provisions	**0.5**	**5.7**
Bank loans	9.4	10.3
Payments received on account of orders	0.1	3.8
Trade payables	2.7	12.9
Liabilities to affiliated companies	0.0	4.3
Other liabilities	7.8	14.3
Liabilities	**20.0**	**45.6**
Deferred income	0.3	0.3
Deferred tax liabilities	0.0	3.4
Total equity and liabilities	**25.5**	**152.5**

(1) Taken from the audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019.

6.7.4.1 *December 31, 2019 Compared to December 31, 2018*

6.7.4.1.1 Consolidated Equity

Consolidated equity increased significantly from €4.8 million as of December 31, 2018 to €97.5 million as of December 31, 2019 as a result of capital increases carried out in 2019 especially the contribution of the shares in The Social Chain Group AG in a total amount of €85.7 million and through issuing of new shares in a total amount of €15.8 million partly offset by losses of the period in 2019.

6.7.4.1.2 Provisions

Provisions increased from €0.5 million as of December 31, 2018 to €5.7 million as of December 31, 2019 primarily due to provisions for outstanding invoices as well as due to staff related provisions.

6.7.4.1.3 Liabilities

Liabilities increased from €20.0 million in the fiscal year ended December 31, 2018 by €25.6 million to €45.6 million in the fiscal year ended December 31, 2019, which was mainly attributable to the increase in trade payables and other liabilities mainly due to shareholder loan liabilities due to the first time consolidation of TSCG AG in 2019.

6.8 Liquidity and Capital Resources

6.8.1 Consolidated Statement of Cash Flows Prepared in Accordance with IFRS

The following table provides an overview of our cash flow statement, prepared in accordance with IFRS, for the periods indicated:

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Income after income tax expense	(27.5)	(25.7)	(7.0)	(8.7)
Income taxes	(0.1)	(0.8)	(0.9)	2.5
Income before income tax expense	(27.6)	(26.5)	(7.9)	(6.2)
Reconciliation from income before income tax expense to net cash flows:				
Interest and similar expenses	4.7	3.1	2.3	(2.7)
Depreciation of property, plant and equipment	1.2	3.0	1.2	1.9
Amortization of intangible assets	2.1	3.3	2.0	1.7
Impairment	2.8	9.2	0.0	(0.0)
Gain/loss on disposal of property, plant and equipment	0.4	(0.1)	(0.0)	0.0
Gain/loss on disposal of shares in Group Companies	0.0	(5.7)	(5.7)	0.0
Expenses for share-based payment	1.8	5.6	0.0	0.2
Other non-cash income and expenses	(1.3)	0.0	5.6	(6.8)
Change in net working capital				
Decrease (+)/increase (-) in inventories	1.9	(7.5)	(1.4)	(15.2)
Decrease (+)/increase (-) in contract assets	(2.5)	0.3	1.2	(0.1)
Decrease (+)/Increase (-) other non-financial assets (excluding contract assets)	(5.0)	(2.3)	(10.2)	(3.7)
Increase (+)/Decrease (-) other non-financial liabilities (incl. Contract liabilities)	0.0	(1.7)	(3.9)	6.1
Decrease (+)/Increase (-) in trade receivables and other receivables (current)	12.5	7.2	13.8	(14.1)

	For the fiscal year ended December 31,		For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Increase (+)/Decrease (-) in trade payables	(0.8)	(15.6)	3.5	4.5
Increase (+)/Decrease (-) in provisions	0.6	1.4	(1.5)	0.8
Income tax receivables and liabilities	0.2	0.6	0.3	0.5
Other changes in working capital	(1.3)	0.9	-	-
Net cash flow from operating activities	**(10.3)**	**(24.7)**	**(0.7)**	**(33.0)**
Proceeds from sale of property, plant and equipment	1.3	0.3	0.0	0.0
Proceeds from sale of intangible assets	-	-	-	-
Disbursements for acquisition of a business, net of cash acquired	(0.7)	(5.2)	(0.0)	(0.3)
Proceeds from disposals of companies and business units, net of cash disposed of in the process	0.0	(0.5)	(0.5)	0.0
Disbursements for investments in property, plant and equipment	(0.2)	(0.8)	(0.3)	(2.0)
Disbursements for investments in intangible assets	(0.1)	(0.0)	(0.1)	(0.7)
Interest received	0.0	0.0	0.0	1.3
Net cash flow from investing activities	**0.3**	**(6.1)**	**(0.8)**	**(1.7)**
Proceeds from capital increase	17.2	19.7	0.0	3.4
Proceeds from borrowings	5.8	30.5	21.3	58.5
Repayments of borrowings	(5.5)	(11.6)	(6.0)	(26.6)
Repayments of lease liabilities (redemption)	(1.0)	(2.4)	(0.5)	1.5
Interest paid (incl. interest of lease liabilities)	(1.0)	(2.6)	(0.1)	(0.6)
Net cash flow from financing activities	**15.5**	**33.5**	**14.7**	**36.2**
Effect of currency translation on cash and cash equivalents	0.0	(0.1)	(0.1)	0.1
Net increase/decrease in cash and cash equivalents	5.5	2.6	13.1	1.5
Cash and cash equivalents at beginning of period	1.3	6.8	6.8	9.4
Cash and cash equivalents at end of the period	**6.8**	**9.4**	**19.9**	**10.9**

6.8.1.1 *Net Cash Flow from Operating Activities*

6.8.1.1.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Net cash flow from operating activities changed from a cash outflow of €0.7 million in the six months ended June 30, 2020 by €32.3 million to a cash outflow of €33.0 million in the six months ended June 30, 2021 mainly as a result of a significant inventory build-up in the six months ended June 30, 2021 and an increase in accounts receivables, which was driven by the strong operational growth of our operations.

6.8.1.1.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Net cash flow from operating activities changed by €14.4 million from a cash outflow of €10.3 million in the fiscal year ended December 31, 2019 to a cash outflow of €24.7 million driven by a significant decrease in trade payables.

6.8.1.2 *Net Cash Flow from Investing Activities*

6.8.1.2.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Net cash flow from investing activities changed from a cash outflow of €0.8 million in the six months ended June 30, 2020 by €0.9 million to a cash outflow of €1.7 million in the six months ended June 30, 2021 mainly due to payments for plants and equipment in the subsidiary LGR Nuss & Trockenfrucht Veredelungs GmbH & Co. KG.

6.8.1.2.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Net cash flow from investing activities changed from cash inflow of €0.3 million in the fiscal year ended December 31, 2019 to a cash outflow of €6.1 million in the fiscal year ended December 31, 2020 as a result of the acquisition of the Bio Clasen group, which was paid in cash.

6.8.1.3 *Net Cash Flow from Financing Activities*

6.8.1.3.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Net cash flow from financing activities increased from €14.7 million in the six months ended June 30, 2020 by €21.5 million to €36.2 million in the six months ended June 30, 2021 attributable to the successful placement of a convertible bond with a nominal value of €25 million in the six months ended June 30, 2021.

6.8.1.3.2 Comparison of the Fiscal Years Ended December 31, 2020 and 2019

Net cash flow from financing activities increased from €15.5 million in the fiscal year ended December 31, 2019 by €18.0 million to €33.5 million in the fiscal year ended December 31, 2020 mainly due to an increase in borrowings and capital increases from cash contribution, which were partially offset by repayments of borrowings of €11.6 million.

6.8.2 Consolidated Statement of Cash Flows Prepared in Accordance with the Generally Accepted Accounting Principles of the HGB

	For the fiscal year ended December 31,	
	2018[1]	**2019**
	(audited) **(in € million)**	
Consolidated loss for the period including profit/loss share of non-controlling interest	(5.7)	(21.0)
Depreciation, amortization and write-downs of write-downs of fixed assets	2.0	5.5
Increase/decrease in provisions	(0.5)	(1.9)
Other non-cash expenses/income	(0.2)	4.1
Decrease/increase in inventories, trade receivables and other assets not related to investing or financing activities	1.5	3.6
Increase/decrease in trade payables and other liabilities not related to investing of financing activities	(0.2)	(5.0)
Loss/gain (-) on disposal of fixed assets	0.0	0.4
Interest expense	0.5	0.8
Interest income	(0.0)	(0.0)
Income tax expense (+)/income (-)	0.1	(0.1)
Income tax refunded (+)/paid (-) (net)	0.0	0.1
Cash flow from operating activities	**(2.6)**	**(13.3)**
Proceeds from disposal of property, plant and equipment	0.0	1.3
Payments to acquire property, plant and equipment	(0.2)	(0.2)
Payments to acquire intangible fixed assets	0.0	(0.1)
Payments to acquire long-term financial assets	(0.0)	0.0
Payments to acquire additions to the scope of consolidation	0.0	(0.5)
Interest received	0.0	0.0

	For the fiscal year ended December 31,	
	2018[1]	2019
	(audited) (in € million)	
Cash flow from investing activities	**(0.1)**	**0.6**
Proceeds from borrowings	0.9	3.0
Cash repayments of bonds and borrowings	(1.8)	(3.6)
Interest paid	(0.5)	(0.8)
Cash receipts from capital increases in cash of the parent	3.9	17.7
Cash flow from financing activities	**2.5**	**16.3**
Net change in cash funds	(0.3)	3.5
Effect on cash funds of exchange rate changes and of valuation in equity	0.0	(0.0)
Effect on cash funds of changes in the scope of consolidation	0.0	2.3
Cash funds at beginning of period	0.8	0.5
Cash funds at end of the period	**0.5**	**6.3**

(1) Taken from the audited consolidated financial statements of the Group as of and for the fiscal year ended December 31, 2019.

6.8.2.1 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

6.8.2.1.1 Cash Flow from Operating Activities

Cash flow from operating activities changed from a cash outflow of €2.6 million in the fiscal year ended December 31, 2018 by €10.7 million to a cash outflow of €13.3 million in the fiscal year ended December 31, 2019. The 2019 Christmas seasonal business of Lumaland AG was held back by the non-recurring effect of the integration process during the contribution of TSCG AG, which took longer than anticipated and led to insufficient stock levels as a result of a lack of third-party financing for goods. Furthermore, 2019 included one-off effects from additional fees incurred through consultancy and experts as a result of a significant number of corporate acquisitions, contributions and capital increases as well as, in the following, related integration costs.

6.8.2.1.2 Cash Flow from Investing Activities

Cash flow from investing activities changed from a cash outflow of €0.1 million in the fiscal year ended December 31, 2018 by €0.7 million to a cash inflow of €0.6 million in the fiscal year ended December 31, 2019 primarily due to payments made to acquire KoRo Handels GmbH. Payments made were partly matched by proceeds from disposal of property, plant and equipment, essentially related to the sale of two properties held by Ravensberger Matratzen GmbH.

6.8.2.1.3 Cash Flows from Financing Activities

Cash flow from financing activities increased from €2.5 million in the fiscal year ended December 31, 2018 by €13.8 million to €16.3 million in the fiscal year ended December 31, 2019, which is largely attributable to cash capital increases.

6.8.3 Capital Expenditures

Our capital expenditures are defined as investments in property and equipment as well as intangible assets.

The following table provides a breakdown of our capital expenditures for the periods presented:

	For the year ended December 31,[1]		For the year ended December 31,[2]		For the six months ended June 30,	
	2018	2019	2019	2020	2020	2021
	(audited, unless otherwise indicated) (in € million)		(audited, unless otherwise indicated) (in € million)		(unaudited) (in € million)	
Additions to property, plant and equipment[3]	0.2	0.2	0.2	0.8	0.3	2.0
Additions to intangible assets[4]	0.0	0.1	0.1	0.0	0.1	0.7
Capital expenditures[5]	**0.2**	**0.3**	**0.3**	**0.8**	**0.4**	**2.7**

(1) Taken from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2019, which were prepared in accordance with the generally accepted accounting principles of the HGB.
(2) Taken from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2020, which were prepared in accordance with IFRS.
(3) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2019 referred to as payments to acquire property, plant and equipment. In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2020 referred to as disbursements for investments in property, plant and equipment.
(4) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2019 referred to as payments to acquire intangible fixed assets. In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2020 referred to as disbursements for investments in intangible assets.
(5) Unaudited.

Capital expenditures are not recognized as a measure under IFRS and should not be considered as a substitute for an analysis of our consolidated balance sheet and consolidated statement of cash flow prepared in accordance with IFRS. In addition, our definition of capital expenditures may not be comparable to similarly titled information published by other companies.

6.8.3.1 *Future and Planned Capital Expenditures*

As of the date of this Prospectus, our Management Board has not made material commitments on future capital expenditures.

6.8.3.2 *Capital Expenditures since December 31, 2020 and Ongoing Capital Expenditures*

In the six months ended June 30, 2021, our capital expenditures amounted to €2.7 million, with the majority relating to our warehouses and investments in our LINKS software. The capital expenditures were financed from available cash and cash equivalents.

Between June 30, 2021 and the date of this Prospectus, we have not made significant capital expenditures.

6.8.3.3 *Capital Expenditures in the Years ended December 31, 2020, 2019 and 2018*

Capital expenditures in 2020 amounted to €0.8 million and primarily comprised capital expenditures for property, plant and equipment, which amounted to €0.8 million and related primarily to investments into our warehouses.

Based on the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2020, prepared in accordance with IFRS, capital expenditures in 2019 amounted to €0.3 million and primarily comprised capital expenditures for additions to property, plant and equipment, which amounted to €0.2 million. Additions to intangible assets amounted to €0.1 million.

Based on the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2019, prepared in accordance with HGB, capital expenditures in 2018 amounted to €0.2 million and primarily comprised capital expenditures for additions to property, plant and equipment, which amounted to €0.2 million.

All capital expenditures were financed from available cash and cash equivalents.

6.9 Contingent Liabilities and Other Financial Obligations

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group. Moreover, contingent liabilities can be present obligations that arise from past events but which are not recognized on the statement of financial position as it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. According to IAS 37, such contingent liabilities are not recorded in the statement of financial position but are disclosed in the Notes. As of June 30, 2021, there were no material contingent liabilities. Except for short-term leases and leases based on assets of low value, there are no other commitments which have not been recognized.

6.10 Financial Risk Management

Our management monitors and manages the financial risks associated with our business units through internal risk reporting, which analyzes risks by their scale and scope. Risks include credit risks, liquidity risks and market risks (currency and interest rate risks). In some cases we minimize the impact of these risks by using derivative financial instruments. Use of derivative financial instruments is monitored by our management on an ongoing basis. We do not contract or trade in any financial instruments, including derivative financial instruments, for speculative purposes. For more information, see Note 7 "*Financial risk management*" to our consolidated financial statements as of and for the fiscal year ended December 31, 2020.

6.11 Capital Risk Management

Our objectives with regard to capital management are, on the one hand, to safeguard our ability to continue as a going concern in order to continue to generate returns for its shareholders and to render other interested parties the services to which they are entitled, and, on the other hand, to maintain the capital structure in order to reduce the cost of capital. To optimize the cost of capital, the capital structure is continuously monitored on the basis of various financial ratios. In this context, the most important key indicator is the equity ratio, which is expected to further improve.

	As of December 31,			
	2019		2020	
	in € million	% of total equity and liabilities	in € million	% of total equity and liabilities
	(audited)			
Equity attributable to owners	88.4	58.52%	96.5	53.83%
Financial liabilities	62.7	41.48%	82.7	46.17%
Current financial liabilities	47.1	31.18%	55.8	31.11%
Non-current financial liabilities	15.6	10.30%	27.0	15.06%
Total equity and financial liabilities	**151.2**	**100.00%**	**179.2**	**100.00%**

6.12 Changes in Accounting Standards

A number of new accounting standards became applicable as of January 1, 2021, none of which are expected to have a material impact on our consolidated financial statements. For more information, see Note 1.2 to our consolidated financial statements as of and for the fiscal year ended December 31, 2020 and Note 1.2 to our condensed consolidated interim financial statements as of and for the six months ended June 30, 2021.

6.13 Additional Information from the Audited Unconsolidated Financial Statements prepared in accordance with the German Generally Accepted Accounting Principles of HGB

Certain information from the audited unconsolidated financial statements of the Company prepared in accordance with German generally accepted accounting principles of the HGB as of and for the fiscal year ended December 31, 2020 is presented below. Accounting principles set forth in the HGB differ from IFRS in material respects.

The Company's net loss for the year amounted to €6.7 million in 2020, compared to €8.4 million in 2019.

The Company's equity amounted to €134.3 million as of December 31, 2020, compared to €112.6 million as of December 31, 2019.

For further information on the Company's audited unconsolidated financial statements, see pages F-118 et seq. of this Prospectus.

7. BUSINESS DESCRIPTION

7.1 Overview

At the Group we have created the first integrated social commerce company, bringing together social media, and social commerce under one roof. We are organized into two main business units – social commerce and social media. In our social commerce business unit, we create, promote and sell our own direct-to-consumer brands, selling consumer products focused on the three verticals of food, home & living, and beauty & health. We identify consumer trends and offer daily experiences that empower our customers to live a conscious life with sustainable products and continuous social connections. Our portfolio includes more than 15 direct to customer brands offering a wide range of more than 3,000 products. As of June 30, 2021, we had 1.5 million active customers who placed 1.6 million orders in the six months ended June 30, 2021. More than 70% of our sales to end customers are performed via our own web stores. In the six months ended June 30, 2021, our social commerce business generated 88% of our revenue. Our social media business unit focuses on agency services and media production for third party customers as well as the organization of live events. In our social media business unit, we have developed online and offline channels that provide access to more than 80 million followers (as of August 31, 2021) from highly attractive consumer groups, and we deliver campaigns for some of the largest brands in the world as their social media agency. In the six months ended June 30, 2021, our social media business - mainly social media campaigns for third party customers and events - contributed 12% to our revenue.

We operate in large and growing addressable markets at the intersection of social media and e-commerce. These markets are expected to grow as disposable income rises, new generations that have grown up with social media enter the market, the number of mobile internet users increases and people have more trust in online shopping experiences. The global social media advertising market is expected to grow at a CAGR of 7.5% between 2019 and 2025, the global social commerce at a CAGR of 27.6% between 2020 and 2027 and global e-commerce retail sales were expected to grow by 28.5% in 2020. We focus our operations in Germany, the U.K. and the U.S. We see Asia as another strategic target market, which we may enter in the near future. We have adopted a buy and build acquisition strategy and intend to continue to implement this strategy to fuel our future growth. For the periods under review, we conducted 18 acquisitions.

Our brand portfolio consists of more than 15 brands, which serve a wide range of consumer needs in the verticals of food, home & living and beauty & health. We develop our brands via our social media capabilities based on three components: our social media channels (such as Sporf, Love Food or Gamebyte) with more than 80 million followers (as of August 31, 2021) and a reach of up to 1.2 billion views per quarter; the regular engagement of more than 2,500 influencers that we engage for our brands (including well-known personalities such as Jay & Arya, Shirin David, Stefanie Giesinger and Julia Beautx) and more than 10,000 micro influencers, which provides us access to over 20 million fans and potential customers, to amplify our brand messages and inspire our customers to purchase our products as well as live social events (such as Glow, which we believe to be Europe’s largest beauty festival and World Fitness Day, which we believe to be one of the world’s largest fitness convention, each in terms of visitors) with more than 25,000 attendees per year connecting the online and offline worlds. In addition to developing our own brands, we also use our social media expertise and social media reach to provide creative marketing services for leading international brands including Beats, Zalando, Amazon, TikTok and Boohoo.

Our integrated business model links social commerce, roll-up models, social media marketing and e-commerce through our integrated proprietary tech platform LINKS. LINKS connects the Group’s own and third-party components with a proprietary intelligence core analyzing consumer interests, purchase intentions and product satisfaction along the entire digital customer journey. LINKS provides us and our partners with valuable data driven insights to predict customer demand and turn reach into sales. Within LINKS we are able to collect and analyze an immense amount of data points through the combination of: (i) our internal transactions data, (ii) our social media data from our own proprietary communities, (iii) client data from our agency business, and (iv) freely accessible third party data.

In 2020, our realized revenue was €130 million and our EBITDA was a loss of €8 million, and Adjusted EBITDA was €1.1 million. Our headquarters are in Berlin, and we have offices in Munich, London, Manchester, New York, San Diego and Los Angeles.

7.2 History

The Group emerged from two groups of companies through the contribution of the TSCG AG with its holdings into Lumaland AG in October 2019. Subsequently, Lumaland AG was renamed The Social Chain AG.

The contributed company TSCG AG was newly founded in 2018 and focused on social media with its own media channels (publisher) and social media marketing (agency). In 2018 and 2019, TSCG AG made various equity investments in social media related businesses, which essentially form the basis of today's activities in our social media business unit. We consider the former Lumaland AG to be the root of our social commerce business. Together with its subsidiaries, Lumaland AG focused on product sourcing and distribution via e-commerce, mainly in the vertical of home & living. The integration of the two groups marked the starting point of the implementation of our current business model combining e-commerce and social media offers to create mutually reinforcing growth opportunities in both of the respective activities.

7.3 Key Strengths

7.3.1 We operate in large and rapidly developing addressable markets

Our business addresses large and rapidly developing markets with outstanding growth prospects. In particular, we benefit from a shift from offline to online retail shopping and an increase in social media use. Based on data sourced from Statista, the global social commerce market had a size of $475 billion in 2020. Between 2019 and 2027 the global social commerce market is expected to grow at a CAGR of 27.6%. These growth trends are amplified by general growth in e-commerce. Based on Company data, we expect retail sales in the global e-commerce market to grow by 28.5% in 2020, with North America making the strongest contribution.

With respect to social media, data from Statista shows that in 2019 the global social media advertising market had a volume of $90 billion.

According to data from Infogram, in the six-month period ended June 30, 2021, $3.2 billion were spent globally on social media apps. Market projections indicate a total spending of $25 billion on social apps though to 2025 globally, with an annual spending of $17.7 billion in 2025 equaling a CAGR of 29% between 2021 and 2025.

Data from Datareportal indicates that in July 2021, 4.48 billion (2020: 3.6 billion) people were active on social media platforms, who, according to data from Infogram, were spending 740 billion hours on social media in the six-month period ended June 30, 2021. In 2021, the average daily social media usage of internet users worldwide amounted to 150 minutes per day, up from 145 minutes in 2020. Between 2019 and 2025 the social media advertising market is expected to grow at a CAGR of 7.5%.

7.3.2 Our integrated business model provides valuable networking effects

Our business model is based on the combination of social media and social commerce under one roof allowing us to develop brands through social media marketing and thereby turning reach into sales. We consider this integrated business model to be innovative in our markets. As of August 31, 2021, we managed more than 40 social media channels with more than 80 million followers. We expose these users daily to our social commerce and experience brands, where we offer more than 15 direct-to-customer brands focused on the verticals food, home & living and beauty & health. These brands offer more than 3,000 private label products and had a total of more than 1.5 million active customers as of August 31, 2021.

7.3.3 Our established social media communities and key opinion leaders through our online and offline channels attract leading third-party brands to our ecosystem

Our broad portfolio of established online and offline channels provides access to various consumer groups. Our ecosystem includes channels such as Sporf, one of the world's largest digital sports publishers cross-platform, Love Food, one of U.K.'s biggest social-first food channels with more than 10 million followers and Gamebyte, the world's biggest gaming community on Facebook with about 6 million followers. Our ecosystem also includes a large global influencer network with more than 2,500 influencers (including well-known personalities such as Jay & Arya, Shirin David, Stefanie Giesinger and Julia Beautx) and more than 10,000 micro influencers with some of whom we have concluded exclusive channel marketing agreements. This gives us access to a large number of consumers, which we seek to match with our channels and brands through a proprietary matching model. We focus our operations in Germany, the U.K. and the U.S. We have attracted many of the world's leading brands to our ecosystem such as Beats, Zalando, Amazon, TikTok and Boohoo. These brands benefit from access to our massive reach, bespoke campaigning, access to social events, historically higher than average conversion rates and access to anonymized LINKS data.

7.3.4 High quality growing portfolio of own brands

We provide our customers with a large and highly diverse portfolio of own brands serving a wide range of consumer needs in the verticals of food, home & living, and beauty & health. We benefit from more than 15 direct to customer brands, which offer more than 3,000 private label products. We generate 100% of commerce sales from our own brands. More than 60% of our brand sales are generated via our own webshops.

7.3.5 Our proprietary big-data technology platform LINKS generates valuable data driven insights to predict customer demand

Our business model combining social commerce and social media offers special opportunities to connect all data from various sources to turn followers into customers and reach into sales. This business model is powered by our proprietary technology platform LINKS. LINKS enables us to collect and analyze an immense amount of data points through combining our internal transactions data, our social media data from our own proprietary communities, client data from our agency business and freely accessible third party data. LINKS thereby enables us and our partners to execute data-driven end-to-end social commerce. We consider LINKS to be an advanced tech platform in the market spotting social commerce trends early and optimizing sales strategies, giving us an edge over our competitors.

7.3.6 High organic top-line growth with strong unit economics

We have strong unit economics and expect further organic growth. Our capability to present the right products to the right customer base is evidenced by our performance indicators for 2020 based on a pro forma consolidation of M&A activities until December 2020: We achieved a gross margin in the social commerce business in excess of 50%, a return rate of less than 5% and a customer retention of more than 80%.

7.4 Strategy

7.4.1 Social Commerce

We believe that the next evolution of e-commerce is social commerce whereby customers engage actively with the producer/seller. The trend is relatively newly driven by social media platforms and the still rapidly growing mobile application user community. Initially, social commerce became popular in China. We have built and continue to build the customer journey around social media and therefore invest in infrastructure, data analytics and a multichannel approach.

7.4.2 Direct to consumer products

Our product portfolio covers primarily end customer products that have a certain social media relevance, i.e. receiving the interest of social media coverage and community based conversations. Therefore, our operating verticals within social commerce address, being supported by complementary communities and social media channels, home & living, food and beauty & health trends. Our product development teams are able to spot trends relatively fast, estimate the economic potential and find manufactured designs for new products so that even shorter life cycles of products can be utilized. Also, the direct customer interaction allows feedback and constant improvement. That is also why we focus on our own shows rather than marketplace fulfilment models.

7.4.3 Leverage our strong M&A track record to pursue our buy and build strategy

We see strong international expansion opportunities. Since our inception, we have demonstrated strong integration capabilities, based on smart target selection, a disciplined approach to capital allocation and a lean structure facilitating integration – proven by more than 18 acquisitions in the periods under review. We intend to leverage our capabilities and experience to increase our presence in existing markets, benefit from synergy potential and diversify our revenue. We currently have a pipeline of more than 5 targets with combined revenues of more than €600 million in 2021.

7.4.4 We intend to benefit from various opportunities to drive growth

We seek growth on an international scale with focus on the U.S. and Asia. For the periods under review, we completed one controlling stake acquisition and three strategic investments in the U.S. and are currently exploring a number of acquisition opportunities in the U.S. and plan to expand in the near term to China. To that end we intend to amplify the monetization of data generated by LINKS and the build-up of data infrastructure. We plan to expand our product portfolio of existing brands, grow our own brand portfolio while also purchasing more third-party brands. Furthermore, we seek to invest in tech driven complementary companies and to acquire more media content, enrich our brand portfolio with more infrastructure service, foster the EU influencer network and production resources as well as extending the geographical presence to Asia.

7.5 Business and Brands

We are organized into two main business units – social commerce and social media – from which we derive most of our revenue. In the six-month period ended June 30, 2021, social commerce generated 88% of our revenue while social media contributed 12% to our revenue. We have observed a stronger growth trajectory from social commerce since 2019, the growth of which has been fueled by a number of acquisitions.

7.5.1 Social Commerce

In the social commerce business unit, we create, promote and sell our own branded products within the verticals food, home & living and beauty & health directly to our consumers. We market our products through our social media presence via our own social media channels the involvement of more than 2,500 influencers and more than 10,000 micro influencers and live social events. We control and operate a number of brands and also hold strategic minority positions in other brands.

The following is an overview of our brands in the verticals food, home & living and beauty & health which also indicate our respective shareholdings in the relevant companies.

7.5.1.1 *Food*

- Clasen Bio (fully owned): Clasen Bio is a green brand focusing on the distribution of organic and Demeter products sourced directly from farmers. Clasen Bio provides 8 groups of goods: nuts, dry fruits, snacks, seeds, cereals, pulses, powders and special flour types which are distributed mainly through grocery retail and social commerce platforms and also through our own online shop;

- KoRo (59.52% shareholding): KoRo offers high-quality fresh and natural food and superfoods like nuts, dried fruits and seeds sourced and sold to both B2C (business-to-consumers) and B2B (business-to-business) customers in bulk packages as well as non-food products like kitchen devices, tableware and toys in 15 countries;

- 3Bears (13% shareholding): 3Bears provides simple and delicious oat recipes (*e.g.*, porridge) made from all natural ingredients and superfoods. In addition to its own e-commerce business, 3Bears is an ever-increasing presence in the German and Austrian food retail market and is now available in more than 4,000 stores; and

- Planty-of-Meat (10% shareholding): Planty-of-Meat is a new and fast growing plant-based brand. Planty-of-Meat develops and produces plant-based meat alternatives with (allergen free) sunflower as an innovative source of protein. The product portfolio includes inter alia burger patties, minced meat, chicken filet, sausages and also fish sticks. Planty-of-Meat constantly develops new products and seeks to increase its reach via e-commerce and offline retail as well as catering and gastronomy.

7.5.1.2 *Home & Living*

- Urbanara (fully owned): Urbanara is an innovative direct-to-consumer brand for natural home & living accessories. Urbanara products are created with natural high quality materials and are designed to transcend seasons and trends;

- Ravensberger Matratzen (fully owned): Ravensberger Matratzen provides individually-tailored mattresses and bedroom accessories. Ravensberger Matratzen offers suitable sleep systems for every sleep type using quality materials with many years of function and warranty. As a manufacturer, Ravensberger Matratzen considers itself to have one of the best price/performance ratios on the market. The distribution of products has been carried out via online shops and its own stores since 2003;

- Lumaland (fully owned): Lumaland is a global e-commerce network for home & living accessories. Since its founding in 2013, Lumaland has quickly established itself as one of the leading e-commerce providers with numerous own brands in the home & living segment and is the German market leader for bean bags;

- Möbelfreude (fully owned): Möbelfreude provides contemporary furniture and box spring beds for modern interiors under its flagship brand Doluna; and

- vonMählen (fully owned): vonMählen designs, produces and markets high-quality tech accessories with lifestyle character in various categories such as grip, connect, power and sound for mobile devices. Its focus is on combining functionality and design while creating entire collections that are coordinated in terms of materials, colors and shapes making technology a lifestyle statement.

7.5.1.3 *Beauty & Health*

- Glow (96.99% shareholding): Glow is Europe´s largest beauty festival. It is held twice a year in German cities and brings together brands from the cosmetics and beauty industry, live-entertainment and influencers with followers and end customers offline. Since 2017, Glow has been cooperating with the drugstore company dm, which complements the convention as a partner and title sponsor.

- viralProtect (fully owned): viralProtect offers a quality selection of healthcare and hygiene products;

- Mabyen (51.08% shareholding): Mabyen provides care products for moms and babies including baby oil, textiles and teas with a focus on 100% natural ingredients;

- Puffin Beauty (49% shareholding): Puffin Beauty offers innovative hair accessories for instant styling. Besides care products like shampoos, conditioners and tools like hair brushes, the portfolio includes the newly designed pony puffin gadget helping to increase to increase the volume of braids;

- #DoYourSports (fully owned): #DoYourSports offers home fitness & yoga accessories including weights, mats and sportswear; and

- World Fitness Day (96.99% shareholding): The World Fitness Day is a leading fitness convention offering the fitness enthusiast community a live sports event together with experts and influencers. Fitness brands have the possibility to introduce themselves and enter into direct exchange with end customer.

7.5.2 Social Media

In our social media business unit, we focus on agency services (*e.g.*, the implementation of advertising campaigns for third-party customers and the management of influencers with the aim of promoting the influencer's career development), production (*e.g.*, the creation of TV productions and commercials for TV stations, the development of IT applications and the offering of web hosting services) and events (i.e., the organization of trade fairs and other events).

Our social media presence includes the following established channels:

- Glow (fully owned): Glow is Europe's largest beauty festival with more than 250 top influencers as ambassadors and more than 100 top brand partners. The concept enables the continuation of a high-reach online and social community strategy in the offline world;

- Sporf (fully owned): Sporf is one of the world's biggest digital sports publishers cross-platform with more than 16 million followers. Sporf uses a creative and innovative approach to sports coverage and has been able to develop a unique tone of voice that authentically engages with the next generation sports fans. The embedded online store offers a variety of sports accessories, retro fan shirts and customized gifts;

- World Fitness (fully owned): World Fitness provides motivating content to reach one's fitness potential. It has more than 2 million followers in the EU and the U.S. with high interaction and a media reach of 3 million views per month;

- Love Food (fully owned): Love Food is one of U.K.'s biggest social-first food channels with more than 10 million followers. Love Food provides its followers with recipes, guides, blogs and expert opinions on food and cooking related topics;

- Gamebyte (fully owned): With about 6 million followers Gamebyte is the world's biggest gaming community on Facebook. Its content consists of trending stories, breaking news, trusted game reviews, long-form features and interesting stories within the world of gaming and entertainment. Its writers are themselves active in the gamer community. Gamebyte has an embedded social media shop offering games, gaming accessories and merchandize articles;

- Student Problems (fully owned): Student Problems is the world's biggest social-first student community with more than 12 million followers. The platform is used to post funny content like memes, quotes and short clips but also offers genuine support on important issues. The platform provides a unique basis for raising awareness of brands, products and services amongst an engaged and active millennial audience;

- Music Life (fully owned): Music Life is the most viewed and engaged social-first music publisher in the world with more than 4 million followers.

Furthermore, we benefit from our global influencer network, which provides us access to over 20 million fans and potential customers. In the last 24 months we have worked with more than 2,500 influencers and 10,000 micro influencers, which provides us access to 20 million fans and potential customers. We focus our operations in Germany, the U.K. and the U.S. We provide a proprietary model to match influencers, communities and brands.

Our social media reach is used to amplify our own and third-party brand messages and to inspire customers.

7.6 Social Commerce Operations

Our social commerce business is divided into three components.

7.6.1 Sourcing

In our social commerce business, our brand products are sourced through direct relationships with third-party suppliers across Europe and Asia. Through our long-lasting direct connections with suppliers we maintain additional control over quality and labor conditions. Our sourcing and product team has in-depth know how in the verticals of food, home & living and beauty & health and develops more than 500 new products every year. Key is our social media business which serves as proprietary platform for R&D for our own products. Our audience of highly engaged fans is an ideal testbed for developing and launching new products such as the cosmetic line MOY, where we produced the products based on the feedback of our social communities, launched it under the brand of one of our famous influencers and distributed it via our online and offline channels.

7.6.2 Warehousing

The Group has several logistic hubs for food and non-food products in Germany and the U.S. to provide local warehouses to the Group's brands. Smaller and two-man handling products can be shipped EU-wide and within the US.

7.6.3 Distribution

Distribution to our end customers is made via our brand's own web shops (more than 60%) and social media shops as well as all kinds of third party platforms including Amazon, Otto and Retail.

7.7 Social Media Operations

Our social media business unit comprises three main categories: agency, production and events.

7.7.1 Agency

Our agency business accounted for about 84% of the revenue in the social media business unit in the six-month period ended June 30, 2021. In our agency business we implement advertising campaigns for third -party customers such as Apple, Coca Cola and YouTube. The agency business also includes management contracts with influencers to promote the influencer's career development. The management contracts usually entitle us to 20% of the respective influencer's net revenue.

7.7.2 Production

In the six-month period ended June 30, 2021, about 12% of the revenue in the social media business unit was generated through the media & TV production business. We operate global content production studios delivering highly engaged content across multiple platforms. It delivers compelling content for our own communities, brands as well as leading third-party clients. We produce multiple pieces of social content daily, engaging fans and customers across many important genres which regularly indexes highly in terms of engagement and shareability. Furthermore, we develop digital products and IT applications (websites, apps, etc.) for both internal as well as third party clients, such as influencers like Stefanie Giesinger, or world brands like AUDI, Adidas etc.

7.7.3 Events

About 4% of the revenue in the social media business unit was generated via our events business in the six-month period ended June 30, 2021. It includes creation, production & marketing of most talked about conventions and festivals on social and traditional media like Glow – Europe's biggest beauty convention or Celebrate at the Gate, Europe's biggest New Year's event. The main revenue streams are brand sponsorships, media sales, data & research, owned product & ticket sales as well as brand licensing. On average, the conventions bring more than 100 brand partners with about 200 influencers and over 10,000 fans together resulting in a media reach of more than 450 million impressions. The events produce multiple pieces of daily social content, engaging fans and customers across many important genres. Its content production studios produce compelling short-form media for TSC's own communities as well as third-party brands with high rates of engagement and shareability.

7.8 LINKS Tech Platform

LINKS is our fully cloud-based state-of-the-art tech platform. LINKS connects all data points from social commerce and social media by analyzing follower/consumer interests, purchase intentions and product satisfaction along the entire digital follower/customer journey.

7.8.1 Intelligence

LINKS measures every touchpoint possible with customers and prospects. LINKS connects online and offline reach with commerce, converting followers into customers and social reach into sales. Fueled with internal and external data as well as machine learning algorithms, LINKS combines a data-driven closed loop marketing approach with holistic performance management.

7.8.2 Marketing

LINKS optimizes marketing spend efficiency data-driven with AI-powered attribution modelling. Using multiple touch points, LINKS enables to increase customer lifetime value ("**CLTV**") via customer relationship management ("**CRM**") activities by extensive usage of data.

7.8.3 Commerce

LINKS fosters the conversion of owned reach to product sales. LINKS connects to all online & offline sales channels, including owned shops, third-party marketplaces and is focused on integration into social commerce channels, improving sales performance across platforms.

7.9 Customers

Our social commerce business unit serves end to end customers (B2C) with lifestyle and consumer brand products. Our social media business division has a leading position in the provision of social media marketing agency services. It works with major third party clients as well as internal brands delivering strategic social media consulting services. Clients are typically retained on long term contracts and to date most have been secured through in-bound contacts. No single third-party client accounts for more than 10 % of revenue

We have not had, nor do we foresee any conflicts of interests between the customer segments as our own brands and third party brands of our customers serve different markets.

7.10 Leases

We have 25 leases for certain properties which we operate as part of our business.

The leases are mainly related to office buildings and warehouses and have a term ranging between three and ten years.

7.11 Intellectual Property

We own trademarks regarding our brands that are important to our business. We own over 130 trademarks. Our owned trademarks are, in most cases, protected through registration in the European Union, the U.K. and the U.S. Our intellectual property portfolio includes numerous domain names for websites that we use in our business. Key trademarks in the social commerce business are Koro, Clasen Bio within the food vertical, whereas Urbanara, Lumaland, Ravensberger & vonMählen are key brands for the home & living vertical. Key trademarks in our social media business are our event brands such as Glow – the beauty convention, World Fitness Day and Celebrate at the Gate as well as our key agency brands like Social Chain and Media Chain.

7.12 Employees

As of September 30, 2021, we employed 851 full-time equivalent employees, thereof 655 in Germany, 157 in the U.K. and 39 in the U.S. There has been no material change in the number of employees between September 30, 2021 and the date of this Prospectus. A breakdown of persons employed by main category of activity is neither possible nor material.

In the year ended December 31, 2020, we employed an average of 601 full-time equivalent employees compared to an average of 512 and of 144 full-time equivalent employees in the years ended December 31, 2019 and December 31, 2018, respectively.

7.13 Insurance

The principal risks covered by our insurance policies relate to property damage, business interruption, employers, product and public liability, and certain other claims consistent with customary practice in the industries in which the Group operates. The Group has not had any material insurance claims, nor has it suffered any material loss following any uninsured claim, in the last three years.

7.14 Regulatory Environment

As a social media and social commerce company we must collect customer data, including personally identifying information, in order to complete orders, collect payments, and interact effectively with customers.

In this regard, we are subject to numerous laws and regulations based on confidentiality, integrity and availability of personal data, including, in particular, all aspects of data protection and privacy and privacy protection (*e.g.*, General Data Protection Regulation (EU) 2016/679 (the "**GDPR**") (including as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of the U.K.-European Union Withdrawal

Act 2018, the U.K. Data Protection Act 2018). The GDPR entered into force in May 2018 and introduced significant penalties for non-compliance legal proceedings. Our legal department, the data protection officers and the data & IT teams continuously monitor data protection requirements and developments.

As a distributor of goods for human consumption, we must also comply with production, storage, recordkeeping, distribution, labelling and marketing standards. Some of our brand's products are produced and marketed under contract as part of special certification programs, such as organic, vegetarian, vegan, etc., and must comply with the strict standards of national and third-party certifying organizations. Products that do not meet regulatory or third-party standards may be considered adulterated or misbranded and subject to withdrawal or recall.

7.15 Legal Proceedings

From time to time, we are involved in lawsuits, claims, disputes with customers (*e.g.*, contractual claims, product liability claims), suppliers (*e.g.*, breach of contract) or employees (including former employees), as well as investigations, arbitrations and other proceedings (also administrative proceedings), which are handled in the ordinary course of business.

The Company is currently involved in litigation with the KoRo Minority Shareholders. In the course of the Company's step-by-step acquisition of KoRo Handels GmbH, the Company granted a put option to the KoRo

Minority Shareholders in respect of the outstanding shares in KoRo Handels GmbH. The KoRo Minority Shareholders exercised their put options by notarized acceptance declaration delivered to the Company on July 5, 2021. As a result, the Company secured an additional 41.39% of the shares, so that the Company controlled a total of 99.57% of the shares of KoRo Handels GmbH as of July 5, 2021, subject to payment of the put option purchase price. Pursuant to the Company's contract with the KoRo Minority Shareholders, the put option purchase price is determined by means of a contractually agreed calculation method based on the latest corporate planning as resolved by the shareholders' meeting. Pursuant to the contractual provisions, half of the put option purchase price is to be paid in cash and half in shares in the Company.

There is currently ongoing litigation before the district court (*Landgericht)* of Berlin between the Company and the KoRo Minority Shareholders about the legal implications of the exercise of the put option. The Company initially calculated the put option purchase price to be €4.2 million and recognized a provision of this amount by reducing consolidated equity for this purchase price. However, no agreement has yet been reached with the KoRo Minority Shareholders on the calculation of the purchase price, as the KoRo Minority Shareholders regard a purchase price of a high double-digit million euro amount as adequate.

There are currently ongoing constructive negotiations regarding a potential settlement of the case involving evaluation of various solutions to the dispute. A conceivable outcome would be that the KoRo Minority Shareholders will withdraw their exercise of the put options from July 5, 2021. This would mean that the KoRo Minority Shareholders would keep their 41.39% of shares in KoRo Handels GmbH and that the Company would not be required to pay the put option purchase price.

Other than the aforementioned case, we are not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on our financial position or profitability.

7.16 Convertible Bonds

The shareholders' meeting of the Company on May 11, 2020 has authorized the Management Board, with the approval of the Supervisory Board, to issue, once or repeatedly, until May 10, 2025 convertible bonds or bonds with warrants up to an aggregate principal amount of €300,000,000.00 and to grant the holders or creditors option or conversion rights to up to 4,075,887 no-par value registered shares of the Company with a maximum aggregate proportion of the share capital of up to €4,075,887.00 in accordance with the terms and conditions of such bonds (the "**Authorization**"). In order to service the conversion and option rights issued on the basis of the Authorization, the shareholders' meeting of the Company on May 11, 2020 resolved on the Conditional Capital 2020/I (as defined below).

Making partial use of the Authorization, the Management Board resolved on May 16, 2021, with the consent of the Supervisory Board, to issue convertible bonds with an aggregate principal amount of up to €25,000,000.00 divided into up to 25,000 equal bearer bonds with a nominal value of €1,000 each ("**Convertible Bonds**") (together "**Convertible Bond 2021/2024**"). The Convertible Bond 2021/2024 matures on April 7, 2024 and entitles its holders ("**Bondholders**") to convert it into no-par value registered shares of the Company. The Convertible Bonds were issued on April 7, 2021 and have been introduced to trading on the non-regulated open market segment (*Freiverkehr*) of the Frankfurt Stock Exchange since. The Convertible Bonds were issued with an annually payable coupon of 5.75% per annum for a term of three years.

The Convertible Bonds can be converted into shares of the Company from July 7, 2021. The conversion price currently amounts to €32.50 representing a conversion premium of 13.24% above the reference price of €28.70 and is subject to customary anti-dilution adjustments (for instance in case of capital increases against contribution with shareholder subscription rights). The Company is entitled to redeem all but not some of the Convertible Bonds at any time if only 20% or less of the aggregate principal amount of the Convertible Bonds remain outstanding. The Bondholders may terminate the Convertible Bonds and demand immediate redemption in case of an event of default, in particular if amounts due under the Convertible Bonds are not paid, other material obligations are not fulfilled or, subject to certain thresholds, payments under other financial indebtedness are not made when due. The terms and conditions contain a change-of-control-provision, as a consequence of which the Bondholders may choose to either demand early redemption or conversion of the Convertible Bonds into shares of the Company at a reduced conversion price.

8. THE DS HOLDING ACQUISITION

The following sections provide background information on our recent acquisition of DS Holding GmbH, including the strategic rationale for the DS Holding acquisition, a summary of the transaction parameters and an overview of the business of DS Holding as well as its performance indicators and financials.

8.1 Description of the Transaction Parameters

On October 19, 2021, the Group, DS Holding and the DS Holding shareholders as of that time entered into an agreement concerning the contribution of all shares in DS Holding to the Group. The contribution is expected to be effected in December 2021. In exchange for the contribution of their DS Holding shares, the former DS Holding shareholders will receive a total of €100.281 million in cash as well as 2,855,000 newly issued shares in the Group, corresponding to 24.84% of the Group's share capital immediately before the contribution and the assumption of a liability of the former DS Holding shareholders by the Company in an amount of €4,080 thousand.

8.2 Strategic Rationale for the Acquisition of DS Holding

We consider the acquisition of DS Holding to be a landmark in our growth path and expect a near doubling of the Group's revenues compared to the Group's 2021 revenues. DS Holding is an internationally operating brand and trading company with currently more than 4,000 non-food consumer goods in the verticals of kitchen, household, Do-it-yourself (DIY), garden, personal care, healthcare, sport, fitness & textile. For the fiscal year ending on December 31, 2021, we expect annual revenues of DS Holding of more than €270 million. With the acquisition of DS Holding, we expect total revenues for the Group of €620 million for the fiscal year ending on December 31, 2021 on a pro forma consolidated basis (*i.e.*, assuming the consolidation of DS Holding as of January 1, 2021). For the end of the six-month period ended June 30, 2021, the pro forma consolidated EBITDA was around €12 million. We estimate the EBITDA-effective synergy effects of the transaction at a total €40 million to 50 million in the first three years after acquisition. The number of our employees will increase to more than 1,400. We expect considerable growth on the basis of the integration of DS Holding and we anticipate to reach revenues of more than €1 billion by the end of 2023.

DS Holding will add a large variety of complementary products to our existing social commerce portfolio, significantly broadening our addressed and addressable markets. Through the acquisition, we will also gain access to DS Holding's mature and efficient logistics and distribution infrastructure and global supply chain capabilities. We plan to amplify the strategic development and expansion of DS Holding's – predominately B2B retail - sales channels towards D2C distribution through our social commerce engine. We believe that our expertise in social marketing and social commerce will enhance DS Holding's brands' value and foster sales' growth. We expect an optimization of the combined company's value chain through the creation of synergies while DS Holding's capabilities to rapidly and flexibly respond to new trends will improve the Group's selection of products and increase our combined product innovation potential. DS Holding's broad network of longstanding retail partnerships will enable the Group to rapidly extend the sales channels of our existing products. DS Holding's established relationships in East Asia with suppliers and the three own inspection offices in the region will enhance our product sourcing and procurement while simultaneously ensuring high quality management standards and process security. Furthermore, we expect an optimization of shipping costs and lead times, using economies of scale, leading to an overall strengthening of our value proposition. Synergies potentials are also identified in centralized functions and capabilities as logistics, legal, HR, finance & controlling, IT infrastructure & systems, PR & communications, customer service and data & BI.

8.3 Integration plan

To create an effective organizational structure for adding value while at the same time reducing complexity in management and product development structures, DS Holding's and the Group's management have agreed on a detailed integration plan. According to this plan added value will be created in the following areas: (i) product development will be enabled to find, design and develop an enhanced product range and improve internally generated innovations by mutual knowledge transfer and combining the existing internal teams; (ii) combined product sourcing creates stronger buying power to achieve better purchase prices, and a wider supplier network will be achieved through centralized services to all brands of the Group; (iii) the quality management infrastructure of DS Holding will serve the combined group and will lead to more process security and overall improved quality standard at reduced cost; (iv) sales department will be split into a centralized function with DS Holding being responsible for all retail business whereas TSC will focus on all online sales via webshops and social commerce and (v) start-up investments sourced through "Die Höhle der Löwen" will be centrally managed. Furthermore, according to the contemplated integration roadmap, cost savings will be generated in the following areas: (i) fulfilment costs will be reduced significantly by optimized shipping costs through the combined volume increase and shorter lead times; (ii) more efficient and faster processes will be achieved by a combined IT and data infrastructure/development & maintenance at lower costs, (iii) financial compliance and reporting teams will be combined and group wide systems and processes will be implemented and (iv) people management services and corporate functions in public and investor relations will allow us to create a corporate culture and also increase overall resources within the group.

8.4 DS Holding's markets and business

Founded in 1973, DS Holding develops, sources and sells a range of more than 4,000 products in the verticals of kitchen, household, DIY, garden, personal care, healthcare, sport, fitness & textile to over 750 retail customers in Europe, underpinned by a growing share online on marketplaces and webshops. While DS Holding's sales are mainly focused on the German market, most products are sourced from East Asia, where DS Holding has developed a very robust and efficient supply chain with a broad and deep producer network over nearly five decades. With over 250 suppliers, three owned inspection offices in East Asia (Hong Kong, Ningbo/China and Vietnam), through which DS Holding audits product quality, DS Holding has full access and control along the entire supply chain. Besides new product innovations DS Holding continually refreshes its existing brands through in-house developments and expands its top sellers focusing on the increase in awareness and value.

Additionally, DS Holding grows its brand and product portfolio through strategic acquisitions. Previous acquisitions have not only targeted the products to be marketed, but also the optimization of these products through new solutions, processes, services, use of data and activation of new strategic locations. Customer focus and increased personalization is one of the central strategic priorities for the next decade for the entire DS Holding.

8.5 DS Holding's geographic footprint and brands

DS Holding has operations in Germany (Headquarters), Poland (Logistics), China and Vietnam (Production monitoring and quality controls), Hungary & UK (Sales).

DS Holding mainly owns 7 product brands which will be integrated in the Group's verticals. Beem, Maxxmee, N8Werk in Home & Kitchen, Landmann, Hoberg in DIY, Nahvital and FitEngine in Personal Care & Fitness. Additionally, DS Holding produces and sells the merchandise for some of the leading European football clubs from Germany, such as FC Bayern Munich, Borussia Dortmund and Borussia M. Gladbach.

MAXXMEE is a young, modern and affordable brand that offers creative product concepts with extra added value, real solutions for the challenges of everyday, which can be found in every home such as cookware, cleaning, home improvement and do-it-yourself accessories (DIY-ers). The target group are men and women between 20 and 60 years old who are action-oriented, with an interest in innovative brands and for whom the emotional buying drivers are increasingly important.

BEEM is a brand offering coffee and tea makers known for its values individual and reliable quality in a classic design, targeting primarily coffee and tea lovers. BEEM has a 40-year history characterized by a wide range of products from samovars, vacuum cleaners and coffee machines. The company was acquired by DS Holding in 2017, and the brand was relaunched and streamlined with the DS Holdings product range in 2018. It has two sales channels, B2C men and women between the ages of 25 and 45 years old who put a high value on enjoyment, style and design, as well as being online savvy. Additionally, it targets the B2B segment of tea and coffee wholesalers, the hotel and restaurant businesses.

LANDMANN is a traditional German brand founded by Hermann Landmann and Bernd Hockemeyer in 1966 who brought the first barbeque grill from Canada to Germany. From its origins in charcoal to today with a broad product variety of smokers, high-temperature grills, sustainable electric and pellet grills as well as very classic gas grill carts. The iconic BBQ tripod is sold at peak times each year over 1.5 million times. The brand was the first company to produce barbecue equipment on a large scale in the German market.

FitEngine started in 2020 and offers products for indoor and outdoor workouts that cover every training activity from high intensity to recovery and are characterized by multifunctionality, upgradeability, quality and design. The product range includes the categories strength, cardio, outdoor and recovery and extends from pull-up bars through to stand up paddle boards supported by performance-oriented sports products. FitEngine targets performance-oriented athletes to support them in their ambitious challenges and in reaching their fitness goals.

Hoberg is a garden DIY brand that addresses the needs of its customers from data-based research and analysis. This data is translated into a product portfolio in the categories of equipment machines, garden maintenance, furniture decoration and hobby equipment. It was launched originally in 2016 with PRIMA GARDEN as the first trading private label and rebranded in 2020 to Hoberg including a repositioning.

NahVital offers vital products for internal and external body care that strengthen well-being and at the same time support selfcare. Nahvital was launched in 2018 with a focus on beauty products for women before it was rebranded in 2020 to and targeting women alongside the needs of men and children.

N8WERK offers Household appliances with a timeless and straightforward design that stand for minimalist and pure living styles. N8WERK was launched in 2020 with kitchen products in Midnight Black targeting men and women between 25 and 45 with the focus on functional design.

Upon completion of our acquisition of DS Holding, we will have acquired shareholdings in the following companies of the DS Group:

Company	Ownership upon completion of the acquisition of DS Holding
DS Holding GmbH	100%
DS Produkte GmbH	100%
DS Direct GmbH	100%
DS MewiTec GmbH	100%
Beem Germany GmbH	100%
in-trading Handelsgesellschaft mbH	100%
Lemon Trade Ltd. (HKK)	100%
DS Marketing GmbH	100%
Vision Personalservice GmbH	100%
DS Impact GmbH	100%
Kayee Intern. Holding Co. Ltd. Taiwan	1.05%
Aktimed GmbH	12.5%
aspUraclip GmbH	12.5%
ASTALEA GmbH	10%
Bataillon Belette GmbH	10%
simply wet GmbH	20%
Botanyia GmbH	10%
Clou-Innovations GmbH	25.1%
Caps Air GmbH	30%
Detlev Sommer GmbH	20%
flapgrip GmbH	15%
Flexmed GmbH	23%
Flowkiss GmbH	12.5%
Flüwa GmbH	20%
Frau Poppes GmbH	10%
freibeik GmbH	10%
Fugentorpedo GmbH	20%
GentleMonkeys GmbH	25%
Glossy Dreams GmbH	15%
Goleygo GmbH	5%
Gomago GmbH	10%
GeRoTech-Innovations GmbH	25%
Iss doch Wurscht GmbH	25%
Loomaid GmbH	4%
Lucky Plant GmbH	10%
MAMA WONG GmbH	25%
MY BEAUTY LIGHT GmbH	20%
Beovita Vital GmbH	15%
POTTBURRI GmbH	5%
Puregreen GmbH	15%
Rokitta's GmbH	35%

	Ownership upon completion of the acquisition of DS Holding
Rollyzberg Gmbh i. Gr.	20%
Schreibathlet GmbH	12.5%
Scuddy GmbH & Co. KG	10%
Sked GmbH	15%
smartQ Werkzeuge GmbH	15%
Smart Sleep GmbH	16.66%
Soapflaker GmbH	15%
Soummé GmbH	14.3%
Spooning Cookie Dough GmbH	15.48%
Summersaver GmbH	12%
ten-ace GmbH	2.55%
Andreas Plath GmbH	25%
Twentyless GmbH	15%
Cadios GmbH	15%
waschies GmbH	20%
Yammbits GmbH	15%
yucona GmbH	20%
Landmann Germany GmbH	100%
Landmann International GmbH	100%
Landmann Hungaria Kft.	100%
Landmann Ltd. UK	100%
Landmann Polska Sp.z.o.o.	100%
DS Select GmbH	100%
DS Care 4U GmbH	100%
DS Aviation GmbH	100%
Pacific Trade Company Ltd. (HKK)	100%
DSQ Hongkong Ltd. (HKK)	87.55%
Exzellenz Verdon Ltd. (HKK)	100%
Kayee International Group Co. Ltd (Taiwan)	1.05%

8.6 Employees

As of the date of this prospectus, DS Holding had more than 500 full-time equivalent employees.

8.7 General information on DS Holdings

DS Holding is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated in Germany and governed by and operating under German law with its statutory seat in Stapelfeld, Germany and registered with the commercial register of the local court of Lübeck, Germany under HRB 11907 HL.

8.8 Operating and Financial Review

The financial information in the discussion and analysis of DS Holding's results of operations as of and for the six months ended June 30, 2020 and June 30, 2021 has been taken or derived from DS Holding's unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2020 and June 30, 2021, including the notes thereto, prepared in accordance with the German Commercial Code (*HGB*). Where financial data in the following tables is labelled "unaudited", this means that it has been taken from the aforementioned unaudited financial statements, from DS Holding's internal reporting system or has been calculated based on such information. Certain monetary amounts, percentages and other figures included in this section "8. The DS Holding Acquisition" have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Certain information in the discussion and analysis of DS Holdings's results of operations set forth below and in other parts of this section "8. The DS Holding Acquisition" includes forward-looking statements that involve risks and uncertainties. DS Holding's actual results may differ materially from those discussed in these forward-looking statements.

8.8.1 Results of Operations

The following table shows selected financial information taken from DS Holding's consolidated income statement prepared in accordance with HGB for the periods indicated.

	For the six months ended June 30,	
	2020	**2021**
	(unaudited)	
	(in € million)	
Revenues	182.9	203.7
Other operating income	3.3	4.3
Material expenses	(135.0)	(144.8)
Thereof:		
Cost of purchased goods	*(133.9)*	*(143.3)*
Cost of purchased services	*(1.1)*	*(1.5)*
Personnel expenses	(12.1)	(15.4)
Thereof:		
Wages and salaries	*(10.4)*	*(13.2)*
Social security contributions and retirement benefits and other employee benefit costs	*(1.7)*	*(2.1)*
Depreciation and amortization	(3.8)	(4.0)
Thereof:		
of intangible assets and property, plant and equipment	*(3.8)*	*(4.0)*
of current assets in excess of the depreciation customary in the group	*(0.0)*	*(0.0)*
Other operating expenses	(24.5)	(28.9)
Income from participations	0.2	1.2
Other interest and similar income	0.3	0.3
Interest and similar expenses	(0.6)	(1.1)
Income taxes	(2.8)	(3.8)
Result after taxes	**7.8**	**11.5**
Other taxes	(0.0)	(0.0)
Net profit of the year	**7.8**	**11.5**
Profit carryforward from previous year	6.6	0.0
Withdrawal from revenue reserves	(0.6)	(4.8)
Net profit attributable to non-controlling interests	(0.0)	(2.0)
Interim dividend	–	(1.4)
Consolidated retained earnings	**13.9**	**3.3**

8.8.1.1 <u>Revenues</u>

Revenues are mainly generated from the sale of merchandise. Revenues increased by 11.4% from €182.9 million in the six months ended June 30, 2020 to €203.7 million in the six months ended June 30, 2021.

8.8.1.2 <u>Other operating income</u>

Other operating income increased by 30.3% from €3.3 million in the six months ended June 30, 2020 to €4.3 million in the six months ended June 30, 2021.

8.8.1.3 <u>Material expenses</u>

Material expenses increased by 7.3% from €135.0 million in the six months ended June 30, 2020 to €144.8 million in the six months ended June 30, 2021. This increase was mainly due to an increase in cost of purchased goods.

8.8.1.4 *Personnel expenses*

Personnel expenses increased by 27.3% from €12.1 million in the six months ended June 30, 2020 to €15.4 million in the six months ended June 30, 2021. This increase was mainly due to an increase in wages and salaries.

8.8.1.5 *Depreciation and amortization*

Depreciation and amortization increased by 7.9% from €3.8 million in the six months ended June 30, 2020 to €4.1 million in the six months ended June 30, 2021.

8.8.1.6 *Other operating expenses*

Other operating expenses increased by 15.6% from €25.0 million in the six months ended June 30, 2020 to €28.9 million in the six months ended June 30, 2021.

8.8.1.7 *Financial result*

Financial result improved from a loss of €0.2 million in the six months ended June 30, 2020 to income of €0.4 million in the six months ended June 30, 2021. This change was driven by an increase in income from participations that was only partially offset by an increase in interest and similar expenses.

8.8.1.8 *Income taxes*

Income taxes increased by 35.7% from €2.8 million in the six months ended June 30, 2020 to €3.8 million in the six months ended June 30, 2021.

8.8.1.9 *Result after taxes*

Result after taxes improved by 47.4% from €7.8 million in the six months ended June 30, 2020 to €11.5 million in the six months ended June 30, 2021.

8.8.2 Cash flow

The following table shows selected financial information taken from DS Holding's consolidated cashflow statement prepared in accordance with HGB for the periods indicated.

	For the six months ended June 30,	
	2020	**2021**
	(unaudited) (in € million)	
Net profit of the year (including net profit attributable to non-controlling interests)	6.9	11.4
Depreciation/amortization (+)/Appreciation (-) of fixed assets	3.8	4.1
Increase (+)/decrease (-) of provisions	17.1	2.0
Other non-cash expenses (+)/income (-)	0.1	0.3
Increase (-)/decrease (+) of inventories, trade receivables and other assets, which are not classified as investing or financing activities	(86.5)	(31.1)
Increase (+)/decrease (-) of trade liabilities and other liabilities, which are not classified as investing or financing activities	24.8	19.5
Gains (-)/losses (+) from the disposal of fixed assets	(0.0)	0.0
Interest expense (+) / interest income (-)	0.4	0.8
Other investment income (-)	(0.2)	(1.2)
Income tax expense (+)/ income (-)	3.7	3.8
Income tax payments (-)	(0.0)	(2.4)
Cashflow from operating activities	**(30.0)**	**7.1**
Proceeds (+) from the disposal of property, plant and equipment	(0.0)	(0.0)
Cash paid (-) for investments in property, plant and equipment	(0.4)	(1.4)
Proceeds (+) from the disposal of intangible assets	–	0.0)
Cash paid (-) for investments in intangible assets	(0.1)	(1.2)
Proceeds (+) from the disposal of financial assets	0.0	0.0

	For the six months ended June 30,	
	2020	2021
	(unaudited) (in € million)	
Cash paid (-) for investments in financial assets	(0.0)	(0.1)
Proceeds (+) from the disposal of consolidated and other business entities	–	0.1
Cash paid (-) for the acquisition of consolidated entities and other business entities	–	–
Interest received (+)	0.3	0.3
Dividends received (+)	0.2	1.2
Cashflows from investing activities	**(0.0)**	**(1.0)**
Proceeds (+) from capital contributions from shareholders of the parent company	–	–
Cash paid (-) in connection with capital reductions to shareholders of the parent company	–	–
Proceeds (+) from the issue of bonds or from borrowings	10.0	12.7
Repayments (-) of bonds and borrowings	(0.8)	(8.8)
Paid interest (-)	(0.6)	(1.1)
Paid dividends (-)	–	(6.2)
Cashflows from financing activities	**8.5**	**(3.4)**
Net change in cash and cash equivalents	(21.5)	2.7
Changes in cash and cash equivalents due to currency translation, changes in valuation and scope of consolidation	(0.0)	1.6
Cash and cash equivalents at the beginning of the period	(11.5)	2.1
Cash and cash equivalents at the end of the period	**(32.9)**	**6.3**

8.8.2.1 *Cashflow from operating activities*

Cashflow from operating activities changed from a cash outflow of €30.0 million in the six months ended June 30, 2020 to a cash inflow of €7.1 million in the six months ended June 30, 2021. The cash outflow in the six months ended June 30, 2020 was mainly driven by a strong increase working capital.

8.8.2.2 *Cashflows from investing activities*

Cashflows from investing activities changed from a cash outflow of €0.0 million in the six months ended June 30, 2020 to a cash outflow of €1.0 million in the six months ended June 30, 2021. The cash outflow in the six months ended June 30, 2021 was mainly driven by investments in property, plant and equipment and intangible assets, which were only partially offset by cash inflows from dividends received.

8.8.2.3 *Cashflows from financing activities*

Cashflows from financing activities changed from a cash inflow of €8.5 million in the six months ended June 30, 2020 to a cash outflow of €3.4 million in the six months ended June 30, 2021. The cash outflow in the six months ended June 30, 2021 was mainly driven by repayments of bonds and borrowing and paid dividends, which were only partially offset by proceeds from the issue of bonds or from borrowings.

9. REGULATORY AND LEGAL ENVIRONMENT

We primarily sell our services in Europe, with a focus on Germany and the U.K., and in the U.S., and we primarily sell our products in Germany. Therefore, our social commerce business unit is subject to various regulatory requirements under European Union law, the applicable national laws of the European Union countries in which we operate, in particular the national laws of Germany, whereas our social media business unit is, in addition to various regulatory requirements under European Union law and German law in particular, also subject to the laws of the U.K. and the U.S.

While the relevant laws and regulations are typically of a national scope, a considerable degree of regulatory harmonization exists in a number of legal areas relevant to our business within the European Union. The European Union has created a common regulatory framework that applies not only in our most important market Germany but in all member states of the European Union and comprises directives and regulations. Directives only become effective once they are transposed into national law in the respective member state of the European Union and the implementation of directives may vary between member states. Regulations, however, do not require implementation into national law and apply directly and uniformly in all member states of the European Union.

The following description provides an overview of selected regulations applicable to our business.

9.1 Data Protection and Data Privacy

The collection, processing and other use of personal data is extensively regulated by European Union legislation, in particular the GDPR (including as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of the U.K.-European Union Withdrawal Act 2018, the U.K. Data Protection Act 2018) and national legislation (*e.g.*, the German Federal Data Protection Act (*Bundesdatenschutzgesetz* (the "**Data Protection Act**")) in Germany).

In general, European data protection and data privacy laws regulate when and how personal data may be collected, for which purposes it may be processed, for how long such data may be stored and to whom and how it may be transferred. The GDPR contains strict requirements for obtaining the consent of data subjects (*i.e.*, the persons to whom personal data relates) to the use and processing of their personal data. Such consent may be withdrawn at any time and without cause, preventing the continued use of the affected data. In addition, a transfer of personal data to entities outside of the European Union is subject to specific requirements.

The GDPR also requires organizational measures, such as the appointment of a data protection officer (*Datenschutzbeauftragter*) who, among others, must monitor compliance with the GDPR. In addition, it may require so-called privacy impact assessments, at least in cases where the data processing is likely to result in a high risk to the rights and freedoms of individuals.

In addition to the GDPR and the Data Protection Act, various sector-specific statutes set forth rules which apply to certain industries or businesses and prevail over the general provisions of the Data Protection Act. In Germany, operators of online platforms have to comply with the specific requirements of the German Tele Media Act (*Telemediengesetz* (the "**Tele Media Act**")), which takes into consideration particular aspects of online communication. For example, the Tele Media Act provides for additional information obligations which are stricter than the general requirements of the Data Protection Act (*e.g.*, a requirement to include an imprint on websites and apps).

The following selected areas of data protection and data privacy are of particular relevance to our business:

9.1.1 Individual Rights of Data Subjects

Under the GDPR, data subjects have a right to require information about what data have been recorded with respect to them and how their data is being processed, and the right to data portability as well as the right to restrict certain processing of their data. Furthermore, the GDPR establishes a so-called "right to be forgotten". Therefore, data subjects may require that data relating to such data subjects are deleted when there is a problem with the underlying legality of the processing or where the data subjects have withdrawn their consent to the use and storage of such data.

Another important data subject right, relevant to our business, is that data subjects have the right not to have decisions which have a legal or similarly significant effect for the data subject made about them using automated decision making and profiling without human intervention. These obligations also increase our customer services requirements, oversight and expenses on an ongoing basis. The GDPR has also led to an increase in requests from data subjects based on their enhanced rights such as the right to access their personal data and the right of deletion.

9.1.2 Web Analysis

Web analysis technology, such as cookies or tracking tools (*e.g.*, Google Analytics), enables us to utilize traffic to our websites to personalize our offering and marketing efforts to better match the interests of our users. Even though most web analysis tools allow for the anonymization of data (*i.e.*, by collecting only a part of the users' IP addresses) and do not allow for a subsequent allocation of such data to individual users, the use of such tools may still be subject to data privacy laws.

On May 28, 2020, the Federal Court of Germany (*Bundesgerichtshof*), based on a decision by the European Court of Justice of October 1, 2019, ruled that, under German law, the use of certain cookies requires a clear affirmative act of the user and that a pre-activated checkbox does not fulfil this requirement. The use of cookies may be restricted further by a new regulation of the European Parliament and of the Council, which is currently undergoing the European legislative process. This legislation provides for an opt-in regime, pursuant to which the use of certain cookies requires a clear affirmative act establishing a freely given, specific, informed and unambiguous indication of users of websites and apps.

9.1.3 Profiling

The GDPR imposes various restrictions on profiling. Profiling can be defined as any form of automated processing of personal data intended to evaluate certain personal aspects relating to a natural person or to analyze or predict such person's performance at work, economic situation, location, health, personal preferences, reliability or behavior.

9.1.4 Email Advertisements

Subject to certain exceptions, email advertisements (*e.g.*, newsletters) may only be sent to recipients who have given their explicit prior consent to receiving such communication. In Germany, case law demands that in certain cases consent must be obtained through a so-called double-opt-in procedure. This procedure requires that recipients give their consent twice (*i.e.*, firstly by filling out an online registration form and secondly by confirming their email address after they have registered).

When obtaining consent, the respective sender has to clearly inform the recipients of the scope and consequences of their consent. For example, a declaration of consent may not be hidden in general terms and conditions but must be clearly highlighted. Consent may be withdrawn at any time without cause.

As an exception from the consent requirement, personalized product recommendations may be sent to customers by email without their explicit prior consent, provided that such recommendations only relate to products identical or similar to those previously purchased by these customers and that these customers have been duly informed about their right to object to receiving such recommendations.

9.1.5 Social Plugins

Operators of online platforms typically use social plugins (*e.g.*, Facebook's "Like" or "Share" buttons) to promote their websites and apps through social media and to communicate with their customers and followers. The use of such social plugins may, however, infringe data privacy laws, depending on the technical design of the relevant plugin. Therefore, some German data protection authorities recommend the use of a two-click solution, pursuant to which users must first activate the relevant social plugins before being able to actually click on the relevant buttons.

9.1.6 Payment Processes

Directive (EU) 2015/2366 of the European Parliament and of the Council of November 25, 2015 on payment services in the internal market, among others, covers online-based payment services, provides for a uniform regulation of payments via Internet and mobile phones and increased customer protection and requirements for user authentication.

9.1.7 Consequences of Non-Compliance

Non-compliance with the GDPR may result in severe fines. Depending on the individual infringement, fines of up to the higher of 4% of the annual worldwide turnover for the last year and €20.0 million may be imposed per instance. In addition, the GDPR grants individual data subjects the right to claim damages for violations of their rights under the GDPR. The GDPR also provides a private right of action for material or non-material damage and the right to receive compensation from the data controller for the damage suffered as a result of an infringement. Finally, in addition to these regulatory risks, infringement of these laws can lead to reputational risk and significantly undermine customers' trust in our business.

9.1.8 New Proposal for a Data Privacy Regulation

On January 10, 2017, the European Commission released a proposal for a regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications. While the proposal is still subject to legislative procedure and debate, it contains several provisions aimed at ensuring the confidentiality of electronic communications and also sets forth strict requirements for unsolicited communication as part of direct marketing efforts.

9.2 Cybersecurity

We have to comply with various cybersecurity requirements. In particular, the GDPR and the Data Protection Act stipulate that entities that collect and process personal data, including operators of online platforms, must implement certain technical and organizational measures to ensure that such data is processed and stored safely, remains confidential and can be restored and accessed again after interruptions. These measures may include physical security against unauthorized access and manipulation (*e.g.*, secure storage and transportation of physical data carriers), password security, authorization concepts, logging of subsequent changes of data, separation of data that has been collected for different purposes, reasonable encryption and protection against accidental loss, destruction or damage of data. Furthermore, the effectiveness of such measures must be tested regularly.

In addition, operators of online platforms must ensure that appropriate compliance measures cover the detection and control of technology related risks. In Germany, the German Act to Increase the Security of Information Technology Systems (*Gesetz zur Erhöhung der Sicherheit informationstechnischer Systeme*) amended the Tele Media Act in 2015. German law requires operators of websites and apps to protect their technology, in particular any data they collect and store, against outside attacks in accordance with the current standards of technology.

Directive (EU) 2016/1148 of the European Parliament and of the Council of July 6, 2016 concerning measures for a high common level of security of network and information systems, among others, requires digital service providers, including online platforms, to:

- carefully review their existing network security mechanisms;

- implement state-of-the-art security measures aimed at ensuring a level of security appropriate to the risk of the respective provider; and

- establish proper notification measures to promptly notify the competent authority of any incident which has a substantial impact on the services offered in the European Union.

Furthermore, the GDPR generally requires us to inform the competent supervisory authorities of any breach of personal data stored or processed by us within 72 hours of becoming aware of such breach. Where the relevant breach is likely to result in a high risk to the rights and freedoms of the affected data subjects, we are also required to inform these data subjects of the breach without undue delay.

9.3 Consumer Protection

Within our social commerce business unit, through which we sell consumer products online, our products must comply with various consumer protection laws. Throughout the European Union, consumer protection is extensively regulated on the basis of various directives, in particular:

- Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts, as amended;

- Directive 1999/44/EC of the European Parliament and of the Council of May 25, 1999 on certain aspects of the sale of consumer goods and associated guarantees, as amended, which will be substituted by Directive (EU) 2019/771 of the European Parliament and of the Council of 20 May 2019 on certain aspects concerning contracts for the sale of goods as of January 1, 2022;

- Directive (EC) 2000/31 of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market, as amended;

- Directive (EC) 2005/29 of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market, as amended; and

- Directive (EU) 2011/83 of the European Parliament and of the Council of October 25, 2011 on consumer rights, as amended (the "**Consumer Rights Directive**").

The aforementioned European directives on consumer protection and the national laws implementing or complementing these directives impose extensive duties and responsibilities on us, in particular:

9.3.1 Information Requirements

Operators of online platforms are subject to extensive and formalized information requirements. For example, they have to provide potential customers with detailed and accurate information on the main characteristics of their products, price and payment details and on statutory withdrawal rights (see "*9.3.3 Withdrawal Rights*"). Operators of online platforms have to observe these requirements when designing and structuring their websites and apps as well as their ordering, payment and logistics processes.

As a result of changing legislation, operators of online platforms are regularly required to adapt their offerings and processes. For example, the Consumer Rights Directive requires online operators to ensure that during the order process, consumers explicitly acknowledge that their order implies an obligation to pay. If placing an order requires activating a button or a similar function, such button must be labeled "order with obligation to pay" or be similarly labeled, and the operator must ensure that consumers are made aware of certain key information relating to the purchase directly before placing orders by activating such button.

9.3.2 Warranty Rights

Online retailers, including the Group, are responsible for the conformity of their products with the agreed condition and liable to consumers for any lack thereof at the time of delivery. In case of product defects, consumers may require the relevant retailer to repair or replace the relevant products free of charge.

9.3.3 Withdrawal Rights

Consumers have the right to withdraw from online purchases without cause within 14 days from the day on which such consumers come into possession of the relevant products. Operators of online platforms are required to inform consumers of their statutory withdrawal rights and failure to do so results in an extension of the withdrawal period by twelve months. Consumers must exercise their withdrawal rights by explicitly declaring their withdrawal (*e.g.*, in writing, per email or telephone). A return of the relevant products without comment does not constitute a valid declaration of withdrawal.

Following a valid exercise of the statutory withdrawal right, consumers are required to return the relevant products within 14 days. During the same period, sellers are required to reimburse the purchase price, including shipping costs, if any. Such sellers are, however, not required to reimburse consumers for any additional costs, if consumers have expressly opted for a more expensive type of delivery (*e.g.*, express delivery). Consumers generally have to bear the expenses for the return, unless the seller has agreed to bear them or failed to properly inform consumers that they will have to bear such expenses in case of a withdrawal. In addition, consumers are required to compensate online operators for any losses in the value of the returned products, unless (i) such losses were caused by the customary handling of the products in order to examine their condition, features and functionalities or (ii) the sellers failed to properly inform the consumers of their statutory withdrawal rights.

9.3.4 Standardized Terms (Allgemeine Geschäftsbedingungen)

In both our social commerce and our social media business units, customers have to accept standardized terms during the ordering process. Standardized terms under the laws of all jurisdictions in which we operate have to comply with statutory law on general terms and conditions, which means they are subject to rigid fairness control by the courts regarding their content and the way they, or legal concepts described in them, are presented to the other contractual party by the person using them. The standard is even stricter if they are used vis-à-vis consumers. The lawfulness of such standard clauses may be challenged by our customers before courts. If a provision is considered ineffective, the parties are bound only by the remaining parts of the contract. Should any standard clauses be declared void, we may be unable to enforce our contracts and realize the anticipated economic profits.

9.3.5 Advertising

Advertising efforts (*e.g.*, promotional games, newsletters and personalized product recommendations) are heavily regulated, in particular if distributed via email or telephone. Advertisements may not be misleading, harassing, coercing or unreasonably or otherwise unduly influence consumers. These criteria leave wide room for interpretation, resulting in significant uncertainty as to how regulators, governmental agencies and other competent bodies will apply them.

9.3.6 Consequences of Non-Compliance

Failure to comply with the provisions on consumer protection may give rise to civil liability, administrative orders or fines, and may even result in the invalidity of the relevant purchase agreements. Competitors and consumer protection associations could issue formal warnings, and the latter may also assert claims for injunctive relief.

9.4 Product Safety

9.4.1 General Legislation regarding Product Safety

In our social commerce business unit, we are subject to legislation aimed at ensuring product safety.

Online retailers who market their products in the European Union have to act with due care to help ensure that their products are safe. To this end, Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001 on general product safety, as amended (the "**Product Safety Directive**"), which has been implemented in Germany by the German Act on Product Safety (*Produktsicherheitsgesetz*), as well as various governmental regulations (*Rechtsverordnungen*) on the safety of specific products and product groups, imposes various obligations on manufacturers and retailers.

Under the Product Safety Directive, retailers are required to act with due care to ensure compliance of their products with the applicable safety requirements, in particular by not marketing products, if they know, or should have presumed, that such products do not comply with such safety requirements. The Product Safety Directive applies to all products which are intended for consumers, or likely to be used by consumers even if not intended for them, whether new, used or reconditioned. However, the Product Safety Directive does not apply to secondhand products supplied as antiques or as products that need to be repaired or reconditioned prior to being used, if the retailer clearly informs the consumer of this condition.

In addition, retailers are generally required to participate in the monitoring of the safety of their products, especially by passing on information with respect to product risks, by keeping and providing the documentation necessary for tracing the origins of their products, and by cooperating with manufacturers and competent governmental authorities to mitigate risks from defective products. Retailers may also become subject to the even more extensive regulations relating to producers under the Product Safety Directive, for example if they modify their products in a way that affects the safety of such products.

9.4.2 Legislation regarding the Safety of Foodstuffs and Cosmetics

In the food and beauty & health verticals of our social commerce business unit, we are subject to additional specific legislation.

On a national level, the German Code on Foodstuffs, Consumer Goods and Fodder (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch* ("**LFGB**")), which is supplemented by various ordinances, establishes the regulatory framework for foodstuffs (*Lebensmittel*). Such foodstuffs are, however, also highly regulated on a European level. The European legislation places a strong focus on the safety of foodstuffs and consumer information as evidenced by various regulations that apply directly in all member states of the European Union.

9.4.2.1 *Definition of Foodstuffs*

Regulation (EC) No. 178/2002 of the European Parliament and of the Council of January 28, 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety (the "**Food Regulation**") defines foodstuffs as any substance or product, whether processed, partially processed or unprocessed, intended or reasonably expected to be ingested by humans. The LFGB has adopted the same definition.

9.4.2.2 *Labelling of Foodstuffs*

Regulation (EU) No. 1169/2011 of the European Parliament and of the Council of October 25, 2011 on the provision of food information to consumers sets forth in detail the information to be displayed on the packaging of foodstuffs for consumers (*e.g.*, the relevant foodstuff, the list of ingredients, the minimum durability and a nutrition declaration). This regulation is supplemented by Regulation (EC) No. 1924/2006 of the European Parliament and of the Council of December 20, 2006 on nutrition and health claims made on foods (the "**Health Claims Regulation**"), which governs claims made on the labelling of foodstuffs with respect to certain beneficiary effects of such foodstuffs. In addition, the European Food Safety Authority maintains a European register on nutrition and health claims, which lists all authorized and non-authorized claims related to foodstuffs.

On a national level, the German Lot Identification Ordinance (*Los-Kennzeichnungs-Verordnung*) generally requires packages for foodstuffs to be labelled with a certain combination of letters or numbers to enable identification of the relevant foodstuffs.

9.4.2.3 *Marketing of Foodstuffs*

The marketing of foodstuffs does not require an authorization from, or a notification to, any governmental authority. The production and marketing of unsafe foodstuffs (*i.e.*, foodstuffs harmful to humans or unfit for human consumption) is, however, prohibited under the Food Regulation and the LFGB. These general rules are supplemented by multiple regulations on the European and German level. In particular, the Health Claims Regulation provides that any use of nutrition and health claims may not be false, ambiguous or misleading, may not give rise to doubt about the safety or the nutritional adequacy of other foodstuffs, encourage or condone excess consumption of the relevant foodstuff or in any way imply that a balanced and varied diet cannot provide appropriate quantities of nutrients in general. In addition, the use of nutrition and health claims is only permitted if, *inter alia*, the beneficial effects are established by generally accepted scientific data and sufficient quantities of the relevant nutrients are contained in the foodstuff.

9.4.3 Food Supplements

Directive 2002/46/EC of the European Parliament and of the Council of June 10, 2002 on the approximation of the laws of the member states relating to food supplements (the "**Supplements Directive**") and the German Ordinance on Food Supplements (*Verordnung über Nahrungsergänzungsmittel* ("**NemV**")), which is based on the LFGB and implements the Supplements Directive, provide the specific regulatory framework applicable to food supplements. These regulations define food supplements as concentrated foodstuffs with the specific purpose of supplementing the normal diet and are marketed in a certain dosage form or other similar forms. Only nutrients listed in Annex I of the Supplements Directive may be used for the production of food supplements. Food supplements may only be marketed as prepackaged products labelled as food supplements (*Nahrungsergänzungsmittel*). Furthermore, Section 5 NemV, requires manufacturers of food supplements to notify the German Federal Office of Consumer Protection and Food Safety (*Bundesamt für Verbraucherschutz und Lebensmittelsicherheit*) before placing a food supplement on the market.

In addition, the regulatory framework on foodstuffs also applies to food supplements.

9.4.4 Cosmetics

Regulation (EC) No. 1223/2009 of the European Parliament and of the Council of November 30, 2009 on cosmetic products (the "**Cosmetics Regulation**") establishes the regulatory framework for cosmetics on the European level, which is supplemented by the LFGB and the German Ordinance on Cosmetics (*Verordnung über kosmetische Mittel*) on the German level. The Cosmetics Regulation and the LFGB define cosmetics as any substance or mixture intended for external use, or for use on the teeth and the mucous membranes of the oral cavity, for the primary or exclusive purpose of cleaning, perfuming, changing appearance, protecting, preserving, or deodorizing. Before placing cosmetic products on the European market, business operators (*e.g.*, manufacturers and retailers) have to register such cosmetics online with the European Commission via the cosmetic products notification portal.

Pursuant to the Cosmetics Regulation, cosmetics may only be placed on the market if they are not harmful to humans when used under normal or reasonably foreseeable conditions. A legal or natural person residing within the European Union must be designated as a responsible person for such cosmetics, taking responsibility for monitoring and ensuring the manufacturer's compliance with the Cosmetics Regulation, while the manufacturer is responsible for complying with GMP standards adopted by the Cosmetics Regulation. The distributor placing a cosmetic product on the market under its name or trademark is the responsible person. Prior to marketing cosmetics, the responsible person must ensure that such cosmetics have undergone a safety assessment in accordance with Annex I of the Cosmetics Regulation. The Cosmetics Regulation contains a list of prohibited substances which are banned for cosmetics as well as a list of restricted substances which may only be used in the manufacturing process if certain conditions are met. Additional provisions of the Cosmetics Regulation and applicable German laws deal with the use of nanomaterials, animal testing, and labelling requirements as well as obligations for distributors.

To monitor compliance with the Cosmetics Regulation, competent governmental authorities may perform appropriate checks of cosmetics and the relevant business operators (*e.g.*, manufacturers and retailers). In addition, such governmental authorities may take appropriate measures to ensure compliance with the Cosmetics Regulation (*e.g.*, prohibiting the marketing of cosmetics or ordering recalls and ordering the responsible person to take corrective measures).

9.4.5 Import and export

Article 12 of the Food Regulation and Sections 53 through 57 LFGB govern the import and export of foodstuffs and cosmetics into and out of Germany. Any foodstuffs and cosmetics from Germany may be exported to another member state of the European Union if the respective product complies with the German rules on such products or the European regulations that apply directly in all member states.

9.4.6 Consequences of Non-Compliance

A violation of European or national product safety laws and related regulations may be sanctioned with fines and in severe cases even with criminal sanctions.

The German Product Liability Act (*Produkthaftungsgesetz* (the "**Product Liability Act**")) provides for an additional liability regime with respect to products that cause injury or death of a natural person or damage to property and such liability generally applies irrespective of fault (*verschuldensunabhängig*). Under the Product Liability Act, retailers are, under certain conditions, considered as manufacturers and they may be held liable for the damage caused by certain products. The Product Liability Act provides for a liability limit (*Haftungshöchstbetrag*) in an amount of €85.0 million. In addition, in case of damage to property, the owner of such property is required to bear damages in an amount of €500.00 itself.

9.5 Textile Labeling

In the home & living vertical of our social commerce business unit, we are also subject to legislation regarding textile labeling.

Retailers who distribute textile products available in the European Union have to comply with various requirements with respect to the use of textile fiber names as well as labeling and marking of the composition of textile products.

At the EU level, these aspects are governed by the Regulation (EU) No 1007/2011 of the European Parliament and of the Council of September 27, 2011 on textile fiber names and related labeling and marking of the fiber composition of textile products, as amended (the "**Regulation on Textile Labeling**"). It contains rules concerning the use of textile fiber names, the composition of multi-fibers and the content and form of labeling textiles as well as non-textile parts of animal origin (*e.g.*, fur or leather) in textile products. Additionally, it contains rules regarding the monitoring of the implementation of the respective requirements, including market surveillance checks by the competent authorities.

In Germany, the Act on Textile Labeling (*Textilkennzeichnungsgesetz*) creates the necessary conditions for the effective enforcement of the Regulation on Textile Labeling and in particular provides for the competence and powers of the authorities involved in market surveillance and regulatory offences. The law also imposes certain storage obligations on manufacturers and distributors with regard to documents relating to facts on which the labelling or marking of the fiber composition is based.

Certain consumer products, apparel and shoes also fall under the German Act on Product Safety (*Produktsicherheitsgesetz*), which contains a regulation that requires the manufacturer, his authorized representative and the importer to provide the consumer with the necessary information to assess the risks of certain products as well as the names and contact address of the manufacturer or, if he is not domiciled in the European Economic Area, the name and contact address of his authorized representative or the importer.

9.6 Packaging

The German Packaging Act (*Verpackungsgesetz*) aims at promoting recycling and re-use of packaging and imposes certain obligations and requirements on manufacturers and distributors of goods, including online retailers operating in Germany, regarding the bringing into circulation and disposal of various packaging types. Under the German Packaging Act, manufacturers and distributors of goods are obligated to register with the central packaging register (*Zentrale Stelle Verpackungsregister*) and participate in a dual packaging disposal and recycling system. Authorities may impose fines of up to €200,000 on manufacturers and distributors who offer or ship goods in relevant packaging without proper registration.

9.7 Trademarks

The registration and protection of trademarks is regulated by international, European and national legislation:

- At an international level, trademark registration and protection are, among others, governed by the Madrid Agreement Concerning the International Registration of Marks of April 14, 1891, as amended (the "**MMA**"), the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of June 27, 1989, as amended (the "**PMMA**"), and the Paris Convention for the Protection of Industrial Property of March 20, 1883, as amended.

- At a European Union level, trademarks are governed by Directive (EU) 2015/2436 of the European Parliament and of the Council of December 16, 2015 to approximate the laws of the member states relating to trademarks and, with respect to the creation of a union-wide trademark registration and protection regime, by Regulation (EU) 2017/1001 of the European Parliament and of the Council of June 14, 2017 on the European Union trade mark, as amended.

- In Germany, trademarks are governed by the German Federal Trademark Act (*Markengesetz*).

Trademarks may be registered with a national trademark authority (*e.g.*, the German Patent and Trade Mark Office (*Deutsches Patent- und Markenamt*)), the European Union Intellectual Property Office for union-wide registration, and, following either national or union-wide registration, via the World Intellectual Property Organization in countries which are parties to the MMA or PMMA for ten-year periods. Such registrations may be renewed repeatedly.

Upon receiving an application, the competent trademark authority will examine whether there are grounds for refusal of granting the trademark registration (*e.g.*, due to a lack of distinctive character of the relevant trademark). Furthermore, proprietors of earlier trademarks may oppose the application for registration within three months of the publication of the application (*e.g.*, if the new trademark and the products or services sold thereunder are identical or similar to their trademark and the products or services sold thereunder). Upon registration of a European Union trademark, the proprietor may prohibit any third party from using such trademark commercially without his prior consent. In addition, national trademark laws of the member states of the European Union stipulate that the proprietor of a European trademark is entitled to, among others, receive compensation for damages arising from the illegal use of his trademark.

9.8 Internet Domains

The reservation, transfer and renewal of generic top level Internet domains (*e.g.*, ".com") and national top-level Internet domains (*e.g.*, ".de") are administered by the Internet Corporation for Assigned Names and Numbers ("**ICANN**"), which is a U.S.-based non-profit organization. The reservation, transfer and renewal of second-level Internet domains are administered by certain registrars which are accredited by ICANN. In Germany, Internet domains ending with ".de" are administered by DENIC e. G. ("**DENIC**"), a German non-profit organization. Reservations of second-level Internet domains are made by DENIC depending on who is the first applicant for the relevant domain.

If a domain infringes on trademarks or name rights, the proprietor of the relevant trademarks or name rights can under certain conditions file an injunction to prevent the registration or use of such domain. Such proprietor may also be entitled to compensation for damages arising from infringements on such rights. Furthermore, specific dispute resolution proceedings are available for disputes over domains, including with respect to infringements of trademark or name rights. For example, the Uniform Domain Name Dispute Resolution Policy of the ICANN applies to disputes over the abusive reservation and use of domains for generic and certain national top-level domains.

In Germany, DENIC refers to the German courts for any disputes arising from the reservation and use of national domains. German courts may, *inter alia*, approve requests for the cancellation of domains, but not for the transfer of the disputed domains. However, if an entry on the disputed domain has been made with DENIC, such domain is transferred automatically to the claimant upon cancellation of the relevant domain by the courts. In addition, holders of domains who are also proprietors of trademarks corresponding to such domains can under certain conditions defend their domains *vis-à-vis* third parties against abusive reservation or use on the grounds of trademark protection.

9.9 Digital Services Taxes

Certain European jurisdictions (*e.g.*, Austria, France and Italy) have introduced, consider or plan to introduce, local taxes on transnational internet or e-commerce activities (so-called digital services taxes). These taxes generally are targeted at securing (a certain degree of) fiscal sovereignty of the relevant jurisdiction over certain activities of or revenue generated by transnational e-commerce platforms with customers who are resident in this specific jurisdiction. Across Europe, the implemented or planned local digital service taxes differ significantly in their scope, structure and tax rate. For example, while Austria and Hungary only tax revenues from online advertising, France's tax base is much broader and also includes revenue from the provision of a digital interface, targeted advertising, and the transmission of data collected from users for advertising purposes.

Although digital service taxes are generally considered to be only an interim measure until a conclusive agreement is reached at the supranational level, it is unclear whether all of such taxes will be fully or partly repealed in the future. In addition, the European Union considers imposing taxes on e-commerce activities from 2023 onwards.

10. SHAREHOLDER INFORMATION

10.1 Major Shareholders

The following table sets forth all major shareholders which directly hold an interest of 2% or more in the Company's capital and voting rights.

Shareholder(1)(2)	**Number of Shares held in the Company**	**Actual ownership in the Company (in %)**
FORTUNA Beteiligungsgesellschaft mbH	2,485,457	21.63
Dacapo S.à r.l.	1,742,456	15.16
Gruppe Georg Kofler GmbH...	1,000,000	8.70
Wanja S. Oberhof..	986,200	8.58
HoHa Holding GmbH	662,501	5.76
UBS AG	346,319	3.01
DZ Privatbank S.A.	329,477	2.87
DA CAPO Vermögensverwaltung GmbH	236,120	2.05

(1) For shareholdings of the current members of the Management Board and Supervisory Board see "*13.4 Shareholdings of the Members of the Management Board and the Supervisory Board*".

(2) Source: Company information.

10.2 Controlling Interest and other Information

As of the date of this Prospectus, Dr. Georg Kofler holds 47.55% of the shares in the Company indirectly through his direct and indirect shareholdings in Gruppe Georg Kofler GmbH, FORTUNA Beteiligungsgesellschaft mbH, Dacapo S.à r.l. and DA CAPO Vermögensverwaltung GmbH, all of which are under the control of Dr. Georg Kofler, and is considered to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* ("**WpÜG**")). There are currently no specific measures in place to ensure that such control is not abused.

11. GENERAL INFORMATION ON THE COMPANY AND THE GROUP

11.1 Formation, Incorporation, Commercial Name and Registered Office

Lumaland AG (now: The Social Chain AG) was originally formed as Pütz Vermögensverwaltung AG, a stock corporation (*Aktiengesellschaft*) under German law. It was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Cologne, Germany, under docket number HRB 52849 on April 28, 2004 and its registered office was in Cologne, Germany. In 2010, the registered office was changed to Berlin and Pütz Vermögensverwaltung AG was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany, under docket number HRB 128790 B. The name of the company was changed to Lumaland AG in 2017 and to The Social Chain AG in 2019.

The Company's registered office and business address is Gormannstraße 22, 10119 Berlin, Germany (telephone: +49 (0) 30 208 4840-0), LEI 529900ZARRZWUT1YO213. It is registered with in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany, under docket number HRB 128790 B.

The Company's legal and commercial name is The Social Chain AG.

11.2 Governing Law

The Company is a German stock corporation (*Aktiengesellschaft*), incorporated in Germany. Therefore, the Company is generally governed by German law. Thus, in addition to the AktG as well as other laws applicable to a German stock corporation (*Aktiengesellschaft*), in particular the German Transformation Act (*Umwandlungsgesetz* ("**UmwG**")), the HGB, the German Securities Trading Act (*Wertpapierhandelsgesetz* ("**WpHG**")) and WpÜG apply or will apply to the Company.

11.3 Fiscal Year and Duration

The Company's fiscal year is the calendar year. The Company has been established for an unlimited duration.

11.4 Corporate Purpose

Section 2 of the Articles of Association defines the Company's corporate purpose as follows:

The corporate purpose of the Company's enterprise is:

- The acquisition, management and sale of equity interests in companies - exclusively in its own name and for its own account and not as a service for third parties - in the sense of an internationally operating media company with a focus on the acquisition, development and management of social media brands, furthermore the support and consulting of the investee companies as well as the provision of services free of authorization to the associated companies and third parties, in particular in the IT, marketing, accounting and financial reporting.

- In this context, the Company is entitled to conduct all transactions that are beneficial to the realization of the corporate purpose stated above and that do not require an official permission from the authorities. The pursuit of the corporate purpose may also be effected through participation in subsidiaries.

11.5 History

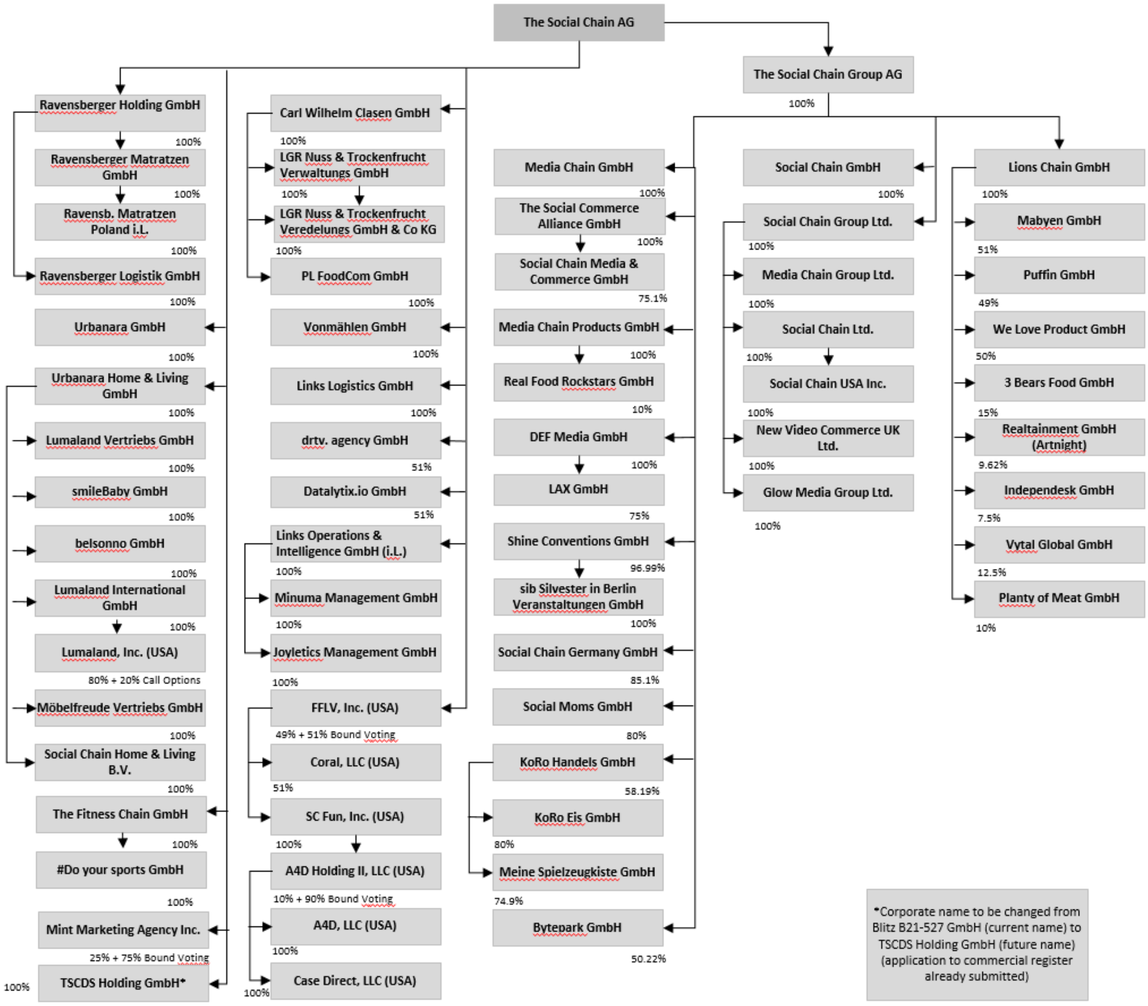
The Group emerged in October 2019 from the contribution of The Social Chain Group AG and its investment companies into Lumaland AG. Subsequently, Lumaland AG was renamed The Social Chain AG. The acquisition was completed by contributing the shares in The Social Chain Group AG into Lumaland AG by way of contribution in kind. The annual general meeting of Lumaland AG approved this step on August 19, 2019 with a majority of 99.8% of the votes cast.

The contributed company, The Social Chain Group AG, was newly founded in 2018. In 2018 and 2019, The Social Chain Group AG acquired various equity investments. After its establishment, Lumaland AG acquired numerous different equity investments and sold products directly to end consumers via Amazon.

11.6 Group Structure

The Company is the holding company of the Group. The Group comprises all companies whose financial and business policy can be controlled by the Company, either directly or indirectly, and the equity interests of the Group whose financial and business policy can be influenced by the Company to a significant extent.

The following chart provides an overview of the Group as of the date of this Prospectus.



11.7 Subsidiaries

The following table presents an overview of the Company's significant subsidiaries:

Company	Ownership as of the date of the Prospectus	Ownership as of June 30, 2021	Ownership as of December 31, 2020
		(in %)	
Media Chain Products GmbH	100	100	100
KoRo Handels GmbH	58.18	58.19	55.85
Ravensberger Matratzen GmbH	100	100	100
Lumaland Vertriebs GmbH	100	100	100
Social Chain Ltd.	100	100	100
Urbanara GmbH	100	100	100
Möbelfreude Vertriebs GmbH	100	100	100
Social Chain USA Inc.	100	100	100
DEF Media GmbH	100	100	100
#DoYourSports GmbH	100	100	100

	Ownership as of the date of the Prospectus	Ownership as of June 30, 2021	Ownership as of December 31, 2020
Lumaland, Inc.	80	80	80
Shine Conventions GmbH	96,99	96.99	96.99
sib Silvester in Berlin Veranstaltungen GmbH	100	96.99	96.99
BytePark GmbH	50.22	50.22	50.22
Social Chain Germany GmbH (formerly Media Part GmbH)	85.1	85.97	85.97
drtv.agency GmbH	51	51	51
Media Chain Group Ltd.	100	100	100
Social Chain Group Ltd.	100	100	100
Social Moms GmbH	80	80	80
The Social Chain Group AG	100	100	100
Ravensberger Holding GmbH	100	100	100
Lions Chain GmbH	100	100	100
Ravensberger Logistik GmbH	100	100	100
Social Chain Commerce Alliance GmbH (formerly SCME or World Fitness GmbH)	100	100	100
The Fitness Chain GmbH (formerly Hold your Sports GmbH)	100	100	100
LINKS Logistics GmbH (formerly PePa)	100	100	100
Urbanara Home & Living GmbH	100	100	100
Social Chain GmbH	100	100	100
Carl Wilhelm Clasen GmbH	100	100	100
LGR Nuss & Trockenfrucht Veredelungs GmbH & Co. KG	100	100	100
LGR Nuss & Trockenfrucht Veredelungs-Verwaltungs GmbH	100	100	100
VonMählen GmbH	100	100	-
PL FoodCom GmbH	100	100	-
MINT Marketing Agency LLC	25	25	-

Please refer to section "*8.5 DS Holding's geographic footprint and brands*" for an overview of our future shareholding in companies of the DS Holding group upon completion of our acquisition of DS Holding.

11.8 Auditor

For the fiscal year ended December 31, 2018, the auditor of the Company was Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Theodor-Stern-Kai 1, 60596 Frankfurt am Main, Germany.

The Company appointed Deloitte GmbH, Wirtschaftsprüfungsgesellschaft, Berlin Office, Kurfürstendamm 23, 10719 Berlin, Germany, as the auditor of the Company's German-language audited unconsolidated financial statements as of and for the fiscal years ended December 31, 2019 and December 31, 2020, prepared in accordance with generally accepted accounting principles of the HGB, the Company's German-language audited consolidated financial statements as of and for the fiscal year ended December 31, 2019 prepared in accordance with generally accepted accounting principles of the HGB, and the Company's German-language audited consolidated financial statements as of and for the fiscal year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code.

Deloitte has audited in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*) and German generally accepted auditing standards and issued unqualified independent auditor's reports (*uneingeschränkte Bestätigungsvermerke des unanbhängigen Abschlussprüfers*) on the aforementioned unconsolidated financial statements as of and for the year ended December 31, 2019 and 2020 and the consolidated financial statements as of and for the years ended December 31, 2019 and 2020.

For the fiscal year ending December 31, 2021, RSM GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Office Frankfurt am Main, Ulmenstraße 37-39, 60325 Frankfurt am Main, Germany has been appointed as statutory auditor.

Mazars, Deloitte and RSM are members of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

12. SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

12.1 Share Capital of the Company and Applicable Regulations

12.1.1 Current Share Capital; Shares

As of the date of this Prospectus, the share capital of the Company amounts to €11,492,043.00 and is divided into 11,492,043 registered shares (*Namensaktien*) with no par value (*Stückaktien*), each such share representing a notional value of €1.00. The share capital has been fully paid up. The Company's shares were created pursuant to the laws of Germany, including applicable European Union law.

The shares of the Company are denominated in Euros.

Each share of the Company carries one vote at the shareholders' meeting of the Company. There are no restrictions on voting rights and the shares carry full dividend rights.

For information on the Company's existing shareholders, see "*10. Shareholder Information*".

12.1.2 Development of the Share Capital

The Company was initially formed as a German stock corporation (Aktiengesellschaft - AG) under the name of Pütz Vermögensverwaltung AG on November 6, 2003, with a share capital of €50,000.00 and was initially registered in the commercial register (Handelsregister) of the local court (*Amtsgericht*) of Cologne on April 28, 2004.

On May 27, 2011, the shareholders' meeting of Pütz Vermögensverwaltung AG resolved to increase the share capital of Pütz Vermögensverwaltung AG from €50,000.00 by €350,000.00 to €400,000.00. The capital increase was registered in the commercial register (Handelsregister) of the local court (*Amtsgericht*) of Charlottenburg, on November 21, 2011, following the transfer of the registered office from Cologne to Berlin in 2010.

The share capital of Pütz Vermögensverwaltung AG was increased by €1,600,000.00 from €400,000.00 to €2,000,000.00 by the shareholders' meeting on December 22, 2016. The capital increase was entered in the commercial register on February 2, 2017.

Based on the authorization granted by resolution of the shareholders' meeting of Pütz Vermögensverwaltung AG on December 22, 2016, the share capital of Lumaland AG was increased from €2,000,000.00 by €510,171.00 to €2,510,171.00 by resolution of the management board of Lumaland AG on December 14, 2017, with the approval of the supervisory board of Lumaland AG on the same date. The capital increase was registered in the commercial register on December 28, 2017.

On December 14, 2017 and January 5, 2018, the management board of Lumaland AG, with the approval of the supervisory board of Lumaland AG, resolved to increase the share capital by €323,162.00 from €2,510,171.00 to €2,833,333.00 on the basis of the authorization granted by resolution of the shareholders' meeting on December 22, 2016. The capital increase was entered in the commercial register on January 11, 2018.

Based on the authorization granted by resolution of the shareholders' meeting of Lumaland AG on August 28, 2018, the share capital of Lumaland AG was increased from €2,833,333.00 by €141,616.00 to €2,974,949.00 by resolution of the management board of Lumaland AG on April 30, 2019, with the approval of the supervisory board. The capital increase was registered in the commercial register on June 4, 2019.

The share capital of Lumaland AG was increased by €210,000.00 from €2,974,949.00 to €3,184,949.00 by resolution of the management board of Lumaland AG on June 21, 2019, with the approval of its supervisory board on the basis of the authorization granted by the shareholders' meeting on August 28, 2018. The capital increase was entered in the commercial register on August 16, 2019.

By resolution of the shareholders' meeting of Lumaland AG on August 19, 2019, the share capital was increased from €3,184,949.00 by €5,855,159.00 to €9,040,108.00. The capital increase was registered in the commercial register on October 9, 2019.

Based on the authorization granted by resolution of the shareholders' meeting of Lumaland AG on August 19, 2019, the Management Board, with the approval of the Supervisory Board, resolved to increase the share capital on November 21, 2019 from €9,040,108.00 by €904,010.00 to €9,944,118.00. The capital increase was registered in the commercial register on November 21, 2019.

On December 6, 2019 the share capital of the Company was increased from €9,944,118.00 by €170,000.00 to €10,114,118.00 by resolution of the Management Board with the approval of the Supervisory Board on the basis of the authorization granted by the shareholders' meeting on August 19, 2019. The capital increase was entered in the commercial register on February 27, 2020.

Based on the authorization granted by resolution of the shareholders' meeting of Lumaland AG on August 19, 2019, the Management Board, with the approval of the Supervisory Board, resolved to increase the share capital of the Company on December 30, 2019 from €10,114,118.00 by €75,600.00 to €10,189,718.00. The capital increase was registered in the commercial register on March 11, 2020.

Based on the authorization granted by resolution of the shareholders' meeting of Lumaland AG on August 19, 2019, the share capital of the Company was increased from €10,189,718.00 by €36,084.00 to €10,225,802.00 by resolution of the Management Board on June 5, 2020, with the approval of the Supervisory Board. The capital increase was registered in the commercial register on July 14, 2020.

The share capital of the Company was increased from €10,225,802.00 by €91,002.00 to €10,316,804.00 by resolution of the Management Board on June 5, 2020, with the approval of the Supervisory Board based on the authorization granted by resolution of the shareholders' meeting on August 19, 2019. The capital increase was entered in the commercial register on July 14, 2020.

Based on the authorization granted by resolution of the Company's shareholders' meeting on May 11, 2020, the share capital of the Company was increased from €10,316,804.00 by €518,859.00 to €10,835,663.00 by resolution of the Management Board on August 7, 2020, with the approval of the Supervisory Board. The capital increase was registered in the commercial register on August 12, 2020.

Based on the authorization granted by resolution of the Company's shareholders' meeting on May 11, 2020, the Management Board, with the approval of the Supervisory Board, resolved to increase the share capital of the Company on November 26, 2020 from €10,835,663.00 by €512,821.00 to €11,348,484.00. The capital increase was registered in the commercial register on December 8, 2020.

The share capital of the Company was increased from €11,348,484.00 by €100,000.00 to €11,448,484.00 by resolution of the Management Board on November 30, 2020, with the approval of the Supervisory Board on the basis of the authorization granted by resolution of the Company's shareholders' meeting on May 11, 2020, The capital increase was entered in the commercial register on January 18, 2021.

Based on the authorization granted by resolution of the Company's shareholders' meeting on May 11, 2020, the share capital of the Company was increased from €11,448,484.00 by €4,763.00 to 11,453,247.00 by resolution of the Management Board on June 16, 2021, with the approval of the Supervisory Board. The capital increase was registered in the commercial register on July 12, 2021.

Until the date of this prospectus 38,796 additional shares have been issued under the Conditional Capital 2020/I increasing the share capital to €11,492,043.00.

12.1.3 Conditional Capital

12.1.3.1 <u>*Conditional Capital 2017/I*</u>

Pursuant to Section 3 para. 7 of our Articles of Association, our share capital is conditionally increased by up to €76,000.00 through the issuance of up to 76,000 no-par value registered shares ("**Conditional Capital 2017/I**"). The Conditional Capital 2017/I serves exclusively to fulfill subscription rights granted on the basis of the authorization of our shareholders' meeting of August 29, 2017. The conditional capital increase will only be implemented (i) to the extent that the holders of the subscription rights issued under the Lumaland Stock Option Plan 2017 exercise their right to subscribe for shares in the Company and (ii) the Company does not deliver treasury shares or grant a cash settlement to fulfill the granted subscription rights.

12.1.3.2 *Conditional Capital 2019/II*

Pursuant to Section 3 para. 9 of our Articles of Association, our share capital is conditionally increased by up to €242,000.00 through the issuance of up to 242,000 no-par value registered shares ("**Conditional Capital 2019/II**"). The Conditional Capital 2019/II serves exclusively to fulfill subscription rights granted on the basis of the authorization of the Company's shareholders' meeting on August 19, 2019. The conditional capital increase will only be implemented to the extent that the holders of subscription rights issued under the Lumaland Stock Option Plan 2019 exercise their right to subscribe for shares in the Company, and the Company does not deliver treasury shares or grant a cash settlement to fulfill the granted subscription rights.

12.1.3.3 *Conditional Capital 2020/I*

Pursuant to section 3 para. 8 of our Articles of Association, our share capital is conditionally increased by up to €4,075,887.00 through the issuance of up to 4,075,887 no-par value registered shares ("**Conditional Capital 2020/I**"). The Conditional Capital 2020/I serves exclusively to grant new shares to holders of conversion or option rights granted by the Company or by companies in which the Company directly or indirectly holds a majority interest on the basis of the authorization of the Company's shareholders' meeting of May 11, 2020. The shares will be issued at the conversion or option price to be determined in each case in accordance with the aforementioned resolution. The conditional capital increase will only be implemented to the extent that the holders of conversion or option rights exercise their conversion or option rights or fulfill conversion obligations under such bonds.

The Management Board resolved on May 16, 2021, with the consent of the Supervisory Board, to issue the Convertible Bond 2021/2024. The Convertible Bond 2021/2024 matures on April 7, 2024 and entitles the Bondholders to convert it into no-par value registered shares of the Company. The Convertible Bonds were issued on April 7, 2021 and have been introduced to trading on the non-regulated open market segment (*Freiverkehr*) of the Frankfurt Stock Exchange since. The Convertible Bonds were issued with an annually payable coupon of 5.75% per annum for a term of three years.

The Convertible Bonds can be converted into shares of the Company from July 7, 2021. The conversion price currently amounts to €32.50 representing a conversion premium of 13.24% above the reference price of €28.70 and is subject to customary anti-dilution adjustments (for instance in case of capital increases against contribution with shareholder subscription rights). The Company is entitled to redeem all but not some of the Convertible Bonds at any time if only 20% or less of the aggregate principal amount of the Convertible Bonds remain outstanding. The Bondholders may terminate the Convertible Bonds and demand immediate redemption in case of an event of default, in particular if amounts due under the Convertible Bonds are not paid, other material obligations are not fulfilled or, subject to certain thresholds, payments under other financial indebtedness are not made when due. The terms and conditions contain a change-of-control-provision, as a consequence of which the Bondholders may choose to either demand early redemption or conversion of the Convertible Bonds into shares of the Company at a reduced conversion price.

Until the date of this prospectus 38,796 additional shares have been issued under the Conditional Capital 2020/I increasing the share capital to €11,492,043.00.

12.1.3.4 *Conditional Capital 2020/II*

Pursuant to Section 3 para. 10 of our Articles of Association, our share capital is conditionally increased by up to €700,971.00 through the issuance of up to 700,971 no-par value registered shares ("**Conditional Capital 2020/II**"). The Conditional Capital 2020/I serves exclusively to fulfill subscription rights granted under the authorization of the Company's shareholders' meeting of May 11, 2020. The conditional capital increase will be implemented only to the extent that holders of subscription rights issued under the Social Chain Stock Option Plan 2020 exercise their right to subscribe for shares in the Company and the Company does not deliver treasury shares or grant a cash settlement to fulfill the granted subscription rights.

12.1.3.5 *Conditional Capital 2021/I*

On July 30, 2021, our shareholders meeting resolved to increase our share capital by up to €125,877.00 through the issuance of up to 125,877 no-par value registered shares ("**Conditional Capital 2021/I**"). The Conditional Capital 2021/I serves exclusively to fulfill subscription rights granted under the authorization of the Company's shareholders' meeting of July 30, 2021. The conditional capital increase will be implemented only to the extent that holders of subscription rights issued under the Social Chain Stock Option Plan 2021 exercise their right to subscribe for shares in the Company and the Company does not deliver treasury shares or grant a cash settlement to fulfill the granted subscription rights.

12.1.4 Authorized Capital

12.1.4.1 *Authorized Capital 2020/1*

Pursuant to section 3 para. 6 of our Articles of Association, the Management Board is authorized until May 10, 2025, subject to the consent of the Supervisory Board, to increase, once or repeatedly, our share capital by up to a total of €608,058.00 through the issuance of up to 608,058 new shares with no par value against contributions in cash or in kind ("**Authorized Capital 2020/I**").

In principle, the shareholders are to be granted subscription rights. The shares may be subscribed by one or several credit institutions or companies pursuant to Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 of the German Banking Act (*Gesetz über das Kreditwesen*) with the obligation to offer the shares to our shareholders (so-called indirect subscription right). With the consent of the Supervisory Board, the Management Board is authorized to exclude shareholders' subscription rights for capital increases against contributions in cash

- to exclude fractional amounts;
- to the extent necessary to protect against dilution, in order to grant holders of conversion or option rights a subscription right to new shares to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilling the conversion or option obligations;
- in order to introduce shares of the Company on a foreign stock exchange and in this context also to fulfil a greenshoe option agreed with issuing banks; and
- if the issue price of the new shares issued subject to the exclusion of the subscription right pursuant to Section 186 para. 3 sentence 4 AktG is not substantially below the stock exchange price of shares of the Company which are already listed on the stock exchange and the shares issued subject to the exclusion of the subscription right pursuant to Section 186 para. 3 sentence 4 AktG do not exceed a total of 10% of the share capital, either when this authorization comes into effect or when it is exercised.

12.1.4.2 *Authorized Capital 2021/1*

Pursuant to section 3 para. 11 of our Articles of Association, the Management Board is authorized until July 14, 2026, subject to the consent of the Supervisory Board, to increase, once or repeatedly, our share capital by up to a total of €5,111,421.00 through the issuance of up to 5,111,421 new shares with no par value against contributions in cash or in kind ("**Authorized Capital 2021/I**").

In principle, the shareholders are to be granted subscription rights. The shares may be subscribed by one or several credit institutions or companies pursuant to Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 of the German Banking Act (*Gesetz über das Kreditwesen*) with the obligation to offer the shares to our shareholders (so-called indirect subscription right). With the consent of the Supervisory Board, the Management Board is authorized to exclude shareholders' subscription rights for capital increases against contributions in cash

- to exclude fractional amounts;
- to the extent necessary to protect against dilution, in order to grant holders of conversion or option rights a subscription right to new shares to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilling the conversion or option obligations;
- in the case of capital increases against contributions in kind in the context of mergers or for the (also indirect) acquisition of companies, parts of companies or interests in companies or other assets, including claims against the Company or the Group companies;
- in the event that the capital increase takes place against contributions in cash and provided that the issue price of the new shares does not substantially fall below (within the meaning of Sec. 186 para. 3 sentence 4 AktG) the stock exchange price of our shares at the time of the final determination of the issue price and provided that the notional interest in the share capital attributable to the new shares issued under this authorization subject to the exclusion of the subscription right in accordance with Sec. 186 para. 3

sentence 4 AktG does not exceed a total of 10% of the share capital, i.e. of the share capital that exists either at the time of this authorization becoming effective or being exercised. The stock exchange price is also the price of an American Depositary Share listed on the NASDAQ, multiplied by the number of American Depositary Shares representing one share. If our shares are listed on the XETRA trading system (or a comparable successor system) of the Frankfurt Stock Exchange at the same period as American Depositary Shares representing the Company's shares are listed on the New York Stock Exchange or the NASDAQ, we may choose which of the exchange prices shall be relevant; and

- in order to introduce shares of the Company or American Depositary Shares on a foreign stock exchange and in this context also to fulfil a greenshoe option agreed with issuing banks.

On October 19, 2021, the Management Board, with the approval of the Supervisory Board, resolved to increase the share capital of the Company by €2,855,000.00 through the issuance of 2,855,000 newly registered no-par value shares against contribution in kind and excluding shareholders' subscription rights, whereby shares of the Company are issued from the Authorized Capital 2021/I. The newly issued shares shall be used as a partial consideration to the shareholders in DS Holding for the contribution of their shares in DS Holding to the Company in connection with the Acquisition. The capital increase shall be effected by December 2021.

12.1.5 Treasury Shares

As of the date of this Prospectus, the Company holds no treasury shares.

12.2 Convertible Bonds

The Management Board resolved on May 16, 2021, with the consent of the Supervisory Board, to issue the Convertible Bonds. The Convertible Bonds matures on April 7, 2024 and entitles the Bondholders to convert it into no-par value registered shares of the Company. The Convertible Bonds were issued on April 7, 2021 and have been introduced to trading on the non-regulated open market segment (*Freiverkehr*) of the Frankfurt Stock Exchange since. The Convertible Bonds were issued with an annually payable coupon of 5.75% per annum for a term of three years.

The Convertible Bonds can be converted into shares of the Company from July 7, 2021. The conversion price currently amounts to €32.50 representing a conversion premium of 13.24% above the reference price of €28.70 and is subject to customary anti-dilution adjustments (for instance in case of capital increases against contribution with shareholder subscription rights). The Company is entitled to redeem all but not some of the Convertible Bonds at any time if only 20% or less of the aggregate principal amount of the Convertible Bonds remain outstanding. The Bondholders may terminate the Convertible Bonds and demand immediate redemption in case of an event of default, in particular if amounts due under the Convertible Bonds are not paid, other material obligations are not fulfilled or, subject to certain thresholds, payments under other financial indebtedness are not made when due. The terms and conditions contain a change-of-control-provision, as a consequence of which the Bondholders may choose to either demand early redemption or conversion of the Convertible Bonds into shares of the Company at a reduced conversion price.

12.3 General Provisions Governing a Liquidation of the Company

Apart from a liquidation as a result of insolvency proceedings, the Company may only be liquidated with a vote of 75% or more of the share capital represented at the vote. Furthermore, the commencement of insolvency proceedings regarding the assets of the Company, the rejection of insolvency proceedings for insufficient assets to cover the costs of the proceedings, a cancellation of the Company for lack of funds or the imposition of a final decision of the registry court about a material defect in the Articles of Association could lead to a cancellation of the Company. In the event of the Company's liquidation, the AktG provides that any assets remaining once all of the Company's liabilities have been settled are distributed among the Company's shareholders in proportion to their shareholdings. The AktG stipulates certain protections for creditors in the event of a liquidation of the Company.

12.4 General Provisions Governing a Change in the Share Capital

Under the AktG, a German stock corporation generally requires a resolution of the shareholders' meeting passed by a majority of at least 75% of the share capital represented at the vote to increase the share capital and change the Articles of Association accordingly. Capital increases may be resolved by the Company's shareholders' meeting with a simple majority of the share capital represented at the vote, unless a higher majority is required by mandatory law (*e.g.*, in case of capital increases with a dilutive effect without shareholders' subscription rights) or the Articles of Association, which particularly but not exclusively includes all resolutions of the shareholders' meeting regarding (i) capital increases with subscription rights of the shareholders against contributions (Section 182 para. 1 AktG); (ii) capital increases from reserves (Section 207 para. 2 AktG in connection with Section 182 para. 1 AktG); and (iii) the issuance of convertible bonds, participating bonds and other instruments, to which the shareholders are entitled to subscription rights (Section 221 AktG).

The shareholders' meeting may also create authorized capital. This requires a resolution passed by a majority of at least 75% of the share capital represented at the vote, authorizing the Management Board to issue a specific number of shares within a period of no more than five years. The aggregate nominal amount of the new shares may not exceed 50% of the share capital existing at the time the authorization is granted (*i.e.*, at the time the authorized capital is registered in the commercial register (*Handelsregister*)).

In addition, the shareholders' meeting can create conditional capital through a resolution passed with a majority of at least 75% of the share capital represented at the vote, for the purposes of (i) granting exchange or subscription rights to holders of convertible bonds or other securities granting a right to subscribe for shares; (ii) preparing for a merger with other companies; or (iii) granting subscription rights to managers and employees of the Company or an affiliated company by way of an approval resolution or authorization resolution. The nominal amount of conditional capital may not exceed 10% of the share capital at the time the resolution is passed in cases where it is created to grant subscription rights to managers and employees, and may not exceed 50% in all other cases.

Resolutions to reduce the Company's share capital require a majority of at least 75% of the share capital represented at the vote.

12.5 General Provisions Governing Subscription Rights

In principle, Section 186 AktG grants to all shareholders the right to subscribe for new shares of the Company issued in a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have the right to demand admission to trading for subscription rights.

The Company's shareholders' meeting may resolve to exclude shareholders' subscription rights with a vote of 75% or more of the share capital represented at the vote. The exclusion of shareholders' subscription rights, in full or in part, also requires a report from the Management Board to the shareholders' meeting that justifies the exclusion and demonstrates that the Company's interest in excluding subscription rights outweighs the interests of the shareholders to be granted subscription rights. An exclusion of shareholders' subscription rights is, in particular, permissible if:

- the Company increases its share capital against cash contributions;
- the amount of the capital increase of the issued shares under exclusion of subscription rights does not exceed 10% of the outstanding share capital, both at the time when the authorization takes effect and at the time when it is exercised; and
- the price at which the new shares are issued is not materially lower than the stock exchange price of the Company's shares.

12.6 Exclusion of Minority Shareholders

12.6.1 Squeeze-Out under Stock Corporation Law

Under Section 327a *et seq.* AktG, which governs the so-called "squeeze-out under stock corporation law", upon request of a shareholder holding 95% or more of the Company's share capital, the Company's shareholders' meeting may resolve to transfer the shares of minority shareholders to such majority shareholder against payment of an adequate compensation in cash. The amount of the cash payment offered to minority shareholders must reflect "the circumstances of the Company" at the time the shareholders' meeting passes the resolution. The amount of the cash payment is based on the full value of the Company, which is generally determined using the capitalized earnings method. Minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), wherein the court will review the fairness (*Angemessenheit*) of the cash payment.

12.6.2 Squeeze-Out and Tender Rights under Takeover Law

Under Sections 39a and 39b WpÜG, in case of a so-called “squeeze-out under takeover law”, an offeror holding at least 95% of the voting share capital of a target company (as defined in the WpÜG) following a takeover bid or mandatory offer, may, within three months of the expiration of the deadline for acceptance of the offer, petition the regional court (*Landgericht*) of Frankfurt am Main, Germany, to order the transfer of the remaining voting shares to such offeror against payment of an adequate compensation. Such transfer does not require a resolution of the shareholders’ meeting. The consideration paid in connection with the takeover or mandatory offer is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover offer or mandatory offer, while at all times compensation in cash must also be offered.

In addition, following a takeover offer or mandatory offer, the shareholders in a target company who have not accepted the offer may do so up to three months after the acceptance period has expired (Section 39c WpÜG), provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a WpÜG.

The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

12.6.3 Squeeze-Out under Reorganization Law

Pursuant to Section 62 para. 5 sentence 1 UmwG, a majority shareholder holding at least 90% of the Company’s share capital may require the Company’s shareholders’ meeting to resolve to transfer the shares of the minority shareholders to such majority shareholder against payment of an adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation (*Aktiengesellschaft*), a partnership limited by shares (*Kommanditgesellschaft auf Aktien*), or a European company (*Societas Europaea* (*SE*)) having its seat in Germany; and (ii) the squeeze-out is performed to facilitate a merger under the UmwG between the majority shareholder and the Company. The shareholders’ meeting held to approve the squeeze-out must take place within three months of the conclusion of the merger agreement.

The procedure for a squeeze-out under the UmwG is essentially identical to the “squeeze-out under stock corporation law” described above, including the minority shareholders’ right to judicial review of the appropriateness of the cash compensation.

12.6.4 Integration

Under Section 319 *et seq.* AktG, the Company’s shareholders’ meeting may vote for an integration (*Eingliederung*) into another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the Company. The former shareholders of the Company are entitled to adequate compensation, which generally must be provided in the form of shares in the parent company. In such case, Section 305 para. 3 sentence 1 AktG stipulates that shares must be issued based on the appropriate valuation in case a merger had taken place between the two companies. Fractional amounts may be paid out in cash.

12.7 Shareholder Notification Requirements; Mandatory Offers; Managers’ Transactions

Once the Company’s shares are admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will be subject to WpHG provisions governing, among others, disclosure requirements for significant shareholdings, the WpÜG provisions governing takeover bids and mandatory offers, as well as the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, as amended (“**MAR**”) governing, among others, directors’ obligations to disclose transactions in the Company’s shares, debt instruments, related derivatives or other related financial instruments.

12.7.1 *Notification Requirements of Shareholders*

12.7.1.1 *Notification Thresholds and Attribution Rules*

Pursuant to Section 33 para. 1 WpHG, anyone who acquires or whose shareholding in any other way reaches or exceeds 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company, is required to notify BaFin and the Company of such occurrence. Subsequent notifications are required if such person (i) acquires additional shares or in any other way reaches or exceeds a higher threshold, or (ii) sells or in any other way falls below the aforementioned thresholds.

All such notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances should have had knowledge of, his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The WpHG contains a conclusive presumption that the person or entity subject to the notification requirement has knowledge at the latest two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares. If a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 WpHG contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Furthermore, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting-in-concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company (*e.g.*, fundamental changes to the Group's business model or a sale of a substantial part of the Group's assets). Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting-in-concert. Coordination in individual cases, however, is not considered as acting in concert.

Except for the 3% threshold, Section 38 para. 1 WpHG sets forth similar notification requirements towards BaFin and the Company, if the aforementioned thresholds are reached, exceeded or undercut, because the shareholder holds financial instruments that (i) confer to him (a) the unconditional right to acquire already issued shares of the Company to which voting rights are attached when due or (b) discretion to exercise his right to acquire such shares, or (ii) relate to such shares and have a similar economic effect as the aforementioned instruments, whether or not conferring a right to a physical settlement. Thus, the latter-mentioned notification requirements also apply, for example, to share swaps against cash consideration and contracts for difference. In general, the number of voting rights from financial instruments is calculated by reference to the full nominal amount of shares underlying the financial instrument, except where such financial instrument is only settled in cash. Details for such calculations are set forth in Commission Delegated Regulation (EU) 2015/761 of December 17, 2014 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to certain regulatory technical standards on major holdings.

In addition, a person or entity is subject to a notification requirement towards the Company and BaFin if the sum of the voting rights from shares and (financial) instruments held or attributed to such person or entity reaches, exceeds or falls below the aforementioned thresholds, again except for the 3% threshold.

12.7.1.2 *Exceptions to Notification Requirements*

There are certain exceptions to these notification requirements. For example, a company is exempt from notification obligations if its parent company has filed a group notification pursuant to Section 37 para. 1 WpHG. If the Company's parent company itself is a subsidiary, then the relevant company is exempt from notification obligations if its parent's parent company has filed such group notification. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the European Union or in a member state of the EEA are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) the shares or instruments are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the Company's voting rights, do not grant the right to acquire more than 5% of the voting rights, or do not have a similar economic effect and (iii) it is ensured that the voting rights pertaining to such shares or instruments are not exercised or otherwise utilized.

12.7.1.3 *Fulfillment of Notification Requirements*

If any notification obligation is triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading Notification Regulation (*Wertpapierhandelsanzeigeverordnung*). The notice must be submitted to BaFin electronically via BaFin's MVP portal (which requires prior registration) either in the German or the English language. The MVP portal will then create documents which must be sent to the Company via electronic means of communications. Irrespective of the event triggering the notification, the notice must include (i) the number and proportion of voting rights, (ii) the number and proportion of instruments and (iii) the aggregate number and proportion of voting rights and instruments held by, or attributed to, the notifying person or entity. In addition, the notice must include certain attribution details (*e.g.*, the first name, surname and date of birth of the notifying individual or the legal name, seat and country of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and whether voting rights or instruments are attributed).

As a domestic issuer in Germany, the Company is required to publish such notices without undue delay, but no later than three trading days after receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the entire European Union and in all member states of the EEA. Such publications may only be made in the German and/or the English language. The Company is also required to inform BaFin about this publication, specifying the time of publication and the media used, and to submit the information received in the notice to the German Company Register (*Unternehmensregister*) for storage.

12.7.1.4 *Consequences of Violations of Notification Requirements*

Rights of shares held by shareholders, or from which voting rights are attributed to shareholders, do not exist for as long as the notification requirements are not fulfilled or not fulfilled appropriately. This temporary nullification of rights applies, in particular, to dividend, voting and subscription rights. Yet it does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been submitted. If the shareholder willfully or grossly negligently fails to disclose the correct proportion of voting rights held, the rights attached to shares held by or attributed to such shareholder cease to exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, was omitted. In addition, a fine may be imposed for failure to comply with notification obligations. Pursuant to Sections 38 para. 1 and 39 para. 1 WpHG, the same rules apply if a shareholder fails to file a notice or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments.

12.7.1.5 *Special Notification Requirements for More than 10% of the Voting Rights*

Pursuant to Section 43 WpHG, a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10%-threshold has been reached, the aforementioned attribution rules apply. The Company is required to publish any notification pursuant to Section 43 WpHG without undue delay following the receipt of such notification, and in any event no later than within three trading days therefrom. Furthermore, the Company is required to publish any acts of non-compliance with notification obligations by a shareholder in the same manner.

12.7.2 Mandatory Offers

Pursuant to the WpÜG, every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company is required to publish this fact, including the percentage of its voting rights, within seven calendar days of crossing this threshold. Such publication must be furnished on the Internet and by means of an electronic system for disseminating financial information. The WpÜG contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to such shares.

Once the share of voting rights reaches or exceeds 30% of the voting rights of the Company, such shareholder is required to make a mandatory tender offer to all shareholders of the Company. Under certain conditions, BaFin may grant an exemption from this rule. If the relevant shareholder fails to give notice of reaching or exceeding the 30%-threshold or fails to submit the mandatory tender offer, such shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely manner, the right to dividends) for the duration of the delinquency. A fine may also be imposed in such cases.

12.7.3 Managers' Transactions

A person discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 25 MAR (*i.e.*, the members of the Management Board and the Supervisory Board), must notify the Company and BaFin of transactions undertaken for its own account relating to the Company's shares or to financial instruments based on the Company's shares (subject to a €20,000.00 *de minimis* exception per calendar year for all such transactions). This also applies to persons closely associated with a person discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 26 MAR. Such notifications must be made promptly and no later than three business days after the date of the relevant transaction. The Company must ensure that such notifications are made public promptly and no later than two business days after it received the notification.

During a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is required to make public according to (i) the rules of the trading venue where the Company's shares are admitted to trading or (ii) national law, persons discharging managerial responsibilities are prohibited from conducting for their own account or for the account of a third party any transactions directly or indirectly relating to shares or debt instruments of the Company, or to derivatives or other financial instruments linked to such securities. According to BaFin's interpretative guidance, quarterly reports and quarterly statements for the first and third quarter of a fiscal year in accordance with Section 53 of the Frankfurt Stock Exchange rules, do not trigger a closed period.

12.8 Short Selling Regulation (Ban on Naked Short-Selling)

Pursuant to Regulation (EU) No 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps, as amended (the "**Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing the Short Selling Regulation, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012, the short selling of the Company's shares is only permitted under certain conditions. In addition, under the provisions of the Short Selling Regulation, significant net-short selling positions in the Company's shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Company's shares with its long positions in such shares. The details are regulated in the Short Selling Regulation and the other regulations the European Commission enacted on short selling. In certain situations described in the Short Selling Regulation, BaFin may restrict short selling and comparable transactions.

13. GOVERNING BODIES OF THE COMPANY

13.1 Overview on the Governing Bodies of the Company

The Company’s governing bodies are the Management Board, the Supervisory Board and the shareholders’ meeting. The Company has a two-tier management and control system, consisting of the Management Board and Supervisory Board. The responsibilities and powers of these governing bodies are determined by the AktG, the Articles of Association and the internal rules of procedure of both the Supervisory Board and the Management Board.

The shareholders’ meeting elects the members of the Supervisory Board, which in turn appoints the members of the Management Board. The Supervisory Board represents the Company in and out of court *vis-à-vis* the members of the Management Board. The Supervisory Board is responsible for the appointment of members of the Management Board, the revocation of appointments, and the conclusion of service agreements of members of the Management Board as well as for the change and termination of these service agreements.

Simultaneous membership in the Supervisory Board and the Management Board is not permitted under the AktG, as the Supervisory Board is tasked with supervising the management of the Company by the Management Board. In exceptional cases and for an interim period of not more than one year, a member of the Supervisory Board may, however, assume a vacant seat on the Management Board. During this period, such individual may not perform any duties pertaining to his position on the Supervisory Board.

The Management Board is responsible for managing the Company in accordance with applicable laws, the Articles of Association and the rules of procedure of the Management Board, including the schedule of responsibilities. The Management Board represents the Company in dealings with third parties. As set out in the AktG, the Supervisory Board advises and oversees the Management Board’s administration of the Company, but is itself generally not authorized to manage or represent the Company.

The Articles of Association may designate types of transactions that may only be conducted with the prior consent of the Supervisory Board. In addition, the Supervisory Board may itself determine that certain types of transactions are subject to its prior approval. In the current rules of procedures of the Management Board, the Supervisory Board has set forth that, among others, the following matters are subject to prior consent by the Supervisory Board:

- Decisions or measures that fundamentally change the net assets, financial position or results of operations of the Company or the risk exposure of the Company;
- Conclusion and termination of significant patent, license, know-how, cooperation and distribution agreements as well as the disposal of industrial property rights of material importance to the Company;
- granting of loans to non-affiliated companies or third parties in excess (in individual cases or in total) of €50,000;
- Any drawdown of loans, unless this only affects current trade credits;
- Assumption of any type of capital expenditure outside the annual budget approved by the Supervisory Board in excess of (in an individual case or in total) €250,000 per year;
- All material transactions with members of the Management Board as well as persons closely associated with them or companies with which they are personally closely associated;
- Sale, order, granting or approval of encumbrances on the Company's assets as a whole or on parts of the Company's assets;
- Any Provision of collateral, any issuance of sureties and guarantees, and the entering into obligations under bills of exchange that (in individual cases or in total) exceed €100,000, with the exception of any customary warranty given for products of the Company;
- Conclusion of other contracts not included in the approved annual budget, as a result of which the Company incurs expenses or obligations in excess (individually or in total) of €500,000 per year;

- Granting and termination of any participation in the profits of the Company, in particular silent participations, profit-sharing legal relationships and royalties;

- Annual planning, in particular budget planning for the following fiscal year;

- Establishment and termination of companies, acquisition and disposal of participations in other companies, conclusion, amendment and termination of operating lease, operating management and subcontracting agreements; and

- Acquisition, disposal or encumbrance of real property and rights equivalent to real property.

The Management Board is also required to obtain the prior consent of the Supervisory Board to certain transactions concluded by subsidiaries of the Company, if such transactions require consent of the Supervisory Board had they been undertaken by the Company. Pursuant to Section 111b para. 1 AktG, the Management Board is also required to obtain the prior consent of the Supervisory Board or an appointed committee thereof on transactions with related parties, if the value of the transaction exceeds 1.5% of the company's total (consolidated) fixed and current assets book value as recorded in its latest approved annual financial statements or if the aggregate value of several transactions with the same related party during the current fiscal year, which individually have not exceeded the 1.5% threshold, exceeds the threshold. Exempt from the requirement of prior consent of the Supervisory Board or an appointed committee are transactions (i) that are made in the ordinary course of business and on an arm's-length basis, (ii) with wholly owned subsidiaries, either directly or indirectly, or with subsidiaries in which no other related party holds a stake or (iii) that require the approval of, or authorization by, the general shareholders' meeting. The Company must publish any related-party transactions requiring Supervisory Board approval without undue delay in accordance with Section 111c AktG. In addition, the Supervisory Board may make other types of transactions and measures subject to its prior consent by amending the rules of procedure of the Management Board or the Supervisory Board or through a resolution of the Supervisory Board. By comparison, measures or transactions specifically addressed in the annual budget or multi-year planning as approved by the Supervisory Board do not require separate consent by the Supervisory Board, unless the relevant measure or transaction exceeds the amount or limit provided for such measure or transaction in the approved annual budget or multi-year planning.

Each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. In discharging these duties, each member of these bodies must consider a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must also take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for any damages the Company has incurred.

Under German law, shareholders generally have no right to directly assert claims against members of the Management Board or Supervisory Board if they believe that such members have violated their duties to the Company (*i.e.*, only the Company has the right to enforce such claims against the members of the Management Board or Supervisory Board). With respect to claims against members of the Management Board, the Company is represented by the Supervisory Board, and with respect to claims against members of the Supervisory Board, the Company is represented by the Management Board. The Federal Court of Germany (*Bundesgerichtshof*) has ruled that the Supervisory Board is generally required to assert claims against members of the Management Board, if it is likely that such claims can be pursued and enforced successfully, unless significant interests of the Company conflict with the pursuit of such claims and outweigh the interests of the Company asserting such claims against members of the Management Board.

If either the Supervisory Board or the Management Board decides not to pursue claims of the Company against members of the respective other governing body for violations of their duties, such claims must nevertheless be asserted if the shareholders' meeting adopts a resolution to this effect with a simple majority of the votes validly cast. The shareholders' meeting may also appoint a special representative (*besonderer Vertreter*) to assert such claims. Shareholders whose aggregate shareholdings amount to 10% of the Company's share capital or a *pro rata* share of €1 million in the Company's share capital may also motion for the competent court to appoint such a special representative. If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of laws or the Articles of Association, shareholders whose aggregate shareholdings amount to 1.0% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital may under certain conditions assert claims of the Company against members of the Management Board or

Supervisory Board in their own names. Yet such claims become inadmissible once the Company itself files a suit to assert such claims.

In addition, the Company's shareholders' meeting may appoint special auditors (*Sonderprüfer*) to audit transactions, particularly management transactions, with a simple majority of the votes validly cast. If the shareholders' meeting rejects a motion to appoint special auditors, the competent court appoints such special auditors upon a motion by shareholders whose aggregate shareholdings amount to 1.0% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital, if there are facts that justify the suspicion that the relevant occurrence involved acts of dishonesty or gross violations of the law or the Articles of Association. If the shareholders' meeting has resolved to appoint special auditors, the competent court appoints different special auditors upon a motion by shareholders whose aggregate shareholdings amount to 1.0% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital, if such appointment appears necessary due to reasons concerning the original special auditors.

Via the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*), shareholders and shareholder associations may solicit other shareholders to file a motion, jointly or by proxy, for the appointment of special auditors, for the appointment of a special representative, the convention of a shareholders' meeting, or the exercise of voting rights in a shareholders' meeting.

The Company may only waive or settle claims for damages against members of the Management Board or the Supervisory Board, if at least three years have elapsed since such claims arose and if the shareholders' meeting has consented to such waiver or settlement by a simple majority vote, provided that a minority of the shareholders whose aggregate shareholdings amount to at least 10% of the Company's share capital does not object to such resolution in the minutes of the shareholders' meeting.

Under German law, neither individual shareholders nor other persons may use their influence on the Company to cause a member of the Management Board or the Supervisory Board to act in a manner that would be detrimental to the Company. Any person who uses its influence over the Company to cause a member of the Management Board or the Supervisory Board, an authorized representative (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders may be liable to compensate the Company and the affected shareholders for the resulting losses. In particular, a controlling shareholder may not use its influence to cause the Company to act contrary to its own interests, unless (i) the Company and the controlling shareholder enter into a domination agreement (*Beherrschungsvertrag*) or (ii) the controlling shareholder compensates the Company for any disadvantages resulting from its influence. Moreover, the members of the Management Board and the Supervisory Board are jointly and severally liable in addition to the person using its influence if such members acted in breach of their duty of care towards the Company.

13.2 Management Board

Under the Articles of Association, the Management Board comprises one or more members. The Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board has set the current size of the Management Board to two members.

The Supervisory Board may appoint members of the Management Board for a maximum term of up to five years. Reappointments or extensions, each for a maximum term of up to five years, are permissible.

The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the relevant member's term for good cause (*wichtiger Grund*) (*e.g.*, a gross breach of fiduciary duties, inability to properly manage the Company or if the Company's shareholders' meeting has passed a vote of no-confidence with respect to such member, unless the vote of no-confidence was clearly passed for arbitrary reasons).

The Management Board has a quorum if, in case the Management Board consists of two members, all members participate in the vote, or, in case the Management Board consists of more than two members, if at least half of its members are present or participate in the vote. If the Management Board comprises three or more members, the chairman of the Management Board has a casting vote in case of a tie. The Management Board generally passes resolutions in meetings. Resolutions may also be passed outside meetings (*i.e.*, orally, by telephone or in writing (*Textform*) and transmitted by letter, email, or facsimile or other customary means of communication).

The Company is represented *vis-à-vis* third parties and in court proceedings by two members of the Management Board or a member of the Management Board jointly with any authorized representative (*Prokurist*), if the Management Board comprises several members. If only a single member of the Management Board is appointed or if the Supervisory Board has authorized a single member of the Management Board to represent the Company alone, such member may solely represent the Company *vis-à-vis* third parties.

The rules of procedure for the Management Board provide for an allocation of responsibilities among the members of the Management Board. The Supervisory Board may amend or repeal this allocation of responsibilities at any time.

Additional provisions regarding, among others, the composition of the Management Board, the duties of its members, the overall responsibility of the Management Board, the plan regarding the allocation of responsibilities for particular functions and the Management Board's internal organization are set forth in the rules of procedure of the Management Board, which were adopted by the Supervisory Board on May 11, 2021.

13.2.1 Members of the Management Board

The following table sets forth the current members of the Management Board, their respective age and position, and the duration of their remaining term:

Name	Age	First Appointed	Appointed until	Responsibilities
Wanja S. Oberhof.......................	35	October 2019[1]	August 2022	Chief executive officer
Christian Senitz..........................	43	March 2021	February 2024	Chief financial officer
Ralf Dümmel..............................	54	Expected to be appointed following completion of the DS Holding acquisition	Expected to be appointed for a term of five years	Chief product officer

(1) First appointed in June 2018 as CEO of Lumaland AG.

Wanja S. Oberhof was born in Dachau, Germany, on April 13, 1986. He attended the Berlin School of Economics and Law.

Mr. Oberhof has been an entrepreneur and investor for over 15 years. He started his career in 2007 as managing director of InterTi GmbH. Since 2011, Mr. Oberhof founded or co-founded several companies, including newcase GmbH, Bridgemaker GmbH, DietCode GmbH, Sunrise Lindwerder GmbH, 2b Good Real Estate GmbH, WAOW Brick and Mortar GmbH and many more. With WAOW Group, Mr. Oberhof has been concentrating on working with talented founders and investors to transform innovative ideas into future-oriented business models worldwide. This includes Uptech AG, which focuses on blockchain technologies and the venture builder BridgeMaker GmbH. As CEO of Lumaland AG – a role he assumed in spring 2018 – Mr. Oberhof used his entrepreneurial skills and managed to write a rapidly growing buy-build success story. The focus was on strong own brands and profitability in the e-commerce sector. After the merger of the Social Chain Group AG with Lumaland AG, Mr. Oberhof became CEO of the newly formed The Social Chain AG in October 2019.

Alongside his office as a member of the Management Board and chief executive officer, Mr. Oberhof is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- WAOW Group (chief executive officer);
- WAOW entrepreneurship GmbH and its subsidiaries WAOW Advisory GmbH, WAOW Brick and Mortar GmbH, 2b Good Real Estate GmbH, WAOW Special Invest GmbH, Sweet Dreams Invest GmbH and Smart Krypto Invest GmbH; and
- Sunrise Lindwerder GmbH.

Previously:

- Bridgemaker GmbH;
- Call Toni GmbH; and
- New Meat Company AG (member of the supervisory board).

Other than listed above, Mr. Oberhof has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Christian Senitz was born in Berlin, Germany, on January 27, 1978. From 1997 to 2001, Mr. Senitz studied business law at the University of Applied Sciences Nordostniedersachen in Lüneburg, and holds a degree in Business Law (*Diplom Wirtschaftsjurist (FH)*). In addition, he has passed both the auditor and tax advisor exam in Germany.

Mr. Senitz started his professional career as an auditor and tax advisor with Arthur Andersen (now Ernst & Young) in Berlin and New York City. In 2010, he joined FREO, a private equity real estate fund in Luxembourg, where he served as director of finance and investment manager. In June 2012, Mr. Senitz joined Rocket Internet GmbH (now Rocket Internet SE) as International Chief Financial Officer and was later promoted to Senior Vice President of Finance International. Mr. Senitz was in charge of the investment portfolio of Rocket Internet SE with respect to finance, tax and legal and, as managing director and supervisory board member, shaped the development of the international investments, including Jumia Technologies AG, Global Fashion Group SA and Home24 SE.

Mr. Senitz joined EyeEm Mobile GmbH in 2019 as Chief Financial Officer, a position he held until joining The Social Chain AG as chief financial officer in 2021. He is also the Co-Founder of Fundcraft S.àr.l., a Luxembourg based alternative investment fund.

Alongside his office as a member of the Management Board and chief financial officer, Mr. Senitz is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group.

Currently:

- Teddymill Invest UG (haftungsbeschränkt) (managing director); and
- fundcraft Holding S.àr.l. (manager).

Previously:

- Home24 SE (member of the supervisory board);
- KoRo Handels GmbH (member of the advisory board);
- EyeEm Mobile GmbH (managing director);
- Jumia technologies AG (former Africa Internet Holding GmbH) (managing director);
- Global Fashion S.A. (member of the supervisory board);
- Lindentor 226. Vermögensverwaltungs GmbH (member of the advisory board);
- Lingoda GmbH (member of the advisory board);
- Proportunity Ltd. (member of the advisory board);
- Talocasa GmbH (member of the advisory board); and
- Voya GmbH (member of the advisory board).

Other than listed above, Mr. Senitz has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Ralf Dümmel was born in Bad Segeberg, Germany, on December 2, 1966. Mr Dümmel was trained and has worked at Möbel Kraft in Bad Segeberg. In 1988 he joined DS Produkte as sales staff. In 1991 he became head of sales, and subsequently assumed general responsibility for procurement, marketing and legal affairs of DS Produkte GmbH. In 1998, he joined DS Produkte GmbH as shareholder and in 2000 was appointed managing director. In 2012, he became managing director and shareholder of DS Holding GmbH, the new holding entity for the DS Group. Mr. Dümmel became a jury member in the famous TV show "Die Höhle der Löwen" in 2016.

Alongside his expected future office as a member of the Management Board and chief product officer of the Group, Mr. Dümmel is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group.

Currently:

- Managing director of DS Holding GmbH, Stapelfeld, and various subsidiaries of DS Holding GmbH, in particular DS Produkte GmbH, Stapelfeld;
- Managing director of Dümmel Verwaltungsgesellschaft mbH, the general partner DS Beteiligungs KG (GmbH & Co.), Stapelfeld, which acts as holding entity of Mr. Dümmel for his shareholding in DS Holding GmbH.

Previously:

- Member of the supervisory board of Verein für Bewegungsspiele Lübeck von 1919 e.V.

Other than listed above, Mr. Dümmel has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

The members of the Management Board can be reached at the Company's offices at Gormannstraße 22, 10119 Berlin, Germany (telephone: +49 (0) 30 208 4840-0).

13.2.2 Remuneration and Other Benefits of the Members of the Management Board

13.2.2.1 *Management Service Agreements*

The compensation under the management service contracts for the members of the Management Board was approved by the Supervisory Board, taking into account general market practice and legal requirements in accordance with sec. 87 of the German Stock Corporation Act. The compensation of both Mr. Oberhof and Mr. Senitz consists of an annual fixed gross salary and a variable remuneration.

13.2.2.2 *Fixed Remuneration*

Under their management service agreements, Mr. Oberhof's annual fixed gross salary amounts to €300,000 and Mr. Senitz's annual fixed gross salary amounts to €250,000, in each case paid out in twelve equal monthly instalments at the end of each month, respectively.

13.2.2.3 *Variable Remuneration*

In addition to their fixed base remuneration, the members of the Management Board are entitled to variable remuneration.

13.2.2.3.1 Short-term Incentives

In addition to his fixed remuneration, Mr. Senitz is entitled to a performance-based remuneration of an amount of €250,000 in the event (i) we or a company affiliated with us within the meaning of Sections 15 et seqq. German Stock Corporation Act will be admitted to the trading of shares and securities in the Prime Standard of the Frankfurt Stock Exchange or a comparable exchange segment or a foreign stock exchange until the expiration of the management service agreement between us and Mr. Senitz, (ii) our shares or shares of a company affiliated with us within the meaning of Sections 15 et seqq. German Stock Corporation Act will be offered to the public by means of a capital increase with subscription rights and (iii) the total issuing volume within the rights offering after the end of the allotment process amounts to at least €100 million.

13.2.2.3.2 Long-term Incentives

Currently, Mr. Oberhof participates in the Stock Option Program 2017 of Lumaland AG (the "**SOP 2017**"), in the Stock Option Program 2019 (the "**SOP 2019**"), and in the Stock Option Program 2020 (the "**SOP 2020**"). Currently, Mr. Senitz participates in the Stock Option Program 2021 (the "**SOP 2021**") (see "*13.5 Long-Term and other Incentive Programs*").

13.2.2.4 *Other Benefits*

In addition, travel expenses and other appropriate expenses incurred by both members of the Management Board in our interest are reimbursed upon proof in accordance with our respective guidelines. Under his management service agreement, Mr. Oberhof is also entitled to the use of a company car (including private use) or a car allowance.

13.2.2.5 *Ancillary Activities and Non-Competition*

Each member of the Management Board shall dedicate its entire knowledge and capacity to the Company. The assumption of any other paid or typically paid ancillary activity and of any positions on supervisory or advisory boards of other companies or other institutions which are related to the Company's corporate purpose or which otherwise evidently affect the interests of the Company by any member of the Management Board requires prior written approval by the Supervisory Board. When assuming any such ancillary activity, a member of the Management Board is subject to a strict duty of loyalty towards the Company and its affiliated companies and shall not impair their business or other interests in the course of such ancillary activities.

The service agreements provide for a non-competition undertaking pursuant to which the relevant member of the Management Board is prohibited from directly or indirectly competing with the Company or an affiliate of the Company through any self-employed, employed, entrepreneurial or other activity or by acting for any company, or by setting up, acquiring or holding directly or indirectly, a stake in a company which is a competitor of the Company or any of its affiliates.

The members of the Management Board are subject to customary confidentiality obligations, including with respect to business and trade secrets, particularly strategic plans and intended transactions, which also apply beyond the termination of the relevant service agreement.

13.2.2.6 *D&O Insurance*

All members of the Management Board are covered by directors and officers (D&O) insurance policies with coverage in line with best market practice and a deductible in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*).

13.3 Supervisory Board

In accordance with Sections 95 and 96 AktG and Section 7 para. 1 of the Articles of Association, the Supervisory Board comprises three members. All of the members are appointed by the Company's shareholders' meeting and represent the shareholders. Pursuant to Section 100 para. 5 AktG, the members of the Supervisory Board as a whole must be familiar with the industry in which the Company conducts its business.

According to the Articles of Association, members of the Supervisory Board may be elected for a maximum term lasting until the end of the shareholders' meeting which resolves on the discharge (*Entlastung*) of the relevant members of the Supervisory Board for the fourth fiscal year after the commencement of the term of office. The fiscal year in which the term of office commenced is not counted towards the aforementioned number of four years. For members of the Supervisory Board who leave office before the end of their term, a successor must be elected for the remaining term of the leaving member, unless the Company's shareholders' meeting specifies a different term for such successor. Reelections of members of the Supervisory Board are permissible.

When electing members of the Supervisory Board, the shareholders' meeting may also appoint substitute members who replace any members of the Supervisory Board leaving their office before the end of their term. Unless stipulated otherwise in the election, the substitute members, in the order of their election, replace members of the Supervisory Board ending their term prematurely which were elected by the same shareholders' meeting. In such case, the office of the substitute member would end, once a successor for the former member of the Supervisory Board is elected through a by-election. Otherwise, the term of office corresponds to the remaining term of office of the former member. If the term of office of the substitute member ends due to a by-election, the substitute member regains its previous position as a substitute member for other members of the Supervisory Board.

The Supervisory Board elects a chairman and a deputy chairman from among its members to serve for the duration of those members' terms, unless a shorter period is determined at the time of their respective election. If the chairman or its deputy leaves office before the end of its term, the Supervisory Board must hold a new election without undue delay.

Each member of the Supervisory Board and each substitute member may resign from office with or without cause by giving written notice one month in advance to the chairman of the Supervisory Board, or, in case of a resignation by the chairman, to the deputy chairman, and the chairman of the Management Board. In case of a resignation for cause, the one-month notice period does not apply.

The Supervisory Board must hold at least two meetings in each calendar half-year. Meetings of the Supervisory Board are generally called at least 14 calendar days in advance by the chairman of the Supervisory Board, not taking into account the day on which the invitation is sent and the day of the meeting itself. Notice of meetings may be given in writing, by telefax, by email or other customary means of communications. In urgent cases, the chairman may shorten this period and may convene the meeting orally or by telephone.

The rules of procedure of the Supervisory Board provide that resolutions of the Supervisory Board are generally passed in meetings. At the order of the chairman, resolutions of the Supervisory Board may also be passed by voting orally or by telephone, voting in text form (Section 126b of the German Civil Code (BGB)), electronically or by using other customary means of communication. Absent members of the Supervisory Board may also participate in the voting by submitting their votes in writing through another member of the Supervisory Board.

The Articles of Association provide that the Supervisory Board has a quorum, if at least three of its members participate in the vote. Any members who abstain from voting are considered present for purposes of calculating the quorum. Unless otherwise provided for by mandatory law, resolutions of the Supervisory Board are passed with a simple majority of the votes cast. If a vote by the Supervisory Board on the same topic or agenda item results in a tie, the chairman has a deciding vote.

The Supervisory Board may adopt rules of procedure and form committees in accordance with applicable laws and the Articles of Association. The Supervisory Board determines the composition, competences and procedures of such committees, if any. To the extent permitted by law and by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to the chairman, to any of the Supervisory Board member(s) or to any committee(s) established from among its members.

13.3.1 Members of the Supervisory Board

13.3.1.1 *Current Members of the Supervisory Board*

The following table sets forth the current members of the Supervisory Board, their respective age and position, and the duration of their remaining term:

Name	Age	First Appointed	Appointed until	Principal Occupation
Dr. Georg Kofler (chairman)	64	October 2019(1)	2023	Investor
Henning Giesecke (vice chairman)................	61	October 2019(1)	2024	Chairman of the supervisory boards of Endurance Capital AG, Linde + Wiemann Holding SE Dep., EAA Erste Abwicklungsanstalt AöR; Airbus Bank AG; Addiko Bank a.d. Beograd Dep.
Henrike Luszick	36	May 2020	2025	CEO at Bridgemaker GmbH

(1) First appointed as member of the supervisory board of Lumaland AG in February 2018.

Dr. Georg Kofler is a leading entrepreneur in the German and European media industry. For over 20 consecutive years, Dr. Kofler has been leading capital market orientated media companies as their founder, CEO and significant shareholder.

Dr. Kofler was born in Brunico, Italy, on April 26, 1957. He studied journalism and communication science in Vienna, Austria, and received his Ph.D. in 1983. Dr. Kofler began his career in the media industry in 1985 at the Österreichischer Rundfunk (ORF), Vienna. Two years later he moved to Munich, Germany, to join the Kirch Media Group. As Managing Director and Cofounder, Dr. Kofler launched on January 1, 1989, a new commercial TV Broadcaster: ProSieben. ProSieben was Europe's first full-time TV Channel that was distributed via cable and satellite only. From 1992 on, ProSieben became for the following decade one of the most profitable media Companies in Europe. Also in 1992, Dr. Kofler founded his second TV channel Kabel 1 and formed the ProSieben Media AG which he took public as CEO and shareholder in 1997. The IPO of ProSieben was the first meaningful Media IPO in Germany: a demand of 61 billion German Marks was generated, equaling a 55 times oversubscription of the 1,1 Billion DM emission volume.

Parallel to his ProSieben engagement, Dr. Kofler pioneered the European teleshopping industry by founding HOT (Home Order Television), Europe's first fulltime Teleshopping channel, in 1995. As teleshopping was showing strong growth and profitability year over year, Dr. Kofler left ProSieben in 2000 to found the Hot Networks AG partnering with Barry Diller's HSN (Home Shopping Network, Florida) and Thomas Kirch as shareholders. Dr. Kofler became Chairman and a 26 percent shareholder of Hot Networks AG that launched teleshopping channels throughout Europe within two years: in Rome, Brussels and London.

In 2002, Dr. Kofler became CEO of the German Pay TV broadcaster Premiere which was on the verge of insolvency. Dr. Kofler was able to restructure Premiere and acquired 20 percent of the Premiere AG himself. Furthermore, he convinced the private equity investor Permira to contribute the major investment in Premiere. In March 2005, Dr. Kofler took Premiere public on the Frankfurt Stock Exchange. The emission volume of 1.2 billion Euro was 13 times oversubscribed, with Premiere valued at 2.3 billion Euro. In the view of many professional commentators, Premiere was considered as the most impressive turnaround case of the European media industry. Both Premiere and ProSieben were listed in the German midcap Index MDAX shortly after their IPO.

In 2007, Dr. Kofler left Premiere to create his own family office and investment company: Gruppe Georg Kofler GmbH. He invested in several startups with a focus on energy efficiency. A second focus of his investments was dedicated to the upcoming opportunities in social media and e-commerce. As already experienced in commercial TV and teleshopping, Dr. Kofler was always convinced that the combination between owned media and proprietary direct to consumer brands can create extraordinary growth and entrepreneurial creativity. Based on this strategic vision, Dr. Kofler invested since 2016 significantly as cofounder and shareholder to building up

The Social Chain AG where he presently acts as major shareholder and Chairman of the supervisory board. Additionally, Dr. Kofler has been a panel member in the highly successful and popular TV Show "Die Höhle der Löwen" (German version of Shark Tank and Dragons Den) since 2017.

Alongside his office as chairman of the Supervisory Board, Dr. Kofler is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Gruppe Georg Kofler GmbH (Managing Director);
- FORTUNA Beteiligungsgesellschaft mbH (Managing Director);
- Da Capo Vermögensverwaltung mbH (Managing Director);
- eninvent GmbH (Managing Director);
- Leico Holding GmbH (Managing Director); and
- Hertha BSC GmbH & Co. KGaA (Member of the supervisory board).

Previously:

- The Social Chain Group AG (Chief Executive Officer); and
- Kofler Energies AG (vice chairman of the supervisory board).

Other than listed above, Dr. Kofler has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Henning Giesecke was born in Munich, Germany, on May 6, 1960.

Following his economics studies, Mr. Giesecke began his career at Bayerische Hypotheken- und Wechselbank AG in 1985, where he worked as a trainee. After a few years as a corporate customer advisor, Mr. Giesecke moved to Dresden in 1990 to head the branch there, which was followed by a position in Berlin as Head of Corporate Customers. After the merger with Bayerische Vereinsbank AG into the new Hypo-Vereinsbank (HVB), Mr. Giesecke served in various management positions in credit restructuring. At the beginning of 2006, he was appointed to the management committee of the new holding company UniCredit S.p.A. as Group Chief Risk Officer. In May 2008, he was appointed as a Chief Risk Officer and member of the management board of HVB. In 2009 he left UniCredit Group and served in different national and international supervisory boards.

Alongside his office as vice chairman of the Supervisory Board, Hr. Giesecke is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Endurance Capital AG (Chairman);
- Linde+Wiemann Holding SE Dep. (Chairman);
- EAA Erste Abwicklungsanstalt AöR (Member);
- Airbus Bank AG (Member of the supervisory board); and
- Addiko Bank a.d. Beograd Dep. (Chairman).

Previously:

- Addiko Bank AG Dep. (Chairman);

- Addiko Bank AD Podgorica Dep. (Chairman);
- Addiko Bank dd Ljubljana Dep. (Chairman);
- Kathrein SE (Member of the supervisory board); and
- Alno AG (Member of the supervisory board).

Other than listed above, Mr. Giesecke has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Henrike Luszick was born in Hannover, Germany, on August 27, 1985. She obtained a masters' degree in business administration from the Christian-Albrechts-Universität zu Kiel, Germany.

While still a student, Ms. Luszick co-founded druckpreis.de, a site enabling the search for and comparison of online print shops all over the internet. It compares their offers and displays them sorted by price. Besides showing prices in real time, it also offers a valuation of the print shops and the possibility for direct print orders. She joined Goetz Partners, Munich, Germany, in 2012 as a senior strategy consultant and was promoted to head of corporate development in 2014. In 2016, Ms. Luszick founded Bridgemaker GmbH, an independent venture builder in Germany with more than 10 successful ventures since its formation, where she is currently the chief executive officer.

Alongside her office as a member of the Supervisory Board, Ms. Luszick is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Advisory Board Member of Henkelhausen Holding GmbH.

Previously:

None.

Other than listed above, Ms. Luszick has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

The members of the Supervisory Board can be reached at the Company's offices at Gormannstraße 22, 10119 Berlin, Germany (telephone: +49 (0) 30 208 4840-0).

13.3.2 Supervisory Board Committees

Under the Articles of Association, the Supervisory Board may establish committees from among its members. Each committee must comprise at least three members of the Supervisory Board. To the extent permitted by law and by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to these committees.

As of the date of this Prospectus, the Supervisory Board has established only an audit committee, which has the following responsibilities:

- reviewing the financial reporting of the Company, monitoring the accounting process, the effectiveness of internal control systems, the risk management system and the internal audit system and auditing of the financial statements, in particular the selection and independency of the auditor as well as the quality of additional services rendered by the auditor, and compliance;
- discussing half-year or quarterly interim financial statements or reports with the Management Board before their publication and dealing with non-financial statements or declarations and the separate non-financial report and any appointment of external auditors pursuant to section 111 para, 2 sentence 4 AktG; and

- preparing resolutions of the Supervisory Board regarding (i) the annual financial statements and the consolidated financial statements of the Company and (ii) the Supervisory Board's proposal to the shareholders' meeting regarding the election of the Company's auditors.

The audit committee comprises three members. The following table sets forth the current members of the audit committee:

Name	Responsibilities
Henning Giesecke	Chairman of the audit committee
Henrike Luszick	Deputy chairman of the audit committee
Dr. Georg Kofler	Member of the audit committee

The chairman of the Supervisory Board may not simultaneously hold the position of chairman of the audit committee.

The audit committee performs its duties in compliance with applicable laws, in particular Regulation (EU) No 537/2014 of the European Parliament and the Council of April 16, 2014 on specific requirements regarding the statutory audit of public interest entities, as amended, the Articles of Association and the rules of procedure of the Supervisory Board.

The chairman of the audit committee regularly conducts discussions with the auditors. As a rule, the chief financial officer of the Company also attends these discussions. In certain cases, discussions may also take place without the chief financial officer. In connection with the fulfillment of its responsibilities, the audit committee may request information from the auditor, the Management Board, the audit department and the senior executives of the Company directly reporting to the Management Board.

13.3.3 Remuneration and Other Benefits of the Members of the Supervisory Board

Each member of the Supervisory Board receives a fixed remuneration of €50,000 per year.

13.4 Shareholdings of the Members of the Management Board and the Supervisory Board

As of the date of this Prospectus, Dr. Georg Kofler holds 5,464,033 shares in the Company, which corresponds to 47.55% of the Company's share capital, indirectly through the companies Gruppe Georg Kofler GmbH, FORTUNA Beteiligungsgesellschaft mbH, Dacapo S.à r.l. and DA CAPO Vermögensverwaltung GmbH, all of which are under the control of Dr. Georg Kofler. Dr. Georg Kofler is considered to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Wanja S. Oberhof currently directly holds 986,200 shares, which corresponds to 8.58% of the Company's share capital and a further 160 shares through WAOW entrepreneurship GmbH, a company directly controlled by Wanja S. Oberhof.

As of the date of this Prospectus, Ralf Dümmel, who we expect to be appointed as chief product officer following completion of the acquisition of DS Holding, holds 2,000 shares directly. An additional 74 shares are held by close relatives of Mr. Dümmel. Following the closing of the DS Holding acquisition, Mr. Dümmel will hold an additional 699,475 shares indirectly through DS Beteiligungs KG (GmbH & Co.). We further expect that, in the future service agreement, Mr. Dümmel will be granted the annual right to 50,000 stock options in the Company.

13.5 Long-Term and other Incentive Programs

13.5.1 Stock Option Program 2017 (SOP 2017)

In 2017, we implemented our initial SOP 2017. Under the SOP 2017,

- a total of up to 60,000 stock options entitling the holders to subscribe to up to 60,000 no-par value registered shares of the Company with a notional interest in our share capital of € 1.00 each may be issued to members of the Management Board until and including August 28, 2022, and

- a total of up to 140,000 stock options entitling the holders to subscribe to up to 140,000 no-par value registered shares of the Company with a notional interest in our share capital of €1.00 each may be issued to employees of the Company and members of the management of affiliated companies until and including August 28, 2022.

Only a limited amount of stock options was issued under the SOP2017 and by a resolution of the annual general meeting held on August 19, 2019, the SOP2017 was terminated (but for the already issued stock options) and replaced in full by the SOP2019 (see below). The Conditional Capital 2017/I was accordingly reduced to 76.000 no-par value registered shares of the Company with a notional interest in our share capital of €1.00.

The price to be paid upon exercise of the respective stock option corresponds to the volume-weighted average of our share price during the last 10 stock market trading days prior to the respective issue date. Stock options may only be issued to beneficiaries who, at the respective time of the granting of stock options, are in an employment relationship which has not been terminated. The Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, the Supervisory Board determines both the beneficiaries to whom stock options are granted and the number of stock options to be granted to them in each case. The stock options may be issued annually and in one or more tranches as determined by the Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, by the Supervisory Board, within acquisition periods specified in the terms and conditions of the SOP 2017.

The stock options may be exercised for the first time after the expiry of a waiting period of four years from the respective issue date. After expiry of the waiting period, the stock options may also only be exercised (i) in the twenty trading days following the date of the Annual General Meeting, (ii) in the twenty trading days following the date of an Extraordinary General Meeting, (iii) in the twenty trading days following the date of the announcement of the half-year results, or, (iv) in the twenty trading days following the date of the announcement of a quarterly report or an interim announcement. The stock options may only be exercised if the average, volume-weighted price of our shares during the last 10 stock market trading days prior to the start of the respective exercise period exceeds the exercise price by at least 10%.

Each stock option exercised in accordance with the terms and conditions of the SOP 2017 entitles the holder to a one-time subscription of one share on the basis of the Conditional Capital 2017/I created for this purpose. The new shares will participate in profits from the beginning of the fiscal year for which no resolution on the appropriation of profits exists at the time the stock options are exercised.

Prior to an exercise period, the Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, the Supervisory Board may determine that, instead of a delivery and creation of new shares on the basis of the Conditional Capital 2017/I (i) either a corresponding number of treasury shares shall be delivered to the beneficiary or (ii) we shall pay the beneficiary the difference between the exercise price and the settlement price in cash.

If the percentage increase in our share price within the last three months prior to the respective exercise period is more than 50% and if the percentage increase in the index in which our shares are included (relevant is the index in which the Lumaland shares are most strongly represented, alternatively the TecDAX) does not amount to at least 2/3 of the increase in our share price in the same period, the value of the new shares issued to a beneficiary in an exercise period is capped. The cap corresponds to twice the amount of the annual gross compensation (including all fringe benefits subject to income tax such as company cars, etc.) received by the beneficiary from the Company in the twelve months prior to the exercise date. In the event this cap applies, only as many new shares will be granted as the cumulative price of our shares on the exercise date does not exceed the cap. The difference between the cumulative share price on the exercise date and the cap will not be settled.

A stock option has a term of ten years from its respective issue date. Stock options which have not been exercised upon expiry of the respective term expire without compensation. Stock options also expire without compensation upon receipt of a notice of termination of the beneficiary's employment relationship with us if the termination is due to an important reason originating from the sphere of the beneficiary. If the employment relationship with the Company ends for any other reason, the stock options shall continue to exist unless otherwise agreed individually at the time they were granted.

13.5.2 Stock Option Program 2019 (SOP 2019)

In 2019, we established the SOP 2019. Under the SOP 2019,

- a total of up to 204,000 stock options entitling the holders to subscribe to up to 204,000 no-par value registered shares of the Company with a notional interest in our share capital of €1.00 each may be issued to members of the Management Board until and including August 18, 2024, and

- a total of up to 38,000 stock options entitling the holders to subscribe to up to 38,000 no-par value registered shares of the Company with a notional interest in our share capital of €1.00 each may be issued to employees of the Company and members of the management of affiliated companies until and including August 18, 2024.

The price to be paid upon exercise of the respective stock option corresponds to the volume-weighted average of our share price during the last 10 stock market trading days prior to the respective issue date. Stock options may only be issued to beneficiaries who, at the respective time of the granting of stock options, are in an employment relationship which has not been terminated. The Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, the Supervisory Board determines both the beneficiaries to whom stock options are granted and the number of stock options to be granted to them in each case. The stock options may be issued annually and in one or more tranches, as determined by the Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, by the Supervisory Board, within acquisition periods specified in the terms and conditions of the SOP 2019.

The stock options may be exercised for the first time after the expiry of a waiting period of four years from the respective issue date. After expiry of the waiting period, the stock options may also only be exercised (i) in the twenty trading days following the date of the Annual General Meeting, (ii) in the twenty trading days following the date of an Extraordinary General Meeting, (iii) in the twenty trading days following the date of the announcement of the half-year results, or, (iv) in the twenty trading days following the date of the announcement of a quarterly report or an interim announcement. The stock options may only be exercised if the average, volume-weighted price of our shares during the last 10 stock market trading days prior to the start of the respective exercise period exceeds the exercise price by at least 20%.

Each stock option exercised in accordance with the terms and conditions of the SOP 2019 entitles the holder to a one-time subscription of one share on the basis of the Conditional Capital 2019/II created for this purpose. The new shares will participate in profits from the beginning of the fiscal year for which no resolution on the appropriation of profits exists at the time the stock options are exercised.

Prior to an exercise period, the Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, the Supervisory Board may determine that, instead of a delivery and creation of new shares on the basis of the Conditional Capital 2019/II (i) either a corresponding number of treasury shares shall be delivered to the beneficiary or (ii) we shall pay the beneficiary the difference between the exercise price and the settlement price in cash.

If the percentage increase in our share price within the last three months prior to the respective exercise period is more than 50% and if the percentage increase in the index in which our shares are included (relevant is the index in which the social chain shares are most strongly represented, alternatively the TecDAX) does not amount to at least 2/3 of the increase in our share price in the same period, the value of the new shares issued to a beneficiary in an exercise period is capped. The cap corresponds to twice the amount of the annual gross compensation (including all fringe benefits subject to income tax such as company cars, etc.) received by the beneficiary from the Company in the twelve months prior to the exercise date. In the event this cap applies, only as many new shares will be granted as the cumulative price of our shares on the exercise date does not exceed the cap. The difference between the cumulative share price on the exercise date and the cap will not be settled.

A stock option has a term of ten years from its respective issue date. Stock options which have not been exercised upon expiry of the respective term expire without compensation. Stock options also expire without compensation upon receipt of a notice of termination of the beneficiary's employment relationship with us if the termination is due to an important reason originating from the sphere of the beneficiary. If the employment relationship with the Company ends for any other reason, the stock options shall continue to exist unless otherwise agreed individually at the time they were granted.

13.5.3 Stock Option Program 2020 (SOP 2020)

- In 2020, we established the SOP 2020. Under the SOP 2020,

- a total of up to 70,000 stock options entitling the holders to subscribe to up to 70,000 no-par value registered shares of the Company with a notional interest in our share capital of €1.00 each may be issued to members of the Management Board until and including May 5, 2025, and

- a total of up to 630,971 stock options entitling the holders to subscribe to up to 630,971 no-par value registered shares of the Company with a notional interest in our share capital of €1.00 each may be issued to employees of the Company and members of the management of affiliated companies until and including May 5, 2025.

The price to be paid upon exercise of the respective stock option corresponds to the volume-weighted average of our share price during the last 10 stock market trading days prior to the respective issue date. Stock options may only be issued to the beneficiaries who, at the respective time of the granting of stock options, are in an employment relationship which has not been terminated. The Management Board determines with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, the Supervisory Board determines both the beneficiaries and the number of stock options to be granted to them in each case. The stock options may be issued annually and in one or more tranches, as determined by the Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, by the Supervisory Board, within acquisition periods specified in the terms and conditions of the SOP 2020.

The stock options may be exercised for the first time after the expiry of a waiting period of four years from the respective issue date. After expiry of the waiting period, the stock options may also only be exercised (i) in the twenty trading days following the date of the Annual General Meeting, (ii) in the twenty trading days following the date of an Extraordinary General Meeting, (iii) in the twenty trading days following the date of the announcement of the half-year results, or, (iv) in the twenty trading days following the date of the announcement of a quarterly report or an interim announcement. For this purpose, publication in the form of a press statement shall also be deemed to be an announcement, unless further publication is required by law or by a provision of a securities exchange. The stock options may only be exercised if the average, volume-weighted price of our shares during the last 10 stock market trading days prior to the start of the respective exercise period exceeds the exercise price by at least 20%.

Each stock option exercised in accordance with the terms and conditions of the SOP 2020 entitles the holder to a one-time subscription of one share on the basis of the Conditional Capital 2020/II created for this purpose. The new shares will participate in profits from the beginning of the fiscal year for which no resolution on the appropriation of profits exists at the time the stock options are exercised.

Prior to an exercise period, the Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, the Supervisory Board may determine that, instead of a delivery and creation of new shares on the basis of the Conditional Capital 2020/II (i) either a corresponding number of treasury shares shall be delivered to the beneficiary or (ii) we shall pay the beneficiary the difference between the exercise price and the settlement price in cash.

If the percentage increase in our share price within the last three months prior to the respective exercise period is more than 50% and if the percentage increase in the index in which our shares are included (relevant is the index in which the social chain shares are most strongly represented, alternatively the TecDAX) does not amount to at least 2/3 of the increase in our share price in the same period, the value of the new shares issued to a beneficiary in an exercise period is capped. The cap corresponds to twice the amount of the annual gross compensation (including all fringe benefits subject to income tax such as company cars, etc.) received by the beneficiary from the Company in the twelve months prior to the exercise date. In the event this cap applies, only as many new shares will be granted as the cumulative price of our shares on the exercise date does not exceed the cap. The difference between the cumulative share price on the exercise date and the cap will not be settled.

A stock option has a term of ten years from its respective issue date. Stock options which have not been exercised upon expiry of the respective term expire without compensation. Stock options also expire without compensation upon receipt of a notice of termination of the beneficiary's employment relationship with us if the termination is due to an important reason originating from the sphere of the beneficiary. If the employment relationship with the Company ends for any other reason, the stock options shall continue to exist unless otherwise agreed individually at the time they were granted.

13.5.4 Stock Option Program 2021 (SOP 2021)

In 2021, we established the SOP 2021. Under the SOP 2021,

- a total of up to 50,000 stock options entitling the holders to subscribe to up to 50,000 no-par value registered shares of the Company with a notional interest in our share capital of €1.00 each may be issued to members of the Management Board until and including July 29, 2026,

- a total of up to 60,000 stock options entitling the holders to subscribe to up to 60,000 no-par value registered shares of the Company with a notional interest in our share capital of €1.00 each may be issued to employees of the Company and members of the management of affiliated companies until and including July 29, 2026, and

- a total of up to 15,877 stock options entitling the holders to subscribe to up to 15,877 no-par value registered shares of the Company with a notional interest in our share capital of €1.00 each may be issued to employees of the Company and members of the management of affiliated companies until and including July 29, 2026.

The price to be paid upon exercise of the respective stock option corresponds to the volume-weighted average of our share price during the last 10 stock market trading days prior to the respective issue date. Stock options may only be issued to the beneficiaries who, at the respective time of the granting of stock options, are in an employment relationship which has not been terminated. The Management Board determines with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, the Supervisory Board determines both the beneficiaries and the number of stock options to be granted to them in each case. The stock options may be issued annually and in one or more tranches, as determined by the Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, by the Supervisory Board, within acquisition periods specified in the terms and conditions of the SOP 2021.

The stock options may be exercised for the first time after the expiry of a waiting period of four years from the respective issue date. After expiry of the waiting period, the stock options may also only be exercised (i) in the twenty trading days following the date of the Annual General Meeting, (ii) in the twenty trading days following the date of an Extraordinary General Meeting, (iii) in the twenty trading days following the date of the announcement of the half-year results, or, (iv) in the twenty trading days following the date of the announcement of a quarterly report or an interim announcement. For this purpose, publication in the form of a press statement shall also be deemed to be an announcement, unless further publication is required by law or by a provision of a securities exchange. The stock options may only be exercised if the average, volume-weighted price of our shares during the last 10 stock market trading days prior to the start of the respective exercise period exceeds the exercise price by at least 20%.

Each stock option exercised in accordance with the terms and conditions of the SOP 2021 entitles the holder to a one-time subscription of one share on the basis of the Conditional Capital 2021/I created for this purpose. The new shares will participate in profits from the beginning of the fiscal year for which no resolution on the appropriation of profits exists at the time the stock options are exercised.

Prior to an exercise period, the Management Board with the consent of the Supervisory Board, or, in the case of beneficiaries who are members of the Management Board, the Supervisory Board may determine that, instead of a delivery and creation of new shares on the basis of the Conditional Capital 2021/I (i) either a corresponding number of treasury shares shall be delivered to the beneficiary or (ii) we shall pay the beneficiary the difference between the exercise price and the settlement price in cash.

If the percentage increase in our share price within the last three months prior to the respective exercise period is more than 50% and if the percentage increase in the index in which our shares are included (relevant is the index in which the social chain shares are most strongly represented, alternatively the TecDAX) does not amount to at least 2/3 of the increase in our share price in the same period, the value of the new shares issued to a beneficiary in an exercise period is capped. The cap corresponds to twice the amount of the annual gross compensation (including all fringe benefits subject to income tax such as company cars, etc.) received by the beneficiary from the Company in the twelve months prior to the exercise date. In the event this cap applies, only as many new shares will be granted as the cumulative price of our shares on the exercise date does not exceed the cap. The difference between the cumulative share price on the exercise date and the cap will not be settled.

A stock option has a term of ten years from its respective issue date. Stock options which have not been exercised upon expiry of the respective term expire without compensation. Stock options also expire without compensation upon receipt of a notice of termination of the beneficiary's employment relationship with us if the termination is due to an important reason originating from the sphere of the beneficiary. If the employment relationship with the Company ends for any other reason, the stock options shall continue to exist unless otherwise agreed individually at the time they were granted.

13.6 Certain Information Regarding the Members of the Management Board and the Supervisory Board

In the last five years, no member of the Management Board or the Supervisory Board has been:

- convicted of fraudulent offenses; or
- associated with any bankruptcy, receivership or liquidation in its capacity as a member of any administrative, management or supervisory body; or
- disqualified from acting as a member of the administrative, management, or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer; or
- the subject of any official public incriminations and/or sanctions have been pending, made or imposed by statutory or legal authorities, including designated professional bodies.

A conflict of interest may arise between Ralf Dümmel's future role as a member of the Management Board following the DS Holding acquisition and his role as a contractual partner of the Company in the DS Holding acquisition.

Other than disclosed in this Prospectus, there are no potential or actual conflicts of interest between the members of the Management Board and Supervisory Board as regards the Company on the one side and their private interests, membership in governing bodies of companies, or other obligations on the other side.

There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the respective other body.

No member of the Management Board or the Supervisory Board has entered into a service agreement with a Group company that provides for benefits upon termination of employment or office.

13.7 Shareholders' Meetings

13.7.1 Convening of Shareholders' Meetings

Pursuant to Section 175 para. 1 sent. 2 AktG, the annual shareholders' meeting of the Company must be held within the first eight months of each fiscal year, notwithstanding the current exemption under Article 2 Section 1 para. 5 of the Covid-19 Act. At the option of the body convening the shareholders' meeting, the meeting is held either at the registered seat of the Company, in Dresden or in a German city having more than 250,000 inhabitants at the seat of a German stock exchange. The Company's shareholders' meeting is generally convened by the Management Board or the Supervisory Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the shareholders' meeting. The day of the meeting and the day of the publication of the convocation in the German Federal Gazette (*Bundesanzeiger*) are not taken into account when calculating this 30-day period. This period is extended for the period for registration by the shareholders.

In addition, shareholders whose aggregate shareholdings amount to at least 5% of the Company's share capital may request that a shareholders' meeting be held. Shareholders or shareholder associations may solicit other shareholders to submit such request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request submitted by shareholders whose aggregate shareholdings amount to at least 5% of the Company's share capital, a shareholders' meeting of the Company is not held in a timely manner, the competent local court (*Amtsgericht*) may authorize the shareholders who have requested such meeting or their representatives to convene a shareholders' meeting of the Company.

13.7.2 Shareholders' Rights to Participate in Shareholders' Meetings

Pursuant to the Articles of Association, all shareholders of the Company who have duly submitted notification of attendance and evidence of their shareholdings are entitled to attend the shareholders' meeting and to exercise their voting rights. The registration for the shareholders' meeting must be received by the Company at the address specified in the convening notice at least six days prior to the day of the shareholders' meeting. The convening notice may provide for a shorter period to be measured in days. When calculating this period, the day of the meeting and the day of the receipt of the notice are not taken into account.

The shareholder's registration must be submitted in the German language or the English language in writing (*Textform*), unless the convening notice allows for a deviating form. The evidence of shareholdings may be provided in the form of proof set forth in Section 67c para. 3 AktG. Such evidence must refer to the beginning of the 21st day prior to the shareholders' meeting (so-called record date).

Voting rights may be exercised by proxy. The granting of the proxy, its revocation and the evidence of authorization to be provided to the Company must be, in any cases not covered by section 135 AktG, submitted in writing (*Textform*), unless the convening notice provides for a less strict form. Details on the granting of proxy, its revocation and the evidence to be provided to the Company are provided together with the convening notice for the shareholders' meeting. The Management Board may allow shareholders to cast their votes in writing or by electronic communication without attending the shareholders' meeting (absentee vote) and may determine the scope and the procedure of the exercising of rights in such way. The Management Board may also provide that shareholders may participate in the shareholders' meeting without being present in person at the place of the shareholders' meeting or being represented, and may exercise all or specific shareholders' rights, in full or in part, by electronic communication (online participation).

13.7.3 Conduct of Shareholders' Meetings

The shareholders' meeting is chaired by the chairman of the Supervisory Board or, in case of his or her absence or incapacity, the deputy chairman of the Supervisory Board or, in case of his or her absence or incapacity, any other person determined by the members of the Supervisory Board.

The chairman of the shareholders' meeting chairs the proceedings of the meeting and directs the course of the proceedings. Based on recognized and customary principles, the chairman may exercise rules of order and make use of assistants. The chairman determines the sequence of speakers and the consideration of the items on the agenda as well as the form and procedure of voting. The chairman may also, to the extent permitted by law, decide on the bundling of factually related items for resolution into a single vote. At the beginning of, or at any time during, the shareholders' meeting, the chairman may set a reasonable limit on the time allowed to speak or to ask questions, or on the combined time to speak and ask questions. The chairman may also determine an appropriate time frame for the course of the entire shareholders' meeting, for individual agenda items or individual speakers. If necessary, the chairman may close the list of requests to speak and order the end of the debate in the shareholders' meeting.

13.7.4 Resolutions of the Shareholders' Meeting

Pursuant to Section 16 of the Articles of Association, resolutions of the shareholders' meeting are generally passed with a simple majority of the votes validly cast, subject to statutory requirements on votes such as resolutions on the removal of members of the Supervisory Board that require a majority of at least three quarters of the votes validly cast. If a majority of the share capital is required by law, a simple majority of the registered share capital represented at the vote is sufficient, unless a higher majority is required by mandatory law or the Articles of Association.

Pursuant to the AktG, resolutions of fundamental importance (*grundlegende Bedeutung*) require a majority of at least 75% of the share capital represented at the vote. Resolutions of fundamental importance include:

- the approval to conclude or amend corporate agreements (*Unternehmensverträge*);
- amendments to the corporate purpose of the Company;
- the creation of conditional or authorized capital;

- an exclusion of subscription rights as part of a capital increase by the shareholders' meeting or in the context of an issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing rights;
- an authorization on the use of treasury shares;
- capital reductions;
- a liquidation of the Company or a subsequent continuation of the liquidated Company;
- the approval of contracts within the meaning of Section 179a AktG (transfer of the entire assets of the Company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- an integration of the Company into another corporation; and
- any actions within the meaning of the UmwG.

Neither German law nor the Articles of Association limit the rights of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise voting rights associated therewith.

13.7.5 Virtual Shareholders' Meetings

Pursuant to the COVID-19 Act, the Management Board may decide, with the approval of the Supervisory Board, to hold shareholders' meetings on or before December 31, 2021 as virtual shareholders' meetings without the physical presence of shareholders or their representatives, provided that the following requirements are fulfilled:

- the entire shareholders' meeting is broadcast via audio and video transmission;
- shareholders may exercise their voting rights via electronic communication (absentee voting or electronic participation) and by authorizing proxy representatives;
- shareholders are granted the opportunity to ask questions via electronic communication; and
- shareholders who have exercised their voting rights are offered the opportunity to object to resolutions of the shareholders' meeting without the requirement to attend in person at the shareholders' meeting.

Under the COVID-19 Act, the Management Board, with the consent of the Supervisory Board, may shorten certain periods in connection with the convocation of, registration and providing evidence of shareholding for, shareholders' meetings held on or before December 31, 2021. In particular, the shareholders' meeting may be convened as late as on the 21st day prior to the day of the meeting.

13.8 German Corporate Governance Code

The German Corporate Governance Code, as amended on December 16, 2019 (the "**Code**"), contains recommendations and suggestions for the management and supervision of German companies listed on a stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to increase the transparency of the German system of corporate governance and supervision for investors. The Code includes recommendations and suggestions for management and supervision with regard to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. Pursuant to Section 161 para. 1 AktG, the Management Board and the Supervisory Board are, however, required to declare that the Company has either complied or will comply with the recommendations of the Code, or which recommendations have not or will not be complied with, and explain why the Management Board and the Supervisory Board do not or will not comply with certain recommendations. This declaration must be submitted annually and must be made permanently accessible to the shareholders. There is no requirement to disclose any deviations from the suggestions of the Code.

Prior to the listing of the shares of the Company on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is not obligated to issue a declaration relating to the Code.

As of the date of this Prospectus, the Company complies with, and after the listing of the Company's shares on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), intends to further comply with all recommendations and suggestions in the Code, apart from the following:

- Recommendation/suggestion A2 sentence 2: Employees shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the enterprise; third parties should also be given such opportunity.

- Recommendation D5: The Supervisory Board shall form a nomination committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting.

14. CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are members of the same group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Company's consolidated financial statements. Control exists if a shareholder owns more than half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies, including joint ventures, as well as transactions with persons who have significant influence over the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and the Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and the Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below in is a detailed description of such transactions with related parties for the fiscal years ended December 31, 2020 and December 31, 2019, the six months ended June 30, 2021 and up to and including the date of this Prospectus. Business relationships between companies of the Group are not included. Further information with respect to related-party transactions, including quantitative amounts, are contained in the notes to the financial statements included in this Prospectus in the section "16. Financial Information" on pages F-1 et seq.

14.1 Transactions with Related Parties

During the fiscal year ended December 31, 2020, the Group companies had the following transactions with related parties who do not belong to the Group's scope of consolidation. The Group identified two types of related parties for fiscal year ended December 31, 2020: Key Management Personnel and Other Related Parties.

	2020		2019	
	Key Management Personnel	Other Related Parties	Key Management Personnel	Other Related Parties
	(audited)		(unaudited)	
	(in € thousand)		(in € thousand)	
Income from the Sale of goods and services	0	114	0	114
Interest expenses	2	435	0	192
Interest Income	0	4	0	0

	December 31, 2020		December 31, 2019	
	Key Management Personnel	Other Related Parties	Key Management Personnel	Other Related Parties
	(audited)		(unaudited)	
	(in € thousand)		(in € thousand)	
Loans from related parties	27	19,488	75	3,711
thereof secured	0	0	0	1,303
Loans to related parties	0	150	0	0
thereof secured	0	0	0	0

Other related parties (including investments held by the key management personnel) are the related parties that are neither key management personnel, nor joint ventures, associates or companies with significant influence over the Company. The Company has outstanding loans from related parties as of the balance sheet day.

Sales of goods or services were arm's length.

The outstanding amounts are settled in cash. In 2020 no secured amounts or guarantees were granted or received. No provisions were made for doubtful debts in respect of the receivables from related parties.

Interest on the loans received from related parties was charged at rates ranging between 1.0% and 4.5%.

14.2 Relationships with Members of the Management Board and the Supervisory Board

The table below presents the aggregate remuneration to the key management personnel for each of the categories specified in IAS 24:

	For the fiscal year ended December 31,	
	2019	**2020**
	(audited) **(in € million)**	
Current employee benefits	0.5	0.7
Post-employment benefits	0.0	0.0
Other non-current benefits	0.2	0.0
Share-based payments	1.7	2.1
Total	**2.3**	**2.8**

Remuneration to the Group's key management personnel includes salaries and non-cash benefits. Executive officers also participate in the Group's share option program. Furthermore, the employees of the Company are entitled to participate in a share purchase program.

Key management personnel control 57.72% of the voting shares of the Company. Certain members of the key management personnel hold positions in other companies that result in them having control or significant influence over these companies. A number of these companies transacted with the Group during the year.

For a detailed description of the current remuneration of the members of the Management Board and Supervisory Board, please refer to sections "*13.2.2 Remuneration and Other Benefits of the Members of the Management Board*" and "*13.3.3 Remuneration and Other Benefits of the Members of the Supervisory Board*".

15. TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The tax legislation of the investor's country of residence and of Germany as the Company's country of incorporation may have an impact on the income received from the securities. Tax consequences may differ according to the provisions of different tax treaties and the investor's particular circumstances. Therefore, investors are urged to consult their own tax advisors as to tax consequences of the acquisition, ownership and disposition of shares in the Company.

Income received from shares in the Company is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the Company's shareholders and the tax laws of the Company's state of incorporation, statutory seat and place of effective management (i.e., Germany) may have an impact on the income received from shares in the Company.

The following section outlines certain key German tax principles that may be relevant with respect to the acquisition, holding or transfer of shares in the Company. It is important to note that the legal situation may change, possibly with retroactive effect. This summary is not and does not purport to be a comprehensive or exhaustive description of all tax considerations that may be relevant to shareholders of the Company. This presentation is based upon domestic German tax laws in effect as of the date of this Prospectus and the provisions of double-taxation treaties currently in force between Germany and other countries. We cannot rule out that the German tax authorities or courts will interpret these laws and provisions differently than what is described in this section.

This section does not replace the need for individual shareholders of the Company to seek personal tax advice. Therefore, prospective shareholders are advised to consult their own tax advisors regarding the tax implications of acquiring, holding or transferring shares of the Company and what procedures are necessary to secure the repayment of German withholding tax (Kapitalertragsteuer), if possible. Only qualified tax advisors are in a position to adequately consider the particular tax situation of individual shareholders of the Company.

15.1 General Taxation of Dividends

Shareholders are taxed in particular in connection with the holding of shares (taxation of dividend income), upon the sale or disposal of shares (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

15.1.1 No Taxation in Case of Payments from a Tax-Recognized Contribution Account

In the future, the Company may pay dividends out of a tax-recognized contribution account (*steuerliches Einlagekonto*). To the extent the Company pays dividends from such tax-recognized contribution account in accordance with the statutory requirements, such dividends are not subject to withholding tax, personal income tax or corporate income tax, as the case may be (including the solidarity surcharge and church tax, if applicable). Any dividends paid out of a tax-recognized contribution account in accordance with the statutory requirements would, however, lower the acquisition costs of the shares, which may result in a higher amount of taxable capital gains upon the shareholder's sale of the shares. Special rules apply to the extent that dividends from the tax-recognized contribution account exceed the then lowered acquisition costs of the shares (the details are outlined below).

15.1.2 Withholding Tax

Dividends distributed by the Company that are not paid out of the tax-recognized contribution account (*steuerliches Einlagekonto*) in accordance with the statutory requirements are subject to a deduction at source (withholding tax) at a 25% rate plus a solidarity surcharge of 5.5% on the amount of withholding tax (amounting in total to a rate of 26.375%) and church tax (*Kirchensteuer*), if applicable. The basis for determining the dividend withholding tax is the dividend approved for distribution by the Company's shareholders' meeting.

In general, dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the dividend for tax purposes and regardless of whether the shareholder is a resident of Germany or of a foreign country.

As the Company's shares are admitted to be held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in

Germany, the following entities are responsible and authorized to collect withholding tax in Germany and to remit it to the relevant tax authority for the account of the relevant shareholder: (i) a domestic bank or financial service institute (*inländisches Kredit- oder Finanzdienstleistungsinstitut*), a domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or a domestic securities trading bank (*inländische Wertpapierhandelsbank*), including the domestic branches of foreign banks or financial service institutes, which holds the shares in custody or that manages such shares and that pays out or credits the shareholder's investment income or that pays the investment income to a foreign entity, or (ii) the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if it pays the investment income to a foreign entity, or (iii) the Company itself if and to the extent shares that are held in collective safe custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are treated as shares being held separately (*abgesetzte Bestände*) (each person within the meaning of (i) through (iii) a "**Dividend Agent**"). Aside from shares being held separately (*abgesetzte Bestände*), the Company generally does not assume any responsibility for the withholding of withholding tax. That means that the Company is released from liability for violation of its legal obligation to withhold and pay the taxes at source, if it provides evidence that it has not breached its duties intentionally or gross negligently.

Where dividends are distributed to a company resident in another member state of the European Union within the meaning of Article 2 of Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended (the "**Parent-Subsidiary Directive**"), withholding of the dividend withholding tax may not be required (withholding tax exemption) or may be refunded, in each case only upon application and provided that certain additional requirements are met. This also applies to dividends distributed to a permanent establishment located in another member state of the European Union of such parent company or of a parent company that is tax resident in Germany, if the interest in the dividend-paying subsidiary is part of the respective permanent establishment's business assets. Further prerequisites for the exemption from withholding at the source or a refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least 10% of the Company's registered share capital continuously for twelve months at the time at which the withholding tax arises in accordance with the statutory provisions and that the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered office in An der Küppe 1, 53225 Bonn, Germany, has certified to the creditor of the dividends, based upon an application filed by such creditor on the officially prescribed form, that the prerequisites for exemption have been met. The exemption from, or the refund of, withholding taxes on dividends is subject to the German anti-treaty shopping rules. These rules, *inter alia*, generally require that a shareholder maintains its own administrative substance in the country of its tax residence and conducts its own business activities. If there is a holding of at least 10% of the Company's registered share capital and the shares held in collective safe custody by Clearstream are treated as so-called stock being held separately (*abgesetzte Bestände*), the German tax authorities will, based on a decree issued in 2013, not object when the main paying agent (*Hauptzahlstelle*) of the Company disburses dividends without deducting withholding tax, assuming a valid exemption certificate (*Freistellungsbescheinigung*) and proof that the relevant shares have been held separately are presented. An exemption certificate is granted upon application with the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) at the aforementioned offices, subject to the aforementioned requirements.

The dividend withholding tax rate for dividends paid to shareholders without a tax residence in Germany will be reduced in accordance with any applicable double-taxation treaty between Germany and the relevant shareholder's country of residence, provided that the shares are neither held as part of the business assets of a permanent establishment or a fixed base in Germany nor as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) at the aforementioned offices for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable double-taxation treaty, which usually amounts to between 5% and 15%. Depending on the applicable double-taxation treaty, a reduced withholding tax rate may be applicable in the tax withholding process, if the shareholder has applied for an exemption certificate (*Freistellungsbescheinigung*) from the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*). The applicable double-taxation treaty may also provide for a full exemption from the German dividend withholding tax, if the relevant shareholder has directly held at least 10% of the Company's registered share capital and if further prerequisites are met. Forms for the refund and exemption procedure are available at the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*). Any such reduction of withholding taxes is subject to the German anti-treaty shopping rules.

Corporations that are not tax residents in Germany will upon application receive a refund of two fifths of the dividend withholding tax that was withheld and remitted to the tax authorities subject to certain requirements. This applies regardless of any further reduction or exemption provided for under the Parent-Subsidiary Directive or a double-taxation treaty.

Foreign corporations will generally have to meet certain stringent substance criteria defined by statute in order to receive an exemption from, or (partial) refund of, German dividend withholding tax.

Pursuant to special rules on the restriction of withholding tax credit, the aforementioned relief in accordance with applicable double-taxation treaties as well as the credit of withholding tax described for shares held as private and as business assets (see "*15.2 Taxation of Dividends of Shareholders with a Tax Residence in Germany*") is subject to the following three cumulative prerequisites: (i) the relevant shareholder must qualify as beneficial owner of the shares in the Company for a continuous period of at least 45 days occurring within a period of 45 days prior and 45 days after the due date of the dividends ("**Minimum Holding Period**"), (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during the Minimum Holding Period without having, in particular, entered into hedging transactions (acting by itself or through a related party), which directly or indirectly lower the change in value risk by more than 30%, and (iii) the shareholder is not required to fully or largely, directly or indirectly, transfer the dividends to third parties (the tests under (i) through (iii) together the "**Minimum Risk Test**").

Should any of the three prerequisites of the Minimum Risk Test not be met, the following applies:

- As regards the taxation of dividends of shareholders with a tax residence in Germany, three fifths of the withholding tax imposed on the dividends may not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base in an assessment procedure for the relevant assessment period. A shareholder that has received gross dividends without any deduction of withholding tax (*i.e.*, due to a tax exemption without qualifying for a full tax credit) or that has already obtained a refund of taxes withheld, has to notify the competent local tax office accordingly, file a withholding tax return for an amount of 15% of the relevant dividends in accordance with the statutory formal requirements and pay withholding tax in the amount stated on the aforementioned withholding tax return. The special rule on the restriction of withholding tax credit does not apply to a shareholder whose overall dividend earnings within an assessment period do not exceed €20,000.00 or who has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends.

- As regards the taxation of dividends of shareholders without a tax residence in Germany who have applied for a full or partial refund of the withholding tax pursuant to a double-taxation treaty, no refund is available. This restriction does not apply to a shareholder (i) that directly holds at least 10% of the shares in the Company and that is subject to taxes on income or profits in the country of its tax residence without being exempted therefrom, or (ii) that has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends, or (iii) if the applicable tax rate pursuant to the applicable double-taxation treaty is at least 15%.

- In addition to the aforementioned statutory provisions, the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) has published a decree outlining the treatment of transactions where the credit of withholding tax will be denied even when the statutory minimum tests described above are met, in order to prevent abuse.

Prospective shareholders should seek their own professional advice as to whether they can obtain a tax credit or tax refund with respect to withholding taxes on dividends.

In case of individual shareholders holding shares in the Company as private assets, the Dividend Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called pots for offsetting losses (*Verlustverrechnungstöpfe*) to allow for negative capital income to be set off against current and future positive capital income. A set-off of negative capital income at one Dividend Agent against positive capital income at another Dividend Agent is only possible in the course of the income tax assessment at the level of the respective shareholder. In such case, the relevant shareholder has to apply for a certificate confirming the amount of losses not offset with the Dividend Agent where the pot for offsetting losses exists. The application is irrevocable and must reach the Dividend Agent until December 15 of the respective year, as otherwise the losses will be carried forward by the respective Dividend Agent to the following year.

Withholding tax will not be withheld by a Dividend Agent if the shareholder provides such Dividend Agent with an application for exemption (*Freistellungsauftrag*) to the extent such shareholder's capital income does not exceed the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the shareholder provides the Dividend Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

15.2 Taxation of Dividends of Shareholders with a Tax Residence in Germany

15.2.1 Individuals who hold the Shares as Private Assets

For individuals who are tax resident in Germany (generally, individuals whose domicile or usual residence is located in Germany) and who hold their shares in the Company as private assets, the withholding tax of 25% plus solidarity surcharge of currently 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if applicable) will generally serve as a final tax (*i.e.,* once such tax has been deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his annual tax return (*Abgeltungsteuer* (the "**Flat Tax**"))).

The purpose of the Flat Tax is to provide for separate and final taxation of capital investment income earned (*i.e.*, taxation that is irrespective of the individual's personal income tax rate). Shareholders may apply to have their entire capital investment income, including dividends paid by the Company, assessed in accordance with the general rules and with an individual's personal income tax rate if this results in a lower tax burden. In this case, the base for taxation is the gross dividend income less the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals). Subject to the Minimum Risk Test and the related rules as described above, any tax and solidarity surcharge withheld is credited against the income tax and solidarity surcharge so determined, and any overpayment refunded. Income-related expenses cannot be deducted from capital gains in either case. The only possible deduction is the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals) on the entire private capital income. Furthermore, dividend income can only be offset by losses from capital income, except for losses generated by the disposal of shares.

If the individual owns (i) at least 1% of the shares in the Company and – by virtue of his professional activity (*berufliche Tätigkeit*) for the Company – is able to exercise a significant entrepreneurial influence on the business activity of the Company, or (ii) at least 25% of the shares in the Company, the tax authorities may upon application allow for the dividends to be taxed under the partial-income method applying the individual income tax rate instead of the Flat Tax (see "*15.2.2.2 Sole Proprietors (Individuals)*").

Entities required to collect withholding taxes on capital investment income are required to likewise withhold the church tax on payments to shareholders who are subject to church tax, unless the shareholder objects in writing to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his private information regarding his affiliation with a religious denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, the church tax on the dividends is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense (*Sonderausgabe*). 26.375% of the church tax withheld on the dividends is, however, deducted from the withholding tax (including the solidarity surcharge) withheld. If no church tax is withheld along with the withholding of the withholding tax, the shareholder who owes church tax is required to declare his dividends in his income tax return. The church tax on the dividends will then be imposed by way of a tax assessment.

Contrary to the above, dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) in accordance with the statutory requirements and are paid to shareholders who are tax resident in Germany whose shares are held as private assets, do not form part of the shareholder's taxable income, but reduce the acquisition costs for such shares. If the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) in accordance with the statutory requirements exceeds the shareholder's acquisition costs, the German tax authorities take the view that negative acquisition costs can arise. Such negative acquisition costs may result in a higher capital gain in case of a disposal of the shares. This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the disposal (or the deemed disposal) directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Participation**") and (ii) the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In case of a Qualified Participation, a dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) is considered a disposal of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In this case the taxation corresponds to the taxation of capital gains of shareholders maintaining a Qualified Participation (see "*15.4 Taxation of Capital Gains*").

15.2.2 Shares Held as Business Assets

The Flat Tax does not apply to dividends from shares of the Company held as business assets of shareholders who are tax resident in Germany. In this case, the taxation depends on whether the shareholder is a corporation, an individual or a partnership. Subject to the Minimum Risk Test, the withholding tax withheld and paid to the tax authorities, including the solidarity surcharge (and church tax, if applicable), is credited against the income or corporate income tax and the solidarity surcharge (and church tax, if applicable) of the shareholder, and any overpayment will be refunded.

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and paid to shareholders who are tax resident in Germany and whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholders. At the same time such dividend payments lead to a corresponding reduction of the acquisition costs/book value for the relevant shares. To the extent the dividend payments funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceed the acquisition costs/book value of the shares, a taxable capital gain should occur. The taxation of such gain corresponds to the taxation of shareholders whose shares are held as business assets (see "*15.4 Taxation of Capital Gains*").

15.2.2.1 Corporations

In general, dividends received by corporations that are tax-resident in Germany are effectively 95% exempt from corporate income tax and solidarity surcharge. 5% of the dividends are treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge) with a total tax rate of 15.825%.

Portfolio dividends (*i.e.,* dividends earned on direct shareholdings in a distributing corporation of less than 10% of its share capital at the beginning of the respective calendar year ("**Portfolio Participation**")) are fully taxed at the corporate income tax rate plus solidarity surcharge thereon of 15.825%. The acquisition of a shareholding of at least 10% during a calendar year is deemed to have occurred at the beginning of the respective calendar year. Participations which a shareholder holds through a commercial partnership are only attributable to such shareholder on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Any dividends (after deducting business expenses related to the dividends) are fully subject to trade tax, unless the corporation held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, entitling it to an intercorporate privilege for trade tax purposes. In such case, the aforementioned exemption of 95% of the dividend income applies also for trade tax purposes. The trade tax rate applicable on the amount of 5% of the respective dividends (being treated as non-deductible business expenses and therefore subject to trade tax) depends on the tax rate imposed by the local municipalities in which the shareholder maintains its operations or permanent establishment.

15.2.2.2 Sole Proprietors (Individuals)

If the shares in the Company are held as part of the business assets of a sole proprietor (individual) with his tax residence in Germany, only 60% of any dividend are subject to progressive income tax (plus solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of up to approximately 47.5% (plus church tax (*Kirchensteuer*), if applicable), the so-called partial income method (*Teileinkünfteverfahren*). Correspondingly, only 60% of the expenses economically related to the dividends are tax deductible. The partial income method does, however, not apply with respect to church tax (if applicable). If the shares are held as business assets of a domestic commercial permanent establishment, the full amount of the dividend income (after deducting business expenses that are economically related to the dividends) is also subject to trade tax, unless the respective shareholder held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the net dividends (after deducting directly related expenses) are exempt from trade tax. Trade tax is, however, generally credited, in full or in part, as a lump sum against the relevant shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

15.2.2.3 *Partnerships*

If a shareholder is a partnership, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge (and church tax, if applicable) are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, dividends are generally effectively 95% tax-exempt. Dividends from a Portfolio Participation of the relevant partner are, however, fully subject to taxation (see "*15.2.2.1 Corporations*"). If the partner is an individual and the shares are held as business assets of the partnership, only 60% of the dividend income is subject to income tax. In this case, the partial income method does not apply with respect to church tax, if applicable (see "*15.2.2.2 Sole Proprietors (Individuals)*"). Upon application and subject to further conditions, an individual who is a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, if the shares are held as business assets of a domestic permanent establishment of an actual or presumed commercial partnership, the full amount of dividend income is generally also subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on the relevant partner's portion of the partnership's income is generally credited as a lump sum, in full or in part, against the individual's personal income tax liability depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder. If the partnership held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends (after deduction of business expenses economically related thereto) should generally not be subject to trade tax. In this case, trade tax should, however, be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look-through basis, since this portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to partners other than such specific corporate partners (which includes individual partners and should, according to a literal reading of the law, also include corporate partners to whom, on a look-through basis, only portfolio participations are attributable) should not be subject to trade tax. Due to a lack of case law and administrative guidance, the application of the rules for the taxation of Portfolio Participations is, however, unclear. Consequently, shareholders are strongly recommended to consult their own tax advisors.

15.2.2.4 *Financial and Insurance Sector*

Special rules apply to companies operating in the financial and insurance sectors, as well as pension funds (see "*15.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

15.3 Taxation of Dividends of Shareholders Without a Tax Residence in Germany

Dividends paid to shareholders of the Company (individuals and corporations) without a tax residence in Germany are taxed in Germany, provided that the shares are held as part of the business assets of a permanent establishment or a fixed base in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. Subject to the Minimum Risk Test and the related rules, the withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability, and any overpayment will be refunded. The same applies to the solidarity surcharge. These shareholders are essentially subject to the same rules applicable to tax resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax discharges any tax liability of the shareholder in Germany. A refund or exemption is granted only as discussed with respect to dividend withholding tax (see "*15.1.2 Withholding Tax*").

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) are generally not taxable in Germany.

15.4 Taxation of Capital Gains

15.4.1 Taxation of Capital Gains of Shareholders with a Tax Residence in Germany

15.4.1.1 <u>Shares Held as Private Assets</u>

Gains on the sale or disposal of shares of the Company that are held as private assets by shareholders with a tax residence in Germany and which were acquired after December 31, 2008, are generally taxable regardless of the length of time held. The tax rate is generally a uniform 25% plus the current 5.5% solidarity surcharge thereon (resulting in an aggregate tax rate of 26.375%) as well as any church tax, if applicable.

The taxable capital gains are the difference between (i) the proceeds from the disposal of the shares after deducting the direct sales costs and (ii) the acquisition costs of the shares. Under certain conditions, payments from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the acquisition costs of the shares and may lead to negative acquisition costs, which can increase capital gains. Losses on the sale or disposal of shares can only be used to offset gains made on the sale or disposal of shares (in the Company or in other stock corporations) during the same assessment period or in subsequent assessment periods. In case of a derecognition or transfer of worthless shares (or other capital assets), the utilization of such losses is further restricted and can only be offset in an amount of up to €20,000.00 per calendar year.

If the shares are held in custody or administered by a domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank including the domestic branches of foreign banks and financial service institutes, or if such entity or branch sells the shares and pays out or credits the capital gains (each a "**Domestic Agent**"), such Domestic Agent withholds a withholding tax of 25% plus the current 5.5% solidarity surcharge thereon and any church tax, if applicable, and remits such taxes to the tax authority. In such a case, the tax on the capital gain will generally be discharged. If the shares were only held in custody or administered by the respective Domestic Agent continuously after acquisition, the amount of taxes withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire such shares. The withholding tax rate of 25% plus the current 5.5% solidarity surcharge thereon and any church tax, if applicable, will, however, be applied to 30% of the gross sales proceeds, if (i) the shares were not administered by the same custodian bank since acquisition, and (ii) the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30% of the gross proceeds required to, verify the original costs of the shares in his annual tax return.

Entities required to collect withholding taxes on capital investment income are also required to withhold the church tax for shareholders who are subject to church tax, unless the shareholder objects in writing to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his private information regarding his affiliation with a denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the capital gain is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense (*Sonderausgabe*). 26.375% of the church tax withheld on the capital gain is, however, deducted from the withholding tax (including the solidarity surcharge) withheld.

If withholding tax or, if applicable, church tax on capital gains is not withheld by a Domestic Agent, the respective shareholder is required to declare the capital gains in his income tax return. The income tax, the solidarity surcharge and any applicable church tax on the capital gains will then be collected by way of assessment.

In general, it is not possible to deduct income-related expenses in connection with capital gains, except for expenses directly related in substance to the disposal, which can be deducted when calculating the capital gains. Only the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals) may be deducted from the entire capital investment income.

A shareholder may request that his entire capital investment income, along with his other taxable income, are subject to the progressive income tax rate instead of the uniform tax rate for private capital investment income if this lowers his tax burden. In such case, the base for taxation would be the gross income less the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals). The prohibition on deducting income-related costs and the restrictions on offsetting losses also apply to tax assessments based on the progressive income tax rate. Any tax withheld is credited against the income tax so determined, and any overpayment refunded subject to the general requirements such as the Minimum Risk Test (if applicable) and the related rules.

Regardless of the holding period and the time of acquisition, gains from the disposal of shares are not subject to a uniform withholding tax but to progressive income tax in case of a qualified holding of at least, directly or indirectly, 1% of the Company's share capital at any time during the previous five years. In this case, 60% of the proceeds from the sale or disposal of shares are subject to the individual income tax rate. Correspondingly, only 60% of the expenses economically related to the proceeds from the sale or disposal of shares are tax-deductible.

In case of a Qualified Participation, withholding tax (including the solidarity surcharge and church tax, if applicable) is also withheld by the Domestic Agent. The tax withheld, however, is not treated as a final tax. Hence, the shareholder is required to declare the gains from the sale in his income tax return. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax liability, and any overpayment will be refunded.

Withholding tax will not be withheld by a Domestic Agent if the shareholder provides such Domestic Agent with an application for exemption (*Freistellungsauftrag*), to the extent such shareholder's capital income does not exceed the annual savers' allowance (*Sparerpauschbetrag*) of €801.00 (€1,602.00 for jointly filing individuals). Furthermore, no withholding tax will be levied if the shareholder provides the Domestic Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

15.4.1.2 *Shares Held as Business Assets*

The Flat Tax does not apply to proceeds from the sale or disposal of shares held as business assets by shareholders tax resident in Germany. If the shares form part of a shareholder's business assets, taxation of the capital gains realized will then depend upon whether the shareholder is a corporation, sole proprietor or partnership. Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the original acquisition costs. This may give rise to a higher taxable capital gain in case of a sale or disposal of shares. If the dividend payments funded from the Company's tax-recognized contribution account exceed the original acquisition costs for tax purposes, a taxable capital gain may arise.

1. **Corporations**: In general, capital gains earned from the sale or disposal of shares by corporations domiciled in Germany are effectively 95% exempt from corporate income tax (including the solidarity surcharge) and trade tax, irrespective of the stake represented by the shares and the holding period of the shares. 5% of the capital gains are treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge thereon) and to trade tax. Losses from the sale of shares and any reductions in profits connected therewith generally do not qualify as tax-deductible business expenses.

2. **Sole proprietors (Individuals)**: If the shares of the Company form part of the business assets of a sole proprietor (individual) who is tax-resident in Germany, only 60% of the capital gains on their sale are subject to the individual's personal tax rate plus the solidarity surcharge thereon (partial income method). Correspondingly, only 60% of losses from such sales and 60% of expenses economically related to such sales are deductible. For church tax, if applicable, the partial income method does not apply. If the shares are held as business assets of a commercial permanent establishment located in Germany, 60% of the capital gains are also subject to trade tax. As a general rule trade tax can be fully or partially credited as a lump sum against the shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

3. **Commercial Partnerships**: If the shareholder is a partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains realized by corporations apply as outlined in subsection 1 above. If the partner is an individual, the tax principles applying to capital gains realized by sole proprietors (individuals) apply as outlined in subsection 2 above. Upon application and provided that additional prerequisites are met, an individual who is a partner may obtain a reduction of his personal income tax rate for profits not withdrawn from the partnership. In addition, capital gains from the sale or disposal of shares attributable to a permanent establishment maintained in Germany by an actual or presumed commercial partnership are subject to trade tax at the level of the partnership. In such case, generally only 60% of the gains are subject to trade tax to the extent the partners in the partnership are individuals, while effectively 5% are subject to trade tax to the extent the partners are corporations and shares in corporations are sold. Under the principles discussed above, losses on sales and other reductions in profits related to the shares sold are generally not deductible if the partner is a corporation, and 60% thereof are taken into account if they are attributable to the share in the

profits of an individual. If the partner is an individual, the trade tax the partnership pays on his share of the partnership's income is generally credited as a lump sum, in full or in part, against his personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of the respective taxpayer.

Special rules apply to capital gains realized by companies operating in the financial and insurance sectors, as well as pension funds (see "*15.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

If a Domestic Agent is involved, the proceeds from the sale or disposal of shares of the Company held as business assets are generally subject to the same withholding tax rate as those of shareholders whose shares are held as private assets (see "*15.4.1.1 Shares Held as Private Assets*"). The Domestic Agent may, however, refrain from withholding the withholding tax if (i) the shareholder is a corporation, association or estate with its tax residence in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the Domestic Agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including the solidarity surcharge and church tax, if applicable) will be credited against the relevant shareholder's income tax or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) and any excess amount will be refunded, subject to the Minimum Risk Test and related rules.

15.4.2 Taxation of Capital Gains of Shareholders Without a Tax Residence in Germany

Capital gains realized by a shareholder without a tax residence in Germany are only subject to German income tax if the selling shareholders hold a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

The German Federal Fiscal Court (*Bundesfinanzhof*) has stated that if the shareholder is a corporation that is neither tax resident in Germany nor maintains a permanent establishment or has appointed a permanent representative in Germany, the capital gains on the disposal of a Qualified Participation are not subject to German taxation. The German tax authorities have adopted this view.

If the shareholder is an individual and holds a Qualified Participation as a private asset, only 60% of the gains on the disposal of the shares are subject to progressive income tax, plus solidarity surcharge thereon. Where a Domestic Agent is involved, withholding tax on capital gains is generally levied at a rate of 25%, plus 5.5% solidarity surcharge thereon. If, however, (i) the shares are not held through a permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany and (ii) a Domestic Agent is involved, then the German tax authorities have taken the view that the Domestic Agent is, in general, not required to withhold tax on capital investment income, plus solidarity surcharge thereon. In case of a Qualified Participation, the capital gains must be declared in a tax return and are taxed by way of a tax assessment, subject to an exemption under a double-taxation treaty or under domestic law.

For gains or losses on the disposal of shares that can be allocated to a domestic permanent establishment or fixed place of business, or which are part of business assets for which a permanent representative in Germany has been appointed, the aforementioned principles for shareholders with a tax residence in Germany whose shares are business assets apply accordingly (see "*15.4.1.2 Shares Held as Business Assets*"). The Domestic Agent may refrain from deducting withholding tax, if the shareholder declares to the Domestic Agent on the official form that the shares form part of domestic business assets and certain other requirements are met.

Most double-taxation treaties provide for an exemption from German taxes, assigning the right of taxation to the shareholder's country of tax residence in the former case.

15.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

As an exception to the aforementioned rules, dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are generally fully taxable. This applies to dividends received on, as well as gains from the disposal of, shares that are allocated to the trading portfolio of credit institutions and financial services institutions (*Handelsbestand*) within the meaning of Section 340e para. 3 HGB, as well as to shares that, upon acquisition of such shares, are allocated to the current assets (*Umlaufvermögen*) of a financial enterprise (*Finanzunternehmen*) within the meaning of the German Banking Act (*Kreditwesengesetz*), 50% or more of which are directly or indirectly held by a credit institution or financial services institution. The same applies to shares of the Company held as investments by life insurance providers, health insurance providers and pension funds as well as for shares held by a financial institution, financial service institution and financial institution which is tax resident in another member state of the European Union or in a member state of the EEA, and which has a permanent establishment in Germany. If the shareholding at the beginning of the relevant assessment period is 15% or higher, dividends may, subject to certain conditions, be fully exempted from trade tax. An exemption to the foregoing (*i.e.*, and thus a 95% effective tax exemption) does, however, apply to dividends obtained by the aforementioned companies to which the Parent-Subsidiary Directive applies. Further relief from German taxation might be obtained pursuant to an applicable double-taxation treaty, subject to further prerequisites.

15.6 Amendments to the Solidarity Surcharge

The solidarity surcharge (*Solidaritätszuschlag*) has been abolished or reduced for certain German taxpayers, depending on their amount of payable income tax. The new rules apply from the beginning of the assessment period for the fiscal year ending December 31, 2021. Pursuant to the new law, the solidarity surcharge remains in place for purposes of withholding tax, the Flat Tax regime and corporate income tax. Shareholders are advised to monitor additional future developments.

15.7 Inheritance and Gift Tax

The transfer of shares to another person by inheritance or gift is generally only subject to German inheritance or gift tax if:

1. the decedent, donor, heir, beneficiary or other transferee maintained his domicile or habitual abode in Germany, or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years (this term is extended to ten years for German expatriates with residence in the U.S.) prior to the transfer outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their habitual abode in Germany); or

2. the shares were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed; or

3. the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's registered share capital at the time of the inheritance or gift.

The few German double-taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of No. 1 above, and also with certain restrictions in case of No. 2 above. Special provisions apply to certain German nationals living outside Germany and former German nationals.

The fair value of the shares represents the tax assessment base, which generally corresponds to the stock exchange price of the Company's shares. Depending on the degree of relationship between decedent or donor and recipient, different tax-free allowances and tax rates apply.

15.8 Other Taxes

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares of the Company. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added tax on transactions that are otherwise tax-exempt. Net wealth tax is currently not imposed in Germany.

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transaction tax in certain participating member states of the European Union, including Germany. Such directive could under, depending on the actual circumstances, apply to certain transactions in the Company's shares, including with respect to secondary market transactions. The issuance and subscription of shares should, however, be exempt. The Commission's Proposal remains subject to negotiations between the participating member states of the European Union and it is currently unclear in what form and when the Commission's Proposal will be implemented, if at all. Recently, the German Federal Minister of Finance submitted a proposal to introduce a financial transaction tax, which has also not been adopted or implemented in Germany yet. In addition, the German Federal Finance Ministry further prepared the implementation of a financial transaction tax by the creation of a new department (*Referat*) within the German Federal Finance Ministry. Such new department is referred to as "*Finanztransaktionssteuer (FTT)*" (Financial Transaction Tax (FTT)). Prospective shareholders are advised to monitor future developments closely and should consult their own tax advisors in relation to the consequences of a financial transaction tax.

16. FINANCIAL INFORMATION

The following English-language consolidated financial statements of The Social Chain AG as of and for fiscal the year ended December 31, 2020 (F-28–F-91), the English-language unconsolidated financial statements of The Social Chain AG prepared in accordance with the German Commercial Code (Handelsgesetzbuch) as of and for the fiscal year ended December 31, 2020 (F-130–F-141), the English-language consolidated financial statements of The Social Chain AG prepared in accordance with the German Commercial Code (Handelsgesetzbuch) as of and for the fiscal year ended December 31, 2019 (F-92–F-117) and the English-language consolidated financial statements of Lumaland AG (now: The Social Chain AG) prepared in accordance with the German Commercial Code (Handelsgesetzbuch) as of and for the fiscal year ended December 31, 2018 (F-118–F-128), are translations of the respective German-language audited consolidated financial statements and the respective German-language audited unconsolidated financial statements.

Unaudited condensed interim consolidated financial statements of The Social Chain AG prepared in accordance with IFRS on interim financial reporting (IAS 34) as of and for the six months ended June 30, 2021

The Social Chain AG

Condensed Interim Consolidated Financial Statements as of 30 June 2021

Consolidated Statement of Profit or Loss

From 1 January to 30 June 2021

in kEUR	01-Jan-30–Jun-2021	01-Jan-30–Jun-2020
Revenues	160,106	69,169
Increase or decrease of finished goods and work in progress	1,765	–388
Other operating income	1,499	6,194
Material expenses	–109,572	–39,926
Personnel expenses	–19,213	–12,595
Net impairment loss on financial and contract assets	0	–104
Other operating expenses	–39,844	–24,685
EBITDA	**–5,259**	**–2,335**
Depreciation and amortization expenses	–3,622	–3,196
EBIT	**–8,881**	**–5,531**
Interest and similar income	10,601	291
Interest and similar expenses	–7,923	–2,647
Share of profit of equity-accounted investees	–31	16
Income before income tax expense	**–6,234**	**–7,871**
Income tax expense/benefit	–2,460	891
Income after income tax expense	**–8,694**	**–6,980**
Thereof attributable to:		
Owners of parent company	–8,811	–7,545
Non-Controlling interests	117	565

The Social Chain AG

Condensed Interim Consolidated Financial Statements as of 30 June 2021

Consolidated Statement of Comprehensive Income

From 1 January to 30 June 2021

in kEUR	01-Jan-30–Jun-2021	01-Jan-30–Jun-2020
Income after income tax expense	**–8,694**	**–6,980**
Other comprehensive income	**992**	**–1,974**
Thereof attributable to:		
Owners of parent company	992	–1,974
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	1,026	–1,974
Items that will not reclassified subsequently to profit or loss		
Financial instruments	–34	0
Income after income tax expense	**–7,702**	**–8,954**
Thereof attributable to:		
Owners of parent company	–7,819	–9,519
Non-Controlling interests	117	565

The Social Chain AG

Condensed Interim Consolidated Financial Statements as of 30 June 2021

Consolidated Balance Sheet

As of 30 June 2021

in kEUR	30-Jun-2021	31-Dec-2020
ASSETS		
Intangible assets	20,381	21,077
Goodwill	104,302	102,964
Property, plant and equipment	6,205	4,776
Right of use assets	8,869	5,361
Non-current trade and other receivables	94	130
Other non-current financial assets	16,416	14,055
Income tax receivables	0	104
Equity-accounted investees	2,590	2,621
Other non-current non-financial assets	0	12
Deferred tax assets	4,991	2,820
Non-current assets	**163,848**	**153,920**
Inventories	37,793	22,549
Current contract assets	1,432	1,344
Trade and other receivables	24,535	10,115
Other financial assets	11,608	1,314
Income tax receivables	69	76
Other non-financial assets	10,775	6,616
Cash and cash equivalents	10,871	9,360
Current assets	**97,083**	**51,374**
Total assets	**260,931**	**205,294**
EQUITY AND LIABILITIES		
Share capital	11,448	11,348
Capital reserve	172,490	167,206
Currency translation reserve	650	–376
Retained earnings	–8,178	–9,088
Profit carried forward	–81,209	–72,612
Equity attributable to owners	**95,201**	**96,478**
Non-Controlling interests	2,555	2,203
Total equity	**97,756**	**98,681**
Other non-current financial liabilities	59,716	26,982
Non-current income tax liabilities	495	218
Other non-current provisions	201	8
Other non-current non-financial liabilities	886	316
Deferred tax liabilities	13,302	9,021
Non-current liabilities	**74,600**	**36,545**
Trade payables	22,415	17,939
Other current financial liabilities	45,552	37,821
Current provisions	4,604	4,006
Current income tax liabilities	205	58
Other current non-financial liabilities	9,860	8,132
Current contract liabilities	5,868	1,063
Current refund liabilities	71	1,049
Current liabilities	**88,575**	**70,068**
Total equity and liabilities	**260,931**	**205,294**

The Social Chain AG

Condensed Interim Consolidated Financial Statements as of 30 June 2021

Consolidated Statement of Changes in Equity

From 1 January to 30 June 2021

	Attributable to owners of the Company								
in kEUR	**Share capital**	**Share premium**	**Translation reserve**	**Treasury share reserve**	**Retained earnings**	**Other reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance as of 1-Jan-2020	**9,944**	**134,957**	**913**	**409**	**–11,545**	**–46,229**	**88,449**	**1,515**	**89,964**
Profit for the period	0	0	0	0	0	–7,545	–7,545	565	–6,980
Other comprehensive income for the period	0	0	–1,974	0	0	0	–1,974	0	–1,974
Total comprehensive income for the period	**0**	**0**	**–1,974**	**0**	**0**	**–7,545**	**–9,519**	**565**	**–8,954**
Capital raise	246	5,176	0	0	0	789	6,211	–1,220	4,991
Written put option on NCI	0	0	0	0	2,457	0	2,457	0	2,457
Balance as of 30-Jun-2020	**10,190**	**140,133**	**–1,061**	**409**	**–9,088**	**–52,985**	**87,598**	**860**	**88,458**
Balance as of 1-Jan-2021	**11,348**	**167,206**	**–376**	**222**	**–9,088**	**–72,834**	**96,478**	**2,203**	**98,681**
Profit for the period	0	0	0	0	0	–8,811	–8,811	117	–8,694
Other comprehensive income for the period	0	0	1,026	–34	0	0	992	0	992
Total comprehensive income for the period	**0**	**0**	**1,026**	**–34**	**0**	**–8,811**	**–7,819**	**117**	**–7,702**
Capital raise	100	5,284	0	0	0	248	5,632	235	5,867
Written put option on NCI	0	0	0	0	910	0	910	0	910
Balance as of 30-Jun-2021	**11,448**	**172,490**	**650**	**188**	**–8,178**	**–81,397**	**95,201**	**2,555**	**97,756**

The Social Chain AG

Condensed Interim Consolidated Financial Statements as of 30 June 2021

Consolidated Statement of Cash Flows

From 1 January to 30 June 2021

in kEUR	Half year ending 30-June-2021	30-June-2020
Net income	**–8,694**	**–6,980**
Income taxes	2,460	–891
Net income	**–6,234**	**–7,871**
Reconciliation from pre-tax income to net cash flows		
Interest and similar expenses	–2,646	2,341
Depreciation of property, plant and equipment	1,936	1,235
Amortisation of intangible assets	1,694	1,961
Impairment	–8	0
Gain/loss on disposal of property, plant and equipment	0	–17
Gain/loss on disposal of shares in Group Companies	0	–5,683
Expenses for share-based payment	193	0
Other non-cash income and expenses	–6,781	5,568
Change in net working capital		
Decrease (+)/increase (–) in inventories	–15,244	–1,384
Decrease (+)/increase (–) in contract assets	–88	1,246
Decrease (+)/Increase (–) other non-financial assets (excluding contract assets)	–3,719	–10,234
Decrease (+)/Increase (–) other non-financial liabilities (incl. Contract liabilities)	6,126	–3,902
Decrease (+)/Increase (–) in accounts receivables and other receivables	–14,078	13,794
Increase (+)/Decrease (–) in accounts payables	4,476	3,452
Increase (+)/Decrease (–) in provisions	792	–1,478
Income tax receivables and liabilities	535	267
Net cash flow from operating activities	**–33,047**	**–705**
Proceeds from sale of property, plant and equipment	0	17
Disbursements for acquisition of a business, net of cash acquired	–286	–5
Proceeds from disposals of companies and business units, net of cash disposed of in the process	0	–469
Disbursements for investments in property, plant and equipment	–1,994	–250
Disbursements for investments in intangible assets	–742	–140
Interest received	1,308	1
Net cash flow from investing activities	**–1,714**	**–846**
Proceeds from capital increase	3,383	0
Proceeds from borrowings	58,503	21,348
Repayments of borrowings	–26,581	–5,997
Repayments of lease liabilities	1,458	–520
Interest paid	–574	–131
Net cash flow from financing activities	**36,189**	**14,700**
Effect of currency translation on cash and cash equivalents	**83**	**–79**
Net increase/decrease in cash and cash equivalents	**1,511**	**13,070**
Cash and cash equivalents at the begining of the period	**9,360**	**6,801**
Cash and cash equivalents at the end of the period	**10,871**	**19,871**

The Social Chain AG

Condensed Interim Consolidated Financial Statements as of 30 June 2021

1 General information

The Social Chain AG (hereinafter "TSC AG" and "Company"—or "Group" when together with its subsidiaries) is a stock corporation domiciled in Germany with its registered office at Gormannstrasse 22, 10119 Berlin, Germany. It is entered in the commercial register of the local court of Berlin, Germany, under number HRB 128790 B.

The Social Chain Group is an integrated social media company that combines social media and social commerce under one roof. The Social Chain Group is a pioneer in building, developing and scaling social media brands. The strategy of The Social Chain AG focuses on brands, social experiences and product worlds that are identified, developed and primarily marketed directly to end consumers (directly to consumer brands) via social media.

The Group's core markets are Europe (with Germany and the United Kingdom as the focal points), and the Americas, where the emphasis is on the USA. Asia is a further strategic target market.

1.1 Basis of compilation

The condensed interim consolidated financial statements for the half-year reporting period ended 30 June 2021 were compiled assuming the continued existence of the company as a going concern. They were compiled in accordance with Accounting Standard IAS 34 "Interim Financial Reporting". They do not include all information required for complete consolidated financial statements; rather, the consolidated financial statements for the financials year 2020 are to be used as a supplement. All IFRSs applied by the Group have been adopted by the European Commission for use within the EU.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

The reporting currency of the consolidated financial statements is Euros (EUR). Unless otherwise stated, all amounts are rounded up or down to thousands of Euros (kEUR) based on commercial rounding principles. The amounts in tables were calculated on the basis of exact numbers and rounded to kEUR. The consolidated financial statements were compiled for all disclosed reporting periods in compliance with uniform accounting and consolidation principles. The consolidated financial statements were compiled according to the acquisition cost approach. This does not apply to certain financial assets and liabilities (including derivative instruments) and share-based payments that are stated at fair value. The Group classifies assets and liabilities as short-term if they are expected to be realized or settled within twelve months after the balance sheet date. Insofar as assets and liabilities have both a short-term and a long-term portion, they are subdivided into their maturity components and disclosed as short-term and long-term assets or liabilities according to the balance sheet structure. The Group's Consolidated Statement of Profit or Loss was compiled according to the nature of expense method.

1.2 New standards and interpretations adopted by the group

A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Initial application of standards, interpretations, and amendments in the reporting period

Pronouncement	Title	To be applied by The Social Chain AG from	Changes	Expected impact on the presentation of The Social Chain AG's results of operations and financial position
IFRSs endorsed by the EU				
Amendment to IFRS 16	Covid-19-related Rent Concessions	April 1, 2021[(a)]	Practical expedient for lessee accounting of rent concessions granted due to the Covid-19 pa ndemic. Instead of assessing whether a rent concession is a lease modification, the lessee can account for the changes in lease payments as if they were not lease modifications.	Practical expedient not applied by The Social Chain AG.
Amendments to IFRS 4	Insurance Contracts—deferral of IFRS 9	January 1, 2021	Deferral of first-time applica tio n of IFRS 9 for insurance companies.	No impact.
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)	January 1, 2021	The amendments address the impact of modifications of financial instruments required as a direct consequence of IBOR reform, hedge accounting requirements, and the accompanying disclosures.	No material impact expected.

(a) Earlier application is permissible. The Social Chain AG already decided in the 2020 financial year to not apply the practical expedient.

1.3 Accounting and valuation approaches

The consolidated financial statements are based on uniform accounting and valuation principles. The main accounting and valuation principles are explained below.

1.4 Critical estimates and judgements

In the process of applying the accounting and measurement policies, Group management made judgments that significantly influence the amounts recognized in the consolidated financial statements. Accordingly, the compilation of the consolidated financial statements requires a certain degree of assumptions and estimates that affect the amounts and disclosures of assets and liabilities, income and expense, and contingent liabilities recognized for the reporting period. They relate primarily to the initial measurement and recoverability of assets, the Group's uniform definition of economic useful lives for property, plant and equipment, and recognition and measurement of provisions.

The assumptions and estimates are based on premises that reflect the current state of available knowledge. In particular, the circumstances prevailing at the time of compilation of the consolidated financial statements as well as the future development of the environment considered realistic were taken as the basis for expectations regarding the future business performance. If these framework conditions develop differently than assumed and outside of the management's scope of control, the ensuing actual amounts can differ from the original estimates.

Below you will find a description of the key assumptions concerning the future and other key sources of estimation uncertainty in existence at the end of the reporting period and causing significant risk that an adjustment to the carrying amounts of assets and liabilities will be necessary in future reporting periods.

Estimates regarding purchase price allocation

Business combinations generally involve estimates concerning calculation of the fair value of acquired assets and liabilities. Land, buildings, technical equipment and machinery are usually appraised by an independent expert, while marketable securities are carried at their market value. Appraisals of the market values of property, plant and equipment are subject to an element of uncertainty due to the use of necessary assumptions. In case of intangible assets, the fair value is determined applying suitable measurement methods, which are generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, various measurement approaches are used that can be categorized into based on cost, market price or capital value. The method based on capital value is important because of its particular significance in the measurement of intangible assets. For example, licenses are measured applying the relief-from-royalty method, which estimates, among other things, the cost savings that result from the Company holding the licenses itself and not having to pay fees to the licensor. After discounting, the resultant savings constitute the carrying amount for the intangible asset concerned. Calculating the value of intangible assets is based in particular on estimates of their economic useful lives, which are subject to an element of uncertainty due to the use of assumptions. The calculation of fair values of contingent liabilities similarly requires assumptions about their probable occurrence. These assumptions are also subject to an element of uncertainty by virtue of their nature.

Value adjustments to receivables

The management bases its estimates regarding the size of value adjustments on the principle of individual measurement. In part, estimates as to whether specific value adjustments will be necessary are subjective estimates regarding the customers' credit quality. They are therefore subject to an inherent assessment uncertainty.

Recognition of deferred tax assets and deductible temporary differences

Deferred tax assets are recognized for tax loss carry-forwards and deductible temporary differences, provided that the realization of the related tax benefit on future taxable profits is considered probable based on the management's profit forecasts for the Group companies.

Provisions

Provisions differ from other liabilities in terms of uncertainty regarding the timing or amount of the expense required in the future. A provision must be recognized where the Company has a present obligation (legal or constructive) 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 can be made of the amount of the obligation (see IAS 37.14).

There are considerable recognition and measurement uncertainties due to differing economic and legal assessments and the difficulty of determining the probability of occurrence.

Share-based payments

The Social Chain AG determines the expense arising from the option program on the basis of the fair value at the grant date. The estimate of the fair value involves determination of the most appropriate valuation method, which depends on the terms and conditions of the option programme. In addition, it is necessary to determine the input factors for the valuation model (share price, exercise price, risk-free interest rate, expected volatility and term).

The Social Chain AG measures the cost of the cash-settled virtual share-based payment arrangements resulting from KoRo Handels GmbH by reference to the fair value of the related instruments at each reporting date. Estimating fair value for virtual share-based payments requires determining the most appropriate valuation model for a grant, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including business value, time to exit, probability of an exit event and expected volatility.

Impairment of property, plant and equipment, intangible assets and rights of use

Estimates are also made in determining impairment of property, plant and equipment, intangible assets and rights of use; these estimates concern the cause, timing and amount of the impairment, among other things. Impairment is based on a variety of factors. Generally, to be considered are changes in current competitive environment, expectations of growth in the Group's markets, increases in the cost of capital, changes in future availability of financing, technology obsolescence, discontinuation of services, current replacement costs, purchase prices paid in comparable transactions, and other changes in circumstances that indicate impairment. Management is required to make significant judgments in identifying and testing for indications of impairment, estimating future cash flows, determining the fair values of assets (or groups of assets), the applicable discount rates, the respective useful lives and the residual values of the assets concerned. In addition, further planning uncertainties are included in the determination of fair values, reflecting the risks of macroeconomic developments. This could have a negative impact on future earnings.

Cash-generating unit

The determination of the recoverable amount of a cash-generating unit involves estimates by the management. The methods applied to calculate the recoverable amount include methods based on discounted cash flows and methods based on market prices. The valuations based on discounted cash flows are derived from forecasts based on management-approved financial plans and are also used for internal purposes. The planning horizon selected reflects the assumptions regarding short to medium-term market developments and is chosen to gain a stable business outlook for the Company that is necessary for the calculation of the perpetual annuity.

Cash flows beyond the internal medium-term planning are calculated applying appropriate growth rates. These growth rates are determined individually for each cash-generating unit. The growth rates applied are based on long-term real growth and long-term inflation expectations of the countries where the respective unit carries on its business activities. To achieve the sustainable growth rates applied for the perpetuity period, additional sustainable investments are taken into account, as specifically derived for each cash-generating unit. The key assumptions underlying the calculation of the recoverable amount include the following assumptions, which are mainly determined internally and based on past experience, supplemented with current internal expectations and supported by external market data and estimates: Revenue development, customer acquisition and customer loyalty costs, contract termination rates, capital expense, market shares and growth types. Discount rates are determined on the basis of external variables derived from the market with account of the risks to which the cash-generating unit is exposed (market and country risks). Future changes in the aforementioned assumptions may have a significant impact on the fair value of the cash-generating units. Possible changes in these assumptions may have a negative impact due to future developments in the macroeconomic situation, competition and regulatory interventions.

1.5 Changes in the scope of consolidation

1.5.1 Scope of consolidation

The consolidated financial statements include all domestic and foreign companies over which The Social Chain AG can exercise a direct or indirect controlling influence.

The scope of consolidation expanded by 5 companies compared to the reporting year of 2020. These newly added companies are identified separately in the list of shareholdings.

		Ownership interest in %	
Entity	**Registered office in**	**30-June-2021**	**31-Dec-2020**
The Social Chain Group AG	Berlin, Deutschland	100.00	100.00
Shine Conventions GmbH	Berlin, Deutschland	96.99	96.99
Ravensberger Holding GmbH	Berlin, Deutschland	100.00	100.00
Media Chain GmbH	Berlin, Deutschland	100.00	100.00
DEF Media GmbH	Berlin, Deutschland	100.00	100.00
Social Chain GmbH	Berlin, Deutschland	100.00	100.00
Social Chain Group Ltd	Manchester, Vereinigtes	100.00	100.00
Lions Chain GmbH	Berlin, Deutschland	100.00	100.00
KoRo Handels GmbH	Berlin, Deutschland	58.18	55.85
Media Chain Products GmbH	Berlin, Deutschland	100.00	100.00
Ravensberger Logistik GmbH	Espelkamp, Deutschland	100.00	100.00
Ravensberger Matratzen GmbH	Bad Oeynhausen, Deutschland	100.00	100.00
LAX GmbH	Berlin, Deutschland	74.99	74.99[(1)]
Social Chain Ltd	Manchester, Vereinigtes	100.00	100.00
Media Chain Group Ltd	Manchester, Vereinigtes	100.00	100.00
Social Chain USA, Inc.	New York, NY, Vereinigte Staaten	100.00	100.00
Mabyen GmbH	Düsseldorf, Deutschland	51.08	51.08
The Social Chain AG	Berlin, Deutschland	100.00	100.00
World Fitness GmbH	Berlin, Deutschland	100.00	100.00
Social Moms GmbH	Berlin, Deutschland	80.00	80.00
Möbelfreude Vertriebs GmbH	Berlin, Deutschland	100.00	100.00
Hold your Sports GmbH	Berlin, Deutschland	100.00	100.00
#DoYourSports GmbH	Berlin, Deutschland	100.00	100.00
Media-Part-GmbH	Hamburg, Deutschland	85.97	85.97
Lumaland Inc.	East Lansing,MI, Vereinigte	80.00	80.00
smilebaby GmbH	Berlin, Deutschland	100.00	100.00
LINKS Logistics GmbH (ehem. PePa)	Berlin, Deutschland	100.00	100.00
BytePark GmbH	Berlin, Deutschland	51.00	51.00
Belsonno GmbH	Berlin, Deutschland	100.00	100.00
Lumaland International GmbH	Berlin, Deutschland	100.00	100.00
Urbanara GmbH	Berlin, Deutschland	100.00	100.00
Lumaland Vertriebs GmbH	Berlin, Deutschland	100.00	100.00
sweet dreams GmbH	Berlin, Deutschland	100.00	100.00
sib Silvester in Berlin Veranstaltungen GmbH	Berlin, Deutschland	96.99	96.99
drtv.agency GmbH	Stuttgart, Deutschland	51.00	51.00
datalytix.io GmbH	München, Deutschland	51.00	51.00

Entity	Registered office in	Ownership interest in % 30-June-2021	31-Dec-2020
Carl Wilhelm Clasen GmbH	Schwarzbek, Deutschland	100.00	100.00
LGR Nuss & Trockenfrucht Veredelungs GmbH & Co. KG	Schwarzbek, Deutschland	100.00	100.00
LGR Nuss & Trockenfrucht Veredelungs-Verwaltungs GmbH	Schwarzbek, Deutschland	100.00	100.00
Glow Media Group Ltd	Vereinigtes Königreich	100.00	100.00
FFLV Inc.	Conroe, TX, Vereinigte Staaten	49.00	49.00(1)
Vonmählen GmbH	Lüneburg, Deutschland	100.00	0.00
KoRo Eis GmbH	Berlin, Deutschland	80.00	0.00(2)
PL FoodCom GmbH	Elmenhorst, Deutschland	100.00	0.00(2)
MINT Marekting Agency LLC	Delaware ,DE, Vereinigte Staaten	25.00	0.00
Social Chain Media & Experiences GmbH .	Berlin, Deutschland	100.00	0.00(2)

(1) At Equity

(2) newly founded (therefore not sbuject of a business combination)

1.5.2 Changes in the scope of consolidation

a) Business combinations in 2021

The table below provides a summary overview of the business combinations carried out in 2021:

Subsidiary	Acquired Shareholding	Focus of business operations	Business Area
Vonmählen GmbH . . .	100.0%	Online distribution of mobile phone accessories	Social Commerce / Home & Living
MINT Marketing Agency LLC	25.0%	Marketing agency for small and medium-sized corporate clients in the USA	Social Media/ Online marketing

The necessary work on the acquisition price allocation has been started with respect to the 2021 M&A transactions. As of the date of these consolidated financial statements, no sufficiently substantiated results were as yet available for a purchase price allocation.

Vonmählen GmbH

The Vonmählen GmbH was already founded on 7 February 2020 under the name Brilliant 3373 GmbH, Berlin. At that time, the balance sheet only contained the subscribed capital of kEUR 25 as well as the paid-in contributions and receivables from outstanding contributions of kEUR 25. On 11 February 2021, the Brilliant 3373 GmbH acquired all assets of the Vonmählen GmbH (in liquidation), Lüneburg, as part of an asset deal for a purchase price of kEUR 400. On 12 March 2021 the Brilliant 3373 GmbH was renamed to Vonmählen GmbH.

MINT Marketing Agency LLC

By the share purchase agreement of 22 May 2021, The Social Chain AG acquired 25% of the shares in Mint Marketing Agency Inc. for a purchase price of kEUR 158. The Mint Marketing Agency Inc. operates a marketing agency for small and medium-sized companies in the USA. By acquiring the share, The Social Chain AG increase its market share in the US market. Due to a deviating distribution of voting rights, The Social Chain AG has full control over the acquired entity since 22 May 2021.

The following table presents a summary of the acquisitions in 2021:

at acquisition date in kEUR	Vonmählen GmbH	Mint Marketing Agency LLC	Total of all 2021 M&A transactions
Intangible Assets	151	0	151
Property, plant and equipment	104	12	116
Inventories & contract assets	145	0	145
Trade receivables	0	250	250
Other current assets	13	13	26
Cash and cash equivalents	0	247	247
Subtotal			
Financial liabilities & lease liabilities		19	19
Subtotal			
Net assets acquired	413	502	**915**
Non-controlling interests	0	377	377
TSCG's share of net assets acquired	413	126	**539**
Goodwill from acquistions	–15	–33	–48
Total consideration	428	158	**586**

in kEUR	Vonmählen GmbH	Mint Marketing Agency LLC	Total of all 2021 M&A transactions
Acquisition/contribution date	11.02.2021	16.06.2021	—
Acquisition costs[1]	428	158	586
Contributions to sales in 2021 since acquisition date	2,258	113	2,371
Contributions to EBITDA in 2021 since acquisition date	–552	–9	–561
Contributions to profit/loss in 2021 since acquisition date	–637	–9	–646
Revenue in the six-month period ended 30-June-2021	2,258	620	2,878
Pro forma EBITDA in the six-month period ended 30-June-2021	–552	239	–313
Pro forma profit in the six-month period ended 30-June-2021	–637	236	–401

Increase of the shareholding in KoRo

With effect from 21 April 2021, the shareholding in KoRo Handels GmbH, Berlin (Germany), was increased by EUR 2 million by way of a capital increase. The shareholding thus increased from 55.58% to 58.18%. The contribution was fully paid in cash.

b) Purchase price allocation of business combinations from 2020

As mentioned in the previous year's notes to the consolidated financial statements, the purchase price allocation of the Carl Wilhelm Clasen GmbH transaction (including its subsidiaries) had not been completed at the time of publication of the 2020 consolidated financial statements. The following table shows the balance sheet changes resulting from the purchase price allocation completed in 2021. The adjustments from the purchase price allocation were carried out as of 31 December 2020. As the acquisition date was at the end of December 2020, the changes from the purchase price allocation have no effect on the consolidated income statement for 2020.

2 Selected notes to the consolidated statement of profit or loss

2.1 Revenues

The generated revenues can be broken down by business unit as follows:

in kEUR	01-Jan-30-Jun-2021	01-Jan-30-Jun-2020
Revenues from Social Commerce	141,404	55,003
Revenues from Social Media	18,574	14,167
Other revenues	128	0
Revenues	**160,106**	**69,169**

kEUR 15,597 of the revenues from the Social Media business unit were derived from the agency business (prior year's HY: kEUR 9,306), kEUR 2,143 from the production business unit (prior year's HY: kEUR 2,945), and kEUR 834 from the event business unit (prior year's HY: kEUR 1,915).

2.2 Other income

in kEUR	01-Jan-30-Jun-2021	01-Jan-30-Jun-2020
Income from exchange rate differences	892	7
Income from derecognized liabilities	435	0
Income from insurance reimbursements	80	125
Income from the disposal of fixed assets	66	17
Income from other services	26	–17
Income from deconsolidation of subsidiaries	0	5,655
Miscellaneous other operating income	0	407
Other operating income	**1,499**	**6,194**

Prior year's other income include gains from the deconsolidation of the Group's former subsidiary Solidmind Nutrition GmbH which has been sold on 30 June 2020.

2.3 Other operating expenses

in kEUR	01-Jan-30-Jun-2021	01-Jan-30-Jun-2020
Packaging materials and outgoing freight	14,866	7,825
Advertising and travel expenses	8,665	3,931
Legal and consulting costs	3,879	3,112
Fees and contributions	1,649	1,300
Rental and leasing	1,283	718
Outsourced services administration	1,106	350
Administration	819	652
Maintenance and repair	863	509
Occupancy costs	556	257
Insurance premiums	246	121
Miscellaneous expenses	5,912	5,910
Other operating expenses	**39,844**	**24,685**

3 Selected notes to the consolidated balance sheet

3.1 Intangible assets and goodwill

in kEUR	Goodwill	Internally generated intangible assets	Brands	Customer Relationships	Patents, concessions and other rights	Prepayments and intangible assets under construction	Total
Acquisition or production costs							
As of 01-Jan-2020	**122,995**	**75**	**18,537**	**4,583**	**925**	**2**	**147,116**
Changes to the scope of consolidation	7,019	176	65	0	404	212	7,875
Reclassifications	0	0	0	0	2	–2	0
Additions	11,311	0	0	0	31	0	11,342
Disposals	–2,697	0	0	0	–318	0	–3,015
Exchange Rate effects	–1,695	0	–482	–45	–5	0	–2,227
As of 31-Dec-2020	**136,932**	**251**	**18,120**	**4,538**	**1,038**	**212**	**161,091**
Retrospective PPA Adjustments	–1,792	0	428	2,119	0	0	755
As of 31-Dec-2020 (after PPA Adjustments)	**135,140**	**251**	**18,548**	**6,657**	**1,038**	**212**	**161,846**
As of 01-Jan-2021	**135,140**	**251**	**18,548**	**6,657**	**1,038**	**212**	**161,846**
Changes to the scope of consolidation	61	0	0	0	0	0	61
Additions	0	0	6	96	114	526	742
Exchange Rate effects	1,247	0	311	37	2	0	1,597
As of 30-June-2021	**136,449**	**251**	**18,865**	**6,790**	**1,154**	**738**	**164,247**

in kEUR	Goodwill	Internally generated intangible assets	Brands	Customer Relationships	Patents, concessions and other rights	Prepayments and intangible assets under construction	Total
Accumulated depreciation and impairment							
As of 01-Jan-2020	**–23,010**	**–59**	**–1,123**	**–1,166**	**–169**	**0**	**–25,527**
Changes in the scope of consolidation	0	0	33	0	18	0	51
Current depreciation	0	–14	–2,063	–960	–220	0	–3,257
Impairment	–9,244	0	0	0	0	0	–9,244
Exchange rate effects	77	0	59	35	0	0	171
As of 31-Dec-2020	**–32,177**	**–73**	**–3,095**	**–2,091**	**–371**	**0**	**–37,806**
As of 01-Jan-2021	**–32,177**	**–73**	**–3,095**	**–2,091**	**–371**	**0**	**–37,806**
Current depreciation	0	–2	–1,081	–500	–111	0	–1,694
Impairment	0	0	0	0	0	0	0
Exchange rate effects	30	0	–55	–37	–1	0	–63
As of 30-June-2021	**–32,147**	**–75**	**–4,231**	**–2,628**	**–483**	**0**	**–39,563**
Net carrying amounts							
On 01-Jan-2020	99,985	16	17,413	3,417	756	2	121,589
On 31-Dec-2020	104,756	178	15,025	2,447	667	212	123,285
On 01-Jan-2021	102,964	178	15,453	4,566	667	212	124,040
On 30-June-2021	104,302	176	14,634	4,162	671	738	124,683

Details of additions due to changes in the scope of consolidation relate to the business combinations described in Section 1.5.2.

Brands

The key brands of the TSC AG Group include those of the Social Media business unit as well as those of the Social Commerce business unit.

In the area of social media, the *Social Chain* brands of the Social Chain Ltd., UK, and the Social Chain Inc., USA, with a carrying value of kEUR 4,226 (previous year-end: kEUR 4,322), the media brands of Media Chain Group Ltd., UK, valued at kEUR 1,333 (previous year-end: kEUR 1,353) and the brand *Glow* of Shine Conventions GmbH carried at kEUR 1,099 (previous year-end: kEUR 1,176) are in particular worthy of mention. All brands of the social media business unit are amortized over a useful life of 10 years.

In the area of Social Commerce, the key brands include Ravensberger Matratzen of Ravensberger Matratzen GmbH with a carrying value of kEUR 2,037 (previous year-end: kEUR 2,160), the brand *Lumaland* of the companies Lumaland Vertriebs GmbH and Lumaland Inc., USA, with the aggregate carrying value of kEUR 1,952 (previous year-end: kEUR 2,085). The brand *Ravensberger Matratzen* will be depreciated over 10 years, *Lumaland* (Europe) over 9 years, and *Lumaland* (USA) over 7 years.

Goodwill

For the purpose of impairment testing, goodwill acquired in business combinations has been allocated to the cash-generating units identified in the Group at the level of individual companies.

With the exception of the goodwill arising from business acquisitions as of or not earlier than three months prior to the balance sheet date of 31 December 2020, all goodwill was subjected to an annual impairment test in accordance with IAS 36 in FY 2020. In addition, an impairment test must be performed whenever there are indications of impairment. The Group performed its annual impairment tests for 2020 and 2019 each time at the end of the respective year. The tests were performed at the level of the smallest cash-generating unit (CGU) based on value in use.

The following tables present an overview of the recognized goodwill per CGU (as an aggregate) and its carrying values as of each reporting date:

in kEUR	01-Jan-2020	Additions	Disposals	Impairment	Exchange rate effects	31-Dec-2020
First and second contribution						
Shine Conventions GmbH	9,634					9,634
Lions Chain GmbH	8,356					8,356
DEF Media GmbH	6,991					6,991
Media Chain GmbH	1,251					1,251
Social Chain GmbH	40					40
other	688					688
Third contribution						
Social Chain Group Ltd.—Group	26,008				–1,368	24,640
Media Chain Products GmbH	4,731					4,731
Social Chain Germany GmbH		4,265				4,265
KoRo Handels GmbH	1,860	1,577				3,437
World Fitness GmbH	587					587
Solidmind Nutrition GmbH	1,213	1,484	–2,697			0
Reverse Acquisition of Lumaland AG—Group						
Ravensberger Matratzen GmbH—Group	7,766					7,766
Lumaland Vertriebs GmbH	24,570			–7,509		17,061
Lumaland Inc.	2,963				–250	2,713
other	509					509
Bio Clasen acquisition						
Carl Wilhelm Clasen GmbH—Group		3,366				3,366
Other acquired companies in 2020						
Urbanara GmbH		3,422				3,422
sib Silvester in Berlin Veranstaltungen GmbH	1,497	59				1,556
drtv.agency GmbH	1,260	2,082		–1,505		1,837
other	60	284		–230		114
Total	**99,985**	**16,538**	**–2,697**	**–9,244**	**–1,618**	**102,964**

in kEUR	01-Jan-2021	Additions	Disposals	Impairment	Exchange rate effects	30-June-2021
First and second contribution						
Shine Conventions GmbH	9,634					9,634
Lions Chain GmbH	8,356					8,356
DEF Media GmbH	6,991					6,991
Media Chain GmbH	1,251					1,251
Social Chain GmbH	40					40
other	688					688
Third contribution						
Social Chain Group Ltd.—Group	24,640				1,189	25,829
Media Chain Products GmbH	4,731					4,731
Social Chain Germany GmbH	4,265					4,265
KoRo Handels GmbH	3,437					3,437
Social Chain Commerce Alliance GmbH (former: World Fitness GmbH)	587					587
Reverse Acquisition of Lumaland AG—Group						
Ravensberger Matratzen GmbH—Group	7,766					7,766
Lumaland Vertriebs GmbH	17,061					17,061
Lumaland Inc.	2,713				88	2,801
other	509					509
Bio Clasen acquisition						
Carl Wilhelm Clasen GmbH—Group	3,366					3,366
Other acquired companies in 2020						
Urbanara GmbH	3,422					3,422
sib Silvester in Berlin Veranstaltungen GmbH	1,556					1,556
drtv.agency GmbH	1,837					1,837
other	114					114
Acquired companies in 2021						
Vonmählen GmbH	0	16				16
MINT Marketing Agency LLP	0	33				33
other	0	13				13
Total	**102,964**	**61**	**0**	**0**	**1,277**	**104,302**

3.2 Non-current assets held for sale

As of 30 June 2021, the Social Chain AG classified the investment in the FFLV group—recorded as an at-equity investment (kEUR 2,567)—as well as a loan granted to the FFLV Group (kEUR 1,242) as non-current assets held for sale.

Description of the non-current asset:

As of 31 December 2020, TSC AG acquired 49% of the shares in FFLV Inc., Delaware (acquisition price: kEUR 2,599 (USD 3 million)). Due to the additionally agreed management regulations to the benefit of the minority shareholder, FFLV Inc. was classified as a joint venture as of 31 December 2020 and therefore included as an equity investment into the previous year consolidated financial statements.

The investment companies of FFLV Inc. included in particular the following companies:

- A4D Inc., Carlsbad (US); a specialized company for digital performance marketing (4.9% indirect shareholding of the Social Chain AG)
- Coral LLC, Carson City (US); a consumer goods company, selling oral hygiene products and food supplements (24.99% indirect shareholding of the Social Chain AG)

Description of the facts and circumstances of the intended sale

In H1 2021, the management of the Social Chain Group decided to discontinue its investment in FFLV, as the FFLV Group does not fit into the Social Chain Group's investment portfolio. Concrete negotiations are already in progress with a potential buyer regarding the planned sale.

Measurement of the non-current asset:

The investment in the FFLV group is measured unchanged using the at equity approach (impact on the net income for H1 2021: kEUR -31) and the loan granted to the FFLV group is carried at book value (no p&l impact in H1 2020), as the management expects that the investment can be resold at least at cost.

3.3 Equity

The individual components of equity and movements therein during the first half year of 2021 as well as in first half year 2020 are presented in the statement of changes in equity.

Share Capital and Capital Reserve

	Common Shares	
In shares	**30 June 2021**	**2020**
Issued as of 1 January	11,348,484	9,944,118
Issued against cash contributions		1,031,680
Issued in business combination	100,000	372,686
Issued as of June 30 / December 31—fully paid	**11,448,484**	**11,348,484**
Approved—nominal value of EUR 1.00		

By its resolution of 19 August 2019, the Annual General Meeting of Shareholders granted the Management Board the authority to increase the share capital on one or more occasions on or before 18 August 2024 on the total by EUR 4,520,054.00 against cash or non-cash contributions (authorized capital 2019/I), subject to the approval by the Supervisory Board.

By its resolution of 19 August 2019, the Annual General Meeting of Shareholders granted the Management board the authority to issue bearer or registered convertible warrant-linked bonds on one or more occasions on or before 18 August 2024 to the total amount of EUR 75,000,000.00 with or without a limited term and to grant the holders conversion or option rights to subscribe to a total of up to 1,274,474 registered shares without a par value and linked to a pro rata amount of the share capital up to the total of EUR 1,274,474.00 (Conditional Capital 2019/I), subject to the approval by the Supervisory Board.

By its resolution of 19 August 2019, the Annual General Meeting of Shareholders granted the Management Board the authority to grant up to 242 thousand subscription rights on or before 18 August 2024, entitling to subscribe to a total of up to 242 thousand registered shares without a par value and each representing a notional share of the capital stock of EUR 1.00 (Conditional Capital 2019/II), subject to the approval by the Supervisory Board.

By its resolution of 11 May 2020, the Annual General Meeting of Shareholders granted the Management Board the authority to increase the share capital on one or more occasions on the total by up to EUR 5,094,859.00 against cash and/or non-cash contributions on or before 10 May 2025 (authorized capital 2020/I), subject to the approval by the Supervisory Board. Authorized capital 2020/I replaces authorized capital 2019/I.

By its resolution of 11 May 2020, the Annual General Meeting of Shareholders conditionally increased the share capital by up to EUR 4,075,887.00 through issue of up to 4,075,887 registered shares without a par value (Conditional Capital 2020/I).

By its resolution of 11 May 2020, the Annual General Meeting of Shareholders conditionally increased the share capital by up to EUR 700,971.00 through issue of up to 700,971 registered shares without a par value (Conditional Capital 2020/II).

By its resolution of 11 December 2020, the Annual General Meeting of Shareholders granted the Management Board the authority to increase the share capital on one or more occasions on or before 10 December 2025 by a total of up to EUR 4,805,010.00 against cash and/or non-cash contributions (authorized capital 2020/II), subject to the approval by the Supervisory Board.

EUR 26,950,120.00 (2019: kEUR 83,762) was allocated to the capital reserve during the reporting year.

On 27 February 2020 the share capital was increased by kEUR 170 and the capital reserve by EUR 3.74 million through contribution of the shares in Urbanara GmbH in exchange for the issue of new shares.

On 11 March 2020 the share capital was increased by kEUR 76 and the capital reserve by EUR 1.44 million through contribution of additional shares in Solidmind Nutrition GmbH in exchange for the issue of new shares.

On 14 July 2020 the share capital was increased by a total of kEUR 127 and the capital reserve by a total of EUR 2.69 million through contribution of additional shares in KoRo Handels GmbH and drtv.agency GmbH in exchange for the issue of new shares.

On 12 August 2020 the share capital was increased by kEUR 519 and the capital reserve by EUR 9.60 million in a cash capital increase with the issue of new shares.

On 8 December 2020 the share capital was increased by further kEUR 513 and the capital reserve by EUR 9.49 million in a cash capital increase with the issue of new shares.

On 16 March 2021 the board of directors decided to issue convertible bonds to the total amount of up to EUR 25,000,000.00 divided into up to 25 thousand bearer bonds with equal rights and with a nominal value of EUR 1,000.00 each ("Convertible Bonds") ("Convertible Loan Bonds 2021/2024"). It is planned to offer convertible loan bonds 2021/2024 to the shareholders of the Company by way of an indirect subscription right according to Section 186 (5) of the German Stock Corporation Act through Quirin Privatbank AG, Kurfürstendamm 119, 10711 Berlin ("Issuing Bank"). By its resolution of 16 March 2021, the supervisory board approved this decision of the board of directors.

Retained earnings

Retained earnings were kEUR –8,178 as of 30 June 2021 (31 December 2020: kEUR –9,087) and included written put options on non-controlling interests. The Company did not pay out any dividends during 2021 or 2020.

The undiluted earnings per share is calculated based on the net income/loss attributable to the shareholders and the weighted average number of common shares outstanding (first half year of 2021: 11,438,539; first half year of 2020: 10,106,050) and amounts to EUR –0.77 per share (first half year of 2020: EUR –0.75). There are no dilution effects from potential ordinary shares.

Non-controlling interests

The following table shows non-controlling interests in significant subsidiaries.

	Profit/Loss attributable to minority interests in kEUR		Non-controlling interests in %	
Company	1.1.-30.6.2021	1.1.-30.6.2020	30.06.2021	30.06.2020
KoRo Handels GmbH	169	208	48.3	56.3
BytePark GmbH	111	60	49.0	49.0
drtv.agency GmbH	39	63	49.0	49.0
datalytix.io GmbH	10	4	49.0	49.0
Mabyen GmbH	5	3	48.9	48.9
Solidmind Nutrition GmbH	—	284	—	100.0
MINT Marketing Agency LLC	–7	—	75.0	—
Shine Conventions GmbH	–13	–12	3.0	3.0
KoRo Eis GmbH	–15	—	20.0	—
Media-Part-GmbH	–23	—	14.0	—
Lumaland Inc.	–74	20	20.0	20.0
Social Moms GmbH	–85	–65	20.0	20.0
Total	**117**	**565**		

The voting rights of the non-controlling shareholders generally correspond to their shareholdings, with the following exceptions:

As of 30 June 2021, non-controlling shareholders held 75% of the shares in MINT Marketing Agency LLC. By virtue of the concluded voting trust agreement they held 49% of the voting rights as of that reporting date.

For further information, please refer to Section 1.5.2: *Changes in the scope of consolidation*.

4 Notes to the consolidated statement of cash flows

Movements in financial liabilities broken down into cash and non-cash components can be presented as follows:

in kEUR	
As of January 1, 2020	**34,896**
Cash flow from financing	
Proceeds from borrowings	21,348
Repayments of borrowings	–5,997
Repayments of lease liabilities	–520
Interest paid	–131
Net cash flow from financing activities	**14,700**
Interest expenses	2,272
Increase (+)/decrease (–) in finance lease liabilities	–699
Increase (+)/decrease (–) in liabilities from put options on own equity instruments	–912
Income from compounding/non-cash book value continuations	244
Addition to the scope of consolidation (excluding put options)	84
other non-cash changes	–4,712
non-cash changes	**–3,723**
As of June 30, 2020	**45,873**
As of January 1, 2021	**64,804**
Cash flow from financing	
Proceeds from capital raises	3,383
Proceeds from borrowings	58,503
Repayments of borrowings	–26,581
Repayments of lease liabilities	1,458
Interest paid	–574
Net cash flow from financing activities	**36,189**
Interest expenses	6,094
Increase (+)/decrease (–) in finance lease liabilities	3,054
Increase (+)/decrease (–) in liabilities from put options on own equity instruments	3,160
Income from compounding/non-cash book value continuations	1,255
Addition to the scope of consolidation (excluding put options)	227
other non-cash changes	–10,990
non-cash changes	**2,800**
As of June 30, 2021	**103,793**

The increase in proceeds from granted loans over the previous year's level is due to the financing requirements for acquisition of diverse companies and refinancing measures.

5 Disclosures regarding financial instruments

The table below presents a breakdown of financial assets including liabilities by measurement category (IFRS 9) as of 30 June 2021 and 31 December 2020:

in kEUR Financial instruments—Accounting classifications and fair values	IFRS 9 category	Carrying amount 30-Jun-2021	Valuation according to IFRS 9		Fair value	
			Amortized costs	Fair Value PL	30-Jun-2021	Level
Trade and other receivables	AC	23,350	23,350		23,350	
Trade and other receivables	FVPL	1,279		1,279	1,279	Level 2
Other financial assets		*38,820*				
Security deposits	AC	636	636		636	Level 2
Securities	FVPL	8,418		8,418	8,418	Level 3
Shares in affiliated companies and other participating interests	FVOCI	335			335	Level 3
Shares in affiliated companies and other participating interests	FVPL	6,235		6,235	6,235	Level 3
Loans	AC	2,397	2,397		2,397	Level 2
Loans	FVPL	105		105		
Receivables from finance lease		31			31	
Derivate instruments	FVPL	7,047		7,047	7,047	Level 2
Miscellaneous financial assets	AC	2,745	2,745		2,745	
Cash and cash equivalents	AC	10,871	10,871		10,871	

in kEUR Financial instruments—Accounting classifications and fair values	IFRS 9 category	Carrying amount 30-Jun-2021	Valuation according to IFRS 9		Fair value	
			Amortized costs	Fair Value PL	30-Jun-2021	Level
Trade payables	FLAC	22,415	22,415		22,415	
Other financial liabilities		*105,147*				
Bonds	FLAC	20,174	20,174		27,206	Level 1
Liabilities to banks	FLAC	21,993	21,993		21,707	Level 2
Put options on Non-controlling interests	FLAC	14,282	14,282		14,282	Level 3
Liabilities from finance leases		10,359			10,359	
Third party loans	FLAC	34,793	34,793		34,723	Level 2
Derivate instruments	FLFVPL	34		34	34	Level 2
Miscellaneous	FLAC	3,512	3,512		3,512	

Per category in kEUR		Carrying amount 30-Jun-2021
Financial assets not measured at fair value	AC	40,000
Financial assets measured at fair value affecting net income	FVPL	23,084
Financial assets measured at fair value not affecting net income	FVOCI	335
Financial liabilities not measured at fair value	FLAC	117,169
Financial liabilities measured at fair value	FLFVPL	34

in kEUR Financial assets by class	Categories acc. IFRS 9	Carrying amount 31.12.2020	Valuation acc. IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Fair value 31.12.2020	Hierarchy
Trade and other receivables	AC	9,777	9,777			9,777	
Trade and other receivables	FVPL	468			468	468	Level 2
Other financial assets		*24,731*					
Security deposits	AC	508	508			508	Level 2
Securities	FVPL	8,838			8,838	8,838	Level 3
Shares in affiliated companies and other participating interests	FVOCI	383		383		383	Level 3
Shares in affiliated companies and other participating interests	FVPL	3,339			3,339	3,339	Level 3
Loans	AC	709	709			709	Level 2
Loans	FVPL	100			100		
Receivables from finance lease		31				31	
Derivate instruments	FVPL	610			610	610	Level 2
Miscellaneous financial assets	AC	852				852	
Cash and cash equivalents	AC	9,361	9,361			9,361	

in kEUR Financial liabilities by class	Categories acc. IFRS 9	Carrying amount 31.12.2020	Valuation acc. IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Fair value 31.12.2020	Hierarchy
Trade payables	FLAC	17,939	17,939			17,939	
Other financial liabilities		*64,804*					
Liabilities to banks	FLAC	16,192	16,192			14,343	Level 2
Jan-00	FLAC	11,122	11,122			11,122	Level 3
Liabilities from finance leases		5,829				5,829	
Third party loans	FLAC	30,438	30,438			31,615	Level 2
Derivate instruments	FLFVPL	272			272	272	Level 2
Miscellaneous	FLAC	951	951			951	

Summary per category in kEUR		Carrying amount 31.12.2020
Financial assets not measured at fair value	AC	21,207
Financial assets measured at fair value affecting net income	FVPL	13,355
Financial assets measured at fair value not affecting net income	FVOCI	383
Financial liabilities not measured at fair value	FLAC	17,223
Financial liabilities measured at fair value	FLFVPL	951

Cash and cash equivalents, trade receivables and other receivables measured at amortized cost, trade payables and miscellaneous other financial assets and liabilities mainly have short remaining terms. For these short-term financial instruments, the carrying amount is a reasonable approximation of their fair value. The level for determining their fair value is not disclosed separately for these financial instruments.

The fair value of non-derivative financial instruments allocated to Level 2 is calculated based on current parameters such as interest rates and exchange rates at the balance sheet date and by using accepted models such as the discounted cash flow (DCF) method and taking into account credit risk. In addition, derivatives (currency and interest rate derivatives) have been assigned to Level 2. The fair values of the derivatives are determined on the basis of bank valuation models. The Group only enters into derivatives with counterparties of good credit standing to exclude possible default risks as far as possible.

Level 3 includes shares in non-consolidated affiliated companies and other investments, securities and liabilities from put options of non-controlling shareholders. The fair value was determined using appropriate valuation techniques based on discounted cash flow analyses, maximizing the use of observable inputs. The significant unobservable inputs are the expectations of future cash flows and the specific discount rates. The higher the expected future cash flows or the lower the discount rate, the higher the fair value and vice versa.

Financial instruments subsequently measured at Level 3 fair value include shares in affiliated companies and other investments as well as securities. The table below presents reconciliation of the fair values of these financial instruments:

in kEUR	Shares in affiliated companies and other investments	Securities
As of 01-Jan-2021	**3,722**	**8,838**
Gains and losses recognized in the income statement	2,138	225
reported in financial income (realized)	0	225
reported in financial income (not realized)	2,211	0
reported in financial expense (not realized)	–73	0
Losses recognized in other comprehensive income	–49	0
Additions	800	0
Disposals	–13	–646
Changes in scope of consolidation	–28	0
As of 30-June-2021	**6,570**	**8,418**

Losses incurred during the reporting period and the comparative period and recognized in other comprehensive income consist solely of financial instruments held at the end of the respective period. These losses are recognized in other comprehensive income as financial instruments not subsequently reclassified to profit or loss.

There were no reclassifications between the levels of the hierarchy either during the reporting period or during the comparative period.

6 Share-based payments

In the following, only the new virtual participation program of KoRo Handels GmbH is presented, as there were no significant changes in the The Social Chain AG stock option program compared to the consolidated financial statements as of 31 December 2020.

Since 2021, KoRo Handels GmbH has virtual participation contracts with key employees. In accordance with the contractual agreement, the virtual holdings establish an employee’s cash payment claim for receiving cash compensation upon the occurrence of an exit event. Under IFRS 2, these virtual share agreements represent a so-called cash-settled share-based payment transaction for which a liability is recorded pro rata over the respective service period and remeasured on each reporting date and on the settlement date based on its respective fair value. In contrast to a “real” participation, the virtual shares do not grant the employees the right to hold shares in the company when exercising the virtual shares, but rather grant them a contractual claim against the company to receive a certain amount of money, if the exercise conditions are met. In other words, virtual shares do not constitute any participation in the company under company law and in particular there is no entitlement to information, participation or voting rights of the company.

Generally, the virtual participation rights do not vest immediately, but rather need to be earned and saved monthly over a contractually agreed period by working for the company, taking into account a cliff period. In addition, the exercise of the virtual shares depends on the occurrence of an exit event.

In principle, vesting only takes place in periods in which an employment relationship between the beneficiary and KoRo Handels GmbH exists (no vesting during parental leave, unpaid sabbaticals, illness without entitlement to continue payment, …).

Generally, vested virtual shares do not lapse upon termination of the employment contracts. If there is an exit event, all options are automatically fully vested. In case of partial exits, payment claims arise proportionally. The term of the virtual participation program is unlimited.

According to the conditions of the program, KoRo Handels GmbH can grant a maximum of 2,337 virtual shares to all beneficiaries. A virtual share corresponds economically to one company share with a nominal value of EUR 1.00.

The company accounts for its virtual share agreements as a cash-settled share-based payment transaction with a service condition as vesting condition while the exit event represents a non-vesting condition.

As of 30 June 2021, only 2 employees have signed agreements under the virtual participation program, of whom only one employee has already exercisable options as of the reporting date.

The measurement of the cash-settled share based payment arrangements is based on a Monte Carlo simulation taking into account the terms and conditions on which the virtual shares were granted. Since the resulting liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss, a reassessment of the estimates used at the end of each reporting period is required.

The following table shows the number of options and the change during the year:

	30-June-2021
Exercisable at 1 January	—
Granted during the year	1,790
Forfeited during the year	—
Expired during the year	—
Exercisable at 30 June	667
Outstanding at 30 June	1,123

The following table presents the inputs for determining the fair value of the options:

	30-June-2021
Fair value per option(1)	EUR 289.79
Issue price(2)	EUR 198.04
Time to exit(3)	10 years
Risk-free rate(4)	–0.23%
Expected annualized volatility(5)	30.52%
Dividend yield(6)	0.00%

(1) The fair value per option is calculated after exit probability.

(2) The issue price differs from employee to employee.

(3) The time to exit was estimated by the management.

(4) The risk-free interest rate was derived from German government bonds with similar maturities.

(5) The expected volatility was determined on the basis of the historical volatility of a peer group.

(6) It is planned to retain profits in order to use them for further growth.

The exit proceeds as of 30 June 2021 are calculated based on the valuation from the last financing round of KoRo Handels GmbH adjusted for transaction costs, share capital and the number of exercisable options.

The carrying amount of the liability relating to the virtual participation program of KoRo Handels GmbH is EUR 193,291.18 as of 30 June 2021.

7 Contingent liabilities and other commitments

Contingent liabilities

There were no material contingent liabilities during the reporting period and the previous year.

Other commitments

Except for short-term leases and leases bases on assets of low value, there are no other commitments which have not been recognized.

8 Related party transactions

During the first half year 2021 and 2020, the Group companies had the following transactions with related parties who do not belong to the Group's scope of consolidation.

	Jan-June 2021		Jan-June 2020	
kEUR	**Key Management Personnel**	**Other Related Parties**	**Key Management Personnel**	**Other Related Parties**
Sale of Goods and Services	66	27	0	0
Interest Expenses	195	431	0	163
Interest Income	0	2	0	2

	June 30, 2021		December 31, 2020	
kEUR	**Key Management Personnel**	**Other Related Parties**	**Key Management Personnel**	**Other Related Parties**
Loans from Related Parties	177	30,493	27	19,488
thereof pledged	0	0	0	0
Loans to Related Parties	0	162	0	150
thereof pledged	0	0	0	0

Otherwise, there were no significant changes as of June 30, 2021 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2020.

9 Subsequent events

The co-shareholders of KoRo Handels GmbH exercised their put options on 5 July 2021. As a result, the Social Chain Group AG secured further 41.39% of the shares, so that the group owns a total of 99.57% of the shares of KoRo Handels GmbH as of 5 July 2021. The purchase price of these additional shares is estimated at EUR 4.2 million according to the contractually fixed put option purchase price calculation. However, no agreement has yet been reached with the sellers on the calculation of the purchase price. According to the contract, the acquisition was made with economic effect from 1 January 2021. As the transaction took place after 30 June 2021, the acquisition has not yet been recognised in the balance sheet.

As of the issuance date of these condensed interim consolidated financial statements, there were no further material subsequent events that would require recognition in or an adjustment to the condensed interim consolidated financial statements.

Berlin, 2 September 2021

Wanja S. Oberhof Christian Senitz

Audited consolidated financial statements of The Social Chain AG
prepared in accordance with IFRS
as of and for the financial year ended December 31, 2020

The Social Chain AG

Consolidated Financial Statements as of 31 December 2020

Consolidated Statement of Profit or Loss

For the financial year from 1 January to 31 December 2020

in kEUR	Note	2020	2019
Revenues	2.1.	130,319	35,492
Increase or decrease of finished goods and work in progress		–31	0
Other operating income	2.2.	7,778	1,242
Material expenses	2.3.	–67,720	–20,698
Personnel expenses	2.4.	–32,006	–18,327
Net impairment loss on trade receivables and contract assets		–435	–1,616
Other operating expenses	2.5.	–45,860	–12,884
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**–7,955**	**–16,791**
Depreciation and amortization expenses	2.6.	–15,503	–6,152
Earnings before interest and taxes (EBIT)		**–23,458**	**–22,943**
Interest and similar income	2.7.	2,022	437
Interest and similar expenses	2.7.	–5,057	–4,699
Share of profit of equity-accounted investees	2.8.	–39	–390
Income before income tax expense		**–26,532**	**–27,595**
Income tax expense/benefit	2.9.	796	68
Income after income tax expense		**–25,736**	**–27,527**
Thereof attributable to:			
Owners of parent company		–26,605	–27,405
Non-Controlling interests		869	–122

The Social Chain AG

Consolidated Financial Statements as of 31 December 2020

Consolidated Statement of Comprehensive Income

For the financial year from 1 January to 31 December 2020

in kEUR	2020	2019
Income after income tax expense	**–25,736**	**–27,527**
Other comprehensive income	**–1,476**	**–1,209**
Thereof attributable to:		
Owners of parent company	–1,476	–1,209
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	–1,289	913
Items that will not reclassified subsequently to profit or loss		
Financial instruments	–187	–2,122
Income after income tax expense	**–27,212**	**–28,736**
Thereof attributable to:		
Owners of parent company	–28,082	–28,614
Non-Controlling interests	870	–122

The Social Chain AG

Consolidated Financial Statements as of 31 December 2020

Consolidated Balance Sheet

As of 31 December 2020

in kEUR	Note	31-Dec-2020	31-Dec-2019
ASSETS			
Intangible assets	3.1.	18,530	21,603
Goodwill	3.1.	104,756	99,985
Property, plant and equipment	3.2.	4,776	1,635
Right of use assets	3.3.	5,361	4,528
Non-current trade and other receivables	3.10.	130	91
Other non-current financial assets	3.4.	14,055	5,146
Income tax receivables	3.5.	104	0
Equity-accounted investees	3.4.	2,621	3,788
Other non-current non-financial assets	3.6.	12	0
Deferred tax assets	3.7.	2,820	780
Non-current assets		**153,165**	**137,556**
Inventories	3.8.	22,549	6,254
Current contract assets	3.9.	1,344	1,623
Trade and other receivables	3.10.	10,115	14,139
Other financial assets	3.4.	1,314	1,671
Income tax receivables	3.5.	76	299
Other non-financial assets	3.6.	6,616	4,717
Cash and cash equivalents	3.11.	9,360	6,801
Current assets		**51,374**	**35,504**
Total assets		**204,539**	**173,060**
EQUITY AND LIABILITIES			
Share capital	3.12.	11,348	9,944
Capital reserve	3.12.	167,206	134,957
Currency translation reserve	3.12.	–376	913
Retained earnings	3.12.	–9,088	–11,545
Profit carried forward	3.12.	–72,612	–45,820
Equity attributable to owners	**3.12.**	**96,478**	**88,449**
Non-Controlling interests	3.12.	2,203	1,515
Total equity	3.12.	**98,681**	**89,964**
Other non-current financial liabilities	3.14.	26,982	15,571
Non-current income tax liabilities	3.15.	218	228
Other non-current provisions	3.16.	8	5
Other non-current non-financial liabilities	3.15.	316	0
Deferred tax liabilities	3.7.	8,266	7,659
Non-current liabilities		**35,790**	**23,463**
Trade payables	3.13.	17,939	27,810
Other current financial liabilities	3.14.	37,821	19,326
Current provisions	3.16.	4,006	2,303
Current income tax liabilities	3.15.	58	221
Other current non-financial liabilities	3.15.	8,132	7,355
Current contract liabilities	3.9.	1,063	1,721
Current refund liabilities	3.9.	1,049	897
Current liabilities		**70,068**	**59,633**
Total equity and liabilities		**204,539**	**173,060**

The Social Chain AG

Consolidated Financial Statements as of 31 December 2020

Consolidated Statement of Changes in Equity

For the financial year from 1 January to 31 December 2020

	Attributable to owners of the Company								
in kEUR	**Share capital**	**Capital reserve**	**Currency translation reserve**	**Other reserve**	**Retained earnings**	**Profit carried forward**	**Total**	**Non-controlling interests**	**Total equity**
Balance as of 1-Jan-2019	**2,833**	**49,830**	0	**2,531**	**0**	**–18,824**	**36,370**	**0**	**36,370**
Profit for the period	0	0	0	0	0	–27,405	–27,405	–122	–27,527
Other comprehensive income for the period	0	0	913	–2,122	0	0	–1,209	0	–1,209
Total comprehensive income for the period	**0**	**0**	**913**	**–2,122**	**0**	**–27,405**	**–28,614**	**–122**	**–28,736**
Capital increase	7,111	83,307	0	0	0	0	90,417	1,637	92,054
Equity-settled share-based payment	0	1,821	0	0	0	0	1,821	0	1,821
Put options of non-controlling interests	0	0	0	0	–11,545	0	–11,545	0	–11,545
Balance as of 31-Dec-2019	**9,944**	**134,957**	**913**	**409**	**–11,545**	**–46,229**	**88,449**	**1,515**	**89,964**
Balance as of 1-Jan-2020	**9,944**	**134,957**	**913**	**409**	**–11,545**	**–46,229**	**88,449**	**1,515**	**89,964**
Profit for the period	0	0	0	0	0	–26,605	–26,605	869	–25,736
Other comprehensive income for the period	0	0	–1,289	–187	0	0	–1,476	0	–1,476
Total comprehensive income for the period	**0**	**0**	**–1,289**	**–187**	**0**	**–26,605**	**–28,081**	**869**	**–27,212**
Capital increase	1,404	26,642	0	0	0	0	28,046	–181	27,865
Equity-settled share-based payment	0	5,607	0	0	0	0	5,607	0	5,607
Put options of non-controlling interests	0	0	0	0	2,457	0	2,457	0	2,457
Balance as of 31-Dec-2020	**11,348**	**167,206**	**–376**	**222**	**–9,088**	**–72,834**	**96,478**	**2,203**	**98,681**

The Social Chain AG

Consolidated Financial Statements as of 31 December 2020

Consolidated Statement of Cash Flows

For the financial year from 1 January to 31 December 2020

in kEUR	2020	2019
Income after income tax expense	**–25,736**	**–27,527**
Income taxes	–796	–68
Income before income tax expense	**–26,532**	**–27,595**
Reconciliation from Income before income tax expense to net cash flows		
Interest and similar expenses	3,074	4,653
Depreciation of property, plant and equipment	3,003	1,212
Amortisation of intangible assets	3,257	2,105
Impairment	9,244	2,834
Gain/loss on disposal of property, plant and equipment	–138	385
Gain/loss on disposal of shares in Group Companies	–5,656	0
Expenses for share-based payment	5,609	1,821
Other non-cash income and expenses	8	–1,334
Change in net working capital		
Decrease (+)/increase (–) in inventories	–7,454	1,910
Decrease (+)/increase (–) in contract assets	279	–2,454
Decrease (+)/Increase (–) other non-financial assets (excluding contract assets)	–2,316	–4,996
Increase (+)/Decrease (–) other non-financial liabilities (incl. Contract liabilities)	–1,671	40
Decrease (+)/Increase (–) in trade receivables and other receivables (current)	7,249	12,486
Increase (+)/Decrease (–) in trade payables	–15,565	–829
Increase (+)/Decrease (–) in provisions	1,371	611
Income tax receivables and liabilities	608	154
Other changes in working capital	911	–1,321
Net cash flow from operating activities	**–24,719**	**–10,318**
Proceeds from sale of property, plant and equipment	318	1,290
Proceeds from sale of intangible assets	40	0
Disbursements for acquisition of a business, net of cash acquired	–5,193	–695
Proceeds from disposals of companies and business units, net of cash disposed of in the process	–478	0
Disbursements for investments in property, plant and equipment	–792	–201
Disbursements for investments in intangible assets	–31	–86
Disbursements for cash deposits	0	0
Interest received	20	14
Net cash flow from investing activities	**–6,116**	**322**
Proceeds from capital increase	19,673	17,206
Proceeds from borrowings	30,496	5,772
Repayments of borrowings	–11,613	–5,464
Repayments of lease liabilities (redemption)	–2,419	–1,040
Interest paid (incl. interest of leases liabilities	–2,607	–973
Net cash flow from financing activities	**33,530**	**15,500**
Effect of currency translation on cash and cash equivalents	**–136**	**24**
Net increase/decrease in cash and cash equivalents	**2,559**	**5,528**
Cash and cash equivalents at the begining of the period	**6,801**	**1,273**
Cash and cash equivalents at the end of the period	**9,360**	**6,801**

The Social Chain AG

Consolidated Financial Statements as of 31 December 2020

1 General information

The Social Chain AG (hereinafter "TSC AG" and "Company"-or "Group" when together with its subsidiaries) is a stock corporation domiciled in Germany with its registered office at Gormannstrasse 22, 10119 Berlin, Germany. It is entered in the commercial register of the local court of Berlin, Germany, under number HRB 128790 B.

The Social Chain Group is an integrated social media company that combines social media and social commerce under one roof. The Social Chain Group is a pioneer in building, developing and scaling social media brands. The strategy of The Social Chain AG focuses on brands, social experiences and product worlds that are identified, developed and primarily marketed directly to end consumers (directly to consumer brands) via social media.

The Group's core markets are Europe (with Germany and the United Kingdom as the focal points), and the Americas, where the emphasis is on the USA. Asia is a further strategic target market.

1.1 Basis of compilation

The consolidated financial statements for the financial year ended 31 December 2020 were compiled assuming the continued existence of the company as a going concern. They were compiled in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as they are to be applied in the European Union (EU), as well as with section 315e (1) of the German Commercial Code (HGB). The Group therefore applies all of the IFRS published by the IASB and the interpretations issued by the IFRS Interpretations Committee (IFRIC) that were in effect at 31 December 2020, were adopted by the EU and apply to the Group. The term "IFRS" also refers to all valid International Accounting Standards (IAS) and all interpretations and amendments.

The Group's financial year consists of twelve months and ends on 31 December.

The reporting currency of the consolidated financial statements is Euros (EUR). Unless otherwise stated, all amounts are rounded up or down to thousands of Euros (kEUR) based on commercial rounding principles. The amounts in tables were calculated on the basis of exact numbers and rounded to kEUR. The consolidated financial statements were compiled for all disclosed reporting periods in compliance with uniform accounting and consolidation principles. The consolidated financial statements were compiled according to the acquisition cost approach. This does not apply to certain financial assets and liabilities (including derivative instruments) and share-based payments that are stated at fair value. The Group classifies assets and liabilities as short-term if they are expected to be realized or settled within twelve months after the balance sheet date. Insofar as assets and liabilities have both a short-term and a long-term portion, they are subdivided into their maturity components and disclosed as short-term and long-term assets or liabilities according to the balance sheet structure. The Group's Consolidated Statement of Profit or Loss was compiled according to the nature of expense method.

1.2 New standards and interpretations to be applied in the future

Pronouncement	Title	To be applied by The Social Chain AG from	Changes	Expected impact on the presentation of The Social Chain AG's results of operations and financial position
IFRSs endorsed by the EU				
Amendment to IFRS 16	Covid-19 related Rent Concessions	January 1, 2021[(a)]	Practical expedient for lessee accounting of rent concessions granted due to the Covid-19 pandemic. Instead of assessing whether a rent concession is a lease modification, the lessee can account for the changes in lease payments as if they were not lease modifications.	Practical expedient not applied by The Social Chain AG.
Amendments to IFRS 4	Insurance contracts—deferral of IFRS 9	January 1, 2021	Deferral of first-time application of IFRS 9 for insurance companies.	No impact.

Pronouncement	Title	To be applied by The Social Chain AG from	Changes	Expected impact on the presentation of The Social Chain AG's results of operations and financial position
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)	January 1, 2021	The amendments address the impact of modifications of financial instruments required as a direct consequence of IBOR reform, hedge accounting requirements, and the Accompanying disclosures.	No material impact expected.

(a) Earlier application is permissible. The Social Chain AG already decided in the 2020 financial year to not apply the practical expedient.

Pronouncement	Title	To be applied by The Social Chain AG from	Changes	Expected impact on the presentation of The Social Chain AG's results of operations and financial position
IFRSs not yet endorsed by the EU(a)				
Amendments to IAS 16	Proceeds before Intended Use	January 1, 2022	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Clarification of the definition of the costs of testing. Revenue and cost that relate to items produced that are not an output of the entity's ordinary activities must be presented separately. Disclosure of the line item in the statement of comprehensive item that includes such revenue.	No material impact.
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	Clarification that the cost of fulfilling a contract includes all directly attributable costs. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract (such as direct wage and material costs) and an allocation of other costs that relate directly to fulfilling contracts. In addition, it is clarified that before a provision for an onerous contract is established, an entity should recognize any impairment loss that has occurred on assets used in (previously: dedicated to) fulfilling the contract.	No material impact.
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022	Reference to the revised IFRS Conceptual Framework. Requirement that, for identifying liabilities within the scope of IAS 37 or IFRIC 21, an acquirer should apply IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. Addition of an explicit statement that an acquirer should not recognize contingent assets acquired in a business combination.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2018–2020 Cycle	January 1, 2022	Revision of specific aspects in IFRS 1, IFRS 9, IFRS 16, and IAS 41	No material impact.

Pronouncement	Title	To be applied by The Social Chain AG from	Changes	Expected impact on the presentation of The Social Chain AG's results of operations and financial position
IFRS 17	Insurance Contracts	January 1, 2023	IFRS 17 governs the accounting for insurance contracts and replaces IFRS 4.	No material impact.
Amendments to IFRS 17	Insurance Contracts	January 1, 2023	Deferral of first-time application of IFRS 17 to January 1, 2023. The fundamental principles under IFRS 17 remain unaffected. The amendments to the standard, which refer to specific topics, are aimed at helping entities implement the standard and, at the same time, avoiding a significant loss of useful information.	No material impact.
Amendments to IAS 1	Presentation of Financial Statements	January 1, 2023	Clarification of the classification of liabilities as current or non-current.	No material impact.
Amendments to IAS 1	Presentation of Financial Statements and IFRS Practice Statement 2	January 1, 2023	Disclosure of accounting policies: According to these amendments, IFRS users are to disclose their "material" accounting policies. Previously, "significant" accounting policies had to be disclosed. What is considered "material" is based on the usefulness of the information for decision-making by the users of the financial statements. To accompany this, the IASB has issued amendments to IFRS guidance document 2, which provides additional guidance on applying the concept of materiality to disclosures about accounting policies, as well as examples.	No material impact.
Amendments to IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	January 1, 2023	Definition of Accounting Estimates: The amendment clarifies the distinction between "changes in accounting policies" and "changes in accounting estimates". Accordingly, changes in estimates are applied prospectively to transactions and other events from the date of the change in estimate, whereas changes in accounting policies are generally also applied retrospectively to past transactions and other past events.	No material impact.
Amendments to IFRS 16	Leases: Covid-19-Related Rent Concessions beyond 30 June 2021	April 1, 2021	Covid-19-Related Rent Concessions beyond 30 June 2021: Extend of the Covid-19-Related Rent Concessions relief from Mai 28, 2020 beyond 30 June 2021 for one year to provide relief for recent concessions in relation to COVID-19 that reduce payments up until 30 June 2022	No material impact.
Amendments to IAS 12	Income Taxes	January 1, 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: On May 7, 2021, the IASB has issued amendments to IAS 12 on "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had	No material impact.

Pronouncement	Title	To be applied by The Social Chain AG from	Changes	Expected impact on the presentation of The Social Chain AG's results of operations and financial position
			been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. Main use cases for the amendtments are lease arrangements accounted for by a lessee as well as decommissioning and similar obligations.	

* For standards not yet endorsed by the EU, the date of the first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

1.3 Accounting and valuation approaches

The consolidated financial statements are based on uniform accounting and valuation principles. The main accounting and valuation principles are explained below.

1.3.1 Consolidation approach

All subsidiaries controlled by The Social Chain Group AG in accordance with IFRS 10: *"Consolidated Financial Statements"* are included in the consolidated financial statements and fully consolidated. The Group gains control when it exercises the power over the investee, is exposed to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the investee's return. The assessment of control is reviewed by The Social Chain AG if there are indications that one or more of the aforementioned criteria have changed.

The results of the subsidiaries acquired during the year are recognized in the consolidated statement of profit or loss and in other consolidated income as of the actual date of acquisition or until the actual date of disposal.

Profit or loss and each component of other comprehensive income are attributed to holders of common shares in the parent company and non-controlling interests, even if this results in a negative balance of the non-controlling equity. When necessary, adjustments are made to the financial statements of the subsidiaries in order to align their accounting policies with those of the Group. This also includes the production of interim financial statements at the same reporting date and comparison date as the Group for all subsidiaries with different fiscal years. All intercompany assets and liabilities, equity, income and expenses, and cash flows arising from transactions between Group companies are eliminated in full in the process of consolidation.

Tax deferrals were recognized for temporary differences from consolidation, as required under IAS 12.

1.3.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method in accordance with IFRS 3: *Business Combinations*. The acquisition cost of a business combination is measured as the aggregate of the consideration transferred, as measured at fair value at the acquisition date, and the non-controlling interest in the acquired company. The Group decides for every business combination, whether to measure the non-controlling interests in the acquired company at fair value or at the *pro rata* share of the acquired company's identifiable net assets. Acquisition-related costs are expensed as incurred. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values during the time of acquisition.

Goodwill is recognized—and reviewed at least annually for impairment—as the excess of the acquisition cost, the amount of non-controlling interests in the acquired company and the fair value of any previously held equity interests at the date of acquisition over the Group's share in the net assets measured at fair value. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the consolidated statement of profit or loss after a further review (bargain purchase income).

1.3.3 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the investee's financial and operating decision-making, however, without control or joint control over the decision-making process.

A joint venture is an agreement under which the parties exercising joint control over the arrangement hold the rights to the joint venture's net assets. Joint control is the contractually arranged sharing of control under an agreement that only exists when decisions about the relevant activities require unanimous consent of the parties exercising joint control.

The considerations underlying determination of significant influence or joint control are comparable to those required to determine control of subsidiaries. The Group's investment in an associate or a joint venture is accounted for according to the equity method.

According to the equity method, the investment in an associate or a joint venture is initially recognized at acquisition cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share in the net assets of the associate or the joint venture since the acquisition date. The goodwill relating to the associate or the joint venture is included in the carrying value of the investment and will be neither depreciated or undergo an impairment test.

The consolidated statement of profit or loss includes the Group's portion of the profits or losses of an associate or a joint venture for the period. Changes in other comprehensive income of these companies are recognized in other comprehensive income of the Group. In addition, changes directly disclosed in the equity of the associate or the joint venture are recognized by the Group to the extent of its interest and presented in the statement of changes in equity where necessary. Unrealised profits and losses from transactions between the Group and its associates or joint ventures will be eliminated to the extent of the Group's interest in the associate or joint venture concerned.

The Group's total share in the result of an associate or a joint venture is not recognized in the consolidated statement of profit or loss as part of operating profit; rather, it is included in the net profit with account of the non-controlling interests in subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are produced as of the same reporting date as the Group's financial statements. Where necessary, adjustments will be made to ensure compliance with the Group's accounting policies.

Having applied the equity method, the Group determines whether it is necessary to recognize an impairment loss for its investment in an associate or joint venture. As of each reporting date, the Group determines if objective evidence is in existence that the investment in the associate or joint venture might be impaired. Where such evidence exists, impairment loss is measured as the difference between the recoverable amount of the investment in the associate or joint venture and its respective carrying amount; then loss is recognized in the consolidated statement of profit or loss in the item *Share in the results of associates and joint ventures.*

1.3.4 Fair value measurement in accordance with IFRS 13

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal market at the measurement date under current market conditions (e.g. an exit price), regardless of whether the price is directly observable or estimated applying another valuation method.

A measurement hierarchy (fair value hierarchy) has been defined in accordance with IFRS 13: *Fair Value Measurement.* The fair value hierarchy subdivides the inputs used in the valuation approaches to measure fair value into three levels:

- Level 1: Inputs are the quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2: Inputs are prices other than quoted prices included in Level 1 that are either directly observable for the asset or liability or can be derived indirectly.
- Level 3: Inputs are the unobservable inputs for the asset or liability.

In this context, the Group determines whether any transfers between the hierarchy levels have occurred by the end of the respective reporting period by reviewing the classification (based on the lowest level input that is significant to the fair value measurement as a whole). Share-based payment components are measured at fair value but do not fall within the scope of IFRS 13.

The general responsibility for monitoring measurement of all significant fair values (including the fair values of level 3), is with the finance department, which reports directly to the finance board. The finance department uses selected external appraisers to determine the fair value of significant assets and liabilities. The selection criteria include market knowledge, reputation, independence and compliance with professional standards. In discussions with the external appraisers, the finance department decides what valuation approaches and inputs must be applied in each individual case.

1.3.5 Intangible assets

Acquired intangible assets, including software and licenses, are recognised at their acquisition cost. Internally generated intangible assets are recognised at production cost.

Research and development expense must be singled out to determine whether the internally generated intangible asset can be recognised. Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized as expense in the period they are incurred.

Capitalisation of internally generated intangible assets is based on the cumulative fulfilment of the IAS 38 recognition criteria: The technical feasibility of completing the development project and a future economic benefit from the development project must be demonstrated and the company must have the intention and the ability to complete, use or sell the intangible asset. Furthermore, adequate technical, financial and other resources must be available to complete the asset and it must be possible to reliably determine the cost attributable to the intangible asset during its development.

The recognized costs consist of the costs directly attributable to the development process, and development-related overheads. According to IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a so-called qualifying asset should be recognized as part of the acquisition or production cost. During the reporting and comparative period, no qualifying assets were acquired or generated for which it would have been necessary to recognize borrowing costs.

If useful life can be determined, these intangible assets are amortised according to a straight-line method over the useful life of the asset. The following useful lives are used for amortisation purposes:

Intangible assets	Useful life in years
Internally generated intangible rights and assets	8–20
Brands	5–10
Customer relationships	1–8
Patents, concessions, other rights including Software	3–15

Currently the Group has no intangible assets with indefinite useful lives, with the exception of goodwill.

1.3.6 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation (if the asset is subject to wear and tear) and impairment.

The acquisition cost of an item of property, plant and equipment covers all costs directly attributable to acquisition of the asset. Repairs and maintenance are recognized in the consolidated statement of profit or loss as expense in the reporting period in which they are incurred. Internally generated assets are initially recognized with directly attributable production costs and production-related overheads.

Scheduled depreciation is recognized in the consolidated statement of profit or loss according to the straight-line method over the estimated useful life of the asset.

The following useful lives are mainly used:

Property Plant and Equipment	Useful life in years
Buildings	40
Technical equipment and machinery	10
Operating and office equipment	1–10

Land is not subject to scheduled depreciation.

To the extent that material elements of property, plant and equipment contain components with considerably differing using lives, these components are recognized separately and depreciated over their respective useful life.

According to IFRS, borrowing costs directly attributable to acquisition, construction or production of a so-called qualifying asset should be recognized as part of its acquisition or production cost. In the reporting and comparative period, no qualifying assets were acquired or generated for which it would have been necessary to recognize borrowing costs.

The residual values and economic useful lives are reviewed at the end of every reporting period and adjusted where appropriate. The economic useful lives are based on estimates and, to a major extent, on experience regarding historical use and technical development.

Gain and loss from disposals of assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss.

Impairment losses are recognized if indications of an impairment loss are in existence and if the carrying amount of property, plant and equipment exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs, and its value in use. A reversal to historical cost is performed if the reason for an impairment already recognized ceases to exist.

1.3.7 Impairment

In accordance with IAS 36, assets with a finite useful life are reviewed at each balance sheet date to determine whether there is any indication of impairment, e.g., specific events or market developments indicating a possible decline in value. In the reporting period, there were no indications of impairment of the intangible assets or property, plant and equipment subject to scheduled depreciation and amortization.

Intangible assets with indefinite useful lives and internally generated assets under construction must also be tested for impairment at each reporting date. With the exception of goodwill, there were no intangible assets with indefinite useful lives in the reporting period.

The recoverable amount of an asset is determined if there is an indication of impairment or if the annual impairment test for intangible assets with indefinite useful lives is mandatory. The recoverable amount of an asset is the higher of an asset's or cash-generating unit's (CGU) fair value less disposal costs, and its value in use. The recoverable amount must be determined for each individual asset, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In the latter case, the recoverable amount is determined on the basis of a CGU to which the assets or groups of assets are allocated until they together generate largely independent cash inflows. This also applies to goodwill. From the acquisition date goodwill is allocated to the CGU or group of CGUs that can benefit from the combination synergies and at whose level the goodwill is monitored for internal management purposes.

To determine the value in use, the expected future cash flows are discounted to their present value at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the value in use, the current and future expected level of earnings as well as technological, economic and general development trends are taken into account on the basis of approved financial plans.

If the carrying amount exceeds the recoverable amount of the asset or CGU, impairment loss is recognized in profit or loss to the amount by which the carrying amount exceeds the recoverable amount. If, in the case of goodwill, the impairment loss exceeds the carrying amount of the goodwill, the goodwill is initially written off in full and the remaining impairment loss is allocated to the other assets of the CGU.

Except in the case of goodwill, impairment losses are reversed to the new recoverable amount, if the reasons for impairment losses recognized in previous years no longer apply. The upper limit for write-ups is the amortized cost that would have been carried if no impairment losses had been recognized in previous years. No reversals of impairment losses on intangible assets or property, plant and equipment were recognized in the reporting period or in the comparative period.

1.3.8 Leases

A n assessment is made upon conclusion of the contract as to whether the contract creates or contains a lease. This is the case when the contract entitles to control use of an identified asset for a specified period of time in return for payment of a fee. The definition of a lease according to IFRS 16 is applied to assess whether a contract includes the entitlement to control an identified asset.

At the provision date or upon amendment of a contract containing a lease component, the contractually agreed consideration is apportioned on the basis of relative stand-alone selling prices. The Group has decided not to single out non-lease components for movable assets and instead to account for lease and non-lease components as a single lease component. For real estate, only the base rent is accounted for in accordance with IFRS 16.

At the provision date, the Group recognizes the granted right of use as an asset and a lease liability. The right of use is initially recognised at acquisition cost, which is initially measured as the present value of the lease liability adjusted for payments made on or before the provision date, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or restoring such underlying asset or the site on which it is located, less any lease incentives received.

Subsequently, the right of use is depreciated according to a straight-line method throughout the period between the provision date and the end of the lease term, unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right of use takes into account the Group's exercise of an option to purchase. In this case, the right of use is depreciated over the useful life of the underlying asset, which is determined in accordance with the rules for property, plant and equipment. In addition, the right of use is continuously adjusted for impairment losses, if necessary, and for certain revaluations of the lease liability.

The lease liability is initially recognized at the present value of lease payments not yet made at the provision date, discounted at the interest rate implicit in the lease or, if this cannot be reliably determined, at the incremental borrowing rate. The Group normally uses the incremental borrowing rates as discount rates.

The incremental borrowing rate consists of a base rate and a credit spread. The base rate is determined on a term-specific basis and includes also premiums for country and currency risks in addition to a risk-free basis derived from German government bonds. To derive the credit risk premium, the respective premium was determined after a synthetic rating on the basis of this rating based on listed bonds of a peer group. The plausibility of the credit risk premium was verified by comparison with the conditions of loans issued by banks to the Group companies. The incremental borrowing rate is determined annually and adjusted to reflect changes in market conditions.

The lease payments included in the assessment of the lease liability include:

- Fixed payments, including de facto fixed payments;
- Variable lease payments linked to an index or (interest) rate, measured for the first time using the index or (interest) rate applicable on the provision date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price of a call option if the Group is reasonably certain to exercise it, lease payments for a renewal option if the Group is reasonably certain to exercise it, and penalties for early termination of the lease unless the Group is reasonably certain that it will not terminate early.

The lease liability is measured at the present value of the remaining lease payment discounted at the lessee's incremental borrowing rate. It is reviewed if the future lease payments change due to a change in an index or (interest) rate, if the Group adjusts its estimate of the expected payments under a residual value guarantee, if the Group changes its estimate of the exercise of a purchase, renewal or termination option, or if there is a change in the de facto fixed lease payments.

Upon such review of the lease liability, a corresponding adjustment is made to the carrying amount of the right of use or it is recognized in profit or loss, if the carrying amount of the right of use has decreased to zero.

Short-term leases and leases based on assets of low value

The Group has decided not to recognize rights of use and lease liabilities for leases that are based on assets of low value and for short-term leases. The Group recognizes lease payments related to these leases as expense on a straight-line basis over the lease term.

1.3.9 Cash and cash equivalents

Cash and cash equivalents are cash, immediately disposable bank assets and short-term deposits at banks, all of which have an initial term below three months. Utilised bank overdrafts are recognized in current financial liabilities.

1.3.10 Financial instruments

In accordance with IAS 32, a financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. According to IFRS 9, they can include non-derivative financial instruments, such as trade receivables and payables, as well as derivative financial instruments.

Upon initial recognition, financial assets and financial liabilities are measured at their fair value, which generally corresponds to the transaction costs. Transaction costs directly attributable to the acquisition or issue of the financial instrument are recognized at their carrying amount unless the respective financial instrument is measured at fair value, and changes in its fair value are recognized in profit or loss. In the case of trade receivables without a significant financing component, the transaction price must always be recognized as determined in accordance with IFRS 15. The subsequent measurement depends on the classification of the financial instruments.

Orderly market transactions (purchases or sales) of financial assets and liabilities are generally recognized on the transaction day. Financial assets and liabilities are offset only where it is enforceable by law to offset the amounts to their present value and if there is an actual intention to offset. These conditions were not met in the reporting period; neither are currently any master netting arrangements or similar agreements in place, so that there is no offsetting in the Group for accounting purposes, nor can the circumstances arise in which offsetting is possible.

Financial assets

Financial assets include in particular:

- Trade receivables and other receivables,
- Other financial assets,
- Cash and cash equivalents.

Financial assets with a remaining term of more than twelve months are presented separately as non-current financial assets.

The classification of financial assets depends on the underlying business model and the cash flow criterion, according to which the contractual cash flows of a financial asset may only consist of interest and repayments of the outstanding principal amount of the financial instrument. Compliance with the cash-flow criterion is always assessed at the level of the individual financial instrument. The assessment of the business model is about the management of financial assets to generate cash flows. The holding objective can be holding, selling or a combination of the two. The Company classifies financial assets into one of the following categories:

- Financial assets measured at amortized cost (debt instruments),
- Financial assets measured at fair value with recycling through other comprehensive income (debt instruments),
- Financial assets measured at fair value through profit and loss (equity instruments),
- Financial assets measured at fair value without recycling through other comprehensive income (equity instruments).

Financial assets measured at amortized cost (debt instruments)

The most significant category of financial assets most significant for the Group is the category of debt instruments measured at amortized cost. A financial asset is measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual cash flows generated therefrom are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of these financial assets is based on the effective interest method and is subject to the impairment rules set out in IFRS 9.5.5 *et seq.* At the Group level, this category mainly consists of trade receivables, other assets and bank balances. For further details, please refer to section 5: *Further disclosures on financial instruments and financial risk management.*

Trade receivables sold under a factoring agreement without de-recognition of the claim under the sale of claims model continue to be classified by the Group under the business model "held" and therefore in the "amortized cost" category. The Group defines sale under the business model criterion as an actual sale that also results in de-recognition. In the Group's interpretation, a sale purely in legal terms, without de-recognition, does not fall under the business model of sale in the meaning of IFRS 9. Portfolios of receivables that are in principle subject to the possibility of factoring with disposal of the respective receivables are allocated to the "held for sale" category and measured at fair value without their reflection through profit or loss (FVOCI).

Financial assets measured at fair value with recycling through other comprehensive income (debt instruments)

Debt instruments are measured at fair value with recycling through other comprehensive income where the following two conditions are met:

- The objective of the business model for holding these financial instruments is achieved by both holding the assets to collect contractual cash flows and selling them;
- The resultant contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

For these financial assets, interest, foreign currency translation gains/loss and gain/loss in connection with impairment are recognized through profit or loss. The other changes are recognized in other comprehensive income in accordance with IFRS 9 and reclassified on disposal to income or loss (recycling).

Financial assets measured at fair value through profit and loss (equity instruments)

This category includes financial assets held for trading, financial instruments with the fair value option, financial assets subject to mandatory measurement at fair value, and equity instruments not measured at fair value through profit or loss. The objective is trading if purchase or sale is intended in the short term. Derivatives that are not part of a hedging relationship are always held for trading purposes. Financial assets that do not meet the cash flow criterion are always measured at fair value through profit or loss, regardless of the underlying business model. A similar measurement approach applies for financial instruments that are subject to the "held for sale" business model.

The fair value option for financial assets is not made use of.

Any changes in the fair value of these instruments are recognized in profit or loss.

Financial assets measured at fair value without recycling through other comprehensive income (equity instrument)

At initial recognition of an equity instrument, the Group has the irrevocable option to measure this instrument at fair value through other comprehensive income. The requirement is that the instrument is treated as an equity instrument in accordance with IAS 32, which is not held for trading and is not treated as contingent consideration in the meaning of IFRS 3. The option is to be exercised separately for each equity instrument. Until now, the Group has exercised this option with respect to only one instrument, which continues to be held by the Group as of 31 December 2020.

Profit or loss from such financial assets are not reclassified to profit or loss on disposal of the asset (no recycling). Dividends from such instruments are recognized in profit or loss. Equity instruments measured at fair value through other comprehensive income are not subject to the impairment rules.

Impairment of financial assets

Financial assets (with the exception of the financial assets measured at fair value through profit or loss), contract assets in accordance with IFRS 15, leasing receivables, loan commitments and financial guarantees are subject to impairment in the meaning of IFRS 9.5.5. Thus, the Group recognizes impairment for these assets on the basis of the expected credit losses. Expected credit losses result from the difference between the agreed contractual cash flows and the expected cash flows measured at present value with the initial effective interest rate. The expected cash flows also include income from hedge sales and other credit securities that are an integral part of the underlying contract.

Expected credit losses are recognized in 3 levels. For financial assets, for which there has been no significant increase of the default risk since initial recognition thereof, impairment is assessed to the amount of the expected twelve-month credit loss (Level 1). In case of a significant increase in the default risk, the expected credit loss is assessed for the remaining term of the asset (Level 2). The Group generally assumes that a significant increase of the credit risk is has taken place if the asset is overdue for at least 30 days. This approach can be reversed if reliable and justifiable information indicates that the credit risk has not increased in the individual case concerned. If there is objective evidence of impairment, the underlying assets are to be subjected to Level 3 impairment. Objective evidence of impairment is assumed to exist if the asset is overdue for more than 90 days, unless there is reliable and justifiable information in the individual case concerned that a longer period of arrears is more appropriate. In addition, a refusal to pay and the like are considered objective evidence.

The classes of assets relevant for the Group in terms of application of the impairment model are trade receivables and contract assets. For these, the Group applies simplified recognition in accordance with IFRS 9.5.5.15. This means that impairment will always be measured to the amount of the expected credit loss for the term of the asset. For further details on determination of impairment, see section 7: *Financial Risk Management.*

For other assets falling within the scope of application of the adjusted impairment model of IFRS 9 and subject to the general approach, the financial assets are united into groups according to their general credit risk characteristics for the purposes of measuring expected losses, or individual counterparty default information is taken into account In any case, the calculation is based on the current probability of default as of the respective reporting date.

Financial Liabilities

Financial liabilities give rise to an obligation to return cash and cash equivalents or some other financial asset. These include, in particular, bonds and other securitised liabilities, trade payables, liabilities to banks, and derivative financial instruments.

For details regarding the initial measurement of financial liabilities, please refer to the description of financial assets. Financial liabilities are generally measured at amortized cost applying the effective interest rate method (financial liabilities through amortized cost, FLAC). The category of financial liabilities measured at fair value through profit or loss (FLtPL) includes all financial liabilities held for trading. This includes derivatives that are not part of a hedging relationship and financial instruments for which the fair value option has been exercised.

Financial liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

The fair value option is not currently applied for liabilities in accordance with IFRS 9.

Financial assets

Financial assets are derecognized when the rights to receive payments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership.

Financial liabilities are derecognized when the liability is extinguished, i.e. the contractual obligation is discharged, cancelled or expired.

Derivatives

Within the Group, derivative financial instruments are used to manage risks from interest rate fluctuations. Derivative financial instruments are initially recognized as an asset or a liability at fair value in the category of financial assets measured at fair value through profit or loss or financial liabilities measured at fair value through profit or loss. Attributable transaction costs are expensed as incurred. With the exception of derivatives designated as hedging instruments to secure cash flows in cash flow hedges, all derivatives are measured at fair value through profit or loss. They are reported in the consolidated balance sheet in *Other financial assets* or *Other financial liabilities.*

The Group does not currently account for hedges.

1.3.11 Inventories

Inventories are measured at the lower of their acquisition and production cost and net realizable value. Acquisition and production costs of raw materials, consumables and supplies are reported at the rolling average. In addition, incidental acquisition costs are taken into account. Work in progress and internally generated finished goods are recognized at cost. Production cost includes, next to costs of material, manufacturing and individual special manufacturing costs, also allocations of appropriate portions of overheads attributable to production as well as production-related depreciation charges.

Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated necessary distribution costs.

The measurement of inventories takes into account their marketability, age and all identifiable price, quality and storage risks. The acquisition and production costs of the individual inventories are determined on the basis of weighted average costs.

1.3.12 Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) 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 can be made of the amount of the obligation (see IAS 37.14).

The provision is recognized at the expected settlement amount. Non-current provisions are discounted to the end of the reporting period applying the relevant market interest rates.

1.3.13 Share-based payments

The Social Chain AG issued a stock option programme for key management personnel and other senior employees. In this context, the Company issued employee options in four tranches with a term of ten years in 2019 and 2020; the term consists of a vesting/lock-up period of four years and an exercise period of six years. Within the exercise period, exercise is only possible at defined time periods depending on the date of the annual general meeting or the announcement of half-year results, quarterly reports or interim reports. All options are subject to two market conditions: a performance target and an amount-based cap.

According to the performance target condition, options only become exercisable if the average volume-weighted stock price during the last ten stock exchange trading days prior to the beginning of the respective exercise period exceeds the exercise price by at least 10.00% for Tranche 19-I and by at least 20.00% for Tranches 19-II, 20-I and 20-II.

The cap condition comes into effect if the stock price rises by more than 50.00% during the three months before the beginning of the exercise period and growth of a reference index[1] does not reach at least 2/3 of the share' price performance during the same period. The cap is twice the amount of the annual gross remuneration (including all fringe benefits subject to income tax) which the beneficiary has received from the Company or its affiliate during the last twelve months before the exercise date.

Most of the options were fully earned on the day of their grant. The resultant expense is fully recognized at the grant date. The options of two employees are partially subject to a lock-up period of two years. Their options need to be earned and saved monthly. Vested options do not lapse upon termination of the employment relationship. If an exit event occurs, all options are automatically fully vested (accelerated vesting). The expense resulting from options with a vesting clause is recognised *pro rata temporis* during the vesting period.

Fair value is determined by applying the Monte Carlo simulations with account of the terms and conditions on which the employee options were granted.

1.3.14 Revenue recognition

Revenue is measured in accordance with IFRS 15 based on the consideration specified in the contract with the customer. The Group recognizes revenue upon transfer of the control over commodity or service to a customer.

In the Social Commerce (transaction business) business unit, commercial products are sold almost exclusively to end customers via various distribution channels. The performance obligation consists of the delivery of the product ordered by the customer. Revenue is therefore recognized at the point in time when control is transferred to the end customer upon delivery of the goods. The transaction price is fixed at the time the contract is entered into and does not include any variable components at that time. In principle, customers have a statutory 14-day right of return. In some cases, the Group grants customers an extended right of return. As the customer is entitled to a right of return in any case in the transaction business, refund liabilities are recognized at the relevant reporting dates. A claim for the return of products is recognised in other assets.

[1] The index in which the shares are most strongly represented, alternatively the TecDAX.

There are mainly three business models within the social media business unit:

In the production business, TV productions and commercials are created for TV stations. In addition, the Group develops various IT applications on behalf of customers in the form of websites, apps, etc. and offers web hosting services. Production contracts with customers generally provide for development and preparatory work, as well as all materials to be supplied and/or created for the production of an entire season of a series. In principle, this is an independently distinguishable commodity. Similar to individual productions, series season productions represent a single performance obligation in the meaning of IFRS 15. Revenue is recognized over the production period in accordance with the stage of completion, because there is no alternative use for the Company and the Company generally has an enforceable claim to payment for the service already provided at all times. The input-based method is generally used to measure the stage of completion.

In the agency business, the Group generates revenues mainly from the implementation of advertising campaigns. This comprises a range of different services provided over a fixed period of time. Generally, campaigns are agreed over a relatively short period of time. Contracts generally provide for fixed consideration. Revenue is recognized over the term of the contract as the customer simultaneously receives and consumes the benefits of the services provided. In the agency business, the Company also enters into management contracts with influencers. These contracts have a term of several years, during which the Company provides services with the aim of promoting the influencer's career development. Revenue recognition for these contracts is also on a time-period basis.

The event business involves organisation of trade fairs and other events. The main customer contracts generally provide for three performance obligations: (i) provision/subletting of the event space, (ii) granting of the right to use the Company's brands, and (iii) name sponsorship.

The transaction price includes fixed and variable consideration. Revenue is recognized over the period of the event or over the respective contract period.

If payments are received before the contractual performance is fulfilled, they are recognized as a contract liability. If revenues are recognized prior to payment, a contract asset is recognized. The transaction price of individual customer contracts generally corresponds to the contractually fixed consideration. Due to the business model of the respective companies, there are generally no (significant) costs involved with obtaining or fulfilling customer contracts.

1.3.15 Income taxes

Income tax expense is the total of the current and the deferred tax expense.

Current taxes

The current tax expense is calculated on the basis of the taxable income for the year. The taxable income differs from the net income from the consolidated statement of comprehensive income due to expenses and income which only become taxable or tax-deductible in future years or not at all. The Group's current tax liabilities are calculated on the basis of the current tax rates or the tax rates which will be enacted shortly after the balance sheet date.

Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 on the basis of the internationally customary balance sheet liability method (liability method). Thus, deferred taxes are recognised for all temporary differences between tax values and the values in the consolidated balance sheet as well as for tax loss carry-forwards.

Deferred taxes on the differences thus determined are always recognized where they result in deferred tax liabilities. Deferred tax assets are only recognised where if it is probable that the underlying tax benefits will be realized. Deferred tax assets and liabilities are also recognized on temporary differences arising in connection with company acquisitions, with the exception of temporary differences on goodwill, unless these have been taken into account for tax purposes.

Deferred taxes are calculated using the tax rates for future years, provided that they have already been legally enacted or the enactment process has essentially been completed. Changes in deferred taxes in the balance sheet generally result in deferred tax expense or income. If certain events leading to a change in deferred taxes are recognised directly in equity, the change in deferred taxes is also recognized directly in equity.

1.3.16 Government grants

Government grants, including non-monetary grants at fair value, are not recognized unless there is reasonable assurance that:

a) the Company will comply with the conditions attached thereto; and

b) the grants will be disbursed.

Grants are recognized as income of the periods in which the related costs they are intended to compensate are incurred. Grants received to compensate expenses already incurred or to provide immediate financial support irrespective of future expenses are recognized in profit or loss for the period in which the entitlement arises. For information on government loans, please refer to section 3.14: *Other financial liabilities.*

1.3.17 Deferred taxes

Deferred tax assets on deductible temporary differences and on loss carry-forwards are only recognized if there is sufficient taxable income in future assessment periods against which the deductible temporary differences and loss carry-forwards can be realised.

Deferred tax assets and deferred tax liabilities in the same tax jurisdiction are mutually offset in case of matching maturity terms.

1.4 Critical estimates and judgements

In the process of applying the accounting and measurement policies, Group management made judgments that significantly influence the amounts recognized in the consolidated financial statements. Accordingly, the compilation of the consolidated financial statements requires a certain degree of assumptions and estimates that affect the amounts and disclosures of assets and liabilities, income and expense, and contingent liabilities recognized for the reporting period. They relate primarily to the initial measurement and recoverability of assets, the Group's uniform definition of economic useful lives for property, plant and equipment, and recognition and measurement of provisions.

The assumptions and estimates are based on premises that reflect the current state of available knowledge. In particular, the circumstances prevailing at the time of compilation of the consolidated financial statements as well as the future development of the environment considered realistic were taken as the basis for expectations regarding the future business performance. If these framework conditions develop differently than assumed and outside of the management's scope of control, the ensuing actual amounts can differ from the original estimates.

Below you will find a description of the key assumptions concerning the future and other key sources of estimation uncertainty in existence at the end of the reporting period and causing significant risk that an adjustment to the carrying amounts of assets and liabilities will be necessary in future reporting periods.

Estimates regarding purchase price allocation

Business combinations generally involve estimates concerning calculation of the fair value of acquired assets and liabilities. Land, buildings, technical equipment and machinery are usually appraised by an independent expert, while marketable securities are carried at their market value. Appraisals of the market values of property, plant and equipment are subject to an element of uncertainty due to the use of necessary assumptions. In case of intangible assets, the fair value is determined applying suitable measurement methods, which are generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, various measurement approaches are used that can be categorized into based on cost, market price or capital value. The method based on capital value is important because of its particular significance in the measurement of intangible assets. For example, licenses are measured applying the relief-from-royalty method, which estimates, among other things, the cost savings that result from the Company holding the licenses itself and not having to pay fees to the licensor. After discounting, the resultant savings constitute the carrying amount for the intangible asset concerned. Calculating the value of intangible assets is based in particular on estimates of their economic useful lives, which are subject to an element of uncertainty due to the use of assumptions. The calculation of fair values of contingent liabilities similarly requires assumptions about their probable occurrence. These assumptions are also subject to an element of uncertainty by virtue of their nature.

Value adjustments to receivables

The management bases its estimates regarding the size of value adjustments on the principle of individual measurement. In part, estimates as to whether specific value adjustments will be necessary are subjective estimates regarding the customers' credit quality. They are therefore subject to an inherent assessment uncertainty.

Recognition of deferred tax assets and deductible temporary differences

Deferred tax assets are recognized for tax loss carry-forwards and deductible temporary differences, provided that the realization of the related tax benefit on future taxable profits is considered probable based on the management's profit forecasts for the Group companies.

Provisions

Provisions differ from other liabilities in terms of uncertainty regarding the timing or amount of the expense required in the future. A provision must be recognized where the Company has a present obligation (legal or constructive) 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 can be made of the amount of the obligation (see IAS 37.14).

There are considerable recognition and measurement uncertainties due to differing economic and legal assessments and the difficulty of determining the probability of occurrence.

Share-based payments

The Social Chain AG determines the expense arising from the option program on the basis of the fair value at the grant date. The estimate of the fair value involves determination of the most appropriate valuation method, which depends on the terms and conditions of the option programme. In addition, it is necessary to determine the input factors for the valuation model (share price, exercise price, risk-free interest rate, expected volatility and term).

Impairment of property, plant and equipment, intangible assets and rights of use

Estimates are also made in determining impairment of property, plant and equipment, intangible assets and rights of use; these estimates concern the cause, timing and amount of the impairment, among other things. Impairment is based on a variety of factors. Generally, to be considered are changes in current competitive environment, expectations of growth in the Group's markets, increases in the cost of capital, changes in future availability of financing, technology obsolescence, discontinuation of services, current replacement costs, purchase prices paid in comparable transactions, and other changes in circumstances that indicate impairment. Management is required to make significant judgments in identifying and testing for indications of impairment, estimating future cash flows, determining the fair values of assets (or groups of assets), the applicable discount rates, the respective useful lives and the residual values of the assets concerned. In addition, further planning uncertainties are included in the determination of fair values, reflecting the risks of macroeconomic developments. This could have a negative impact on future earnings.

Cash-generating unit

The determination of the recoverable amount of a cash-generating unit involves estimates by the management. The methods applied to calculate the recoverable amount include methods based on discounted cash flows and methods based on market prices. The valuations based on discounted cash flows are derived from forecasts based on management- approved financial plans and are also used for internal purposes. The planning horizon selected reflects the assumptions regarding short to medium-term market developments and is chosen to gain a stable business outlook for the Company that is necessary for the calculation of the perpetual annuity.

Cash flows beyond the internal medium-term planning are calculated applying appropriate growth rates. These growth rates are determined individually for each cash-generating unit. The growth rates applied are based on long-term real growth and long-term inflation expectations of the countries where the respective unit carries on its business activities. To achieve the sustainable growth rates applied for the perpetuity period, additional sustainable investments are taken into account, as specifically derived for each cash-generating unit. The key assumptions underlying the calculation of the recoverable amount include the following assumptions, which are mainly determined internally and based on past experience, supplemented with current internal expectations and supported by external market data and estimates: Revenue development, customer acquisition and customer loyalty costs, contract termination rates, capital expense, market shares and growth types. Discount rates are determined on the basis of external variables derived from the market with account of the risks to which the cash-generating unit is exposed (market and country risks). Future changes in the aforementioned assumptions may have a significant impact on the fair value of the cash-generating units. Possible changes in these assumptions may have a negative impact due to future developments in the macroeconomic situation, competition and regulatory interventions.

1.5 Principles of consolidation

1.5.1 Scope of consolidation

The consolidated financial statements include all domestic and foreign companies over which The Social Chain AG can exercise a direct or indirect controlling influence. The Group makes use of the following exemptions with respect to the audit and publication of the annual financial statements:

In the 2020 financial year, , the Group exercised, for almost all of its domestic subsidiaries, the exemption option available under Sec. 246.3 of the HGB to abstain from compiling, auditing and publishing their own annual financial statements and own management report, if applicable, according to the provisions applicable to business corporations. The formal requirements were met by the Group companies concerned as well as by The Social Chain AG. The companies concerned were identified accordingly in the list of shareholdings. For these companies, the consolidated financial statements of The Social Chain AG are the exempting consolidated financial statements.

In accordance with Section 479A of the UK Companies Act 2006, an audit by an external auditor was not required for any UK subsidiaries, i.e. Social Chain Group Limited, Manchester/UK, registered as 10717194 with the Companies House; Social Chain Limited, Manchester/UK, registered as 09166785 with the Companies House; and Media Chain Group Limited, Manchester/UK, registered as 10611522 with the Companies House. The UK companies are included in the consolidated financial statements of The Social Chain AG. To fulfil the formal requirements for taking advantage of the exemption, The Social Chain AG issued a statement to its UK subsidiaries guaranteeing their outstanding liabilities in the meaning of Section 479A of the UK Companies Act 2006.

The scope of consolidation expanded from 34 companies in the previous year to 38 companies in the reporting year of 2020. These newly added companies are identified separately in the list of shareholdings.

		Ownership in interest in %	
Entity	**Registered office in**	**31-Dec-2020**	**31-Dec-2019**
The Social Chain Group AG(*)	Berlin, Germany	100.00	100.00
Shine Conventions GmbH(*)	Berlin, Germany	96.99	96.99
Ravensberger Holding GmbH(*)	Berlin, Germany	100.00	100.00
Media Chain GmbH(*)	Berlin, Germany	100.00	100.00
DEF Media GmbH(*)	Berlin, Germany	100.00	100.00
Social Chain GmbH(*)	Berlin, Germany	100.00	100.00
Social Chain Group Ltd.(*)	Manchester, United Kingdom	100.00	100.00
Solidmind Nutrition GmbH	Wangen (Allgäu), Germany	0.00	30.01(1)
Lions Chain GmbH(*)	Berlin, Germany	100.00	100.00
KoRo Handels GmbH	Berlin, Germany	55.85	40.27(2)
Media Chain Products GmbH(*)	Berlin, Germany	100.00	100.00
Ravensberger Logistik GmbH(*)	Espelkamp, Germany	100.00	100.00
Ravensberger Matratzen GmbH(*)	Bad Oeynhausen, Germany	100.00	100.00
Social Chain Ltd.(*)	Manchester, United Kingdom	100.00	100.00
Media Chain Group Ltd.(*)	Manchester, United Kingdom	100.00	100.00
Social Chain USA, Inc.	New York, NY,	100.00	100.00
Mabyen GmbH	Düsseldorf, Germany	51.08	51.08
The Social Chain AG	Berlin, Germany	100.00	100.00
World Fitness GmbH(*)	Berlin, Germany	100.00	100.00
Social Moms GmbH(*)	Berlin, Germany	80.00	80.00
Möbefreude Vertriebs GmbH(*)	Berlin, Germany	100.00	100.00

Entity	Registered office in	Ownership in interest in % 31-Dec-2020	31-Dec-2019
Hold your Sports GmbH(*)	Berlin, Germany	100.00	100.00
#DoYourSports GmbH(*)	Berlin, Germany	100.00	100.00
Media-Part-GmbH	Hamburg, Germany	85.97	67.68(3)
Lumaland Inc.	East Lansing, United States	80.00	80.00
smilebaby GmbH(*)	Berlin, Germany	100.00	100.00
LINKS Logistics GmbH (ehem. PePa)(*)	Berlin, Germany	100.00	100.00
BytePark GmbH	Berlin, Germany	51.00	51.00
Belsonno GmbH(*)	Berlin, Germany	100.00	100.00
Lumaland International GmbH(*)	Berlin, Germany	100.00	100.00
Urbanara GmbH(*)	Berlin, Germany	100.00	0.00
Lumaland Vertriebs GmbH(*)	Berlin, Germany	100.00	100.00
sweet dreams GmbH(*)	Berlin, Germany	100.00	100.00
sib Silvester in Berlin Veranstaltungen GmbH(*)	Berlin, Germany	96.99	96.99
drtv.agency GmbH	Stuttgart, Germany	51.00	40.80
datalytix.io GmbH	München, Germany	51.00	—
Carl Wilhelm Clasen GmbH	Schwarzbek, Germany	100.00	—
LGR Nuss & Trockenfrucht Veredelungs GmbH & Co. KG	Schwarzbek, Germany	100.00	—
LGR Nuss & Trockenfrucht Veredelungs-Verwaltungs GmbH	Schwarzbek, Germany	100.00	—
FFLV Inc.	Delaware, United States	49.00	—(4)

(*) Exemption provision of §264 (3) HGB

(1) At Equity until 12/2019, Disposal in 06/2020

(2) At Equity until 12/2019

(3) At Equity until 08/2020

(4) At Equity

1.5.2 Changes in the scope of consolidation

a) Business combinations

The subsidiaries of The Social Chain AG organized in the two business units—*Social Commerce* and *Social Media*—were included into the Group as contributions in the process of several non-cash capital increases or as various corporate acquisitions of prior reporting years. The tables below provide a summary overview of key aspects of these diverse corporate transactions during the 2019 and 2020 financial years.

Fiscal Year 2019:

Fiscal Year 2019 was characterized with significant organizational and structural measures. From an M&A perspective, it should be noted in particular that the Group of The Social Chain AG was created in October 2019 through contribution of The Social Chain Group AG (with its shareholdings) to Lumaland AG, which was Subsequently renamed to The Social Chain AG. For the purposes of the consolidated financial statements under IFRS, this is a reverse acquisition, with Lumaland AG as the legal parent company of the Group and The Social Chain Group AG as the economic acquirer.

The Social Chain Group AG (abbreviated to "TSCG AG"), which was contributed in October 2019, was created by way of a new incorporation in 2018, and the Group was formed on 1 July 2018 (date of initial incorporation) with the acquisition of Bytepark GmbH. In 2018 and 2019 Social Chain Group AG acquired various investments. Essentially, this is the foundation for the current operations in the area of social media. From an M&A perspective, the contribution of further subsidiaries as part of the third non-cash capital increase of TSCG AG as of 1 June 2019 should be highlighted as a major M&A transaction. The two previous non-cash capital increases in 2018 are not classified as material.

The third capital increase in TSCG AG

As part of the third non-cash capital increase of The Social Chain Group AG, Berlin, the portfolio of the companies listed below was contributed to TSCG AG on 1 June 2019 in exchange for the grant of new shares to the total value of EUR 42.7 million.

This portfolio of companies with the total value of EUR 42.7 million comprises the subsidiaries described below (EUR 35.5 million) and three equity investments (EUR 7.2 million).

The contributed investments are primarily shareholdings in internationally operating social media agencies and social commerce companies offering non-perishable natural foods and dietary supplements.

The Group companies contributed as part of this transaction were in particular:

Subsidiary	Acquired Shareholding	Focus of business operations	Business Area
Social Chain Group Ltd.	100.0%	Holding and financing function for the Social Chain Ltd. and the Media Chain Group Ltd.	Social Media
Social Chain Ltd.	100.0%	Leading social media agency in the UK with a service portfolio of Social Media Management, Paid Media, Creative Productions and Consulting & Workshops.	Social Media
Social Chain USA, Inc	100.0%	Subsidiary of Social Chain Ltd. for the agency business in social media at the U.S. market	Social Media
Media Chain Group Ltd	100.0%	Complementary publishing activities for the social media agency business	Social Media
Media Chain Products GmbH	100.0%	Agency for the distribution of beauty and cosmetic products, in particular private labels. Services to third parties in the functional areas of brand development, project management and multi-channel distribution	Social Media / Social Commerce
KoRo Handels GmbH (equity investment at the time of contribution)	34.82%	Distribution of non-perishable natural foodstuffs in various packaging units	Social Commerce
SOLIDMIND Nutrition GmbH	30.01%	Distribution of vitamin and trace element complexes and other dietary supplements, Services for third parties in the Amazon business	Social Commerce
(at-equity investment at the time of contribution)			
World Fitness GmbH	100.0%	Event agency in the areas of sports, fitness, lifestyle	Social Media
Media-Part GmbH, (Joint Venture; at-equity investment at the time of contribution)	67.68%	Influencer marketing agency for creation, concepting and implementation of influencer marketing.	Social Media

In the context of company-specific purchase price allocations, intangible assets totalling EUR 8.944 thousand were identified for individual contributed equity investments, of which the following partial amounts were attributable to the subsidiaries listed below (in EUR thousands):

Subsidiary	Marketing-related intangible assets	Customer relationships	Technology	Total
Social Chain Ltd.	3,445	524	0	**3,969**
Social Chain USA, Inc.	1,951	400	0	**2,351**
Media Chain Group Ltd	1,647	0	0	**1,647**
Media Chain Products GmbH	0	585	2	**587**
At equity value:				
KoRo Handels GmbH	1,031	0	248	**1,279**
SOLIDMIND Nutrition GmbH	390	0	0	**390**
Total:	**8,464**	**1,509**	**250**	**10,223**

Goodwill of EUR 30,893 thousand arising from this transaction reflects in particular the expectations of further revenue and earnings developments in the United States and the United Kingdom as the two main international social media markets.

At the acquisition date, trade and other receivables for all companies were EUR 16,785 thousand in contractually agreed gross amounts, none of which were considered uncollectible. This results in a fair value of EUR 16,785 thousand for the acquired portfolio of trade and other receivables.

Reverse acquisition of the Lumaland AG-Group

From the corporate law perspective, *The Social Chain AG* Group was created through contribution of *The Social Chain Group AG* Group in October of 2019. The acquisition took place through contribution of the shares in The Social Chain Group AG to Lumaland AG as a non-cash capital increase. The Annual General Meeting of shareholders of Lumaland AG approved this step on 19 August 2019, with 99.8% of the shareholders present voting for this motion. This Annual General Meeting also approved the change of name from Lumaland AG to The Social Chain AG.

Whereas such a transaction is to be accounted for solely in accordance with the contractually agreed form (formal law approach) under German commercial law accounting standards (HGB), the group of companies that was formally acquired/contributed is to be regarded as the actual acquirer in an economic approach (so-called reverse acquisition) in case of IFRS group accounting according to IFRS 3.B19. This means regarding the contribution of The Social Chain Group AG to Lumaland AG that The Social Chain Group AG is to be regarded as the ultimate parent company in economic terms for the purposes of acquisition accounting and subsequent consolidation i8n accordance with IFRS. In this context, a mandatory adjustment of its equity accounts for consolidation purposes ensures that the equity accounts of the legal acquirer, i.e. the former Lumaland AG, are nevertheless reported in the subsequent IFRS financial statements.

The Group companies acquired as part of this transaction were in particular:

Subsidiary	Acquired Shareholding	Focus of business operations	Business Area
The Social Chain AG, (formerly Lumaland AG)	100.0%	International Social Commerce Network for Home & Living Accessories	Social Commerce
Lumaland Inc., East Lansing (USA)	80.0%		
Lumaland International GmbH	100.0%		
Lumaland Vertriebs GmbH	100.0%		
Ravensberger Holding GmbH	100.0%	Distribution of individual mattresses and bedroom accessories	Social Commerce
Ravensberger Logistik GmbH	100.0%		
Ravensberger Matratzen GmbH	100.0%		
Mobelfreude Vertriebs GmbH	100.0%	Distribution of contemporary furniture and box spring beds	Social Commerce
Hold your Sports GmbH	100.0%	Distribution of home fitness devices	Social Commerce
#Do your Sports GmbH	100.0%		
smilebaby GmbH	100.0%	Baby and toddler equipment distribution	Social Commerce
LINKS Logistics GmbH (originally Pets & Partners GmbH)	100.0%	Logistics services to affiliate companies (commodity management, commodity administration, logistics, raw material requirements and resource planning)	Social Commerce
Belsonno GmbH	100.0%	Production and distribution of household textiles and establishment of textile brands	Social Commerce
sweet dreams GmbH	100.0%	Holding company	Social Commerce

In general, the subsidiaries of the former Lumaland AG Group are B2C distribution companies that have already established their own successful brands in social commerce and have thus also achieved profitable growth for the most part.

As part of individual company purchase price allocations, marketing-related intangible assets and technologies totalling EUR 5.615 thousand were identified, of which the following partial amounts were attributable to the following subsidiaries:

Subsidiary	Marketing-related intangible assets	Technology	Total
Ravensberger Matratzen GmbH	2,469	83	**2,552**
Lumaland Vertriebs GmbH	2,114	8	**2,122**
Lumaland Inc.	356	70	**426**
Möbelfreude Vertriebs GmbH	404	2	**406**
#Do your Sports GmbH	104	5	**109**
Total:	**5,447**	**169**	**5,615**

The goodwill from this transaction kEUR 37,000 reflects in particular the expectations with respect to joint revenue developments and sales synergy effects, to which the Social Chain Group will contribute with its social media channels, social events and advertising agencies and the Lumaland Group with its scalable social commerce structure.

As of the acquisition date, trade receivables and other receivables for all companies are EUR 2,379 thousand gross, of which no part is deemed uncollectable. Therefore, the fair value of the acquired portfolio of trade receivables and other receivables is determined at EUR 2,379 thousand.

The following table presents a summary of the consideration paid, fair values of the identifiable acquired assets, liabilities assumed, as well as possible non-controlling interests as of the purchase date for these two above-mentioned material M&A transactions (the third non-cash capital increase, and acquisition of Lumaland).

The disclosed fair values are deemed final for the 2019 M&A.

As of acquisition date in kEUR	Third non-cash capital increase of TSCG AG	Reverse acquisition of Lumaland AG	Individually non-significant transactions	All 2019's M&A Transactions
Intangible Assets	8,554	5,614	4,091	18,259
Marketing-related assets	7,043	5,447	2,968	15,457
Customer/supplier relationships	1,509	0	282	1,791
Technologies/licenses	2	168	451	621
Property, plant and equipment	903	1,985	198	3,086
Leasing rights of use	1,938	2,383	171	4,492
Financial assets & other non-current assets	463	30,235	543	31,241
Inventories & contract assets	208	3,769	1,619	5,596
Trade receivables	22,669	2,379	1,203	26,251
Other current assets	2,148	310	2,881	5,340
Cash and cash equivalents	1,719	927	709	3,355
Subtotal				
Provisons	577	161	57	795
Financial liabilities & lease liabilities	5,704	19,610	1,359	26,673
Trade payables & contract liabilities	24,195	7,133	3,901	35,229
Tax liabilities / Deferred tax liabilities	1,977	3,728	1,344	7,049
Other liabilities	1,540	4,453	1,848	7,841
Subtotal				
Net assets acquired	4,609	12,518	2,907	**20,033**
Non-controlling interests	0	24	740	764
TSC's share of net assets acquired	4,609	12,494	1,194	**18,297**
Goodwill from acquisitions	30,893	37,000	6,296	74,189
Total consideration (excluding at-equity companies)	35,502	49,494	7,490	**92,486**
Total consideration (incl. at-equity companies)	42,665	49,494	7,490	**99,649**
thereof in shares	*42,665*	*49,494*	*3,191*	***95,350***
thereof in cash	*0*	*0*	*4,299*	***4,299***

The following overview presents a summary of selected data from the consolidated statement of profit or loss on these 2019 M&A transactions, which are significant performance indicators from the Company's perspective.

in kEUR	Third non-cash capital increase of TSCG AG	Reverse acquisition of Lumaland AG	Individually non-significant transactions	All 2019's M&A Transactions
Acquisition date / Contribution date	01.06.2019	01.10.2019	various	**Total**
Acquisition costs(1)	1,085	918	188	**2,191**
Contributions to revenues in 2019 since acquisition date	11,966	8,884	2,183	**23,033**
Contributions to EBITDA in 2019 since acquisition date	–1,998	–5,525	77	**–7,446**
Contributions to profit/loss in 2019 since acquisition date	–3,105	–9,750	–216	**–13,071**
Revenue in the twelve-month period ended 31-Dec-2019(2)	33,863	42,411	12,264	**88,538**
Pro forma EBITDA in the twelve-month period ended 31-Dec-2019(2)	–2,056	–6,719	–2,500	**–11,275**
Pro forma profit in the twelve-month period ended 31-Dec-2019(2)	–3,330	–15,902	–2,676	**–21,908**

(1) All disclosed costs relating to the acquisition were excluded from the transferred consideration and recognized as an expense in *Other operating expense* of the consolidated statement of profit or loss.

(2) For the TSC AG Group, these pro-forma results are one of the first economic benchmarks for the Group's combined annual performance, which will serve as an estimate for comparison in future periods. Additional impact from synergy effects, extraordinary items and special effects relating to the acquisition or contributing to the future profitability of the acquired company were not taken into account. Neither were taken into account the unwinding effects on the consolidated result from amortisation of intangible assets recognized as part of the purchase price allocation.

Besides these two material M&A transactions in FY 2019, the following six M&A transactions of TSCG AG disclosed in the previous table are summarized in the column *Individually non-significant transactions.*

Acquisition of Silvester in Berlin GmbH

On 1 December 2019 Shine Conventions AG, a subsidiary of The Social Chain Group AG, acquired 100% of the shares in sib Silvester in Berlin GmbH (acquisition price: EUR 2.5 million). This company is an event agency with focus on organization of the annual New Year's Eve party at the Brandenburg Gates in Berlin. Marketing-related intangible assets with a total value of EUR 375 thousand and customer relationships with a total value of EUR 219 thousand were identified within the scope of the purchase price allocation. The goodwill of EUR 1,893 thousand mainly reflects the joint growth expectations from linking of social media & commerce with professionally organized major events.

Step-by-step acquisition of drtv.agency

Furthermore, on 23 December 2019 The Social Chain AG took over initially 20.4% in the share capital of drtv.agency GmbH (acquisition price: EUR 1.4 million) in conjunction with a voting agreement in favour of The Social Chain AG. Another portion of the acquisition price results from a capital increase in The Social Chain AG, which was registered in March of 2020 and thus became effective for the purposes of the further acquisition price payment. For consolidation purposes, the initial consolidation took place on 31 December 2019 with respect to the acquired 20.4% of the share capital, followed by a later pro rata increase of the goodwill in the subsequent financial year of 2020.

As a data-driven media agency with focus on TV, drtv.agency also supports out-of-home, radio and print campaigns. Regarding the business model of drtv.agency, a technology package with a total value of EUR 80 thousand was identified during the acquisition price allocation. The goodwill of EUR 1,313 thousand mainly reflects future revenue and income expectations from target-group specific and more effective marketing of the various products from the TSCG brand portfolio in the offline media environment.

A put option of the non-controlling shareholders exists in respect of the outstanding shares in drtv.agency GmbH, for which an acquisition price provision of EUR 4,801 thousand was recognized by reducing consolidated equity as of 31 December 2019.

Step-by-step acquisition of SOLIDMIND Nutrition

On 1 June 2019 The Social Chain Group AG acquired 30.1% at the equity of SOLIDMIND Nutrition GmbH in conjunction with a voting agreement in favour of The Social Chain AG as of the end of 2019.

SOLIDMIND Nutrition GmbH was initially valued at equity with a shareholding of 30.1% between 1 July and 31 December 2019. As of 31 December 2019, SOLIDMIND Nutrition GmbH was included into the consolidated financial statements of TSC AG as a fully consolidated subsidiary within the scope of a transitional consolidation by virtue of the concluded voting agreement. For materiality reasons and given the timing close to the balance sheet date, there was no revaluation of the acquisition costs for the share of 30.1% at the time of obtaining control.

Marketing-related intangible assets of EUR 390 thousand were identified within the scope of an acquisition price allocation. Goodwill of EUR 1,213 thousand mainly reflects the joint revenue and income expectations from a target-group specific and more efficient marketing of the various SOLIDMIND products through the social media channels of the Social Chain Group.

A put option of the non-controlling shareholders exists in respect of the outstanding shares in SOLIDMIND Nutrition GmbH; therefore, an acquisition price provision of EUR 2,308 thousand was recognized by reducing consolidated equity as of 31 December 2019.

Step-by-step acquisition of KoRo Handels GmbH

KoRo Handels GmbH included in the third non-cash capital increase of TSCG AG in June 2019 was valued at equity between 1 June and 31 December 2019 (shareholding of 34.82%). By means of a subsequent share purchase, contribution, assignment and option agreement of 23 December 2019, The Social Chain AG Group arranged the step-by-step increase of its shareholding in KoRo Handels GmbH from 34.82% to a total of 51.72%.

In the first transaction step The Social Chain AG acquired 5.45% of the shares for cash (EUR 465 thousand) on 31 December 2019. As a result, The Social Chain AG now indirectly holds 40.27 percent in KoRo Handels GmbH. As of the same date, KoRo Handels GmbH was included into the consolidated financial statements of TSC AG as a fully consolidated subsidiary within the scope of a transitional consolidation by virtue of the concluded supplementary voting agreement.

For materiality reasons and given the timing close to the control-providing single transaction, there was no revaluation of the acquisition costs for the shareholding of 34.82% as of the time control was obtained.

Marketing-related intangible assets with a total value of EUR 1,031 thousand and technologies with a total value of EUR 248 thousand were identified within the scope of an acquisition price allocation. Goodwill of EUR 1,860 thousand mainly reflects the joint revenue and income expectations from target-group specific and more efficient marketing of the various KoRo products through the social media channels of The Social Chain AG.

A put option of the non-controlling shareholders exists for the outstanding shares in KoRo Handels GmbH; therefore, an acquisition price provision of EUR 4,462 thousand was recognized by reducing consolidated equity as of 31 December 2019.

Conditional acquisition of shares in Urbanara

On 6 December 2019 The Social Chain AG, Berlin (Germany) took over 100% of the shares in Urbanara GmbH, Berlin (Germany), a direct-to-customer sales company offering interior accessories with an innovative own brand concept, for an acquisition price of EUR 3.91 million by means of a new share issue. Marketing-related intangible assets with a total value of EUR 1,562 thousand were identified within the scope of an acquisition price allocation. Goodwill of EUR 3,424 thousand mainly reflects future joint revenue and income expectations from joint marketing of own brands making use of TSCG AG's integrated understanding of social media and social commerce.

The capital increase of The Social Chain AG related to this transaction was only registered and implemented in March 2020. However, the initial consolidation of Urbanara with recognition of the 100%-minority interest took place as of 31 December 2019, in particular based on the relevant voting agreement with the sellers.

As of the acquisition date, trade receivables and other receivables of the other individually not material subsidiaries mentioned above included contractually agreed gross amounts totalling EUR 1,241 thousand—of which EUR 38 thousand are deemed non-recoverable. Thus, the acquired portfolio of trade receivables and other receivables has a fair value of EUR 1,203 thousand.

Fiscal Year 2020:

The M&A transactions of Fiscal Year 2020 were mainly characterized by further international expansion, in particular in the US ("US Acquisitions"), acquisition of Carl Wilhelm Clasen Group ("Clasen Bio") to expand the Vertical Food branch, as well as a variety of smaller transactions concerning in particular acquisition of smaller subsidiaries within the scope of the strategic acquisition policy to increase the existing shareholdings in TSC AG's investments.

The necessary work on the acquisition price allocation has been started with respect to the 2020 M&A transactions. As of the date of these consolidated financial statements, no sufficiently substantiated results were as yet available for a purchase price allocation.

Clasen Bio

On 17 December 2020 TSC AG took over 100% of the shares in Carl Wilhelm Clasen GmbH, Elmenhorst (Germany) and its subsidiary LGR Nuss & Trockenfrucht Veredlungs GmbH & Co KG, Elmenhorst (Germany). The total acquisition price was EUR 4,230 thousand. The business of the Clasen Bio Group focuses on distribution of currently approx. 85 organic and Demeter products in 8 groups of goods: nuts, dry fruits, snacks, seeds, cereals, pulses, powders and special flour types, which are distributed mainly through grocery retail and social commerce platforms (starting in 2021, also through own online shop).

As of the acquisition date, trade receivables and other receivables from all companies totalled EUR 2,538 thousand gross, of which amount EUR 22 thousand are deemed non-recoverable. Thus, the acquired portfolio of trade receivables and other receivables has a fair value of EUR 2,516 thousand.

US acquisitions: FFLV, A4D and Coral

As of 31 December 2020, TSC AG acquired 49% of the shares in FFLV Inc., Delaware (acquisition price: EUR 2,599 thousand (USD 3 million)). Additionally, a voting agreement was concluded in favour of TSC AG as of the reporting date. Due to the additionally agreed management regulations to the benefit of the minority shareholder, FFLV Inc. was classified as a joint venture as of 31 December 2020 and therefore included as an equity investment into the consolidated financial statements as of the reporting date.

As of the acquisition date, the investment companies of FFLV Inc. included in particular the following companies:

A4D Inc., Carlsbad (US) is a specialized company for digital performance marketing with an integrated business model of technology, creativity and brand management, sustainably supporting its clients from the digital industry in developing scalable business models. As of 31 December 2020, The Social Chain AG indirectly holds 4.9% in A4d Inc.

The investment portfolio of FFLV Inc. also includes a shareholding of 51% in Coral LLC, Carson City (US). Coral LLC is a consumer goods company, selling oral hygiene products and food supplements made of all-natural ingredients and using a direct sales model. The calcium used for its products originates from overseas coral concentrates which are harvested ecologically (EcoSafe certificate). Direct sales to end customers are almost exclusively processed directly via own online shops and other digital points of sale from an own logistics hub, which will also cover in future the shipping logistic for other Social Chain brands in the USA and thus is planned to accelerate growth on the US market. As of 31 December 2020, The Social Chain AG indirectly holds 24.99% in Coral LLC.

The following table presents a summary of paid consideration, fair value of the identified acquired assets, assumed liabilities and potential minority interests as of the acquisition date for the above-described Clasen Bio Group and all other below-listed individually not material M&A transactions. For the M&A transactions in 2020, the disclosed fair values are to be regarded as provisional.

The acquisition price allocation has been started with respect to all the described transactions of FY 2020. However, sufficiently substantiated results were not yet available for some of these transactions as of the date of publication of these consolidated financial statements.

in kEUR	Clasen Bio	Media-Part (change from At-Equity to Inclusion)	Individually non-significant transactions	Preliminary data for all 2020's M&A transactions
Intangible Assets	937	0	452	1,388
Marketing-related assets	450	0	0	450
Technologies/licenses	487	0	452	939
Property, plant and equipment	3,156	5	15	3,176
Leasing rights of use	1,430	0	0	1,430
Financial assets & other non-current assets	2,956	5	3	2,963
Inventories & contract assets	8,841	0	0	8,841
Trade receivables	2,058	502	0	2,560
Other current assets	458	58	4	521
Cash and cash equivalents	2	239	1	242
Subtotal				
Provisons	334	1	0	335
Financial liabilities & lease liabilities	12,491	4	84	12,579
Trade payables & contract liabilities	4,860	352	481	5,694
Tax liabilities / Deferred tax liabilities	2,950	0	0	2,950
Other liabilities	130	19	2	152
Subtotal				
Net assets acquired	–928	433	–93	**–588**
Non-controlling interests	0	127	–58	69
TSCG's share of net assets acquired	–928	306	–35	**–657**
Goodwill from acquistions	5,158	4,265	6,045	15,468
Total consideration	4,230	4,571	6,009	**14,810**
thereof in shares	*2,000*	*0*	*6,003*	***8,003***
thereof At-equity Value before inclusion		*3,971*		***3,971***
thereof in cash	*2,230*	*600*	*6*	***2,836***

The following overview presents a summary of selected data from the consolidated statement of profit or loss for these 2020 M&A transactions 2020, which are significant performance indicators from the perspective of the Company.

in kEUR	Clasen Bio	Media-Part (change from At-Equity to Inclusion)	Individually non-significant transactions	Preliminary data for all 2020's M&A transactions
Acquisition/contribution date	31.12.2020	01.09.2020	various	various
Acquisition costs(1)	237	0	15	252
Contributions to revenues in 2020 since acquisition date	0	1,511	31	1,542
Contributions to EBITDA in 2020 since acquisition date	0	–61	21	–40
Contributions to profit/loss in 2020 since acquisition date	0	–63	7	–55
Revenue in the twelve-month period ended 31-Dec-2020(2)	57,007	3,776	31	60,815
Pro forma EBITDA in the twelve-month period ended 31-Dec-2020(2)	2,595	–113	21	2,503
Pro forma profit in the twelve-month period ended 31-Dec-2020(2)	2,308	–120	7	2,196

(1) All disclosed costs relating to the acquisition were excluded from the transferred consideration and recognized as an expense in *Other operating expense* in the consolidated statement of profit or loss.

(2) For the TSC AG Group, these pro-forma results are one of the first economic benchmarks for the Group's combined annual performance, which will serve as an estimate for comparison in future periods. Additional impact from synergy effects, extraordinary items and special effects relating to the acquisition or contributing to the future profitability of the acquired company were not taken into account. Neither were taken into account the unwinding effects on the consolidated result from amortisation of intangible assets recognized as part of the purchase price allocation.

Increase of the shareholdings in drtv and acquisition of datalytix.io

On 1 January 2020 The Social Chain AG increased its stake in drtv.agency GmbH to 51% for the purchase price of EUR 2.1 million. It also acquired 51% of the shares in its subsidiary datalytics.io GmbH, a subsidiary of drtv.agency GmbH, which is a data-driven full-service media agency for offline marketing focused on social commerce clients.

Completion of the conditional acquisition of shares in Urbanara

On 27 February 2020 The Social Chain AG, Berlin, had the capital measures associated with the acquisition of Urbanara duly registered and thus the acquisition, which was still conditional at the end of 2019, was updated accordingly as a transaction between shareholders upon contribution of Urbanara with the contribution value of EUR 3,910 thousand.

Gradual acquisition of Media-Part

The shareholding in the joint venture Media-Part GmbH was increased from 67.68% to 85.97% as of 28 August 2020. In this context, the remaining 14.03% of the shares were also acquired by HoHa Holding GmbH, a shareholder of The Social Chain AG. As a result of this acquisition of the remaining shares, The Social Chain AG obtained full control over Media-Part GmbH in the meaning of IFRS 10, which control had not previously existed due to differing decision-making regulations in a joint venture of comparable orientation. The total acquisition cost of the acquired 85.97% is EUR 4,571 thousand. For reasons of materiality, a revaluation of the acquisition cost was not performed for the previous shareholding of 67.68% at the time of obtaining control.

Increase of the shareholding in KoRo

With effect from 1 January 2020, the shareholding in KoRo Handels GmbH, Berlin (Germany), was increased from 34.82% to 51.72% by way of a pro rata cash purchase and a pro rata capital increase through the issue of treasury shares. Furthermore, a further 4.13% of the shares in KoRo Handels GmbH were acquired with effect on 1 December 2020 as part of a capital increase excluding the other shareholders. The Social Chain AG Group thus indirectly holds 55.85% of the shares in KoRo Handels GmbH as of 31 December 2020. A total purchase price of EUR 3,246 thousand was paid for the two tranches of shares.

As of the acquisition day, trade and other receivables of the other individually non-material subsidiaries include contractually agreed gross amounts of EUR 502 thousand of which none were considered uncollectible. This results in a fair value of EUR 502 thousand for the acquired total portfolio of trade and other receivables.

b) Deconsolidation

Under the contribution and purchase agreement dated 30 June 2020, The Social Chain AG and its subsidiary, The Social Chain Group AG, sold their shares in Solidmind Nutrition GmbH (51.99% of the latter's share capital) to SynBiotic SE, a co-shareholder of Solidmind Nutrition GmbH, with effect on 1 January 2020, and contributed them to SynBiotic SE in exchange for the total of 520 thousand treasury shares. However, the transfer of the beneficial ownership took place on 30 June 2020—and thus Solidmind Nutrition GmbH was deconsolidated and sold as of that date. The resultant deconsolidation income of EUR 5,656 thousand is reported in other operating income.

1.5.3 Currency translation

The consolidated financial statements were compiled based on the functional currency concept. The functional currency is the primary currency of the economic environment in which the Group operates. It is the Euro, which is also the presentation currency of the consolidated financial statements. The functional currency of the subsidiaries is generally the local currency of the economic environment in which the subsidiary concerned operates independently.

In the financial statements of the individual Group companies, transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the average rates prevailing at the balance sheet day (closing rate).

In the consolidated statement of income, foreign currency gains and losses are reported in *Other operating income* or *Other operating expenses.* During the production of the consolidated financial statements, assets and liabilities of the foreign subsidiaries whose functional currency is different from the Euro are translated into

Euros at the exchange rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rate for the period unless exchange rates fluctuated significantly during the period. In this case the exchange rates at the transaction date would be used. Exchange differences arising from translation into the Company's functional currency are recognized directly in other comprehensive income until disposal of the subsidiary and in the respective equity reserve until disposal of the subsidiary.

Non-monetary assets and liabilities measured at their historical cost in a foreign currency are translated at the exchange rate at the date of the original transaction.

Goodwill arising on acquisition of a foreign operation and any adjustments to the carrying amount of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The exchange rates used for currency translation are as follows:

Currency		Year-end rate			Average exchange rate	
1 EUR in	**Code**	**31.12.2020**	**31.12.2019**	**31.12.2018**	**2020**	**2019**
USA	USD	1.227	1.123	1.145	1.141	1.119
Great Britain	GBP	0.899	0.851	0.895	0.889	0.877

2 Notes to the consolidated statement of profit or loss

2.1 Revenues

The generated revenues can be broken down by business unit as follows:

in kEUR	2020	2019
Revenues from Social Commerce	103,531	10,867
Revenues from Social Media	26,631	23,958
Other revenues	157	667
Revenues	**130,319**	**35,492**

EUR 16.636 thousand of the revenues from the Social Media business unit were derived from the agency business (2019: EUR 10,433 thousand), EUR 5,531 thousand from the production business unit (2019: EUR 5,582 thousand), and EUR 4,464 thousand from the event business unit (2019: EUR 7,944 thousand).

Revenue from Social Media business unit also includes EUR 1,125 thousand (2019: EUR 3,439 thousand) of rental income from short-term subletting of usable space at events and trade fairs in the event business.

2.2 Other operating income

in kEUR	2020	2019
Income from deconsolidation of subsidiaries	5,656	0
Income from derecognized liabilities	435	0
Income from the disposal of fixed assets	171	10
Income from insurance reimbursements	92	52
Income from other services	77	17
Income from exchange rate differences	71	12
Miscellaneous other operating income	1,276	1,151
Other operating income	**7,778**	**1,242**

2.3 Material expenses

in kEUR	2020	2019
Cost of raw materials, consumables and supplies	34,444	5,769
Cost of purchased services	33,276	14,929
Material expenses	**67,720**	**20,698**

2.4 Personnel expenses

in kEUR	2020	2019
Wages and salaries	29,146	16,656
Social security	2,860	1,671
Personnel expenses	**32,006**	**18,327**

This includes expenses of EUR 1,481 thousand (previous year: EUR 888 thousand) for the statutory pension plan.

2.5 Other operating expenses

in kEUR	2020	2019
Packaging materials and outgoing freight	19,343	2,515
Advertising and travel expenses	10,106	2,506
Legal and consulting costs	6,759	4,239
Fees and contributions	2,793	711
Rental and leasing	2,027	336
Outsourced services administration	1,406	180
Administration	1,311	348
Maintenance and repair	992	514
Occupancy costs	710	389
Insurance premiums	241	143
Miscellaneous expenses	171	1,004
Other operating expenses	**45,859**	**12,885**

2.6 Depreciation and amortisation expenses

in kEUR	2020	2019
Impairment of intangible assets	9,244	2,834
Amortisation of intangible assets	3,256	2,106
Depreciation of property, plant and equipment	3,003	1,212
Depreciation and amortization expenses	**15,503**	**6,152**

Depreciation of property, plant and equipment includes depreciation on rights of use totalling EUR 2,446 thousand (previous year: EUR 1,107 thousand).

2.7 Interest and similar income and expenses

in kEUR	2020	2019
Miscellaneous interest and similar income	2,022	437
Interest and similar income	**2,022**	**437**
Interest expense from loans and similar liabilities	3,528	613
Changes in financial assets and financial liabilities recorded at fair value	632	3,843
Interest expense from compounding of financial liabilities	605	53
Interest expense from leasing liabilities	292	190
Interest and similar expenses	**5,057**	**4,699**
Financial result	**–3,035**	**–4,262**

2.8 Share of profit of equity-accounted investees

kEUR	2020	2019
Result from joint ventures	–39	–206
Result from associate companies	—	–185
Share of profit of equity-accounted investees	**–39**	**–390**

The table below presents a summary of the financial information on significant companies accounted for according to the equity method.

kEUR	Media-Part GmbH 1.1.–31.8.2020	Media-Part GmbH 31.12.2019/2019	FFLV Inc. 31.12.2020
Current assets		661	0
of which: Cash and cash equivalents		233	0
Non-current assets		10	9,200
Current liabilities		541	6,642
of which: Other current financial liabilities		1	—
Non-current liabilities		1	—
of which: Other non-current financial liabilities		—	—
Revenues	2,300	2,906	
Income after income tax expense	–57	–304	
Other comprehensive income	—	—	
Total comprehensive income	–57	–304	
Depreciation and amortization	5	3	
Interest income	—	2	
Interest expense	—	—	
Expense or income from income tax	—	8	
Dividends paid to the Group	—	—	

Media-Part GmbH was consolidated for the first time on 1 September 2020. For information on step-by-step acquisition, please refer to section 1.5.2: *Changes in the scope of consolidation.*

The table below presents a summary of the aggregated financial information on non-significant companies accounted for according to the equity method.

Summary aggregate financial information on non-significant companies accounted for at-equity

kEUR	Associate companies 31.12.2020/2020	Associate companies 31.12.2019/2019
Total carrying amounts	22	22
Total shares of profit of equity-accounted investees	—	–185
Comprehensive income	**—**	**–185**

For changes concerning associate companies, please refer to section 1.5.2: *Changes in the scope of consolidation.*

2.9 Income tax expense/benefit

in kEUR	2020	2019
Current income tax		
Tax expense for the current period	–443	–10
Adjustments for prior years	–3	3
Deferred taxes		
Income from deferred taxes	7,144	4,340
Deferred tax expense	–5,902	–4,265
Income tax expense/benefit	**796**	**68**

The following table presents a reconciliation of the expected and actual tax expense. The expected tax expense was calculated on the basis of the tax rate of 30.18%—which is the rate applicable to the German parent company (corporate income tax of 15.00% plus solidarity surcharge of 5.50% and trade tax of 14.35%).

in kEUR	2020	2019
Earnings before taxes	**–26,532**	**–27,595**
Domestic tax rate—parent company (in %)	30.18%	30.18%
Tax expense (–) / income (+) at the domestic tax rate of the parent company	**8,006**	**8,327**
Reasons for surplus/deficit amounts		
Taxes for prior years	–3	3
Non-recognition of deferred tax assets on loss carry-forwards	–4,302	–6,983
Subsidiaries accounted for using the equity method	–12	–118
Tax rate differences	243	313
Tax effects from deviations in the tax base:		
Amortization of non-tax-deductible goodwill	–2,789	–855
Other	–347	–618
Income tax expense/benefit	**796**	**68**

Income taxes of EUR 81 thousand (previous year: EUR 917 thousand) recognized as income in other comprehensive income relate solely to financial instruments not subsequently reclassified to profit or loss.

3 Notes to the consolidated balance sheet

3.1 Intangible assets and goodwill

in kEUR	Goodwill	Internally-generated intangible assets	Brands	Customer Relationships	Patents, concessions and other rights	Prepayments and intangible assets under development	Total
Acquisition or production cost							
As of 01.01.2019	**47,844**	**75**	**2,504**	**2,772**	**176**	**0**	**53,371**
Changes in the scope of consolidation	74,371	0	15,744	1,791	761	2	92,669
Additions	0	0	86	0	0	0	86
Disposals	0	0	0	0	–13	0	–13
Exchange rate effects	780	0	203	20	0	0	1,003
As of 31.12.2019	**122,995**	**75**	**18,537**	**4,583**	**925**	**2**	**147,116**
As of 01.01.2020	**122,995**	**75**	**18,537**	**4,583**	**925**	**2**	**147,116**
Changes in the scope of consolidation	7,019	176	65	0	404	212	7,875
Reclassifications	0	0	0	0	2	–2	0
Additions	11,311	0	0	0	31	0	11,342
Disposals	–2,697	0	0	0	–318	0	–3,015
Exchange rate effects	–1,695	0	–482	–45	–5	0	–2,227
As of 31.12.2020	**136,932**	**251**	**18,120**	**4,538**	**1,038**	**212**	**161,091**

in kEUR	Goodwill	Internally-generated intangible assets	Brands	Customer Relationships	Patents, concessions and other rights	Prepayments and intangible assets under development	Total
Accumulated depreciation and impairment							
As of 01.01.2019	**–20,179**	**–11**	**–144**	**–215**	**–30**	**0**	**–20,579**
Additions	0	–48	–973	–944	–139	0	–2,105
Impairment	–2,834	0	0	0	0	0	–2,834
Exchange rate effects	4	0	–6	–7	0	0	–9
As of 31.12.2019	**–23,010**	**–59**	**–1,123**	**–1,166**	**–169**	**0**	**–25,527**
As of 01.01.2020	**–23,010**	**–59**	**-1,123**	**–1,166**	**–169**	**0**	**–25,527**
Changes in the scope of consolidation	0	0	33	0	18	0	51
Additions	0	–14	–2,063	–960	–220	0	–3,257
Impairment	–9,244	0	0	0	0	0	–9,244
Exchange rate effects	77	0	59	35	0	0	171
As of 31.12.2020	**–32,177**	**–73**	**–3,095**	**–2,091**	**–371**	**0**	**–37,806**
Net carrying amounts							
As of 01.01.2019	27,664	64	2,360	2,557	146	0	32,792
As of 31.12.2019	99,985	16	17,413	3,417	756	2	121,589
As of 01.01.2020	99,985	16	17,413	3,417	756	2	121,589
As of 31.12.2020	104,756	178	15,025	2,447	667	212	123,285

Details of additions due to changes in the scope of consolidation and due to other additions of goodwill relate to the business combinations described in Section 1.5.2.

Brands

The key brands of the TSC AG Group include those of the Social Media business unit as well as those of the Social Commerce business unit.

In the area of social media, the *Social Chain* brands of the Social Chain Ltd., UK, and the Social Chain Inc., USA, with a carrying value of EUR 4,322 thousand (previous year: EUR 5,194 thousand), the media brands of Media Chain Group Ltd., UK, valued at EUR 1,353 thousand (previous year: EUR 1,600 thousand) and the brand *Glow* of Shine Conventions GmbH carried at EUR 1,176 thousand (previous year: EUR 1,331 thousand) are in particular worthy of mention. All brands of the social media business unit are amortized over a useful life of 10 years.

In the area of Social Commerce, the key brands include Ravensberger Matratzen of Ravensberger Matratzen GmbH with a carrying value of EUR 2,160 thousand (previous year: EUR 2,407 thousand), the brand *Lumaland* of the companies Lumaland Vertriebs GmbH and Lumaland Inc., USA, with the aggregate carrying value of EUR 2,085 thousand (previous year: EUR 2,396 thousand). The brand *Ravensberger Matratzen* will be depreciated over 10 years, *Lumaland* (Europe) over 9 years, and *Lumaland* (USA) over 7 years.

Goodwill

For the purpose of impairment testing, goodwill acquired in business combinations has been allocated to the cash-generating units identified in the Group at the level of individual companies.

With the exception of the goodwill arising from business acquisitions as of or not earlier than three months prior to the balance sheet date of 31 December 2020, all goodwill was subjected to an annual impairment test in accordance with IAS 36 in FY 2020. In addition, an impairment test must be performed whenever there are indications of impairment. The Group performed its annual impairment tests for 2020 and 2019 each time at the end of the respective year. The tests were performed at the level of the smallest cash-generating unit (CGU) based on value in use.

The recoverable amount of all cash-generating units is determined on the basis of a value-in-use calculation involving cash flow projections based on the financial budgets approved by management and covering a four-year period. The pre-tax discount rates for the cash flow projections are presented in the table below:

in %	31.12.2019	31.12.2020
First and second round of contributions		
Shine Conventions GmbH	11.65%	12.18%
Lions Chain GmbH	14.01%	14.50%
DEF Media GmbH	10.50%	9.22%
Media Chain GmbH	12.90%	10.36%
Social Chain GmbH	12.89%	10.87%
Other	12.24%	11.14%
Third round of contribution		
Social Chain Group Ltd.—Group	13.06%–14.94%	10.91%–15.30%
Media Chain Products GmbH	11.78%	10.78%
Social Chain Germany GmbH	—	10.73%
KoRo Handels GmbH	9.13%	8.00%
Solidmind Nutrition GmbH	13.40%	—
Reverse acquisition of Lumaland AG—Group		
Ravensberger Matratzen GmbH—Group	13.79%	13.22%
Lumaland Vertriebs GmbH	11.90%	12.37%
Lumaland Inc.	12.46%	12.07%
Other	10.78%–14.70%	8.47%–13.22%
Other acquisitions		
Urbanara GmbH	10.61%	14.05%
sib Silvester in Berlin Veranstaltungen GmbH	11.65%	12.18%
drtv.agency GmbH	9.53%	11.70%
Other	12.90%	10.36%

Cash flows are extrapolated after the period of four years at the growth rate of 1.0% (2019: 1.0%). This growth rate corresponds to the long-term average growth rate of businesses on the basis of the expected inflation rate of 2%.

The review as of the two balance sheet dates concerned showed that the recoverable amount (value in use) does not exceed the amortized carrying amounts for the companies listed in the table below. The main reason is changed market conditions.

	31.12.2019		
in kEUR	Amortized carrying amount	Value in use	Impairment
Lumaland Inc.	6,019	4,969	–1,050
Social Chain Group Ltd.—Gruppe	18,655	17,984	–671
Media Chain GmbH	2,136	1,659	–478
sib Silvester in Berlin Veranstaltungen GmbH	3,001	2,648	–353
Social Chain GmbH	226	0	–226
drtv.agency GmbH	6,550	6,494	–56
			–2,834

	31.12.2020		
in kEUR	Amortized Carrying amount	Value in use	Impairment
Lumaland Vertriebs GmbH	29,989	22,480	–7,509
drtv.agency GmbH	6,708	5,203	–1,505
Other			–230
			–9,244

As a result of this analysis, the Group discloses an impairment loss of EUR 9.2 million for the reporting year (previous year: EUR 2.8 million) as opposed to EUR 104.8 million (previous year: EUR 100.0 million) of the goodwill recognized as of 31 December 2020.

Basic assumptions for the calculation of value in use and sensitivity analysis of the assumptions made:

The following assumptions made for the calculation of value in use of the companies presented above are subject to the highest estimation uncertainty:

- EBITDA margin,
- Discount rates,
- Growth rates used as the basis for extrapolating the cash flow forecasts outside the forecast period.

EBITDA Margin:

The EBITDA margins are calculated based on the average values achieved in the two financial years prior to the start of the budget period. For the above-mentioned companies, the forecasted EBITDA margins for the budget period are as follows:

EBITDA Margin (Plan)	Impairment Test 31.12.2020 in %	Impairment Test 31.12.2019 in %
Social Chain GmbH	2.5%	0.0%
Media Chain GmbH	10.5%	10.5%
Social Chain Group Ltd.—Group	13.3%	13.3%
Lumaland Inc.	13.2%	13.2%
sib Silvester in Berlin Veranstaltungen GmbH	16.8%	7.3%
drtv.agency GmbH	5.5%	5.4%
Lumaland Vertriebs GmbH	11.4%	21.6%

The EBITDA margins remain constant throughout the budget period and are not increased by the expected efficiency growth. A decline in demand could curtail the EBITA margin. The following table presents changes in the fair value in case of a change in the EBITA margin by one percent-point:

EBITDA Margin (sensitivity)	31.12.2020 in kEUR	31.12.2019 in kEUR
Social Chain GmbH	+/–278	+/–71
Media Chain GmbH	+/–216	+/–151
Social Chain Group Ltd.—Group	+/–1,695	+/–1,229
Lumaland Inc.	+/–435	+/–355
sib Silvester in Berlin Veranstaltungen GmbH	+/–196	+/–259
drtv.agency GmbH	+/–967	+/–1,103
Lumaland Vertriebs GmbH	+/–1,514	+/–1,549

Discount rates:

The discount rates represent current market assessments of the risks specific for each of the cash-generating units with account of the time value of money and the risks specific to the assets for which the estimated future cash flows were not adjusted. The calculation of the discount rate takes into account the specific circumstances of the Group and its businesses and is based on the Group's weighted average cost of capital (WACC). The weighted average cost of capital takes into account both debt capital and equity. The cost of equity is derived from the expected return on equity for the Group's equity investors. The cost of debt capital is based on the interest-bearing debt which the Group has to service. Business area-specific risk is taken into account by applying individual beta factors. The beta factors are determined annually on the basis of publicly available market data. To determine a pre-tax discount rate, the discount rate is adjusted for the respective amount and timing of future tax cash flows. The following table shows the change in fair value in case of a change by one percent-point in the discount rate:

Discount rate (sensitivity)	31.12.2020 in kEUR	31.12.2019 in kEUR
Social Chain GmbH	+/–81	+/–71
Media Chain GmbH	+/–314	+/–163
Social Chain Group Ltd.—Group	+/–2,328	+/–3,229
Lumaland Inc.	+/–505	+/–462
sib Silvester in Berlin Veranstaltungen GmbH	+/–318	+/–200
drtv.agency GmbH	+/–521	+/–817
Lumaland Vertriebs GmbH	+/–2,233	+/–3,481

Growth rate:

The estimated growth rates are based on the long-term average growth rate of companies assuming expected inflation of 2%. The Group recognizes that prompt changes in technologies and possible new competitors could materially affect the growth rate assumptions. No negative impact on the forecasts is expected from entry of new competitors to the market. The following table shows the change in fair value in case of a change by 0.25 percent-point in the growth rate:

Growth rate (sensitivity)	31.12.2020 in kEUR	31.12.2019 in kEUR
Social Chain GmbH	+/–14	+/–71
Media Chain GmbH	+/–52	+/–27
Social Chain Group Ltd.—Group	+/–436	+/–246
Lumaland Inc.	+/–82	+/–75
sib Silvester in Berlin Veranstaltungen GmbH	+/–52	+/–49
drtv.agency GmbH	+/–87	+/–146
Lumaland Vertriebs GmbH	+/–368	+/–588

The following table presents an overview of the recognized goodwill per CGU (as an aggregate) and its carrying values as of each reporting date:

in kEUR	01.01.2019	Additions	Disposals	Impairment	FOREX effects	31.12.2019
First and second contribution rounds						
Shine Conventions GmbH	9,634					9,634
Lions Chain GmbH	8,356					8,356
DEF Media GmbH	6,991					6,991
Media Chain GmbH	1,729			–478		1,251
Social Chain GmbH	266			–226		40
Other	688					688
Third contribution round						
Social Chain Group Ltd.—Group		25,888		–671	791	26,008
Media Chain Products GmbH		4,731				4,731
Social Chain Germany GmbH (formerly: Media-Part-GmbH)						
KoRo Handels GmbH		1,860				1,860
World Fitness GmbH		587				587
Solidmind Nutrition GmbH		1,213				1,213
Reverse acquisition of Lumaland AG—Group						
Ravensberger Matratzen GmbH—Group		7,766				7,766
Lumaland Vertriebs GmbH		24,570				24,570
Lumaland Inc.		4,021		–1,051	–7	2,963
Other		509				509
Other acquisitions						
sib Silvester in Berlin Veranstaltungen GmbH		1,850		–353		1,497
drtv.agency GmbH		1,316		–55		1,260
Other		60				60
Total	**27,664**	**74,371**	**0**	**–2,834**	**784**	**99,985**

in KEUR	01.01.2020	Additions	Disposals	Impairment	FOREX effects	31.12.2020
First and second contribution rounds						
Shine Conventions GmbH	9,634					9,634
Lions Chain GmbH	8,356					8,356
DEF Media GmbH	6,991					6,991
Media Chain GmbH	1,251					1,251
Social Chain GmbH	40					40
Other	688					688
Third contribution round						
Social Chain Group Ltd.—Groups	26,008				–1,368	24,640
Media Chain Products GmbH	4,731					4,731
Social Chain Germany GmbH (formerly: Media-Part-GmbH)		4,265				4,265
KoRo Handels GmbH	1,860	1,577				3,437
World Fitness GmbH	587					587
Solidmind Nutrition GmbH	1,213	1,484	–2,697			0
Reverse acquisition of Lumaland AG—Group						
Ravensberger Matratzen GmbH—Group	7,766					7,766
Lumaland Vertriebs GmbH	24,570			–7,509		17,061
Lumaland Inc.	2,963				–250	2,713
Other	509					509
Bio Clasen and US acquisitions						
Carl Wilhelm Clasen GmbH—Group		5,158				5,158
Other acquisitions						
Urbanara GmbH		3,422				3,422
sib Silvester in Berlin Veranstaltungen GmbH	1,497	59				1,556
drtv.agency GmbH	1,260	2,082		–1,505		1,837
Other	60	284		–230		114
Total	**99,985**	**18,330**	**–2,697**	**–9,244**	**–1,618**	**104,756**

3.2 Property, plant and equipment

in kEUR	Land and buildings	Technical equipment and machinery	Operating and business equipment	Advance payments and assets under construction	Total
Acquisition or production cost					
As of 01.01.2019	**0**	**0**	**141**	**0**	**141**
Changes in the scope of consolidation	1,655	112	1,325	0	3,091
Additions	0	9	192	0	201
Disposals	–1,655	0	–39	0	–1,694
Exchange rate effects	0	0	31	0	31
As of 31.12.2019	**0**	**121**	**1,649**	**0**	**1,770**
As of 01.01.2020	**0**	**121**	**1,649**	**0**	**1,770**
Changes in the scope of consolidation	1,646	1,038	487	5	3,176
Additions	0	13	779	0	792
Disposals	0	0	–189	0	–189
Exchange rate effects	0	–4	–176	0	–180
As of 31.12.2020	**1,646**	**1,168**	**2,550**	**5**	**5,369**

in kEUR	Land and buildings	Technical equipment and machinery	Operating and business equipment	Advance payments and assets under construction	Total
Accumulated depreciation and impairment					
As of 01.01.2019	**0**	**0**	**–43**	**0**	**–43**
Additions	0	–14	–92	0	–106
Disposals	0	0	19	0	19
Exchange rate effects	0	0	–6	0	–6
As of 31.12.2019	**0**	**–14**	**–121**	**0**	**–135**
As of 01.01.2020	**0**	**–14**	**–121**	**0**	**–135**
Additions	0	–14	–543	0	–557
Disposals	0	0	2	0	2
Exchange rate effects	0	0	97	0	97
As of 31.12.2020	**0**	**–28**	**–565**	**0**	**–593**
Net carrying amounts					
As of 01.01.2019	0	0	98	0	98
As of 31.12.2019	0	107	1,528	0	1,635
As of 01.01.2020	0	107	1,528	0	1,635
As of 31.12.2020	1,646	1,140	1,985	5	4,776

For details on the additions due to the change in consolidation scope, please refer to the respective business combinations described in Section 1.5.2.

3.3 Leasing

As the Lessee

Leases are mainly related to buildings (e.g. office buildings, warehouses) and have a term ranging between 3 and 10 years. Some of these contracts include options to extend and in some cases to terminate the contract. Furthermore, contracts contain payments relating to non-lease components (e.g. service costs). Other leases recognized as rights of use mainly relate to other equipment (e.g. company cars).

The Group sublet some properties under finance leases (*see: As a Lessor*).

The balance sheet shows the following amounts relating to rights of use and lease liabilities:

in kEUR	Rights of use of land and buildings	Rights of use of technical equipment and machinery	Rights of use of other equipment, office equipment, vehicle fleet	Total
Acquisition or production cost				
As of 01.01.2019	**287**	**0**	**48**	**334**
Changes in the scope of consolidation	5,050	0	206	5,256
Reclassification	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Exchange rate effects	50	0	0	50
As of 31.12.2019	**5,387**	**0**	**253**	**5,641**
As of 01.01.2020	**5,387**	**0**	**253**	**5,641**
Changes in the scope of consolidation	0	1,337	94	1,430
Reclassification	0	0	0	0
Additions	1,921	0	0	1,921
Disposals	0	0	0	0
Exchange rate effects	–122	0	0	–122
As of 31.12.2020	**7,186**	**1,337**	**347**	**8,870**

in kEUR	Rights of use of land and buildings	Rights of use of technical equipment and machinery	Rights of use of other equipment, office equipment, vehicle fleet	Total
Accumulated depreciation and impairment				
As of 01.01.2019	**0**	**0**	**0**	**0**
Changes in the scope of consolidation	0	0	0	0
Reversal of impairment	0	0	0	0
Reclassification	0	0	0	0
Additions	–1,049	0	–58	–1,107
Impairment	0	0	0	0
Exchange rate effects	–6	0	0	–6
As of 31.12.2019	**–1,055**	**0**	**–115**	**–1,170**
As of 01.01.2020	**–1,055**	**0**	**–115**	**–1,170**
Changes in the scope of consolidation	0	0	0	0
Reversal of impairment	0	0	0	0
Reclassification	0	0	0	0
Additions	–2,301	0	–137	–2,438
Impairment	0	0	0	0
Exchange rate effects	42	0	0	42
As of 31.12.2020	**–3,314**	**0**	**–194**	**–3,508**
Net carrying values				
As of 01.01.2019	287	0	48	335
As of 31.12.2019	4,332	0	196	4,528
As of 01.01.2020	4,332	0	196	4,528
As of 31.12.2020	3,872	1,337	153	5,362

The following amounts relating to leasing agreements were recognized in the consolidated statement of profit or loss:

in kEUR	2020	2019
Interest on lease liabilities	–292	–190
Income from sub-leasing right of use assets	–48	0
Expenses relating to short term leases	–195	–8
Expenses relating to leases of low value assets	–992	–268

Cash outflows due to leases can be presented as follows:

in kEUR	2020	2019
total cash outflows for leases	2,657	1,196

As the Lessor

The table below presents lease income from lease contracts where the Group was the lessor.

in kEUR	2020	2019
Financial income from the net investment in the lease	24	2

Financial leases

The Group acted as the lessor in the sublease of certain office space in 2019. The Group classified the sublease as a financial lease because the sublease term coincides with the entire remaining term of the main lease.

The following table provides a maturity analysis of the net investment in the lease.

in kEUR	2020	2019
< 1 Year	6	24
1–2 Years	0	6
Total undiscounted lease payments	6	30
Unrealized financial income	0	1
Net investment in the lease	**6**	**29**

In addition to the above-described long-term sublease, there are short-term subleases described in Section 2.1: *Revenue* in which the Group is the financial lessor.

3.4 Other financial assets

Other long-term and short-term financial assets can be presented as follows:

	31-Dec-2020			31-Dec-2019		
in kEUR	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Securities	8,838	0	8,838	0	0	0
Shares in affiliated companies and other participating interests	3,722	0	3,722	3,393	0	3,393
Loans to third parties	449	360	809	493	850	1,343
Derivate financial instruments	544	66	610	815	0	815
Security deposits	423	84	507	414	28	442
Receivables from finance lease	31	0	31	31	0	31
Miscellaneous other financial assets	47	805	852	0	793	793
Other financial assets	**14,054**	**1,315**	**15,369**	**5,146**	**1,671**	**6,817**

Securities consist of shares held in a listed company.

Shares in related parties consist of shares in subsidiaries and associated companies not covered by full consolidation or inclusion according to the equity method due to their minor significance for the presentation of the Group's financial position. Of the total amount, subsidiaries account for EUR 263 thousand (previous year: EUR 211 thousand) and associated companies for EUR 383 thousand (previous year: EUR 652 thousand). Similar to other investments, shares in these companies are recognized at fair value through profit or loss in accordance with IFRS 9 (FVPL). The investment in puffin GmbH is an exception because management believes that recognizing short-term fluctuations in the fair value of this investment in profit or loss would not be consistent with the Group's strategy of holding it for medium to long-term strategic purposes. Accordingly, the investment in puffin GmbH was reported at its fair value through other comprehensive income (FVOCI). The fair value of this investment was EUR 383 thousand at the balance sheet date (previous year: EUR 652 thousand).

Current derivative financial assets mainly consist of currency derivatives used by the subsidiary acquired as of 31 December 2020 to hedge currency risks. The hedge accounting rules do not apply to these currency hedges. Non-current derivative financial assets consist solely of purchased call options on minority interests.

At the balance sheet date, miscellaneous other financial assets mainly consisted of receivables from payment service providers. In the previous year, they consisted mainly of receivables from payment service providers and credit card receivables.

3.5 Income tax receivables

Income tax receivables recognised as of the reporting date consist mainly of claims in respect to capital gains tax and trade tax.

in kEUR	**31.12.2020**	**31.12.2019**
Tax refund claims with a remaining term > 1 year		
Non-current income tax assets	104	0
Tax refund claims with a remaining term < 1 year		
Current income tax assets	76	299
Income tax receivables	**180**	**299**

3.6 Other non-financial assets

in kEUR	31-Dec-2020 Non-current	Current	Total	31-Dec-2019 Non-current	Current	Total
Prepayments on inventories	0	2,281	2,281	0	2,873	2,873
Prepaid expenses	0	1,507	1,507	0	910	910
Other tax refund claims	0	582	582	0	26	26
Right to returned goods asset	0	449	449	0	448	448
VAT receivables	12	0	12	0	0	0
Miscellaneous	0	1,797	1,797	0	460	460
Other non-financial assets	**12**	**6,616**	**6,628**	**0**	**4,717**	**4,717**

3.7 Deferred tax assets and liabilities

Deferred taxes are presented in the following balance sheet items:

in kEUR	31.12.2020 Deferred tax assets	31.12.2020 Deferred tax liabilities	31.12.2019 Deferred tax assets	31.12.2019 Deferred tax liabilities
Other intangible assets		4,710		5,705
Goodwill	129	0	140	0
Property, plant and equipment				1
Non-current receivables from financial leases		0		0
Non-current trade and other receivables		10		8
Other non-current financial assets	337	842	13	870
Other non-current non-financial assets	5	3		
Inventories	624	110	89	
Current trade and other receivables	450	303	59	10
Other current financial assets		360		270
Other current non-financial assets	52	975	5	838
Cash and cash equivalents		0		0
Non-current financial liabilities	342	79	11	73
Other non-current non-financial liabilities	96			
Current provisions	181	59		
Current financial liabilities	201	900	215	146
Other current liabilities				
Current trade payables		71	289	71
Other current non-financial liabilities	289		155	
Other deferred taxes	114	–158	–196	–333
Deferred taxes before netting	**2,820**	**8,266**	**780**	**7,659**
Offsetting		–2,820		–780
Net deferred taxes		**5,446**		**6,879**

As of 31 December 2020, there were tax loss carry-forwards totalling EUR 85,649 thousand (of which EUR 43,972 thousand for corporate income tax and EUR 41,668 thousand for trade tax) (previous year: EUR 63,897 thousand—of which EUR 31,748 thousand for corporate income tax and EUR 32,149 thousand for trade tax). No deferred tax assets were recognized on these taxes as of 31 December 2020 (previous year: EUR 0), since it is not probable that sufficient taxable income will be available in future assessment periods to make use of these loss carry-forwards.

3.8 Inventories

in kEUR	31-Dec-2020	31-Dec-2019
Finished goods and goods for resale	22,147	5,903
Raw materials, consumables and supplies	359	158
Work in progress	43	193
Inventories	**22,549**	**6,254**

Inventories recognized as an expense during the year ended 31 December 2020 were EUR 467 thousand (previous year: EUR 709 thousand) and are included in costs of materials.

Write-downs of inventories to their net realizable value were EUR 156 thousand (2019: EUR 0) during the reporting period and are included in costs of materials.

3.9 Contract assets and liabilities

Contract assets and liabilities consist of contract assets and contract liabilities and can be presented by their remaining term as follows:

in kEUR	31-Dec-2020	31-Dec-2019
Non-current contract assets	0	0
Current contract assets	1,344	1,622
Non-current contract liabilities	0	0
Current contract liabilities	1,063	1,721

Contract assets mainly consist of the Group's claims to consideration for the services rendered but not yet invoiced by the production business (social media business unit) as of the reporting date. In the financial years 2020 and 2019, no impairment losses were recognized on contract assets in accordance with IFRS 9. Contract assets are reclassified to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Contract liabilities mainly consist of advance payments received from customers in the course of a production transaction for which revenues are recognized over a certain period of time, and advance sale of tickets for events that will not take place until the next year.

The changes in contract assets and contract liabilities are mainly due to the performance progress under individual projects and the timing of invoices to customers.

The amount of EUR 1,721 thousand included in contract liabilities as of 31 December 2019 was recognized as revenue of FY 2020 (2019: EUR 1,795 thousand). In 2020 and 2019 there was no material revenue generated from performance obligations fulfilled (or partially fulfilled) in prior periods.

The remaining performance obligations as of 31 December 2020 or as of 31 December 2019 have an expected original maximum lifespan of one year. No disclosures were made in respect to the transaction price for outstanding performance obligations in accordance with IFRS 15.

Due to the business model of each business, the items concerned are typically short-term contract assets and liabilities.

3.10 Trade and other receivables

Trade and other receivables can be presented as follows:

in kEUR	31-Dec-2020	31-Dec-2019
Trade and other receivables	8,556	13,305
Less expected credit losses	–1,384	–1,633
Other receivables	3,073	2,559
Trade and other receivables	**10,245**	**14,231**
Current	10,115	14,139
Non-current	130	91

Trade receivables and other receivables are not interest-bearing and have normally a term less than one year.

Trade receivables and other receivables include EUR 486 thousand in inventories of the subsidiary acquired as of 31 December 2020 and held for sale to a factor under a factoring agreement. These are valued at their fair value through profit or loss.

Impairment losses on trade receivables measured at amortized cost are initially recognized on the accounts of provisions for value adjustments, unless it can be assumed at the time the reason for the impairment loss arises that the entire receivable or a part of it will be uncollectible. In such cases, the carrying amount of the receivable is directly expensed. The Group applies the simplified approach according to IFRS 9 to measure expected credit losses for trade receivables. For explanations regarding measurement of expected credit losses, please refer to Sections 1.4. and 7.1.

The changes in provisions for value adjustments on trade receivables can be presented as follows:

in kEUR	Lifetime-ECL (Level 2) simplified model	Lifetime-ECL (Level 3) simplified model
As of 01.01.2019	**4**	**154**
Additions	0	1,189
Utilization	–2	0
Exchange rate and other effects	36	39
As of 31.12.2019	**38**	**1,382**
As of 01.01.2020	**38**	**1,382**
Additions	102	322
Utilization	0	–708
Exchange rate and other effects	3	19
As of 31.12.2020	**143**	**1,015**

The relatively high additions to value adjustment provisions for Level 3 trade receivables mainly concern receivables from a manageable number of counterparties whose creditworthiness is believed to be impaired because the outstanding receivables are significantly overdue and/or the opening of insolvency proceedings is expected.

For the other counterparties, significantly lower credit losses are expected due to the default risks assessed as insignificant by management. For further information on default risk management, please refer to Section 7.1: *Credit and default risk.*

3.11 Cash and cash equivalents

No balances due from banks were pledged as of 31 December 2020 and 31 December 2019.

For explanations regarding credit risks, please refer to Section 7.1: *Financial risk management—Credit and default risk.*

3.12 Equity

The individual components of equity and movements therein during 2020 and 2019 are presented in the statement of changes in equity.

Share Capital and Capital Reserve

In shares	Common Shares	
	2020	2019
Issued as of 1 January	9,944,118	2,833,333
Issued against cash contributions	1,031,680	1,045,626
Exercise of stock options		
Issued in business combination	372,686	6,065,159
Issued as of 31—fully paid	**11,348,484**	**9,944,118**

Approved—nominal value of EUR 1.00

By its resolution of 19 August 2019, the Annual General Meeting of Shareholders granted the Management Board the authority to increase the share capital on one or more occasions on or before 18 August 2024 on the total by EUR 4,520,054.00 against cash or non-cash contributions (authorized capital 2019/I), subject to the approval by the Supervisory Board.

By its resolution of 19 August 2019, the Annual General Meeting of Shareholders granted the Management board the authority to issue bearer or registered convertible warrant-linked bonds on one or more occasions on or before 18 August 2024 to the total amount of EUR 75,000,000.00 with or without a limited term and to grant the holders conversion or option rights to subscribe to a total of up to 1,274,474 registered shares without a par value and linked to a pro rata amount of the share capital up to the total of EUR 1,274,474.00 (Conditional Capital 2019/I), subject to the approval by the Supervisory Board.

By its resolution of 19 August 2019, the Annual General Meeting of Shareholders granted the Management Board the authority to grant up to 242 thousand subscription rights on or before 18 August 2024, entitling to subscribe to a total of up to 242 thousand registered shares without a par value and each representing a notional share of the capital stock of EUR 1.00 (Conditional Capital 2019/II), subject to the approval by the Supervisory Board.

By its resolution of 11 May 2020, the Annual General Meeting of Shareholders granted the Management Board the authority to increase the share capital on one or more occasions on the total by up to EUR 5,094,859.00 against cash and/or non-cash contributions on or before 10 May 2025 (authorized capital 2020/I), subject to the approval by the Supervisory Board. Authorized capital 2020/I replaces authorized capital 2019/I.

By its resolution of 11 May 2020, the Annual General Meeting of Shareholders conditionally increased the share capital by up to EUR 4,075,887.00 through issue of up to 4,075,887 registered shares without a par value (Conditional Capital 2020/I).

By its resolution of 11 May 2020, the Annual General Meeting of Shareholders conditionally increased the share capital by up to EUR 700,971.00 through issue of up to 700,971 registered shares without a par value (Conditional Capital 2020/II).

By its resolution of 11 December 2020, the Annual General Meeting of Shareholders granted the Management Board the authority to increase the share capital on one or more occasions on or before 10 December 2025 by a total of up to EUR 4,805,010 against cash and/or non-cash contributions (authorized capital 2020/II), subject to the approval by the Supervisory Board.

EUR 26,950,120.00 (2019: EUR 83,762 thousand) was allocated to the capital reserve during the reporting year.

On 27 February 2020 the share capital was increased by EUR 170 thousand and the capital reserve by EUR 3.74 million through contribution of the shares in Urbanara GmbH in exchange for the issue of new shares.

On 11 March 2020 the share capital was increased by EUR 76 thousand and the capital reserve by EUR 1.44 million through contribution of additional shares in Solidmind Nutrition GmbH in exchange for the issue of new shares.

On 14 July 2020 the share capital was increased by a total of EUR 127 thousand and the capital reserve by a total of EUR 2.69 million through contribution of additional shares in KoRo Handels GmbH and drtv.agency GmbH in exchange for the issue of new shares.

On 12 August 2020 the share capital was increased by EUR 519 thousand and the capital reserve by EUR 9.60 million in a cash capital increase with the issue of new shares.

On 8 December 2020 the share capital was increased by further EUR 513 thousand and the capital reserve by EUR 9.49 million in a cash capital increase with the issue of new shares.

Retained earnings

Retained earnings were EUR –9,087 thousand as of 31 December 2020 (2019: EUR –11,545 thousand) and included written put options on non-controlling interests. The Company did not pay out any dividends during 2020 or 2019.

The undiluted earnings per share is calculated based on the net income/loss attributable to the shareholders and the weighted average number of common shares outstanding (2020: 10,439,256; prior year: 5,524,259) and amounts to EUR –2.55 per share (2019: EUR –4.96). There no dilution effects from potential ordinary shares.

Non-controlling interests

The following table shows non-controlling interests in significant subsidiaries.

Company	Profit/loss attributable to minority interests in kEUR		Non-controlling interests in %	
	2020	2019	31.12.2020	31.12.2019
KoRo Handels GmbH	–594		44.2	59.7
Solidmind Nutrition GmbH	–284		100.0	70.0
BytePark GmbH	–92	54	49.0	49.0
Lumaland Inc.	–63	–15	20.0	20.0
datalytix.io GmbH	–4		49.0	
Mabyen GmbH	0	–1	48.9	48.9
drtv.agency GmbH	7		49.0	59.2
Media-Part-GmbH	9		14.0	32.3
Shine Conventions GmbH	17	–9	3.0	3.0
Social Moms GmbH	135	93	20.0	20.0
Total	**–870**	**122**		

The voting rights of the non-controlling shareholders generally correspond to their shareholdings, with the following exceptions:

As of 31 December 2019, non-controlling shareholders held 59.7% of the shares in KoRo Handels GmbH. By virtue of the concluded voting trust agreement they held 48.28% of the voting rights as of that reporting date.

As of 31 December 2019, non-controlling shareholders held 70.0% of the shares in Solidmind Nutrition GmbH. By virtue of the concluded voting trust agreement they held 48.01% of the voting rights as of that reporting date. Solidmind Nutrition GmbH was sold on 30 June 2020.

As of 31 December 2019, non-controlling shareholders held 59.2% of the shares in drtv.agency GmbH. By virtue of the concluded voting trust agreement, they held 49.0% of the voting rights as of that reporting date.

For further information, please refer to Section 1.5.2: *Changes in the scope of consolidation.*

The table below presents summary financial information on subsidiaries in which significant non-controlling interests are held

kEUR	KoRo Handels GmbH		BytePark GmbH	
	31.12.2020/2020	31.12.2019	31.12.2020/2020	31.12.2019/2019
Current assets	6,794	1,497	835	474
Non-current assets	1,095	1,202	504	183
Current liabilities	2,305	835	218	85
Non-current liabilities	1,296	1,333	393	26
Revenues	20,696		1,477	1,510
Surplus/deficit	1,138		184	–108
Other comprehensive income	—		—	—
Overall result	1,138		184	–108
Dividends paid to non-controlling interests	—		—	—
Cash flow from operating activities	–250		317	–109
Cash flow from investing activities	–112		55	–11
Cash flow from financing activities	2,599		–11	–2

KoRo Handels GmbH was consolidated for the first time on 31 December 2019. See further information regarding this matter in Section 1.5.2: *Changes in the scope of consolidation.*

3.13 Trade payables

Trade payables can be presented as follows:

in kEUR	31-Dec-2020	31-Dec-2019
Trade payables	17,939	27,810
Trade payables	**17,939**	**27,810**

Trade payables are carried at their settlement or repayment amount and all of them are fully due within one year, as in the previous year.

3.14 Other financial liabilities

Other financial liabilities have the following structure:

	31-Dec-2020			31-Dec-2019		
in kEUR	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Third party loans	18,571	11,867	30,438	1,048	4,284	5,332
Liabilities to banks	4,636	11,556	16,192	1,383	8,638	10,021
Put options on Non-controlling interests	0	11,122	11,122	10,844	728	11,572
Lease liabilities	3,732	2,097	5,829	2,263	2,399	4,662
Derivate financial instruments	14	258	272	0	0	0
Miscellaneous	30	921	951	33	3,276	3,309
Other financial liabilities	**26,983**	**37,821**	**64,804**	**15,571**	**19,325**	**34,896**

Liabilities to banks mainly consist of annuity, repayments of principal and bullet loans with interest rates ranging between 1.0% (previous year: 1.0%) and 8.0% (previous year: 8.0%) and including fixed as well as variable interest rate agreements. The remaining term of the main non-current liabilities to banks does not exceed 4.5 years (previous year: 4.0 years). Some of the liabilities to banks are subject to clauses requiring compliance with certain financial covenants. The financial covenants underlying the credit agreement clauses were met at all times during the reporting year and the previous year.

During the reporting year two low-interest loans were taken from the public sector (KfW) to the amount of EUR 1,400 thousand and EUR 500 thousand respectively. The respective terms of these two fixed-interest redeemable loans are approx. 5 and approx. 10 years. The low-interest KfW loans were recognized as liabilities at fair value at the time of their acquisition and subsequently measured at amortized cost according to the effective interest rate method. The difference between the payment received and the fair value of the loan determined at the time of acquisition according to market interest rates is a benefit treated as the government grant. The grant is recognized in the balance sheet as deferred income under other non-financial liabilities and reversed to income over the term of the loan according to the effective interest rate method. In the consolidated statement of profit or loss, the reversal is presented as reduction of interest expense (netting method). As of the balance sheet date, deferred income was EUR 610 thousand (previous year: EUR 0). The conditions attached to this government grant were met in full, and there are no other uncertainties.

Liabilities from third-party loans concern primarily fixed income final loans from shareholders with an interest rate ranging between 3.0% and 6.0% (previous year: between 3.0% and 8.0%). The remaining term of significant loans from businesses is max. 15 months (previous year: 12 months). For further explanations, see Section 10.1: Transactions with related parties.

Long-term derivative financial liabilities result from an interest rate derivative instrument created to hedge the interest rate risk arising from a floating-rate bank loan attracted during the reporting year. Current derivative financial liabilities consist of currency derivatives used by a subsidiary acquired as of 31 December 2020 to hedge currency risks. The regulations on hedge accounting do not apply to the aforementioned interest rate and currency risk hedging measures.

Miscellaneous other non-financial liabilities consist primarily of received deposits and credit card liabilities.

Trade receivables and other receivables of EUR 668 thousand (previous year: EUR 952 thousand) and other financial assets of EUR 46 thousand (previous year: EUR 0) were pledged as collateral to secure loan liabilities. As of 31 December 2019, the collateral to secure loan liabilities also included shares in fully consolidated affiliates with a total carrying value of EUR 14,597 thousand.

3.15 Other non-financial liabilities

in kEUR	31-Dec-2020	31-Dec-2019
Advance payments received on orders	3,442	952
Liabilities from payroll and church taxes	1,270	1,113
Deferred income	1,029	1,235
Employee related liabilities	952	759
Other levies	274	203
VAT liabilities	143	779
Social security	62	141
Miscellaneous other liabilities	1,276	2,173
Other non-financial liabilities	**8,448**	**7,355**

3.16 Provisions

Other provisions have the following structure:

in kEUR	Other personnel-related accruals	Warranty	Impending losses	Other miscellaneous	Total
As of 01.01.2019	**269**	**0**	**30**	**255**	**554**
Changes in the scope of consolidation	27	389	0	262	678
Addition	224	26	0	1,648	1,899
Utilization	–241	0	–30	–551	–822
Reversal	–1	0	0	0	–1
As of 31.12.2019	**278**	**415**	**0**	**1,614**	**2,308**
Thereof					
Current	277	415	0	1,610	2,303
Non-current	1	0	0	4	5
As of 01.01.2020	**278**	**415**	**0**	**1,614**	**2,308**
Changes in the scope of consolidation	0	23	0	301	324
Addition	350	114	496	2,302	3,263
Utilization	–277	–118	0	–1,483	–1,878
Reversal	–1	0	0	–2	–3
As of 31.12.2020	**350**	**434**	**496**	**2,734**	**4,014**
Thereof					
Current	350	434	496	2,726	4,006
Non-current	0	0	0	8	8

Provisions for commitments to personnel contain mainly provisions for bonus agreements.

Miscellaneous other provisions mainly include provisions for consulting costs in connection with the production of the annual financial statements and corporate transactions (EUR 0.5 million), annual audits (EUR 0.5 million), outstanding commission settlements (EUR 0.4 million), event costs (EUR 0.4 million), and social media and advertising costs (EUR 0.3 million).

4 Notes to the consolidated statement of cash flows

Movements in financial liabilities broken down into cash and non-cash components can be presented as follows:

in kEUR	
As of January 1, 2019	**2,039**
Cash flow from financing	
Proceeds from loans granted	3,004
Payments for the repayment of loans	–3,583
Payments for the repayment of lease liabilities	–1,040
Interest paid	–973
Change from financing cash flows	**–2,591**
Interest expenses	1,829
Increase (+)/decrease (–) in finance lease liabilities	4,406
Increase (+)/decrease (–) in liabilities from put options on own equity instruments	11,572
Income from compounding/non-cash book value continuations	36
Addition to the scope of consolidation (excluding put options)	15,091
other non-cash changes	410
non-cash changes	**33,343**
As of December 31, 2019	**32,791**
As of January 1, 2020	**32,791**
Cash flow from financing	
Proceeds from loans granted	30,496
Payments for the repayment of loans	–11,613
Payments for the repayment of lease liabilities	–2,419
Interest paid	–2,607
Change from financing cash flows	**13,857**
Interest expenses	4,425
Increase (+)/decrease (–) in finance lease liabilities	1,854
Increase (+)/decrease (–) in liabilities from put options on own equity instruments	–450
Income from compounding/non-cash book value continuations	465
Addition to the scope of consolidation (excluding put options)	15,399
other non-cash changes	–3,807
non-cash changes	**17,886**
As of December 31, 2020	**64,534**

The increase in proceeds from granted loans over the previous year's level is due to the financing requirements for acquisition of diverse companies and refinancing measures.

5 Additional disclosures regarding financial instruments and financial risk management

The table below presents a breakdown of financial assets including liabilities by measurement category (IFRS 9) as of 31 December 2020 and 31 December 2019:

in kEUR Financial assets by class	Categories acc. IFRS 9	Carrying amount 31.12.2020	Valuation acc. IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Fair value 31.12.2020	Hierarchy
Trade and other receivables	AC	9,777	9,777			9,777	
Trade and other receivables	FVPL	468			468	468	Level 2
Other financial assets		*24,731*					
Security deposits	AC	508	508			508	Level 2
Securities	FVPL	8,838			8,838	8,838	Level 3
Shares in affiliated companies and other participating interests	FVOCI	383		383		383	Level 3
Shares in affiliated companies and other participating interests	FVPL	3,339			3,339	3,339	Level 3
Loans to third parties	AC	709	709			709	Level 2
Loans to third parties	FVPL	100			100		
Receivables from finance lease		31				31	
Derivate financial instruments	FVPL	610			610	610	Level 2
Miscellaneous financial assets	AC	852	852			852	
Cash and cash equivalents	AC	9,361	9,361			9,361	

in kEUR Financial liabilities by class	Categories acc. IFRS 9	Carrying amount 31.12.2020	Valuation acc. IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Fair value 31.12.2020	Hierarchy
Trade payables	FLAC	17,939	17,939			17,939	
Other financial liabilities		*64,804*					
Liabilities to banks	FLAC	16,192	16,192			14,343	Level 2
Liabilities from put-options on non-controlling interests	FLAC	11,122	11,122			11,122	Level 3
Lease liabilities		5,829				5,829	
Third party loans	FLAC	30,438	30,438			31,615	Level 2
Derivate financial instruments	FLFVPL	272			272	272	Level 2
Miscellaneous	FLAC	951	951			951	

Summary per category in kEUR		Carrying amount 31.12.2020
Financial assets measured at amortized costs	AC	24,532
Financial assets measured at fair value affecting net income	FVPL	13,355
Financial assets measured at fair value not affecting net income	FVOCI	383
Financial liabilities measured at amortized costs	FLAC	17,223
Financial liabilities measured at fair value affecting net income	FLFVPL	681

in kEUR Financial assets by class	Categories acc. IFRS 9	Carrying amount 31.12.2019	Valuation acc. IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Fair value 31.12.2019	Hierarchy
Trade and other receivables	AC	14,230	14,230			14,230	
Other financial assets		*13,618*					
Security deposits	AC	443	443			443	Level 2
Shares in affiliated companies and other participating interests	FVOCI	652		652		652	Level 3
Shares in affiliated companies and other participating interests	FVPL	2,740			2,740	2,740	Level 3
Loans to third parties	AC	1,343	1,343			1,343	Level 2
Receivables from finance lease		31				31	
Miscellaneous financial assets	AC	793	793			793	
Cash and cash equivalents	AC	6,801	6,801			6,801	

in kEUR Financial liabilities by class	Categories acc. IFRS 9	Carrying amount 31.12.2019	Valuation acc. IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Fair value 31.12.2019	Hierarchy
Trade payables	FLAC	27,810	27,810			27,810	
Other financial liabilities		34,895					
Liabilities to banks	FLAC	10,020	10,020			9,836	Level 2
Liabilities from put-options on non-controlling interests	FLAC	11,572	11,572			11,572	Level 3
Lease liabilties		4,662				4,662	
Third party loans	FLAC	5,332	5,332			4,926	Level 2
Miscellaneous	FLAC	3,309	3,309			3,309	

Summary per category in kEUR		Carrying amount 31.12.2019
Financial assets measured at amortized costs	AC	23,610
Financial assets measured at fair value affecting net income	FVPL	3,555
Financial assets measured at fair value not affecting net income	FVOCI	652
Financial liabilities measured at amortized costs	FLAC	16,234
Financial liabilities measured at fair value affecting net income	FLFVPL	1,204

The three levels of determining fair value of financial instruments are described in Section 1.3.10.

Cash and cash equivalents, trade receivables and other receivables measured at amortized cost, trade payables and miscellaneous other financial assets and liabilities mainly have short remaining terms. For these short-term financial instruments, the carrying amount is a reasonable approximation of their fair value. The level for determining their fair value is not disclosed separately for these financial instruments.

The fair value of non-derivative financial instruments allocated to Level 2 is calculated based on current parameters such as interest rates and exchange rates at the balance sheet date and by using accepted models such as the discounted cash flow (DCF) method and taking into account credit risk. In addition, derivatives (currency and interest rate derivatives) have been assigned to Level 2. The fair values of the derivatives are determined on the basis of bank valuation models. The Group only enters into derivatives with counterparties of good credit standing to exclude possible default risks as far as possible.

Level 3 includes shares in non-consolidated affiliated companies and other investments, securities and liabilities from put options of non-controlling shareholders. The fair value was determined using appropriate valuation techniques based on discounted cash flow analyses, maximizing the use of observable inputs. The significant unobservable inputs are the expectations of future cash flows and the specific discount rates. The higher the expected future cash flows or the lower the discount rate, the higher the fair value and vice versa.

Financial instruments subsequently measured at Level 3 fair value include shares in affiliated companies and other investments as well as securities. The table below presents reconciliation of the fair values of these financial instruments:

in kEUR	Shares in affiliated companies and other investments	Securities
As of 01.01.2019	**6,172**	**0**
Gains and losses recognized in the income statement	–3,141	0
Recognized in interest and similar income (unrealized)	364	0
Recognized in interest and similar expenses (realized)	–3,303	0
Recognized in interest and similar expenses (unrealized)	–202	0
Losses recognized in other comprehensive income	–3,039	0
Additions	3,496	0
Disposals	–95	0
As of 31.12.2019	**3,393**	**0**
As of 01.01.2020	**3,393**	**0**
Gains and losses recognized in the income statement	98	0
Recognized in interest and similar income (unrealized)	452	0
Recognized in interest and similar expenses (unrealized)	–354	0
Losses recognized in other comprehensive income	–268	0
Additions	502	8,838
Disposals	–3	0
As of 31.12.2020	**3,722**	**8,838**

Losses incurred during the reporting period and the comparative period and recognized in other comprehensive income consist solely of financial instruments held at the end of the respective period. These losses are recognized in other comprehensive income as financial instruments not subsequently reclassified to profit or loss.

There were no reclassifications between the levels of the hierarchy either during the reporting period or during the comparative period.

The table below shows net gain or loss from financial instruments of the individual categories (IFRS 9) during the reporting period and the comparative period:

in kEUR Net financial gains and losses	31.12.2020	31.12.2019
from financial assets at fair value	–166	–3,479
from financial liabilities at fair value	–19	0
from financial assets at fair value through OCI (debt instruments)	–268	–3,039
from financial assets at amortized costs	1,133	–1,702
from financial liabilities at amortized costs	–4,128	–607
Total	**–3,448**	**–8,827**

Net gain and loss from financial instruments mainly result from changes in the fair value of financial instruments measured at fair value through profit or loss, interest expense and income, effects of currency translation, expense and income for expected credit losses, as well as disposal losses and gains from payments received on impaired receivables.

Interest income from financial assets measured at amortized cost was EUR 1,567 thousand (previous year: EUR 14 thousand). Interest expense from financial liabilities measured at amortized cost was EUR 4,128 thousand (previous year: EUR 607 thousand).

6 Share-based payments

As previously mentioned, The Social Chain AG has established an option programme for management, senior executives and other key employees. Under this programme, the Company issued employee options in four tranches in 2019 and 2020. According to IFRS 2, employee options are treated as equity-settled share-based payments. The option programme contains two market conditions: a performance target and a cap. In addition, two employees must earn their options over a period of two years. Employee options without vesting clauses are expensed at their fair value on the day they are granted. This is offset by a respective increase in equity. For options subject to a vesting clause, the expense is recognized over the vesting period. Equity-settled share-based payment programmes are not remeasured at subsequent reporting dates.

The measurement of the options is based on the Monte Carlo simulation. The cap was not taken into account as the probability of its occurrence is not material and even if the cap were to apply, it would not affect the fair value of the options in the same proportion due to its amount.

The following table shows the number of options and the change during the year:

	2020	2019
Exercisable as of 1 January	—	—
New grans during the year	698,049	230,000
Forfeited during the year	—	—
Expired during the year	—	—
Exercisable as of 31 December	—	—
Still outstanding as of 31 December	928,049	230,000

The following table presents the inputs for determining the fair value of the options:

	2020		2019	
Tranche	**20-I**	**20-II**	**19-I**	**19-II**
Measurement Date(2)	12 August	23 December	1 October	16 October
Fair value per option	EUR 7.08	EUR 10.23	EUR 5.51	EUR 8.97
Share price(3)	EUR 19.55	EUR 26.30	EUR 11.80	EUR 21.00
Exercise price(4)	EUR 21.15	EUR 25.77	EUR 8.13	EUR 15.70
Duration(5)	10 years			
Risk-free interest rate(6)	–0.47%	–0.62%	–0.53%	–0.44%
Expected annualized Volatility(7)	43.71%	43.90%	35.34%	35.43%

The following table shows expense from the stock option programme during 2020 and 2019:

	2020	2019
Total expense	**EUR 5,608,517.10**	**EUR 1,821,458.05**

The increase in equity through issue of the options was EUR 5,608,517.10 as of 31 December 2020 (2019: EUR 1,821,458.05).

(2) The options of tranches 19-II, 20-I and 20-II were measured on the grant date in accordance with IFRS 2. The options of tranche 19-I were granted on 18 July 2019 and thus prior to the acquisition date of the reverse acquisition. Therefore, they were measured as of the acquisition date.

(3) Closing price on the Düsseldorf Stock Exchange

(4) The exercise price corresponds to the volume-weighted average share price for the last ten stock exchange trading days prior to the respective grant date, but at least to the pro rata amount of the Company's share capital attributable to one share

(5) It was assumed that the options will be exercised at the end of the ten-year period.

(6) The risk-free interest rate was derived from German government bonds with similar maturities.

(7) The expected volatility was determined on the basis of the historical volatility of a peer group.

7 Financial risk management

The Group's management monitors and manages the financial risks associated with the Group's business areas through internal risk reporting, which analyzes risks by their scale and scope. Risks include credit risks, liquidity risks and market risks (currency and interest rate risks). In some cases the Group minimizes the impact of these risks by using derivative financial instruments. Use of derivative financial instruments is monitored by the Group's management on an ongoing basis. The Group does not contract or trade in any financial instruments, including derivative financial instruments, for speculative purposes.

7.1 Credit and default risk

Credit and default risk is the risk of loss to the Group if a counterparty does not follow through with their contractual requirements.

Credit risks exist in particular with regard to trade receivables and contract assets. Risks of default of our customers are monitored at the level of single businesses through analysis of the due receivables on an ongoing basis and through collection of the current information about the creditworthiness of individual customers. Overall, the Group does not believe the default risks to be very significant. No major debt losses were recorded in the past. In the social commerce business in particular, the default risk does not exist due to credit card payments or involvement of payment service providers like Paypal. In the social media business, the risk of default is countered by verifying and assessing the creditworthiness of the future business partner before entering into any joint projects, and also by agreeing regular payments on account. The risk of default is taken into account by recognizing allowances for expected and actual losses on receivables (see Section 3.10).

For all other assets subject to the impairment model according to IFRS 9, no credit losses are expected in view of to the management's assessment of the default risk of individual counterparties as insignificant.

The highest possible amount of the default risk on recognized assets is to their carrying value.

7.2 Liquidity risk

Based on the definition provided inf IFRS 7, liquidity risk exists where a business cannot settle their financial obligations. To ensure the Group's solvency and financial flexibility, a sufficient reserve is maintained in cash and cash equivalents. The Group's management supervises the liquidity of the operating companies and of the Group as a whole by means of rolling cash flow forecasts. Furthermore, the maturity structure of financial liabilities is continuously reviewed and optimized.

The cash flows from the Group's financial liabilities have the following maturities:

	31.12.2020			
in kEUR	**Due within one year**	**Due in one to five years**	**Due in over five years**	**Total**
Cash outflows from non-derivative financial liabilites	37,712	29,180	1,650	68,542
Lease liabilities	1,588	2,021	654	4,263
Other non-derivative financial liabilities	36,124	27,159	996	64,279
Cash outflows from derivative financial liabilites	3,880	8	0	3,888
Total	**41,592**	**29,188**	**1,650**	**72,430**

	31.12.2019			
in kEUR	**Due within one year**	**Due in one to five years**	**Due in over five years**	**Total**
Cash outflows from non-derivative financial liabilites	17,280	16,772	865	34,917
Lease liabilities	2,421	1,665	404	4,490
Other non-derivative financial liabilities	14,859	15,107	461	30,427
Cash outflows from derivative financial liabilities				0
Total	**17,280**	**16,772**	**865**	**34,917**

Cash outflows of EUR 3,888 thousand from derivative financial liabilities are offset by cash inflows from derivatives with a gross settlement amount of EUR 3,704 thousand as of 31 December 2020. The Group had no derivative financial liabilities as of 31 December 2019.

7.3 Market risk

7.3.1 Exchange rate risks

The operating business and financing activities are subject to minor exchange rate risks from transactions not denominated in Euros. Similar to the previous year, the main currency risks for the Group arise from transactions in British pounds and US dollars.

Existing risk positions are monitored on an ongoing basis and mitigated by offsetting existing foreign currency cash flows. Due to the manageable currency exposure, active currency risks are only managed through use of derivative financial instruments in isolated cases.

The following table shows the sensitivity of the Group to a rise or fall in the value of the Euro by 10% against the respective foreign currency:

in kEUR	2020		2019	
	–10%	+ 10%	–10%	+10%
Impact on equity/profit for the period (GBP)	297	–363	15	–18
Impact on equity/profit for the period (USD)	20	–25	3	–4

7.3.2 Interest rate risk

The Group is exposed to interest rate risk from variable rate loans as well as interest rate risk for fixed rate loans at the time of refinancing. Since the majority of the loans are fixed-interest loans, there exists only insignificant interest rate risk for the Group's financing. With regards to refinancing of loan extensions and in connection with variable-interest loans, the interest rate level of the market is continuously monitored by management to be able to take measures if necessary. The risk arising from floating-rate financial liabilities was partially hedged during the reporting period through use of the relevant interest rate derivatives with matching maturities and conditions.

Furthermore, there is an insignificant interest rate risk from a loan of EUR 100 thousand with a fixed interest rate, which was granted to a third party in December 2020 and ultimately matures in February 2022, as it is measured at fair value through profit or loss.

Overall, similar to the previous year, changes in interest rates would not have had any significant effect on profit or loss for the period during the reporting year.

8 Capital risk management

The Group's objectives with regard to capital management are, on the one hand, to safeguard the Group's ability to continue as a going concern in order to continue to generate returns for its shareholders and to render other interested parties the services to which they are entitled, and, on the other hand, to maintain the capital structure in order to reduce the cost of capital. To optimize the cost of capital, the capital structure is continuously monitored on the basis of various financial ratios. In this context, the most important key indicator is the equity ratio, which is expected to further improve.

in kEUR	31.12.2020	% of total equity and liabilities	31.12.2019	% of total equity and liabilities
Equity attributable to owners	96,478	53.83%	88,449	58.52%
Financial liabilities	82,742	46.17%	62,707	41.48%
Current financial liabilities	55,760	31.11%	47,136	31.18%
Non-current financial liabilities	26,982	15.06%	15,571	10.30%
Total equity and financial liabilities	**179,220**	**100.00%**	**151,156**	**100.00%**

9 Contingent liabilities and other commitments

Contingent liabilities

There were no material contingent liabilities during the reporting period and the previous year.

Other commitments

Except for short-term leases and leases bases on assets of low value, there are no other commitments which have not been recognized.

10 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are its related parties, have been eliminated during the process of consolidation and are not disclosed herein. Transactions between the Group and other related parties are disclosed below.

10.1 Transactions with related parties

During the year, the Group companies had the following transactions with related parties who do not belong to the Group's scope of consolidation. The Group identified two types of related parties for FY 2020: *Key Management Personnel* and *Other Related Parties.*

	2020		2019	
kEUR	Key Management Personnel	Other Related Parties	Key Management Personnel	Other Related Parties
Income from the Sale of Goods and Services	0	114	0	114
Interest Expenses	2	283	0	192
Interest Income	0	4	0	0

	December 31, 2020		December 31, 2019	
kEUR	Key Management Personnel	Other Related Parties	Key Management Personnel	Other Related Parties
Loans from Related Parties	27	19,488	75	3,711
thereof secured	0	0	0	1,303
Loans to Related Parties	0	150	0	0
thereof secured	0	0	0	0

Other related parties (including investments held by the key management personnel) are the related parties that are neither key management personnel, nor joint ventures, associates or companies with significant influence over the Company. The Company has outstanding loans from related parties as of the balance sheet day.

Sales of goods or services were arm's length.

The outstanding amounts are settled in cash. In 2020 no secured amounts or guarantees were granted or received. No provisions were made for doubtful debts in respect of the receivables from related parties.

Interest on the loans received from related parties was charged at rates ranging between 1.0% and 4.5%.

10.2 Remuneration to key management personnel

The table below presents the aggregate remuneration to the key management personnel for each of the categories specified in IAS 24.

kEUR	December 31, 2020	December 31, 2019
Current employee benefits	669	487
Post-employment benefits	18	0
Other non-current benefits	0	150
Share-based payments	2,132	1,677
Total	**2,819**	**2,314**

Remuneration to the Group's key management personnel includes salaries and non-cash benefits. Executive officers also participate in the Group's share option programme. Furthermore, the employees of the Company are entitled to participate in a share purchase programme.

Key management personnel control 57.72% of the voting shares of the Company. Certain members of the key management personnel hold positions in other companies that result in them having control or significant influence over these companies. A number of these companies transacted with the Group during the year (please refer to the disclosures in Section 10.1).

11 Additional information according to the HGB

Personnel

Average number of employees by function	2020	2019
Procurement	23	11
Sales	133	59
Administration	110	48
Operations	214	97
Logistics	54	24
Product & IT Development	49	22
Other	18	8
Total	**601**	**269**

Auditor's fees and services in accordance with Section 314 of the HGB

The following table provides a breakdown of the auditor's fees (totalling EUR 649 thousand):

a) Auditing services	EUR	492 thousand
b) Other assurance services	EUR	0 thousand
c) Tax advisory services	EUR	41 thousand
d) Other non-audit services	EUR	116 thousand

12 Subsequent events

On 1 March 2021 Mr Christian Senitz was appointed to the board of directors of The Social Chain AG.

On 16 March 2021 the board of directors decided to issue convertible bonds to the total amount of up to EUR 25,000,000.00 divided into up to 25 thousand bearer bonds with equal rights and with a nominal value of EUR 1,000.00 each ("Convertible Bonds") ("Convertible Loan Bonds 2021/2024"). It is planned to offer convertible loan bonds 2021/2024 to the shareholders of the Company by way of an indirect subscription right according to Section 186 (5) of the German Stock Corporation Act through Quirin Privatbank AG, Kurfürstendamm 119, 10711 Berlin ("Issuing Bank"). By its resolution of 16 March 2021, the supervisory board approved this decision of the board of directors.

As of the date of preparation of these financial statements, TSC AG received loans from shareholders in the amount of kEUR 23,000 and repaid kEUR 13,700 of those.

As of the issuance date of these consolidated financial statements, there were no material subsequent events that would require recognition in or an adjustment to the consolidated financial statements.

Berlin, 18 June 2021

Wanja S. Oberhof — Christian Senitz

The following independent auditor's report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the consolidated financial statements of The Social Chain AG as of and for the financial year ended December 31, 2020 and the combined management report. The combined management report is not included in this Prospectus.

INDEPENDENT AUDITOR'S REPORT

To The Social Chain AG, Berlin/Germany

Audit Opinions

We have audited the consolidated financial statements of The Social Chain AG, Berlin/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of The Social Chain AG, Berlin/Germany, for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited the content of the disclosures in section 2.2.5 "Pro forma financial information" of the group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the above mentioned disclosures in section 2.2.5 "Pro forma financial information".

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises

- The disclosures in section 2.2.5 "Pro forma financial information" of the group management report,
- All sundry parts of the annual report,
- But not the consolidated financial statement, not the not the content of the audited group management report disclosures and not our audit opinion thereon.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the content of the audited group management report disclosures or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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

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

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of the accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Berlin/Germany, 18 June 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Gerald Reiher	Christoph Krause
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Audited consolidated financial statements of The Social Chain AG prepared in accordance with German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2019

The Social Chain Aktiengesellschaft, Berlin/Germany

Consolidated balance sheet as at 31 December 2019

	31 Dec. 2019		31 Dec. 2018
ASSETS	**EUR**	**EUR**	**EUR**
A. FIXED ASSETS			
1. lntangible fixed assets			
1. lnternally generated industrial rights and similar rights and assets	16,207.00		0.00
2. Purchased industrial rights and sirnilar rights and assets	12,526,028.19		215,866.21
3. Goodwill	105,584,205.40		15,409,340.78
4. Prepayments	1,720.50		0.00
		118,128,161.09	15,625,206.99
II. Property, plant and equipment			
1. Land, land rights and buildings	0.00		1,693,367.45
2. Technical equipment and machinery	61,389.23		73,919.00
3. Other equipment, operating and office equipment	1,574,016.88		349,685.57
		1,635,406.11	2,116,972.02
III. Long-terrn financial assets			
1. Shares in affiliated companies	223,661.15		11,161.15
2. Loans to affiliated companies	134,174.76		0.00
3. Shares in associates	3,842,627.70		0.00
4. Shares in other long-term investees and investors	312,648.54		0.00
5. Loans to other long-term investees and investors	1,540.00		0.00
6. Other loans	207,740.00		1,560.00
		4,722,392.15	12,721.15
		124,485,959.35	17,754,900.16
B. CURRENT ASSETS			
1. lnventories			
1. Raw materials, consumables and supplies	157,824.20		239,611.40
2. Unfinished goods; work in progress	488,606.46		0.00
3. Finished goods	5,950,613.60		4,971,456.65
4. Prepayments on inventories	2,872,990.23		240,758.97
		9,470,034.49	5,451,827.02
II. Receivables and other current assets			
1. Trade receivables	7,280,403.71		349,321.31
2. Receivables from affiliated companies	1,139,069.37		0.00
3. Receivables from other long-term investees and investors	14,244.89		0.00
4. Other assets	2,743,920.77		1,286,249.53
		11,177,638.74	1,635,570.84
III. Other securities		14,023.27	0.00
IV. Cash-in-hand and bank balances		6,336,207.69	539,664.30
		26,997,904.19	7,627,062.16
C. PREPAID EXPENSES		985,033.78	151,777.72
		152,468,897.32	25,533,740.04

	31 Dec. 2019		31 Dec. 2018
EQUITY AND LIABILITIES	**EUR**	**EUR**	**EUR**
A. CONSOLIDATED EQUITY			
1. Subscribed capital		9,944,118.00	2,833,333.00
II. Capital reserves		113,972,338.52	9,169,369.52
III. Adjustment item for foreign currency translation		-72,713.48	0.00
IV. Consolidated net accumulated losses			
1. Consolidated accumulated losses brought forward	–7,136,958.62		–1,448,893.47
2. Consolidaled net profi/loss for the period attributable to the Group	–20,660,950.23		–5,688,065.15
		–27,797,908.85	–7,136,958.62
Consolidated equity of the parent		96,045,834.19	4,865,743.90
V. Non-controlling interest		1,448,012.70	–96,518.64
		97,493,846.89	4,769,225.26
B. PROVISIONS			
1. Tax provisions	348,696.10		29,583.94
2. Other provisions	5,384,365.43		424,752.34
		5,733,061.53	454,336.28
C. LIABILITIES			
1. Bank loans	10,337,983.89		9,437,746.47
2. Payments received on account of orders	3,815,726.29		58,809.90
3. Trade payables	12,932,217.26		2,694,350.18
4. Liabilities to affiliated companies	4,267,423.84		0.00
5. Other liabilities	14,252,630.53		7,791,309.93
		45,605,981.81	19,982,216.48
D. DEFERRED INCOME		253,487.37	327,962.02
E. DEFERRED TAX LIABILITIES		3,382,519.72	0.00
		152,468,897.32	25,533,740.04

Consolidated statement of profit and loss for the financial year 2019

		2019		2018
		EUR		EUR
1.	Revenue		50,680,532.57	46,071,553.64
2.	Increase/decrease in finished goods and work in progress		45,611.01	0.00
3.	Other operating income		1,333,048.59	296,111.43
			52,059,192.17	46,367,665.07
4.	Cost of materials			
	a) Cost of purchased merchandise	–20,539,916.34		–22,269,233.63
	b) Cost of purchased services	–5,188,346.05		–6,512.50
			–25,728,262.39	–22,275,746.13
5.	Personnel expenses			
	a) Wages and salaries	–10,617,844.97		–5,329,375.66
	b) Social security, post-employment and other employee benefit costs	–1,562,252.85		–995,996.59
			–12,180,097.82	–6,325,372.25
6.	Amortization and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment		–5,504,656.52	–2,008,484.01
7.	Other operating expenses		–25,229,611.81	–20,986,958.71
8.	Share of net loss from associates		–198,952.65	0.00
9.	Other interest and similar income		9,971.67	40,597.07
10.	Amortisation and write-downs of long-term financial assets		–3,385,763.00	0.00
11.	Interest and similar expenses		–827,550.84	–487,018.69
12.	**Result from ordinary activities**		**–20,985,731.19**	**–5,675,317.65**
13.	Income taxes		69,788.29	65,959.49
14.	**Earnings after taxes**		**–20,915,942.90**	**–5,609,358.16**
15.	Other taxes		–48,418.37	–94,742.83
16.	**Consolidated loss for the period**		**–20,964,361.27**	**–5,704,100.99**
17.	Non-controlling interest		303,411.04	16,035.84
18.	Consolidated accumulated losses brought forward		–7,136,958.62	–1,448,893.47
19.	**Consolidated net accumulated losses**		**–27,797,908.85**	**–7,136,958.62**

The Social Chain AG,
Berlin/Germany

Notes to the consolidated financial statements for the period ended 31 December 2019

1. Basic information about the consolidated financial statements

These consolidated financial statements refer to The Social Chain AG and its subsidiaries (hereafter referred to as the "Group" or "The Social Chain Group"). The Social Chain Group is an integrated social media company that brings together social media and social commerce. The Social Chain Group is a pioneer in the creation, development and scaling of social media brands. The Social Chain AG's strategy is to focus on brands, social experiences and product ranges that are identified, developed and marketed via social media, in most cases by way of direct-to-consumer marketing (direct-to-consumer brands).

Identification of the Company according to information of the registration court

Company name according to commercial register:	The Social Chain AG (company name until and including 9 October 2019: Lumaland AG)
Registered office according to commercial register:	Berlin/Germany
Entry in register:	28 April 2004
Registration court:	Charlottenburg local court (*Amtsgericht*)
Registration number:	HRB 128790

As at the balance sheet date, the Company's shares traded in the unlisted securities market (*Freiverkehr*) of the Düsseldorf stock exchange under DEO00A1YC996.

General principles

The Company prepared its consolidated financial statements applying the legal requirements under Secs. 290 et seq. German Commercial Code (HGB). In addition, the supplementary provisions of the German Stock Corporation Act were observed.

The balance sheet and statement of profit and loss are classified according to Secs. 266 and 275 HGB. The balance sheet is presented using the account form and for the presentation of the state- ment of profit and loss the report form according to the nature of expense method was chosen.

Disclosures that can optionally be made in either the balance sheet, the statement of profit and loss or the notes to the financial statements are all disclosed within the notes to the financial statements. Unless stated otherwise, all amounts are disclosed in euro thousand (kEUR). Due to the use of rounded figures and percentages, individual amounts may not add up to the disclosed totals.

To enhance comparability, the following items of the balance sheet and the statement of profit and loss have been reclassified and their prior-year values have been restated:

Technical equipment and machinery and other equipment, operating and office equipment: In the prior year, EUR 68,668.00 were carried as technical equipment that are now treated as other equip- ment. The prior-year figure has been restated.

Revenue and other operating income: Income of EUR 147,114.87 that had been stated under revenue in the prior year and that has not been generated in the scope of ordinary business activities from the sale of products, services and merchandise and mainly relates to income from the reversal of provisions, from the disposal of fixed assets and from currency translation is recognised in other operating income.

Cost of materials and freight costs: As a consequence of sorting freight costs into freight in and freight out, prior-year expenses for freight out of EUR 12,791,646.42 have been reclassified from cost of materials to other operating expenses (sales cost). In this context, cost of purchased services of EUR 6,512.50 were also removed from cost of raw materials, consumables and supplies and of purchased merchandise and transferred to cost of purchased services.

Personnel expenses: Within personnel expenses, the prior-year values for wages and salaries have been restated so as to provide for a separate presentation of social security, post-employment and other employee benefit costs of EUR 995,996.59.

Other interest and similar income: Within finance result, the prior year's amounts for interest income of EUR 40,597.07 and interest expenses of EUR 487,018.69 are carried separately.

2. Consolidation principles

2.1 Scope of consolidation

The consolidated financial statements include all material domestic and foreign companies that are indirectly or directly controlled by The Social Chain AG.

The Group takes advantage of the following exemption rules with respect to the audit and publication of annual financial statement documents:

In the financial year 2019, for almost all of its domestic subsidiaries, the Group exercises the ex- emption option conferred under Sec. 246 (3) HGB to abstain from preparing according to the provi- sions applicable to business corporations, auditing and publishing own annual financial statements and, if applicable, an own management report. The formal requirements have been met by both the respective group company and The Social Chain AG. The companies concerned have been identified accordingly in the list of shareholdings. For these companies, the consolidated financial statements of The Social Chain AG are the exempting consolidated financial statements.

In accordance with Section 479A UK Companies Act 2006, we did not require an audit to be per- formed by an external auditor for any of the English subsidiaries, i.e. Social Chain Group Limited, Manchester/UK, registered with the English Companies House under company number 10717194, Social Chain Limited, Manchester/UK, registered with the English Companies House under company number 09166785 and Media Chain Group Limited, Manchester/UK, registered with the English Com- panies House under company number 10611522. The English companies are included in the consol- idated financial statements of The Social Chain AG. To fulfil the formal requirements for taking ad- vantage of the exemption rule, The Social Chain AG has issued a statement to its English subsidiaries guaranteeing their outstanding liabilities within the meaning of Section 479A UK Companies Act 2006.

Through inclusion of The Social Chain Group AG group of consolidated companies in The Social Chain AG and further acquisitions made during the financial year, the scope of consolidation increased from 14 companies included in the prior year to 34 companies included in the reporting year. These newly added companies are identified separately in the list of shareholdings.

The following affiliated subsidiaries are fully consolidated in the financial year 2019:

Name of the company	Registered office	Interest in capital in % Direct	Indirect	Total
#Do your sports GmbH(*)	Berlin, Germany	—	100.00	100.00
Belsonno GmbH(*)	Berlin, Germany	—	100.00	100.00
Bytepark GmbH(**)	Berlin, Germany	—	51.00	51.00
DEF Media GmbH(*)(**)	Berlin, Germany	—	100.00	100.00
drtv. agency GmbH(**)	Stuttgart, Germany	40.80	—	40.80
Hold your sports GmbH(*)	Berlin, Germany	100.00	—	100.00
KoRo Handels GmbH(**)	Berlin, Germany	34.82	5.44	40.27
LINKS Logistics GmbH(*) (formerly Pets & Partner GmbH)	Berlin, Germany	100.00	—	100.00
Lions Chain GmbH(*)(**)	Berlin, Germany	—	100.00	100.00
Lumaland Inc.	East Lansin, USA	—	80.00	80.00
Lumaland International GmbH(*)	Berlin, Germany	—	100.00	100.00
Lumaland Vertrieb GmbH(*)	Berlin, Germany	—	100.00	100.00
Mabyen GmbH(**)	Düsseldorf, Germany	—	51.08	51.08
Media Chain GmbH(*)(**)	Berlin, Germany	—	100.00	100.00
Media Chain Group Ltd.(**)	Manchester, UK	—	100.00	100.00
Media Chain Products GmbH(*)(**)	Berlin, Germany	—	100.00	100.00
Möbelfreude Vertriebs GmbH(*)	Berlin, Germany	100.00	—	100.00
Ravensberger Holding GmbH(*)	Berlin, Germany	100.00	—	100.00
Ravensberger Logistik GmbH(*)	Espelkamp, Germany	—	100.00	100.00
Ravensberger Matratzen GmbH(*)	Bad Oeynhausen, Germany	—	100.00	100.00
Shine Convention GmbH(*)(**)	Berlin, Germany	—	96.99	96.99
sib Silvester in Berlin Veranstaltungen GmbH(*)(**)	Berlin, Germany	—	96.99	96.99
Smilebaby GmbH(*)(**)	Berlin, Germany	—	100.00	100.00
Social Chain GmbH(*)(**)	Berlin, Germany	—	100.00	100.00
Social Chain Group Ltd.(**)	Manchester, UK	—	100.00	100.00
Social Chain Ltd.(**)	Manchester, UK	—	100.00	100.00
Social Chain USA, Inc.(**)	New York, USA	—	100.00	100.00
Social Moms GmbH(*)(**)	Berlin, Germany	—	80.00	80.00
Solidmind Nutrition GmbH(**)	Wangen, Germany	—	30.01	30.01
sweet dreams GmbH(*)	Berlin, Germany	100.00	—	100.00
The Social Chain Group AG(*)(**)	Berlin, Germany	100.00	—	100.00
Urbanara GmbH(**)	Berlin, Germany	0.00	—	0.00
World Fitness GmbH(*)(**)	Berlin, Germany	—	100.00	100.00

(*) Exemption rule under Sec. 264 (3) HGB applied

(**) Extension of scope of consolidation in the financial year 2019

At the level of drtv.agency GmbH, a notarised contribution and transfer agreement existed as at the balance sheet date, whereas the underlying real capital increase at the level of The Social Chain AG had not yet been entered into the commercial register. Nevertheless, the former shareholder and The Social Chain AG had agreed on a shareholder voting agreement by means of which The Social Chain AG was granted the right to exercise full control over any resolutions of the sole former share- holder. Hence, drtv.agency GmbH is to be included in the consolidated financial statements of The Social Chain AG in accordance with Secs. 290 et seq. HGB.

Due to deviating shareholder voting agreements granting 100% of the voting rights in KoRo Handels GmbH to The Social Chain Group AG, TSCG AG is entitled to control the shareholder resolutions and KoRo Handels GmbH is thus to be included in the consolidated financial statements of The Social Chain AG in accordance with Secs. 290 et seq.

At the level of Solidmind Nutrition GmbH, a notarised contribution and transfer agreement existed as at the balance sheet date. However, the underlying real capital increase at the level of The Social Chain AG had not yet been entered into the commercial register. Nevertheless, the former share- holder and The Social Chain AG had agreed on a shareholder voting agreement by means of which The Social Chain AG was granted the right to exercise full control over any resolutions of the sole former shareholder. Hence, Solidmind Nutrition GmbH is to be included in the consolidated financial statements of The Social Chain AG in accordance with Secs. 290 et seq. HGB.

At the level of Urbanara GmbH, a notarised contribution and transfer agreement existed as at the balance sheet date, whereas the underlying real capital increase at the level of The Social Chain AG had not yet been entered into the commercial register. Nevertheless, the former shareholder and The Social Chain AG had agreed on a shareholder voting agreement by means of which The Social Chain AG was granted the right to exercise full control over any resolutions of the sole former share- holder. Hence, Urbanara GmbH is to be included in the consolidated financial statements of The Social Chain AG in accordance with Secs. 290 et seq. HGB.

The following affiliates are accounted for using the equity method:

Name of the company	Registered office	Interest in capital in %			Equity	Profit/loss for period
		Direct	Indirect	Total	LC	LC
Media-Part GmbH .	Hamburg, Germany	—	67.68	67.68	EUR 23,174.73 (31 Dec. 2019)	EUR –4,176.59 (31 Dec. 2019)
LAX GmbH	Berlin, Germany	—	74.99	74.99	EUR 129,359.07 (31 Dec. 2019)	EUR –326,691.52 (31 Dec. 2019)

Due to a deviating voting agreement in the context of business activities management, The Social Chain AG is not given control over Media-Part GmbH in spite of an equity interest of 67.68% in the company. As there is joint control over the company, this entity is accounted for using the equity method. The company was for the first time included in consolidation as at 1 October 2019. Goodwill of kEUR 3,827 was acquired that is amortised over a period of ten years.

Due to a deviating voting agreement in the context of business activities management, The Social Chain AG is not given control over LAX GmbH in spite of an equity interest of 74.99% in the company. As there is joint control over the company, this entity is accounted for using the equity method. The company was for the first time included in consolidation as at 1 October 2019. Goodwill of kEUR 7 was acquired that is amortised over a period of ten years.

From 1 October to 31 December 2019, Solidmind Nutrition GmbH, in which interest of 30.01% is held, was also equity accounted with goodwill of kEUR 1,162 and proportionate intangible assets of kEUR 116 being identified, which were amortised over ten and six years, respectively. As at 31 December 2019, Solidmind Nutrition GmbH was included in the consolidated financial statements due to a voting rights agreement as part of transitional consolidation as fully consolidated entity. Amor- tised cost measured at equity was used as a basis for capital consolidation.

The following company is not included in the consolidated financial statements in accordance with Sec. 296 (1) no. 2 HGB:

Name of the company	Registered office	Interest in capital in		%	Equity	Profit/loss for period
		Direct	Indirect	Total	LC	LC
LINKS Operations & Intelligence GmbH	Berlin, Germany	—	100.00	100.00	EUR –66,598.25 (31 Dec. 2019)	EUR –256,279.44 (31 Dec. 2019)

On 28 May 2020, insolvency proceedings pursuant to Secs. 2, 3, 11, 16 et seq. German Insolvency Act (InsO) due to insolvency and overindebtedness have been opened concerning the assets of LINKS Operations & Intelligence GmbH (until 17 April 2020 operating as Wonista GmbH, Hofheim am Main/Germany, registered with the Charlottenburg local court, Berlin/Germany, under HRB 216671 B)). As business documents of this company could only be accessed to a limited extent, the preparation of the annual financial statements as at 31 December 2019 was permanently af- fected, as a result of which these annual financial statements were not included in the consolidated financial statements.

The following affiliates, in which the companies included in the consolidated financial statements hold majority interests, were not included in the consolidated financial statements due to immateriality in accordance with Sec. 296 (2) HGB.

Name of the company	Registered office	Interest in capital in %			Equity	Profit/loss for period
		Direct	Indirect	Total	LC	LC
Ravensberger Matrassen B.V	Zoeterwoude, Netherlands	—	100.00	100.00	EUR –7,495.00 (31 Dec. 2018)	EUR –9,960.00 (31 Dec. 2018)
Ravensberger Matrace Polska sp. z o.o	Warsaw, Poland	—	100.00	100.00	PLN –76,474.28 (31 Dec. 2019)	PLN –24,094.22 (31 Dec. 2019)
Glow Media Group USA Inc.	New York, NY, USA	—	100.00	100.00	USD –727,791.45 (31 Dec. 2018)	USD –273,453.02 (31 Dec. 2018)
Glow Media Group Ltd	London, UK	—	100.00	100.00	GBP 1.00 (31 Dec. 2019)	GBP 0.00 (31 Dec. 2019)
LINKS Operations & Intelligence GmbH	Berlin, Germany	—	100.00	100.00	EUR –66,598.25 (31 Dec. 2019)	EUR –256,279.44 (31 Dec. 2019)
NVC New Video Commerce Ltd	Manchester, UK	—	100.00	100.00	GBP –225,412.00 (31 Dec. 2019)	GBP –5,223.00 (31 Dec. 2019)
Urbanara Holding GmbH	Berlin, Germany	—	100.00	100.00	EUR 489,862.25 (31 Dec. 2018)	EUR 40,405.84 (31 Dec. 2018)
Urbanara Ltd	London, UK	—	100.00	100.00	—	—
MINUMA mgmt. GmbH	Berlin, Germany	—	100.00	100.00	EUR 14,048.64 (31 Dec. 2018)	EUR 1,219.83 (Dec. 31, 2018)
JOYLETICS mgmt. GmbH	Berlin, Germany	—	100.00	100.00	EUR 14,170.52 (31 Dec. 2018)	EUR 1,273.27 (31 Dec. 2018)

The following affiliates, in which TSC AG holds an interest of more than 20.0% but not more than 50.0%, are not included in the consolidated financial statements due to immateriality in accordance with Sec. 311 (2):

Name of the company	Registered office	Interest in capital in %			Equity	Profit/loss for period
		Direct	Indirect	Total	LC	LC
PEA design Möbel Berlin GmbH	Berlin, Germany	—	49.0	49.0	—	mEUR 4.5 (31 Dec. 2016)
Puffin GmbH	Berlin, Germany	—	50.0	50.0	EUR 1,226,997.69 (31 Dec. 2019)	EUR –430,985.03 (31 Dec. 2019)
We love Products GmbH	Berlin, Germany	—	49.0	49.0	EUR 22,896.43 (31 Dec. 2019)	EUR –470.75 (31 Dec. 2019)

PEA design Möbel Berlin GmbH (formerly MONOQI GmbH) has been in the state of insolvency since 2017. The last figures made public relate to the financial year 2016.

2.2 Consolidation methods

The annual financial statements of the companies included in the consolidated financial statements have been prepared using uniform recognition and measurement policies. The balance sheet date of the single-entity financial statements of the group companies included in consolidation corresponds to the reporting date of the consolidated financial statements, with the exception of sib Silvester in Berlin Veranstaltungen GmbH, the annual financial statements of which are based on a different balance sheet date (30 June) and for which interim financial statements were therefore prepared as at 31 December 2019.

Capital consolidation

Capital is consolidated by the Company according to the requirements under Sec. 301 HGB. Under these requirements, acquisition cost of the shares in the subsidiaries is offset against the respective share in the revalued equity of the consolidated subsidiary at the date of initial inclusion in the consolidated financial statements. Any difference resulting from such offsetting on the assets side will be recognised as goodwill and on the liabilities side as “difference from capital consolidation” below the equity item (Sec. 301 (3) HGB).

For shares not held by the parent company, a balancing item for non-controlling interest pursuant to Sec. 307 (1) sentence 1 HGB is recognised in the amount of their equity interest.

Debt consolidation

Debt is consolidated pursuant to Sec. 303 (1) HGB by offsetting receivables against the corresponding liabilities between the companies included in the consolidated financial statements.

Consolidation of expenses and income

Expenses and income are eliminated pursuant to Sec. 305 (1) HGB through netting of income between the group entities against the expenses relating to these entities.

Elimination of intercompany profits

There have not been any material intercompany profits within the Group from the disposal of assets of property, plant and equipment and inventory. Accordingly, intercompany profits were not eliminated pursuant to Sec. 304 (2) HGB.

2.3 Currency translation

The balance sheets and statements of profit and loss of foreign subsidiaries drawn up in their respective foreign currency are translated in accordance with Sec. 308a HGB using the modified current rate method. The items of the balance sheet are translated into euros at the middle spot exchange rate in effect at the reporting date with the exception of equity, which is converted into euros at the historical exchange rate. The items of the statement of profit and loss are translated into euros at the average exchange rate for the year.

The following exchange rates are assumed for translation of the respective balance sheets and statements of profit and loss of the subsidiaries with registered office in the UK or the US:

	GBP	USD
Rate at contribution date—30 Sep. 2019 (historical rate equity)	0.88573	1.0889
Year-end rate—31 Dec. 2019	0.85080	1.1234
Average exchange rate—4th quarter of 2019	0.86010	1.1072

3. Recognition and measurement policies

Fixed assets

Purchased intangible fixed assets are carried at acquisition cost and amortised if they are subject to wear and tear. The same holds for intangible fixed assets capitalised as part of the purchase price allocation:

Intangible asset	Useful life in years
Goodwill	10
Assets related to marketing	5–10
Assets related to technology	3–5
Assets related to customers	1–2

Goodwill arising from initial consolidation is amortised over a useful life of ten years. Management estimates this amortisation period to equal the ordinary useful life of the assets taking into account the industry's economic conditions as well as the sales and procurement markets. Write-downs are performed where permanent impairment is expected.

Property, plant and equipment are recognised at acquisition or production cost lessened by depreciation if subject to wear and tear. Depreciation is principally made according to the straight-line depreciation method based on the ordinary useful life of the assets. In the year of acquisition, depreciation is made pro rata temporis. Write-downs are performed where permanent impairment is expected. If the reasons for a permanent impairment no longer exist, the write-down is reversed in accordance with the requirement for reversal up to the amount of amortised cost. Low-value items with acquisition or production cost of up to EUR 250 are fully depreciated in the year of acquisition. For additions with acquisition or production costs of more than EUR 250 but less than EUR 1,000, a pool item (depreciation pool) is created that is eliminated on a straight-line basis over a depreciation period of five years. The full depreciation rate is always used in the year of addition.

Long-term financial assets are capitalised at the lower of amortised cost or fair value. Appropriate specific allowances were made for all identifiable risks. In addition, the potential credit risk was taken account of by setting up a general allowance.

The shares in affiliated companies relate to unconsolidated subsidiaries and are measured at acquisition cost. They are amortised in case of an expected permanent impairment. Write-ups on account of the reversal requirement are made up to the amount of original costs if the reasons for the permanent impairment have ceased to exist.

Current assets

Among inventories, raw materials, consumables and supplies and merchandise are recognised at the lower of acquisition cost or market value. Finished goods and work in progress are measured at production cost. In accordance with Sec. 255 (2) HGB, production cost includes appropriate portions of production overhead and indirect material costs in addition to direct costs. General administrative costs and expenses for company social facilities, voluntary social benefits and company pensions are not capitalised. Interest on borrowed capital is not capitalised either. As at the balance sheet date, allowances are made according to the lower-of-cost-or-market principle. Furthermore, measurement of inventories takes into account general allowances, so-called obsolescence allowances, which are determined based on an inventory coverage analysis.

Receivables and other current assets as well as other securities are recognised at the lower of nominal value or fair value as at the balance sheet date. Appropriate specific allowances were made for all identifiable risks. In addition, the latent credit risk was taken account of by setting up a general allowance.

Securities and cash and cash equivalents are carried at the lower of acquisition cost or market values.

Prepaid expenses and deferred income

Prepaid expenses and deferred income constitute expenses or income relating to a certain time after the balance sheet date and are measured at nominal value and amortised or depreciated on a straight-line basis over this period.

Provisions

Tax and other provisions are measured at appropriate settlement amount on the basis of sound business judgement. They include all identifiable risks and contingent liabilities. Provisions with a residual term of more than one year are discounted at the respective average market interest rate of the past seven financial years corresponding to their residual term.

Liabilities

Liabilities are recognised at settlement value.

4. Notes to the consolidated financial statements

Notes to the balance sheet

Intangible fixed assets

The increase in intangible fixed assets and goodwill over the reporting period mainly results from the contribution of Social Chain Group AG and its subsidiaries as well as the acquisitions of Urbanara GmbH and drtv.agency GmbH as at 31 December 2019 and the first-time consolidations of KoRo Handels GmbH and Solidmind Nutrition GmbH as at 31 December 2019.

In this context, the following values were recognised for capital consolidation:

Intangible asset (kEUR)	Fair value
Goodwill	94,335
Assets related to marketing	11,632
Assets related to technology	332
Assets related to customers	239

Goodwill of kEUR 17,627 was capitalised and amortised within the former Lumaland Group already up to the year 2018. Additional goodwill totalling kEUR 80 arose from the increase in shares held in Belsonno GmbH from formerly 87.97% to now 100.0% and in LINKS Logistics GmbH from 95.0% to now 100.0%.

Internally generated intangible fixed assets of kEUR 16 comprise the residual carrying amount of the film ("B-Movie") produced for own purposes by the contributed company DEF Media GmbH in 2012. Amortisation is carried out over the estimated useful life of eight years.

Property, plant and equipment

The breakdown and development of fixed assets stating amortisation, depreciation and write-downs during the financial year is presented in the statement of movements in fixed assets (appendix 1 to the notes to the consolidated financial statements). Acquisition and production cost are stated at historical values.

Long-term financial assets

As at 31 December 2019, long-term financial assets amount to kEUR 4,722 (prior year: kEUR 13) and mainly include shares in associates accounted for using the equity method as well as unconsolidated subsidiaries that became a part of the Group in the course of the contribution of Social Chain

Group AG. The unconsolidated companies include the 100% share in LINKS Operations & Intelligence GmbH (until 17 April 2020 operating as Wonista GmbH, Hofheim am Main/Germany, registered with the Charlottenburg local court, Berlin/Germany, under HRB 216671 B). The acquisition cost of the shares amounted to kEUR 3,263 and were written down to zero as at 31 December 2019. Expenditure related to the impairment loss is shown under amortisation and write-downs of long-term financial assets in the statement of profit and loss.

Inventories

Overall, inventories of kEUR 9,470 are recognised (prior year: kEUR 5,452). The former Lumaland Group's inventories remain at the same level in comparison with the prior year; the increase is therefore attributable to the newly added companies' inventories.

Trade receivables

The latent risks and expected cash discount deductions attached to trade receivables are taken into account by general allowances deducted from the assets-side carrying amount of the receivables. The residual terms still amount to less than one year.

Other current assets

Other current assets of kEUR 2,744 (prior year: kEUR 1,286) are largely comprised of current tax receivables and receivables related to overpayments. Other current assets with a residual term of more than one year concern rental deposits made in the amount of kEUR 657 (prior year: kEUR 0).

Equity

The share capital is divided into no-par value shares. The shares are registered shares.

Subscribed capital and capital reserves:

	Ordinary shares	
In shares	**2019**	**2018**
In issue at 1 January	2,833,333	2,510,171
Issued for cash	1,045,626	323,162
Exercise of share options		
Issued in business combination	6,065,159	
In issue at 31 December—fully paid	**9,944,118**	**2,833,333**
Authorised—par value EUR 1.00		

By resolution of the annual general meeting dated 28 August 2018, the executive board was authorised, with the approval of the supervisory board, to increase the Company's share capital on one or more occasions until 27 August 2023 by up to a total amount of EUR 1,416,666.00 through contri butions in cash or in kind (Authorised Capital 2018/I).

By resolution of the annual general meeting dated 28 August 2018, the share capital was conditionally increased by up to an amount of EUR 1,216,666.00 by issuing up to 1,216,666 registered no-par value shares (Conditional Capital 2018/I).

By resolution of the annual general meeting dated 19 August 2019, the executive board is authorised, with the approval of the supervisory board, to increase the Company's share capital on one or more occasions until 18 August 2024 by up to a total amount of EUR 4,520,054.00 through contributions in cash or in kind (Authorised Capital 2019/I). The Authorised Capital 2018/I is replaced by the Authorised Capital 2019/I.

By resolution of the annual general meeting dated 19 August 2019, the executive board is authorised, with the approval of the supervisory board, to issue bearer or registered convertible or warrant bonds on one or more occasions until 18 August 2024 in an aggregate amount of EUR 75,000,000.00 with or without any maturity date and to grant the holders conversion or option rights to subscribe to a total amount of up to 1,274,474 registered no-par value shares with a pro rata amount of the share capital of up to a total of EUR 1,274,474.00 (conditional Capital 2019/I). The Authorised Capital 2018/I is replaced by the Conditional Capital 2019/I.

By resolution of the annual general meeting dated 19 August 2019, the executive board is authorised, with the approval of the supervisory board, to issue up to 242,000 subscription rights until 18 August 2024, entitling the holders to subscribe to up to 242,000 registered no-par value shares with a notional value of EUR 1.00 (Conditional Capital 2019/II). The Authorised Capital 2017/I is replaced by the Conditional Capital 2019/II.

During the financial year, EUR 104,802,969.00 have been transferred to capital reserves.

In June 2019, a cash capital increase in the amount of mEUR 1.8 was carried out by issuing new shares in the share capital in the amount of kEUR 142 and by making a mEUR 1.7 payment into capital reserves. In August 2019, the share capital and capital reserves were increased by kEUR 210 and mEUR 3.1, respectively, through contribution of the shares in LINKS Operations & Intelligence GmbH (until 17 April 2020 operating as Wonista GmbH, Hofheim am Main/Germany, registered with the Charlottenburg local court, Berlin/Germany, under HRB 216671 B) against the issuance of new shares.

In October 2019, the share capital and capital reserves were increased by kEUR 5,855 and mEUR 85.1, respectively, through contribution of the shares in The Social Chain AG Group against the issuance of new shares.

In November 2019, the share capital and capital reserves were increased by kEUR 904 and mEUR 14.9, respectively, by issuing new shares as part of an accelerated bookbuilding.

The development of the consolidated equity is presented in the statement of changes in equity.

Information on equity investments pursuant to Sec. 160 (1) no. 8 German Stock Corporation Act (AktG)

Until the date of preparation of these financial statements, the Company had received the following information on investments subject to notification obligations pursuant to Sec. 160 (1) no. 8 German Stock Corporation Act (AktG):

On 8 June 2017, WAOW Entrepreneurship GmbH notified in accordance with Sec. 20 (5) AktG that, effective as of 2 February 2017, it no longer holds more than one quarter of the shares and no longer a majority interest in Lumaland AG.

At the same time, Mr Wanja S. Oberhof, Berlin/Germany, notified pursuant to Sec. 20 (5) AktG that Mr Wanja S. Oberhof, effective as of 2 February 2017, no longer indirectly holds more than one quarter of the shares and no longer a majority interest in Lumaland AG due to the attribution of shares held by WAOW Entrepreneurship GmbH pursuant to Sec. 16 (4) AktG.

Sweet Dreams Invest GmbH notified pursuant to Sec. 20 (1), (3) and (4) AktG that through acquisition of more than 50% of the shares in Lumaland AG it holds more than a quarter of and a majority interest in Lumaland AG effective as of 2 February 2017.

On 30 January 2018, Dacapo S.à r.l., Luxembourg, notified pursuant to Sec. 20 (1) AktG that it directly holds more than one quarter in Lumaland AG.

At the same time, on 30 January 2018, Dacapo S.à r.l., Luxembourg, notified pursuant to Sec. 20 (4) AktG that it holds a majority interest in Lumaland AG directly and by attribution of shares held by HoHa Holding GmbH, Berlin/Germany, with which a shareholder voting agreement exists.

On 30 January 2018, Gruppe Georg Kofler GmbH, Munich/Germany, notified pursuant to Sec. 20 (1) and (3) AktG that it holds more than one quarter of the shares in Lumaland AG indirectly by attribution of the shares in Lumaland AG held by Dacapo S.à r.l., Luxembourg, pursuant to Sec. 16 (4) AktG.

At the same time, on 30 January 2018, Gruppe Georg Kofler GmbH, Munich/Germany, notified pursuant to Sec. 20 (4) AktG that it holds a majority interest in Lumaland AG indirectly by attribution of the shares in Lumaland AG held by Dacapo S.à r.l., Luxembourg, pursuant to Sec. 16 (4) AktG and by attribution of the shares held by HoHa Holding GmbH, Berlin/Germany, with which Dacapo S.à r.l. has closed a shareholder voting agreement.

On 30 January 2018, Dr Georg Kofler notified pursuant to Sec. 20 (1) and (3) AktG that he as the sole shareholder of Gruppe Georg Kofler GmbH, Munich/Germany, holds more than one quarter of the shares in Lumaland AG indirectly by attribution of the shares in Lumaland AG held by Dacapo S.à r.l., Luxembourg, pursuant to Sec. 16 (4) AktG.

At the same time, on 30 January 2018, Dr Georg Kofler notified pursuant to Sec. 20 (4) AktG that he as the sole shareholder of Gruppe Georg Kofler GmbH, Munich/Germany, holds a majority interest in Lumaland AG indirectly by attribution of the shares in Lumaland AG held by Dacapo S.à r.l., Luxembourg, pursuant to Sec. 16 (4) AktG and by attribution of shares held by HoHa Holding GmbH, Berlin/Germany, with which Dacapo S.à r.l. has closed a shareholder voting agreement.

On 30 January 2018, Sweet Dreams Invest GmbH, Berlin/Germany, notified in accordance with Sec. 20 (5) AktG that it no longer holds more than one quarter of the shares and no longer a majority interest in Lumaland AG.

On 1 August 2019, the Company provided the following notifications pursuant to Sec. 6 AktG:

Pursuant to Sec. 20 (5) AktG, Dacapo S.à r.l., Luxembourg, notified that it does not hold a majority interest in Lumaland AG neither alone nor by attribution of the shares held by other shareholders. Dacapo S.à r.l. continues to hold more than one quarter of the shares in Lumaland AG.

At the same time, Gruppe Georg Kofler GmbH, Munich/Germany, notified pursuant to Sec. 20 (5) AktG that it does not hold a majority interest in Lumaland AG indirectly (due to the attribution of shares in Lumaland AG held by Dacapo S.à r.l. pursuant to Sec. 16 (4) AktG) neither alone nor by attribution of the shares held by other shareholders. Gruppe Georg Kofler GmbH continues to hold indirectly (due to the attribution of shares in Lumaland AG held by Dacapo S.à r.l. pursuant to Sec. 16 (4) AktG) more than one quarter of the shares in Lumaland AG.

At the same time, Dr Georg Kofler notified pursuant to Sec. 20 (5) AktG that he as the sole shareholder of Gruppe Georg Kofler GmbH does not hold a majority interest in Lumaland AG indirectly (due to the attribution of shares in Lumaland AG held by Dacapo S.à r.l. pursuant to Sec. 16 (4) AktG) neither alone nor by attribution of the shares held by other shareholders. Dr Georg Kofler continues to hold indirectly (due to the attribution of shares in Lumaland AG held by Dacapo S.à r.l. pursuant to Sec. 16 (4) AktG) more than one quarter of the shares in Lumaland AG.

On 7 May 2020, the Company published the following notifications:

Gruppe Georg Kofler GmbH, Munich/Germany, notified pursuant to Sec. 20 (4) AktG that it holds a majority interest in The Social Chain AG indirectly (due to the attribution of shares in The Social Chain AG held (i) by Dacapo S.à r.l. and (ii) by Social Chain Group GmbH pursuant to Sec. 16 (4) AktG).

At the same time, Dr Georg Kofler notified pursuant to Sec. 20 (4) AktG that he as the sole shareholder of Gruppe Georg Kofler GmbH also holds a majority interest in The Social Chain AG indirectly (due to the attribution of shares in The Social Chain AG held (i) by Dacapo S.à r.l. and (ii) by Social Chain Group GmbH pursuant to Sec. 16 (4) AktG).

In addition, Social Chain Group GmbH, Berlin/Germany, notified that it does no longer hold an interest of more than one quarter of the shares in The Social Chain AG.

Provisions

Tax provisions relate to municipal trade and corporate income tax. Major components of other provisions of kEUR 5,384 are provisions for outstanding invoices and provisions for staff-related costs.

Other provisions are largely comprised of provisions for outstanding invoices of kEUR 3,768 (prior year: kEUR 130), staff-related provisions (vacation, bonuses & shares in profit) of kEUR 760 (prior year: kEUR 65), provisions for warranties and returns of kEUR 463 (prior year: kEUR 101) and sundry provisions of kEUR 393 (prior year: kEUR 129). The increase in provisions of kEUR 6,750 results from changes in the scope of consolidation that are matched by utilisations of kEUR 4,461 and release of provisions of kEUR 150. Provisions of kEUR 2,749 were newly added. After taking into account the effects from currency translation, total provisions amount to kEUR 5,384.

Liabilities

The residual terms of the liabilities developed as follows:

in kEUR		**Residual term up to 1 year**	**Residual term 1 to 5 years**	**Residual term more than 5 years**	**Total**
Bank loans	31 Dec. 2019	8,546	1,792	0	10,338
	Prior year	362	6,884	2,192	9,438
Payments received on account of orders	31 Dec. 2019	3,816	0	0	3,816
	Prior year	59	0	0	59
Trade payables	31 Dec. 2019	12,821	111	0	12,932
	Prior year	2,694	0	0	2,694
Liabilities to affiliated companies	31 Dec. 2019	4,267	0	0	4,267
	Prior year	0	0	0	0
Other liabilities	31 Dec. 2019	14,253	0	0	14,253
	Prior year	7,791	0	0	7,791
thereof taxes:	31 Dec. 2019	2,485	0	0	2,485
	Prior year	1,104	0	0	1,104
thereof related to social security	31 Dec. 2019	138	0	0	138
	Prior year	48	0	0	48

Some of the bank loans and overdrafts are collateralised in form of registered liens, assignment by way of security and directly enforceable guarantees by third parties.

Trade payables with a term to maturity of more than one year are contractually agreed repayment obligations of a subsidiary.

Deferred tax liabilities

Deferred tax liabilities are shown in an amount of kEUR 3,383 (prior year: kEUR 0). These resulted from accounting differences concerning the measurement under German commercial and tax law in the context of the company acquisition of TSCG AG group of consolidated companies and the further acquisitions made during the financial year and relate to intangible fixed assets recognised in the consolidated balance sheet but not under tax law. Deferred tax assets on losses carried forward by the parent company have not been capitalised by taking advantage of the option conferred under Sec. 274 HGB.

Notes to the statement of profit and loss

The nature of expense method has been applied to the statement of profit and loss.

Revenue

The revenue realised in the financial year 2019 is comprised of the full-year revenue of the former Lumaland Group and the revenue of the newly added The Social Chain Group AG group of consolidated companies as of the date of its contribution on 30 September 2019.

Business unit (kEUR)	**2019**	**2018**
e-Commerce	41,657	46,072
Social Media	7,458	0
Other	1,565	0
Total	**50,680**	**46,072**

Other operating income

Other operating income includes exchange gains of kEUR 6 (prior year: kEUR 0).

Cost of materials

Cost of materials of kEUR 25,728 (prior year: kEUR 22,276) mainly includes cost of purchased mer- chandise and of purchased services. Whereas the cost of materials ratio of the former Lumaland Group slightly increased from 48.4% in the prior year to 53.8% in the reporting period, the ratio of cost of materials to revenue declined in the new Group. As opposed to this, cost of purchased services increased from kEUR 6 to kEUR 5,188; this is principally due to the changed product mix through the inclusion of the Social Media companies.

Personnel expenses

In addition to wages and salaries, personnel expenses of kEUR 12,180 (prior year: kEUR 6,325) include social security, post-employment and other employee benefit costs. While personnel ex- penses in the former Lumaland Group fell by kEUR 559, overall personnel expenses rose compared to the prior year as a result of the newly added companies. Post-employment costs included in per- sonnel expenses amount to kEUR 25 (prior year: kEUR 0).

Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment

Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment of kEUR 4,795 are attributable to amortisation of goodwill. kEUR 2,982 of this amount relate to goodwill generated as part of the contribution of TSCG AG Group, with kEUR 696 relating to write-downs and kEUR 1,795 to the continued goodwill of the former Lumaland AG Group. Further amortisation and write-downs of kEUR 343 comprise amortisation and write- downs of identified marketing-, technology- and customer-related intangible fixed assets, which have been taken into account in first-time capital consolidation in the amount of kEUR 12,203.

Other operating expenses

Other operating expenses of kEUR 25,230 (prior year: kEUR 20,987) primarily include advertisement and sales cost of kEUR 14,336 (prior year: kEUR 17,260). This growth on the prior year is due to changes in the scope of consolidation. Other operating expenses include exchange losses of kEUR 24 (prior year: kEUR 13).

The following one-off expenses have been recognised in other operating expenses:

Subject matter	kEUR
● Consultancy fees related to the remaining acquisitions (mainly legal consultancy, expert opinions and integration consulting)	646
● Consultancy fees related to the contribution of TSCG Group (mainly legal consul- tancy, expert opinions and integration consulting)	459
● Losses from disposal of properties	378
● MONOQI GmbH allowance	318
● Cost of capital increase (fees)	316
● Process and post-merger integration consulting	295
● Legal consultancy capital increase	62
● Other extraordinary costs	410
TOTAL	**2,884**

Share of net loss from associates

Net loss from associates of kEUR -199 enter into the consolidated result.

Amortisation and write-downs of long-term financial assets

Amortisation and write-downs of long-term financial assets comprise the full impairment of the shares in LINKS Operations & Intelligence GmbH of kEUR 3,263, impairment losses of shares in other long-term investees and investors of kEUR 65 and impairment losses of other loans and securities of kEUR 57.

Interest and similar expenses

Interest and similar expenses of kEUR 828 (prior year: kEUR 487) particularly relate to long-term loans.

Income taxes

Income taxes include deferred taxes of kEUR 98 as an income; the share of the effective tax expenditure amounts to kEUR 28.

Other disclosures

Other financial commitments

Beside the commitments evident from the balance sheet, the following other financial commitments were on hand as at the balance sheet date:

kEUR		Residual term up to 1 year	Residual term 1 to 5 years	Residual term more than 5 years
Rental and ancillary rental costs	2019	2,265	4,297	—
	Prior year	*455*	*70*	—
Vehicle leasing	2019	35	31	—
	Prior year	—	—	—
Purchase commitments	2019	—	—	—
	Prior year	*1,736*	—	—
Total	**2019**	**2,300**	**4,328**	—
	Prior year	*2,191*	*70*	—

Composition of the executive board and supervisory board

In the financial year 2019, the following persons were appointed as executive officers:

Wanja S. Oberhof . . . . Chairman of the executive board (CEO), merchant, since 1 May 2018
Sebastian Stietzel . . . . Merchant, until 29 March 2019

The executive board is authorised to represent the company alone and is exempt from the restrictions under Sec. 181 German Civil Code (BGB). Mr Oberhof was granted full commercial authority with sole signature rights. The exemption rule under Sec. 314 (3) HGB in conjunction with Sec. 286 (4) HGB concerning the disclosure of the executive board remuneration was taken advantage of.

In the financial year 2019, the following persons were appointed as members of the supervisory board:

Dr Georg Kofler	Chairman, merchant, since 1 May 2019 Deputy chairman from 12 February 2018 to 30 April 2019
Henrike Luszick	Executive board member at Bridgemaker, since 11 May 2020
Henning Giesecke	Chairman, merchant, from 12 February 2018 to 30 April 2019 Deputy chairman since 19 August 2019
Holger Hansen	Ordinary member appointed by court order, from 3 May 2019 to 19 August 2019
Ingo Schiller	Ordinary member appointed by court order, merchant, since 22 June 2016 (until 11 May 2020).

The members of the supervisory board receive, in addition to reimbursement of their out-of-pocket expenses—including any value-added tax charged to them for their work on the supervisory board—a fixed remuneration, which amounts to EUR 50,000.00 for each individual member. Such remu- neration is due for payment to the members of the supervisory board in four equal instalments at the end of each calendar quarter. Members leaving the supervisory board in the course of a financial year receive the remuneration pro rata temporis. The thus determined supervisory board remuner- ation is applied for the first time for the financial year beginning on 1 January 2019.

Employees

In the financial year 2019, the Group employed an average of 512 employees (prior year: 144 employees). Thereof, the former Lumaland Group employed 158 employees (prior year: 144) on aver- age in the financial year, while the newly added The Social Chain Group AG group of consolidated companies employed 354 on average in the fourth quarter of 2019.

In the financial year 2019, 294 employees of the Group worked in Germany (prior year: 133) and 218 worked in foreign countries (prior year: 11), of which 182 in the U.K. (prior year: 0) and 33 in the U.S. (prior year: 11).

Auditor's fees

Total fees charged by the auditors for the financial year amount to kEUR 291 and are analysed as follows:

a)	Audit services	kEUR	390
b)	Other attestation services	kEUR	0
c)	Tax consultancy	kEUR	42
d)	Other services	kEUR	18

Appropriation of profit/loss

The executive board and supervisory board will propose to the annual general meeting to carry forward the net loss for the period of EUR 20,964,361.27.

Major post-balance-sheet-date events

On 23 December 2019, The Social Chain AG concluded a share purchase and contribution agreement with the shareholder of drtv.agency GmbH and of datalytics.io GmbH providing for the transfer of all shares in drtv.agency GmbH and in datalytics.io GmbH to The Social Chain AG against proportionate cash payment and proportionate granting of treasury shares as part of a non-cash capital increase (contribution). Settlement and, thus, transfer of beneficial ownership of the drtv.agency GmbH shares were made in 2019. Concerning the purchase of the shares in datalytics.io GmbH, the resolved capital increase of EUR 36,084.00 was carried out in January 2020.

By means of a share purchase, contribution, assignment and option agreement dated 23 December 2019, The Social Chain AG Group agreed to increase its shares in KoRo Handels GmbH from 34.82% (held by The Social Chain Group AG) to a total of then 51.0%. In the following, The Social Chain AG acquired 5.45% of the shares in KoRo Handels GmbH as part of a cash purchase effective as of 31 December 2019. Another 8.49% of the shares were acquired by The Social Chain AG effective as of 1 January 2020 as part of a contribution against issuance of treasury shares as a consequence of the fulfilment of the condition precedent that the capital increase be entered in the commercial reg- ister in 2020. The remaining interest to attain the 51.0% majority share in KoRo Handels GmbH was obtained by The Social Chain AG by way of a share capital increase of KoRo Handels GmbH with exclusion of the other shareholders effective as of 1 January 2020 upon fulfilment of the condition precedent that payment of the capital increase be received on the business accounts of KoRo Handels GmbH.

By means of a contribution and purchase agreement dated 30 June 2020, The Social Chain AG and its subsidiary, The Social Chain Group AG, sold and contributed their shares held in Solidmind Nutri- tion GmbH (51.99% in total) to SynBiotic SE, co-shareholder of Solidmind Nutrition GmbH, effective as of 1 January 2020, in return for granting treasury shares, 219,817 stocks.

By means of a share purchase and assignment agreement dated 28 August 2020, The Social Chain AG purchased another 18.29% of the shares in Media-Part GmbH effective as of 1 January 2020, and hence increased its interest in Media-Part GmbH from formerly 67.68% to now 85.97%. The remaining 14.03% of the shares were sold by the seller to HoHa Holding GmbH, a shareholder of The Social Chain AG, by virtue of the same purchase agreement. As a result of this purchase of the remaining shares, The Social Chain AG obtains full control over Media-Part GmbH, which had so far not been the case due to a deviating decision arrangement.

By means of a share purchase and assignment agreement dated 30 December 2019, The Social Chain AG acquired all shares in CONTEAM: Below GmbH, later on renamed to CALL TONI GmbH, on the condition precedent that the seller furnish evidence about the release of existing liens for collat- eralising purchase price claims. Upon fulfilment of the condition precedent on 4 January 2020, the shares in CONTEAM: Below GmbH were assigned to The Social Chain AG effective as of this date.

Dated 28 May 2020, insolvency proceedings pursuant to Secs. 2, 3, 11, 16 et seq. InsO due to insolvency and overindebtedness were opened concerning the assets of LINKS Operations & Intelligence GmbH (until 17 April 2020: Wonista GmbH), a wholly-owned subsidiary of The Social Chain AG.

In the legal dispute between U. Tietze and Hold your Sports GmbH, an indirectly wholly-owned subsidiary of The Social Chain AG, regarding outstanding earn-out purchase price payments to Mr U. Tietze resulting from the acquisition of Do your Sports GmbH, a court settlement was reached on 11 May 2020 obliging Hold your Sports GmbH to pay mEUR 1.0, payable in three instalments until the end of 2020. Corresponding provisions had been recognised in the balance sheet of Hold your Sports GmbH already in prior years.

By resolution of the annual general meeting dated 11 May 2020, the executive board is authorised, with the approval of the supervisory board, to increase the Company's share capital on one or more occasions until 10 May 2025 by up to a total amount of EUR 5,094,859.00 through contributions in cash or in kind (Authorised Capital 2020/I). In case of a full utilisation of the Authorised Capital 2020/I, the shareholders of the Company shall principally be granted a right to subscribe for new shares. However, pursuant to Sec. 3 (6) sentence 6 lit. dd) of the Articles of Association, the execu- tive board is authorised, with the approval of the supervisory board, to exclude shareholders' sub- scription rights in the event of capital increases in return for cash contributions, if the issue price of the new shares is not significantly lower than the market price of existing shares already listed and the proportion of the share capital attributable to the shares issued in return for cash contributions with the exclusion of subscription rights during the term of the authorisation does not exceed a total of 10.0% of the share capital in accordance with or by analogous application of Sec. 186 (3) sen- tence 4 AktG. Against this background, the executive board passed a resolution on 7 August 2020 to increase the share capital against cash contributions in accordance with Sec. 3 (6) of the Articles of Association by EUR 518,859.00 from EUR 10,316,804.00 to EUR 10,835,663.00 by issuing 518,859 new shares, making partial use of the Authorised Capital 2020/I. The placement price for the new shares was set at EUR 19.50 per new share and is not significantly lower than the market price of the existing shares within the meaning of Sec. 3 (6) sentence 6 lit. dd) of the Articles of Association in conjunction with Secs. 203 (1), 186 (3) sentence 4 AktG.

The coronavirus outbreak in Germany at the end of February 2020 and its spread have devastating consequences for the German and international economy. The corona pandemic had no impact on the 2019 financial year. The Group is affected to varying degrees by the effects of the corona crisis in the 2020 financial year. The achievement of set targets, particularly for the financial years 2020 and 2021, will depend to a large extent on political decisions and their effectiveness as well as the resulting macroeconomic developments.

Regarding the impact on The Social Chain Group, we refer to our explanations in the outlook given in chapter 5 of the management report.

Wanja S. Oberhof

Berlin/Germany, 30 September 2020

The Social Chain Aktiengesellschaft, Berlin/Germany

Movements in fixed assets as at 31 December 2019

	Acquisition and production cost						Accumulated amortisation/depreciation/write-downs						Carrying amounts	
	Balance as at 1 Jan. 2019	Changes in scope of consolidation	Additions	Disposals	Currency effects	Balance as at 31 Dec. 2019	Balance as at 1 Jan. 2019	Changes in scope of consolidation	Additions	Disposals	Currency effects	Balance as at 31 De c. 2019	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1. Intangible fixed assets														
1. Internally generated industrial rights and similar rights and assets	0.00	385,800.00	0.00	0.00	0.00	385,800.00	0.00	357,536.75	12,056.25	0.00	0.00	369,593.00	16,207.00	0.0
2. Purchased industrial rights and similar rights and assets	304,645.52	12,735,819.46	86,573.26	23,040.51	5,061.26	13,109,058.99	88,779.31	76,676.61	420,094.38	3,100.80	581.30	583,030.80	12,526,028.19	215,866.21
3. Goodwill	17,810,586.74	94,924,096.01	25,000.00	0.00	20,858.46	112,780,541.21	2,401,245.96	0.00	4,795,089.85	0.00	0.00	7,196,335.81	105,584,205.40	15,409,340.78
4. Prepayments	0.00	1,720.50	0.00	0.00	0.00	1,720.50	0.00	0.00	0.00	0.00	0.00	0.0	1,720.50	0.0
	18,115,232.26	108,047,435.97	111,573.26	23,040.51	25,919.72	126,277,120.70	2,490,025.27	434,213.36	5,227,240.48	3,100.80	581.30	8,148,959.61	118,128,161.09	15,625,206.99
II. Property, plant and equipment														
1. Land, land rights and buildings	1,747,016.16	0.00	0.00	1,747,016.16	0.00	0.00	53,648.71	0.00	34,706.00	88,354.71	0.00	0.0	0.0	1,693,367.45
2. Technical equipment and machinery	110,453.72	0.00	0.00	0.00	0.00	110,453.72	36,534.72	0.00	12,529.77	0.00	0.00	49,064.49	61,389.23	73,919.00
3. Other equipment, operating and office equipment	435,907.36	2,090,272.17	175,928.94	59,438.25	73,917.28	2,716,587.50	86,221.79	795,686.72	230,180.27	14,145.99	44,627.83	1,142,570.62	1,574,016.88	349,685.57
	2,293,377.24	2,090,272.17	175,928.94	1,806,454.41	73,917.28	2,827,041.22	176,405.22	795,686.72	277,416.04	102,500.70	44,627.83	1,191,635. 11	1,635,406.11	2,116,972.02
III. Long-term financial assets														
1. Shares in affiliated companies	11,161.15	187,500.00	3,288,400.00	0.00	0.00	3,487,061.15	0.00	0.00	3,263,400.00	0.00	0.00	3,263,400.00	223,661.15	11,161.15
2. Loans to affiliated companies	0.00	134,174.76	0.00	0.00	0.00	134,174.76	0.00	0.00	0.00	0.00	0.00	0.0	134,174.76	0.0
3. Shares in associates	0.00	3,996,200.00	0.00	0.00	0.00	3,996,200.0	0.00	–45,380.35	198,952.65	0.00	0.00	153,572.30	3,842,627.70	0.0
4. Shares in other long-term investees and investors	0.00	472,648.54	0.00	125,000.00	0.00	347,648.54	0.00	0.00	65,000.00	30,000.00	0.00	35,000.00	312,648.54	
5. Loans to other long-term investees and investors	0.00	51,540.00	0.00	0.00	0.00	51,540.00	0.00	0.00	50,000.00	0.00	0.00	50,000.00	1,540.00	0.0
6. Other loans	1,560.00	111,680.0 0	95,000.00	0.00	0.00	208,240.00	0.00	0.00	500.00	0.00	0.00	500.00	207,740.00	1,560.00
	12,721.15	4,953,743.30	3,383,400.00	125,000.00	0.00	8,224,864.45	0.00	–45,380.35	3,577,852.65	30,000.00	0.00	3,502,472.30	4,722,392.15	12,721.15
	20,421,330.65	115,091,451.44	3,670,902.20	1,954,494.92	99,837.00	137,329,026.37	2,666,430.49	1,184,519.73	9,082,509.17	135,601.50	45,209.13	12,843,067.02	124,485,959.35	17,754,900.16

The Social Chain Aktiengesellschaft, Berlin/Germany

Consolidated statement of cash flows for the financial year 2019

		2019 EUR	2018 EUR
1.	**Cash flow from operating activities**		
	Consolidated loss for the period including profit/loss share of non-controlling interest	–20,964,361.27	–5,704,100.99
	Depreciation, amortisation and write-downs of write-downs of fixed assets	5,504,656.52	2,008,484.01
	Increase/decrease in provisions	–1,864,627.55	–495,089.68
	Other non-cash expenses/income	4,090,940.25	–155,260.69
	Decrease/increase in inventories, trade receivables and other assets not related to investing or financing activities	3,631,160.04	1,456,461.34
	Increase/decrease in trade payables and other liabilities not related to investing of financing activities	–4,969,228.36	–239,993.74
	Loss/gain(-) on disposal of fixed assets	397,506.71	0.00
	Interest expense	827,550.84	487,018.69
	Interest income	–9,971.67	–40,597.07
	Income tax expense (+)/income (–)	–72,892.29	65,959.49
	Income taxes refunded (+)/paid (–) (net)	91,713.58	0.00
	Cash flow from operating activities	–13,337,553.20	–2,617,118.64
2.	**Cash flow from investing activities**		
	Proceeds from disposal of property, plant and equipment	1,326,386.71	0.00
	Payments to acquire property, plant and equipment	–175,928.94	–154,710.89
	Payments to acquire intangible fixed assets	–111,573.26	0.00
	Payments to acquire long-term financial assets	0.00	–7,535.00
	Payments to acquire additions to the scope of consolidation	–488,164.00	0.00
	Interest received	9,971.67	39,308.93
	Cash flow from investing activities	560,692.18	–122,936.96
3.	**Cash flow from financing activities**		
	Proceeds from borrowings	3,004,252.16	921,751.55
	Cash repayments of bonds and borrowings	–3,582,539.63	–1,848,266.53
	Interest paid	–827,550.84	–485,730.55
	Cash receipts from capital increases in cash of the parent	17,661,183.00	3,877,944.00
	Cash flow from financing activities	16,255,344.69	2,465,698.47
4.	**Cash funds at the end of the period**		
	Net change in cash funds (subtotals 1.-3.)	3,478,483.67	–274,357.13
	Effect on cash funds of exchange rate changes and of valuation in equity	–17,433.97	0.00
	Effect on cash funds of changes in the scope of consolidation	2,335,493.69	0.00
	Cash funds at the beginning of the period	539,664.30	814,021.43
	Cash funds at the end of the period	6,336,207.69	539,664.30
5.	**Components of cash fund**		
	Cash-in-hand, bank balances	6,336,207.69	539,664.30
	Cash funds at the end of the period	6,336,207.69	539,664.30

The Social Chain Aktiengesellschaft, Berlin/Germany
Consolidated statement of changes in equity for the period ended 31 December 2019

	Consolidated equity of the parent					Non-controlling interest				
	Subscribed capital	Capital reserves Sec.272(2)no.4 HGB	Adjustment item for foreign currency translation	Consolidated net accumulated losses attributable to the parent	TOTAL	Non-controlling interest before currency translation and profit/loss for the period	Foreign currency translation adjustments attributable to non-controlling interest	Profit/loss attributable to non-controlling interest	TOTAL	Consolidated equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance 1 Jan. 2018 .	2,510,171.00	5,614,587.52	0.00	-1,448,893.47	6,675,865.05	-80,482.80			-80,482.80	6,595,382.25
Capital increase through issuance of shares	323,162.00	3,554,782.00			3,877,944.00				0.00	3,877,944.00
Consolidated loss for the period 2018 . . .				-5,688,065.15	-5,688,065.15			-16,035.84	-16,035.84	-5,704,100.99
Balance 31 Dec. 2018	2,833,333.00	9,169,369.52	0.00	–7,136,958.62	4,865,743.9	–80,482.80	0.00	–16,035.84	–96,518.64	4,769,225.26
Balance 1 Jan. 2019 .	2,833,333.00	9,169,369.52	0.00	-7,136,958.62	4,865,743.90	96,518.64			-96,518.64	4,769,225.26
Capital increases through issuance of shares	7,110,785.00	104,802,969.00	0.00	0.00	111,913,754.00	0.00	0.00	0.00	0.00	111,913,754.00
Changes in scope of consolidation	0.00	0.00	0.00	0.00	0.00	1,849,363.46	0.00	0.00	1,849,363.46	1,849,363.46
Currency translation . .			-72,713.48		-72,713.48		-1,421.08		-1,421.08	-74,134.56
Consolidated loss for the period 2019 . . .				-20,660,950.23	-20,660,950.23			-303,411.04	-303,411.04	-20,964,361.27
Balance 31 Dec. 2019	9,944,118.00	113,972,338.52	-72,713.48	-27,797,908.85	96,045,834.19	1,945,882.10	-1,421.08	-303,411.04	1,448,012.70	97,493,846.89

The following independent auditor's report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the consolidated financial statements of The Social Chain AG as of and for the financial year ended December 31, 2019 and the combined management report. The combined management report is not included in this Prospectus.

Independent Auditor's Report

To The Social Chain AG, Berlin/Germany

Audit Opinions

We have audited the consolidated financial statements of The Social Chain AG, Berlin/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit and loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and the notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of The Social Chain AG, Berlin/Germany, for the financial year from 1 January to 31 December 2019.

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

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our respon- sibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for as- sessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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

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

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial state- ments and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Berlin/Germany, 30 September 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Gerald Reiher
Wirtschaftsprüfer
(German Public Auditor)

Signed:
Christoph Krause
Wirtschaftsprüfer
(German Public Auditor)

Audited consolidated financial statements of Lumaland AG (now: The Social Chain AG) prepared in accordance with German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2018

Lumaland AG, Berlin

CONSOLIDATED BALANCE SHEET as of December 31, 2018

	December 31, 2018			December 31, 2017
	EUR	EUR	EUR	EUR thousand
ASSETS				
A. FIXED ASSETS				
I. Intangible assets				
1. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	215,866.21			305
2. Goodwill	15,409,340.78			17,079
		15,625,206.99		(17,384)
II. Property, plant and equipment				
1. Land, property rights and buildings including buildings on third-party land	1,693,367.45			1,716
2. Technical equipment and machinery	137,802.17			145
3. Other equipment, operating and business equipment	285,802.40			342
		2,116,972.02		(2,203)
III. Financial assets				
1. Shares in affiliates	11,161.15			11
2. Other loans	1,560.00			2
		12,721.15		(13)
			17,754,900.16	(19,600)
B. CURRENT ASSETS				
I. Inventories				
1. Raw materials and supplies	239,611.40			
2. Finished goods and merchandise	4,971,456.65			5,684
3. Prepayments	240,758.97			741
		5,451,827.02		(6,425)
II. Receivables and other assets				
1. Trade receivables	349,321.31			754
2. Receivables from affiliated companies	0.00			18
3. Other assets	1,286,249.53			1,347
		1,635,570.84		(2,119)
III. Cash on hand and bank balances		539,664.30		814
			7,627,062.16	(9,358)
C. PREPAID EXPENSES			151,777.72	63
			25,533,740.04	29,021

	December 31, 2018		December 31, 2017
	EUR	EUR	EUR thousand
EQUITY AND LIABILITIES			
A. EQUITY			
I. Subscribed capital	2,833,333.00		2,510
II. Capital reserves	9,169,369.52		5,614
III. Loss carry-forward to new account	-1,448,893.47		0
IV. Accumulated loss	-5,688,065.15		-1,449
V. Non-controlling interests	-96,518.64		-80
		4,769,225.26	(6,595)
B. PROVISIONS			
1. Tax provisions	29,583.94		425
2. Other provisions	424,752.34		524
		454,336.28	(949)
C. LIABILITIES			
1. Liabilities to banks	9,437,746.47		10,364
2. Advance payments received on orders	58,809.90		29
3. Trade liabilities	2,694,350.18		2,720
4. Other liablities	7,791,309.93		8,245
		19,982,216.48	(21,358)
D. DEFERRED INCOME		327,962.02	119
		25,533,740.04	29,021

Lumaland AG, Berlin

CONSOLIDATED INCOME STATEMENT for 2018

		2018		2017
		EUR	EUR	EUR thousand
1.	Revenues		46,218,668.51	15,361
2.	Material expenses			
	a) Expenses for raw materials, cosumables and supplies and for purchased merchandise	–35,067,392.55		–11,687
	b) Expenses for purchased services	0.00		–100
			–35,067,392.55	(–11,787)
3.	Gross profit		11,151,275.96	3,574
4.	Personnel costs			
	a) Wages and salaries	–6,325,372.25		–1,503
	b) Social security contributions and expenses for retirement benefits	0.00		–268
			–6,325,372.25	(–1,771)
5.	Depreciation and amortisation of intangible assets and property, plant and equipment		–2,008,484.01	–743
6.	Other operating expenses		–8,284,071.12	–2,392
7.	Income from other securities and from loans in financial assets		0.00	5
8.	Other interest and similar income		0.00	2
9.	Interest and similar expenses		–446,421.62	–205
10.	Taxes on income and profit		65,959.49	54
11.	**Profit after tax/net loss for the year**		**–5,847,113.55**	**–1,476**
12.	Loss attributable to non-controlling interests		159,048.40	51
13.	**Consolidated net loss for the year**		**–5,688,065.15**	**–1,425**
14.	Loss carry-forward		0.00	–24
15.	**Accumulated loss**		**–5,688,065.15**	**–1,449**

Lumaland AG, Berlin

CONSOLIDATED CASH FLOW STATEMENT
for the period from January 1 to December 31, 2018

			EUR
1.		**Result for the year**	**–5,688,065.15**
2.	±	Depreciation/write-ups on fixed assets	2,008,484.01
3.	±	Increase/decrease in provisions	–495,089.68
4.	±	other non-cash expenses/income	–155,260.69
5.	±	Decrease/increase in inventories, trade receivables and other assets which are not classified as investing or financing activities	1,456,461.34
6.	±	Increase/decrease in trade payables and other liabilities which are not classified as investing or financing activities	–239,993.74
7.	±	Loss/gain on the disposal of fixed assets	0.00
8.	±	Interest expense/interest income	446,421.62
9.	±	Income tax expense/income	65,959.49
10.	**=**	**Cash flow from operating activities**	**–2,601,082.80**
11.	–	Payments for investments in financial assets	–72,864.58
12.	–	Payments for investments in property, plant and equipment	–154,710.89
13.	+	Interest received	39,308.93
14.	**=**	**Cash flow from investing activities**	**–188,266.54**
15.	+	Payments from capital contributions by shareholders of the parent company	3,927,237.74
16.	+	Payments from the issuance of bonds and borrowings	–926,514.98
17.	–	Interest paid	–485,730.55
18.	**=**	**Cash flow from financing activities**	**2,514,992.21**
19.		**Net change in cash and cash equivalents**	**–274,357.13**
20.	**+**	**Cash and cash equivalents at the beginning of the period**	**814,021.43**
21.	**=**	**Cash and cash equivalents at the end of the period**	**539,664.30**

Notes to the Consolidated Financial Statements 2018

Information on the identification of the company according to the register court

Company name according to the registry court:	Lumaland AG
Registered office according to the registry court:	Berlin
Register entry:	28/04/2004
Register court:	Berlin (Charlottenburg)
Registration No.:	HRB 128790

As of the balance sheet date, the company's shares were listed on the Over-the-Counter Market under DE000A1YC996 on the Düsseldorf Stock Exchange. The listing in Hamburg was abandoned.

Principles of reporting

The company has prepared its consolidated financial statements in accordance with the accounting requirements of the German Commercial Code. In addition, the provisions of the German Stock Corporation Act had to be observed.

According to the provisions of Section 293 of the German Commercial Code (HGB), the Company is not obligated to issue consolidated financial statements. The present consolidated financial statements are therefore prepared on a voluntary basis. A group management report has not been prepared.

Notes that are provided either in the balance sheet, in the income statement or in the notes to the financial statements are all listed in the notes to the financial statements.

The presentation of the balance sheet and the income statement complies with the provisions of the Sections 266 and 275 of the German Commercial Code. The balance sheet is presented in the account form, the income statement is presented in the report form using the total cost method.

Principles of consolidation

The consolidated group of Lumaland AG for the financial year 2018 includes the following affiliated companies:

		Registered office	Capital share in %
1.	sweet dreams GmbH	Berlin	100.00
2.	Lumaland Vertriebs GmbH	Berlin	100.00
3.	smileBaby GmbH	Berlin	100.00
4.	belsonno Ltd.	Berlin	87.97
5.	Lumaland International GmbH	Berlin	100.00
6.	Lumaland Inc.	East Lansing, Michigan	80.00
7.	Pets & Partner GmbH	Berlin	95.00
8.	Hold your sports GmbH	Berlin	100.00
9.	#Do your sports GmbH	Mönchengladbach	100.00
10.	Möbelfreude Vertriebs GmbH	Berlin	100.00
11.	Ravensberger Holding GmbH	Berlin	100.00
12.	Ravensberger Matratzen GmbH	Espelkamp	100.00
13.	Ravensberger Logistik GmbH	Espelkamp	100.00

The affiliated companies Ravensberger Matrassen B.V., Zoeterwoude, Netherlands, and Ravensberger Matrace Polska sp. z o.o., Warsaw, Poland, were not included in the consolidated financial statements due to immateriality pursuant to Section 296 (2) of the German Commercial Code.

Significant accounting policies

The following accounting policies are used in the consolidated balance sheet and income statement:

Acquired intangible assets were recognised at cost and, if subject to wear and tear, reduced by amortisation. Goodwill resulting from first-time consolidation is amortised over a term of ten years. In the opinion of the management, this term corresponds to the customary useful life, considering the economic conditions of the industry as well as the sales and procurement markets.

Property, plant and equipment is recognised at the capitalizable acquisition cost and, if depreciable, is reduced by scheduled depreciation.

Depreciation is carried out over the customary useful life using the straight-line method. Low-value fixed assets with acquisition costs of up to EUR 800.00 are fully depreciated in the year of acquisition.

Inventories are measured at their acquisition cost. At the balance sheet date, value adjustments are made in accordance with the lower of cost or market principle.

Receivables and other assets are measured at their nominal value or at the lower fair value as of the balance sheet date.

Other provisions are recognised at their settlement amount required in accordance with conservative commercial assessment. All identifiable risks and uncertain liabilities are taken into account.

Liabilities are recognised at their settlement amount.

The currency translation of the balance sheets and income statements of the foreign subsidiaries prepared in the respective foreign currency were translated in accordance with Section 308a of the German Commercial Code (HGB) using the modified closing rate method. The items on the balance sheet, except for equity (translation into Euro at the historical rate), are translated into Euro at the spot exchange rate of the reporting date.

The items in the income statement are translated into Euro at the annual average exchange rate.

Accounting policies for consolidation

First-time consolidation

The date of first-time consolidation was January 1, 2017 and it was carried out using the revaluation method. No hidden reserves were revealed.

In addition, the first-time consolidation resulted in a capitalisable difference between the acquisition cost and the revalued equity, which was recognised as goodwill in the amount of EUR 17,656 thousand.

Capital consolidation

The Company applies the provisions of Section 301 of the German Commercial Code (HGB) to capital consolidation. The acquisition cost of the shares in the subsidiaries is offset against the respective interest in the revalued equity of the consolidated subsidiaries at the time of initial inclusion. An equity difference resulting from the capital consolidation in a company was offset against the goodwill of the companies acquired at the same time as part of the assessment of the overall transaction. For interest not attributable to the parent company, an adjustment item for non-controlling interests pursuant to Section 307 (1) sentence 1 of the German Commercial Code (HGB) is disclosed separately in the amount of their interest in equity.

Debt consolidation

As part of the debt consolidation, receivables and liabilities between fully consolidated companies were eliminated in accordance with Section 303 of the German Commercial Code (HGB).

Consolidation of interim results, income and expenses

Intra-group profits and losses were eliminated. Interim results in fixed assets or inventories from intra-group deliveries are eliminated if they are not insignificant.

As part of the consolidation of expenses and income in accordance with Section 305 of the German Commercial Code (HGB), intra-group sales revenues were offset against the corresponding material expenses. As a result, the consolidated income statement only shows third-party sales revenue. Furthermore, other operating income resulting from the allocation of costs between the group companies was offset with the corresponding other operating expenses and material expenses. Interest income resulting from intra-group lending was offset against the corresponding interest expenses.

Notes to the balance sheet

Other assets include receivables with a remaining term of more than one year in the amount of EUR 71 thousand (previous year: EUR 84 thousand).

The share capital is divided into no-par value shares. The shares are registered.

By resolution of the Annual General Meeting on December 22, 2016, the Management Board was authorized to increase the share capital by up to an amount of EUR 1,000,000.00 (Authorized Capital 2017/I) until December 21, 2021, of which EUR 489,829.00 remained unused after partial exhaustion at the end of 2017.

In the financial year, a total of 323,162 no-par value shares with a notional value of EUR 323,162.00 were subscribed to from the Authorized Capital 2017/I.

An amount of EUR 3,554,782.00 was transferred to the capital reserves during the financial year.

By resolution of the Annual General Meeting on August 28, 2018 the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or several times by up to a total of EUR 1,416,666.00 against cash or non-cash contributions (Authorized Capital 2018/I) until August 27, 2023. The Authorized Capital 2018/I replaces the Authorized Capital 2017/I.

By resolution of the Annual General Meeting on August 28, 2018, the share capital was conditionally increased by up to EUR 1,216,666.00 via the issuance of up to 1,216,666 registered no-par-value shares (Conditional Capital 2018/I).

Consolidated equity developed as follows:

	Equity of the parent company					Non-controlling interests			Group equity
	Subscribed capital	Capital reserves	Loss carry-forward	Consolidated net loss for the year attributable to the parent company	Total	Non-controlling interets before annual result	Consolidated net loss for the year	Total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
01/01/2018	2,510,171	5,614,587	–1,448,893	0	6,675,865	–80,483	0	–80,483	6,595,382
Capital increases	323,162	3,554,782	0	0	3,877,944	0	0	0	3,877,944
Net loss for the year	0	0	0	–5,688,065	–5,688,065	0	–16,035	–16,035	–5,704,100
31/12/2018	2,833,333	9,169,369	–1,448,893	–5,688,065	4,865,744	–80,483	–16,035	–96,518	4,769,226

The remaining terms of the liabilities developed as follows:

Balance sheet item	As of 31/12/2017	Remaining terms < 1 year	1–5 years	> 5 years
	EUR	EUR	EUR	EUR
Liabilities from banks	9,437,746	361,837	6,884,300	2,191,610
Advances received	58,810	58,810		
Trade payables	2,694,350	2,694,350		
Other liabilities	7,791,310	7,791,310		
	19,982,216	10,906,307	6,884,300	2,191,610

For the liabilities to banks, there is colleteral in the amount of EUR 9,438 thousand in the form of registered liens, assignments of security and directly enforceable guarantees from third parties.

Tax liabilities amount to EUR 1,104 thousand (previous year: EUR 840 thousand) and social security liabilities amount to EUR 48 thousand (previous year: EUR 32 thousand).

Capital participations exceeding more than a quarter of the shares

The Company had the following information on notifiable shareholdings in accordance with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG) until the date of preparation of the financial statements:

WAOW Entrepreneurship GmbH announced on June 8, 2017 pursuant to Section 20 (5) of the German Stock Corporation Act (AktG) that with effect from February 2, 2017 it does not own more than the fourth part of the shares and does no longer own a majority stake in Lumaland AG.

At the same time, *Mr Wanja S. Oberhof*, Berlin, has notified pursuant to Section 20 (5) of the German Stock Corporation Act (AktG) that Mr Wanja S. Oberhof does not own more than the fourth part of the shares and no longer owns a majority stake in Lumaland AG by way of indirect ownership attribution with effect from February 2, 2017.

Sweet Dreams Invest GmbH announced pursuant to Sections 20 (1), (3) and (4) of the German Stock Corporation Act (AktG) that with the acquisition of more than 50% of the shares in Lumaland AG with effect from February 2, 2017, it owns more than the fourth part and a majority stake in Lumaland AG.

The *Dacapo S.à.r.l.* , Luxembourg, announced on January 30, 2018 and amended by notice made on August 15, 2018 pursuant to Section 20 (1) of the German Stock Corporation Act (AktG) that it directly owns more than the fourth part of Lumaland AG.

At the same time, the *Georg Kofler GmbH Group,* Munich, pursuant to Section 20 (1) and (3) of the German Stock Corporation Act (AktG) that it indirectly owns more than the fourth part of the shares in Lumaland AG due to the attribution of shares in Lumaland AG held by Dacapo S.à.r.l, Luxembourg, pursuant to Section 16 (4) of the German Stock Corporation Act (AktG).

Dr. Georg Kofler announced at the same date pursuant to Section 20 (1) and (3) of the German Stock Corporation Act (AktG), that as the sole shareholder of the Georg Kofler GmbH Group, Munich, he indirectly owns more than the fourth part of the shares in Lumaland AG due to the attribution of shares in Lumaland AG held by Dacapo S.à.r.l, Luxembourg pursuant to Section 16 (4) of the German Stock Corporation Act (AktG).

Sweet Dreams Invest GmbH, Berlin, announced on January 30, 2018 pursuant to Section 20 (5) of the German Stock Corporation Act (AktG) that it no longer owns more than the fourth part of the shares and no longer owns a majority stake in Lumaland AG.

Development of the Group's Fixed Assets 2018

	Acquisition Cost 01/01/2018	Additions	Disposals	Acquisition Cost 31/12/2018	Depreciation Cumulated 01/01/2018	Depreciation Current year	Disposals	Depreciation Cumulated 31/12/2018	Balance sheet as of 31/12/2018	Balance sheet as of 31/12/2017
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. FIXED ASSETS										
I.Intangible assets										
1. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	335,770.57	11,158.01	42,283.06	304,645.52	30,326.71	58,452.60	0.00	88,779.31	215,866.21	305,443.86
2. Goodwill	17,748,880.17	61,706.57	0.00	17,810,586.74	669,940.54	1,731,305.42	0.00	2,401,245.96	15,409,340.78	17,078,939.63
	18,084,650.74	72,864.58	42,283.06	18,115,232.26	700,267.25	1,789,758.02	0.00	2,490,025.27	15,625,206.99	17,384,383.49
II. Fixed assets										
1. Land, property rights and buildings including buildings on third-party land	1,717,686.17	29,329.99	0.00	1,747,016.16	2,085.72	51,562.99	0.00	53,648.71	1,693,367.45	1,715,600.45
2. Technical equipment and other equipment	528,438.24	125,380.90	107,458.06	546,361.08	41,176.81	167,163.00	85,583.30	122,756.51	423,604.57	487,261.43
	2,246,124.41	154,710.89	107,458.06	2,293,377.24	43,262.53	218,725.99	85,583.30	176,405.22	2,116,972.02	2,202,861.88
III. Financial assets										
1. Shares in affiliates	11,161.15	0.00	0.00	11,161.15	0.00	0.00	0.00	0.00	11,161.15	11,161.15
2. Other loans	1,560.00	0.00	0.00	1,560.00	0.00	0.00	0.00	0.00	1,560.00	1,560.00
	12,721.15	0.00	0.00	12,721.15	0.00	0.00	0.00	0.00	12,721.15	12,721.15
	20,343,496.30	227,575.47	149,741.12	20,421,330.65	743,529.78	2,008,484.01	85,583.30	2,666,430.49	17,754,900.16	19,599,966.52

Other information

In the 2018 financial year, Sebastian Stietzel, Kaufmann (until 29/03/2019), Sebastian Lange, Kaufmann (until 15/06/2018), Frank Müller, Kaufmann (from 01/04/2018 to 16/05/2018) and Wanja Oberhof, Kaufmann (since 01/05/2018) were appointed as members of the Executive Board. The Executive Board was given sole representation and was exempted from the restrictions of Section 181 of the German Civil Code (BGB). Mr. Oberhof was granted individual power of attorney.

As members of the Supervisory Board in 2018 were appointed Henning Giesecke (Chairman), Kaufmann (12/02/2018 to 30/04/2019), Dr. Georg Kofler (Deputy Chairman), Kaufmann (since 12.02.2018), Ingo Schiller, Kaufmann, Ahmet Yalcin, Kaufmann (until 30/01/2018), Dr. Hubertus Hoffmann, Kaufmann (until 29/01/2018).

The Group employed an average of 144 people in the financial year.

Sales revenues were generated almost exclusively trading consumer goods in the European Union.

The total fee calculated by the auditor for the financial year amounts to EUR 35 thousand and is divided into

a) audit services EUR 35 thousand

b) other assurance services EUR 0 thousand

c) tax consulting services EUR 0 thousand

d) other services EUR 0 thousand

Other financial obligations consist, in particular, of lease agreements with payment obligations in the amount of EUR 455 thousand in 2019 and EUR 70 thousand in 2020. The extension of the lease agreement is due in 2020. The previous lease agreement with a term until 2022, will be terminated in 2019.

At the end of the financial year, there was a liability of EUR 1,736 thousand from orders of goods.

Events after the balance sheet date

On March 1, 2019, the Lumaland Group carried out the acquisition of the business operations of Things I like GmbH by way of an asset deal jointly with moods-solutions GmbH. In the future, the joint venture will operate under the name MONOQI GmbH and thus continue the business operations of Things I like GmbH. The Lumaland Group holds 49% of the shares of the joint venture and has two call options to acquire a majority stake.

On March 29, 2019, the Executive Board of Lumaland AG, decided, with the approval of the Supervisory Board, to carry out a cash capital increase against cash contributions from the Authorized Capital 2018/I from EUR 2,833,333.00 by EUR 283,332.00 to EUR 3,116,665.00.

On June 21, 2019, Lumaland AG concluded a contribution agreement with the shareholder of Wonista GmbH, based in Hofheim am Taunus, on the basis of which Wonista GmbH is to be contributed to Lumaland AG as part of a capital increase in kind from the Authorized Capital 2018/I. The shareholder of Wonista GmbH receives 210,000 newly issued shares in the Lumaland AG at an issue price of EUR 15.54 each as part of the capital increase in kind, under exclusion of shareholders' subscription rights.

In addition, the capital increase against cash contributions from the Authorized Capital 2018/I of EUR 2,833,333.00 resolved on March 29, 2019 will only be carried out in the amount of EUR 141,616.00 increasing the capital to EUR 2,974,949.00. Apeiron Investment Group Ltd. was admitted to subscribe for the new shares at a subscription price of EUR 13.00. The closing of the cash capital increase has already been entered in the commercial register of the company.

In addition, Lumaland AG intends to acquire all of the shares in The Social Chain Group AG which is based in Berlin by way of a capital increase in kind to be resolved by the Annual General Meeting against the issuance of approximately 5.85 million newly issued Lumaland shares, under exclusion of shareholders' subscription rights.

Berlin, 16 August 2019

Lumaland AG
- Management -

Wanja Oberhof
(Executive Board)

The following independent auditor's report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the consolidated financial statements of Lumaland AG (now: The Social Chain AG) as of and for the financial year ended December 31, 2018.

Independent auditor's report

To Lumaland AG

Audit opinion

We have audited the consolidated financial statements of Lumaland AG and its subsidiaries (the Group)—which comprise the consolidated balance sheet as of December 31, 2018, the consolidated income statement, the consolidated statement of equity and the consolidated cash flow statement for the financial year from 1 December 2018 until 31 December 2018 including the accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material aspects, with the requirements of German commercial law and give a true and true view of the Group's assets, liabilities and financial position as of 31 December 2018 and of its financial performance for the financial year from 1 January 2018 to 31 December 2018 in compliance with German Legally Required Accounting Principles.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the audit opinion

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Responsibility of the legal representatives for the consolidated financial statements

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express our audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Note with respect to the supplementary audit

We provided this audit opinion to the amended consolidated financial statements based on our audit work duly concluded on July 4th, 2019 and our supplementary audit work that was concluded on August 19th, 2019 which was caused by the amendments made by the Company and signed off on August 15th, 2019 with respect to revised shareholding statements and the corresponding amendments to the consolidated financial statements.

Berlin, 4 July 2019 / limited to the notes to the supplementary audit dated August 19th, 2019

Mazars GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

/s/ Udo Heckeler	/s/ Marko Pape
Udo Heckeler Auditors	Marko Pape Auditors

Audited unconsolidated financial statements of The Social Chain AG
as of and for the fiscal year ended December 31, 2020
(prepared in accordance with the German Commercial Code (*Handelgesetzbuch*))

The Social Chain AG, Berlin

Balance Sheet as of December 21, 2020

Assets

	31/12/2020		31/12/2019
	EUR	EUR	EUR
A. Fixed Assets			
I. Property, plant and equipment			
Other equipment, operating and business equipment		354,450.47	13,728.00
II. Financial assets			
1. Shares in affiliated companies	112,422,323.31		99,284,766.63
2. Investments	2,598,752.60		12,475.00
3. Cooperative shares	260.00	115,021,335.91	260.00
		115,375,786.38	**99,312,229.63**
B. Current Assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	49,041,242.29		18,615,056.86
2. Other assets	393,281.81	49,434,524.10	420,158.70
II. Securities			
Other securities		3,736,600.00	0.00
III. Cash on hand and bank balances		543,550.79	1,627,998.04
		53,714,674.89	**20,663,213.60**
C. Prepaid expenses		**74,713.01**	**0.00**
Total Assets		**169,165,174.28**	**119,975,443.23**

Equity and Liabilities

	31/12/2020 EUR	31/12/2019 EUR
A. Equity		
I. Subscribed capital	11,348,484.00	9,944,118.00
II. Capital reserves	140,922,458.52	113,972,338.52
III. Loss carried forward	–11,277,812.96	–2,878,160.44
IV. Net loss for the year	–6,684,404.16	–8,399,652.52
	134,308,725.40	**112,638,643.56**
B. Contributions made to implement resolved capital increases	**2,000,000.00**	**0.00**
C. Provisions		
Other provisions	**998,599.40**	**920,275.85**
D. Liabilities		
1. Liabilities to banks	3,060,000.00	3,000,000.00
2. Trade payables	2,353,822.18	557,376.02
3. Liabilities to affiliated companies	5,838,084.58	461,932.18
4. Other liabilities	20,605,942.72	2,397,215.62
thereof taxes 40,123.74 EUR (previous year: 80,860.00 EUR)		
thereof social security contributions 11,965.37 EUR (previous year: 23,084.00 EUR)		
	31,857,849.48	**6,416,523.82**
Total Equity and Liabilities	**169,165,174.28**	**119,975,443.23**

The Social Chain AG, Berlin

Income statement for the financial year 2020

		2020		2019
		EUR	EUR	EUR
1.	Revenues		802,352.97	2,679,045.90
2.	Other operating income		5,117,183.39	1,762,456.88
3.	Material expenses			
	expenses for raw materials, supplies and purchased goods	0.00		1,030,780.48
4.	Personnel expenses			
	a) Wages and salaries	1,958,711.99		2,477,725.99
	b) Social security and other pension expenses	279,566.18		475,191.86
	thereof pension expenses 1,480.00 EUR (previous year: 1,830.00 EUR)			
			2,238,278.17	2,952,917.85
5.	Depreciation/amortization of intangible assets and property, plant and equipment		27,588.83	8,552.22
6.	Other operating expenses		9,285,595.27	5,358,390.89
7.	Other interest and similar income		848,469.47	257,268.31
	thereof from affiliated companies 848,469.47 EUR (previous year: 252,823.39 EUR)			
8.	Impairments on financial assets		947,311.82	3,547,556.40
9.	Interest and similar expenses		952,326.90	197,595.23
	thereof from affiliated companies 107,473.69 EUR (previous year: 44,393.91 EUR)			
10.	Income taxes		0.00	1,086.54
11.	**Result after taxes**		**–6,683,095.16**	**–8,398,108.52**
12.	Other taxes		1,309.00	1,544.00
13.	**Net loss for the year**		**–6,684,404.16**	**–8,399,652.52**
14.	Loss carried forward from previous year		–11,277,812.96	–2,878,160.44
15.	**Unappropriated retained earnings**		**–17,962,217.12**	**–11,277,812.96**

The Social Chain AG, Berlin

Notes for the financial year 2020

(1) Basis of preparation of the financial statements

The subject of these financial statements is The Social Chain AG, Berlin (hereinafter: Social Chain AG or company) with its registered office at Gormannstraße 22, 10119 Berlin (Amtsgericht Charlottenburg—HRB 128790 B), trading under the name Lumaland AG until October 9, 2019.

The object of the company is the acquisition, administration and sale of investments in companies—exclusively in its own name and for its own account and not as a service for third parties—in the sense of an internationally operating media company with a focus on the acquisition, development and management of social media brands, as well as the support and consulting of the investment companies and the provision of non-licensing services for the investment companies and third parties, in particular in the areas of IT and marketing , accounting and financial reporting.

These annual financial statements of the Social Chain AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) applicable to small corporations.

The company made partial use of the statutory exemptions granted to small corporations.

These present annual financial statements have been prepared on the basis of the assumption that the company will continue to operate ("going concern").

All amounts are rounded in accordance with commercial rounding principles, so that minor deviations may occur when adding up the amounts.

(2) Principles of accounting and valuation

Income statement

The income statement has been prepared using the total cost method in accordance with Section 275 (2) of the German Commercial Code (HGB).

Balance Sheet

Fixed assets

Property, plant and equipment is recognised at historical acquisition cost. Depreciation is carried out on a scheduled and straight-line basis. In the event of a likely permanent impairment of an asset, an impairment loss is recognised. Write-ups due to the statutory requirement to reverse an impairment of property, plant and equipment are recognised up to the amount of amortised/depreciated historical cost if the causes for a permanent impairment no longer exist.

Independently usable movable fixed assets that are subject to wear and tear are immediately expensed if the acquisition or production cost does not exceed EUR 250. For additions whose acquisition or production costs exceed EUR 250 but are less than EUR 800, capitalisation and full write-off is carried out in the year of addition.

Financial assets are measured at cost, adjusted for possible impairment losses to the lower fair value due to expected permanent impairments. This is the case if objective evidence, in particular events or changed circumstances, indicate a significant or prolonged impairment.

Current assets

Receivables and other assets are recognised at nominal value. For uncollectible items in trade receivables individual allowances are recognized. Non-interest-bearing receivables or those with interest rates below market interest rates with terms of more than one year are discounted.

Securities in current assets are valued according to the strict lower of cost or market principle and have to be written down to the lower fair value in the event of a likely or permanent impairment.

Cash on hand and bank balances are recognised at cost or lower daily values.

Expenses relating to subsequent accounting periods and those that have already been paid are included in the **prepaid expenses** item and will be released proportionately in the following accounting periods.

Provisions take into account all identifiable risks, uncertain liabilities and imminent losses from pending transactions. Recognition is made in the amount of the settlement amount necessary according to a reasonable commercial assessment. Future price and cost increases are taken into account, provided that there is sufficient objective evidence that they will occur. Provisions with a remaining maturity of more than one year are discounted using the average market interest rate of the past seven financial years published by the Deutsche Bundesbank and corresponding to its remaining term.

Liabilities are valued at their settlement amounts.

Assets and liabilities **denominated in foreign currencies** are valued using the exchange rates on the day they arise or at the lower or higher average spot exchange rate on the balance sheet date. If their remaining term is less than one year, they are valued at the closing rate in accordance with Section 256a of the German Commercial Code (HGB).

(3) Notes to the balance sheet

Shares in affiliated companies and investments

The change in shares in affiliated companies mainly results from the acquisition of Carl Wilhelm Clasen GmbH, Elmenhorst, including its subsidiaries, as of December 17, 2020. Furthermore, there were acquisitions of 51% of the shares in datalytix.io GmbH, Stuttgart, the increase in the shareholding in drtv.agency GmbH, Stuttgart, to 51% as of January 1, 2020, multiple increases in the shareholding in KoRo Handels GmbH, Berlin during the year, as well as the acquisition of shares in Media-Part GmbH, Berlin, as of August 28, 2020.

The acquisition of 49% of the shares in FFLV Inc., Delaware, USA, including its subsidiaries as of December 31, 2020, is disclosed under the position investments.

Increase in the shareholding in drtv and acquisition of datalytix.io

The Social Chain AG increased its shareholding in drtv.agency GmbH to 51% for a purchase price of kEUR 2,093 and acquired 51% of its subsidiary datalytics.io GmbH, a data-driven full-service media agency for offline marketing specializing in e-commerce customers, for kEUR 6 on January 1, 2020.

Increase in the shareholding in KoRo

As of December 31, TSC AG indirectly held 40.27% of the shares in KoRo Handels GmbH, Berlin, of which 5.45% were directly held and 34.82% via its subsidiary, TSCG AG. With effect from 1 January 2020, TSC AG has increased its shareholding in KoRo Handels GmbH from 5.45% to 18.91%, on the one hand as part of a capital increase at KoRo Handels GmbH with exclusion of the other shareholders and on the other hand by means of a contribution against the issuance of own shares. Furthermore, with effect from December 1, 2020, a further 7.25% of the shares in KoRo Handels GmbH were acquired as part of a capital increase excluding the other shareholders. Overall, The Social Chain AG thus directly holds 26.16% of the shares in KoRo Handels GmbH as of December 31, 2020. A total purchase price of kEUR 3,246 was paid for both share tranches.

Gradual acquisition of the Media-Part

The existing shareholding in the joint venture Media-Part GmbH, Hamburg, indirectly held by The Social Chain Group GmbH, was increased from 67.68% to 85.97% of the shares as of August 28, 2020 via the acquisition of an 18.29% stake carried out by TSC AG as part of a cash acquisition. TSC AG holds the additionally acquired stake of 18.29% directly and a stake of 67.68% indirectly through its subsidiary, TSCG AG.

Clasen Organic

On December 17, 2020, TSC AG acquired 100% of the shares in Carl Wilhelm Clasen GmbH, Elmenhorst, and its subsidiaries LGR Nuss & Trockenfrucht Veredelungs GmbH & Co KG, Elmenhorst, and LGR Nuss & Trockenfrucht Veredelungs-Verwaltungs GmbH, Elmenhorst, for a total purchase price of kEUR 4,230 , as part of a proportionate cash acquisition and a proportionate capital increase against the issuance of own shares. The business activities of the Clasen Bio Group focus on the sale of currently around 85 organic and Demeter products in eight product categories: nuts, dried fruits, snacks, seeds, grains, legumes, powders and special flours. These are primarily sold via food retailers as well as via e-commerce platforms and their own online shop.

US acquisitions: FFLV, A4D and Coral

As of December 31, 2020, TSC AG acquired 49% of the shares in FFLV Inc., Delaware, for a purchase price of kEUR 2,599 (kUSD 3,000). At the time of acquisition, FFLV Inc.'s investees include the following companies:

A4D Inc., Carlsbad (USA), is a specialist company for digital performance marketing with an integrated business model of technology, creativity, and brand management, which sustainably supports its customers from the digital economy in the development of scalable business models.

FFLV's investment portfolio also includes a 51% stake in Coral LLC, Carson City (US), a consumer goods company that sells oral hygiene products and dietary supplements made from purely natural ingredients in direct sales. The calcium used for their products is derived from overseas coral concentrates, which are obtained EcoSafe certified. Direct sales to end customers are almost exclusively carried out via own online shops and other digital sales outlets using its own logistics center, which will also take over the shipping logistics of other Social Chain brands in the USA in the future and thus accelerate further growth in the American market.

Gradual acquisition and sale of SOLIDMIND Nutrition

The stake of 30.01% in Solidmind Nutrition GmbH which was held indirectly via The Social Chain Group AG until December 31, 2019 was increased with effect from January 1, 2020 through the purchase of a further 21.98% of the shares by the Social Chain AG, acquired as part of a proportionate purchase and a proportionate capital increase against the issuance of own shares, to a total stake of 51.99%. As of June 30, 2020, these directly and indirectly held shares were sold and contributed in exchange for the issuance of own shares to SynBiotic SE, a co-shareholder in Solidmind Nutrition GmbH. A total of 520,000 shares, of which 219,842 are attributable to TSC AG, were contributed.

Securities in current assets

Current securities include the shares in SynBiotic SE acquired as part of the share swap as of June 30, 2020.

Receivables and other assets

As of the reporting date, receivables with a remaining term of more than one year amounted to kEUR 1,650 (previous year: kEUR 1,650).

Receivables from affiliated companies as well as receivables from investments are held mainly relate to short-term loans to affiliated companies.

Equity

Equity for the financial year developed as follows:

(EUR)	Subscribed capital	Capital reserves	Loss carry-forward	Net Loss for the year	Equity
As of January 1, 2020	9,944,118	113,972,339	–2,878,160	–8,399,653	112,638,644
Capital increase against the issuance of shares	1,404,366	26,950,120	—	—	28,354,486
Reclassification	—	—	–8,399,653	8,399,653	—
Net Loss for the year	—	—	—	–6,684,404	–6,684,404
As of December 31, 2020	**11,348,484**	**140,922,459**	**–11,277,813**	**–6,684,404**	**134,308,726**

The share capital is divided into registered no-par value shares.

Subscribed capital and capital reserves:

in shares	Ordinary shares 2020	2019
Issued on 1 January	**9,944,118**	**2,833,333**
Issued against cash contribution	1,031,680	1,045,626
Exercise of stock options		
Issued in a business combination	372,686	6,065,159
Issued on 31 December—fully paid in	**11,348,484**	**9,944,118**
Authorized—nominal value EUR 1.00		

By resolution of the Annual General Meeting on August 19, 2019, the Executive Board was authorized, with the consent of the Supervisory Board, to increase the share capital once or several times by up to a total of EUR 4,520,054.00 against cash or contributions in kind until August 18, 2024 (Authorized Capital 2019/I).

By resolution of the Annual General Meeting on August 19, 2019, the Executive Board was authorized, with the consent of the Supervisory Board, to issue convertible or warrant bonds in the total amount of EUR 75,000,000.00 with or without term limit once or several times until August 18, 2024 and to grant holders conversion or option rights to purchase a total of up to 1,274,474 registered no-par value shares with a proportionate amount of the share capital of up to EUR 1,274,474.00 (Conditional Capital 2019/I).

By resolution of the Annual General Meeting on August 19, 2019, the Executive Board was authorized, with the consent of the Supervisory Board, to grant up to 242,000 subscription rights by August 18, 2024, which entitle to the subscription of a total of up to 242,000 registered no-par value shares with a notional interest in the share capital in the amount of EUR 1.00 each (Conditional Capital 2019/II).

By resolution of the Annual General Meeting on May 11, 2020, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital by a total of up to EUR 5,094,859.00 once or several times against cash and/or contributions in kind until May 10, 2025 (Authorized Capital 2020/I). The Authorized Capital 2020/I replaces the Authorized Capital 2019/I.

By resolution of the Annual General Meeting on May 11, 2020, the share capital has been conditionally increased by up to EUR 4,075,887.00 via the issuance of up to 4,075,887 registered no-par value shares (Conditional Capital 2020/I).

By resolution of the Annual General Meeting on May 11, 2020, the share capital has been conditionally increased by up to EUR 700,971.00 via the issuance of up to 700,971 registered no-par value shares (Conditional Capital 2020/II).

By resolution of the Annual General Meeting on December 11, 2020, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital by up to EUR 4,805,010 once or several times against cash and/or contributions in kind until December 10, 2025 (Authorized Capital 2020/II).

An amount of EUR 26,950,120.00 was added to the capital reserves during the financial year.

On February 27, 2020, the share capital was increased by kEUR 170 and the capital reserves by EUR 3.74 million by contributing the shares in Urbanara GmbH against the issuance of new shares.

On March 11, 2020, the share capital was increased by kEUR 76 and the capital reserves by EUR 1.44 million by contributing additional shares in Solidmind Nutrition GmbH against the issuance of new shares.

On July 14, 2020, the share capital was increased by a total of kEUR 127 and the capital reserves by a total of EUR 2.69 million by contributing additional shares in KoRo Handels GmbH and drtv.agenccy GmbH against the issuance of new shares.

On August 12, 2020, the share capital was increased by kEUR 519 and the capital reserves by EUR 9.60 million as part of a cash capital increase against the issuance of new shares.

On December 8, 2020, the share capital was increased by kEUR 513 and the capital reserves by EUR 9.49 million as part of a cash capital increase against the issuance of new shares.

Contributions made to implement resolved capital increases

The contribution of the shares in exchange for the granting of shares in The Social Chain AG as part of the acquisition of the Carl Wilhelm Clasen Group was carried out before the balance sheet date, the capital increase was entered in the commercial register on January 18, 2021, which justifies the presentation of the contribution under this item.

Provisions

Other provisions of kEUR 999 (previous year: kEUR 920) mainly include provisions for outstanding invoices, accruals for closing and audit costs and accruals for personnel costs.

Liabilities

The item liabilities includes liabilities to banks in the amount of kEUR 3.060 (previous year: kEUR 3,000) as well as trade payables in the amount of kEUR 2.354 (previous year: kEUR 557) and liabilities to affiliated companies in the amount of kEUR 5,838 (previous year: kEUR 462). Other liabilities in the amount of kEUR 20,601 (previous year: kEUR 2,397) mainly include shareholder loans in the amount of kEUR 12,446(previous year: kEUR 0) as well as third-party financing loans in the amount of kEUR 7,730 (previous year: kEUR 552).

The shareholder loans have a maturity of more than one year due to prolongation agreements concluded in 2020 in the amount of kEUR 8,905 (previous year: kEUR 0). As in the previous year, all other liabilities have a remaining term of less than one year.

Other financial obligations and contingent liabilities

With the conclusion of the purchase agreements of Koro Handels GmbH, drtv.agency GmbH and datalytix.io GmbH, option agreements were concluded, whereby The Social Chain AG becomes the holder of written put options (short put), which obliges it—in the case the option is exercised by the holder—to purchase minority shares in the aforementioned companies. As of the reporting date, there are other financial obligations in the amount of kEUR 10,311 arising from these option agreements.

As of December 31, 2020, The Social Chain AG issued a total of kEUR 39,711 in comfort letters to affiliated companies. The company estimates the risk of a claim to be low.

In addition to the obligations disclosed in the balance sheet, the following other financial obligations existed at the balance sheet date:

in kEUR		Remaining term up to 1 year	Remaining term1 to 5 years	Remaining term over 5 years
Rental and ancillary rental costs	2020	433	—	—
	Previous year	*472*	*433*	—
Car leasing	2020	14	23	—
	Previous year	*24*	*23*	—
Total	**2020**	**447**	**23**	—
	Previous year	*496*	*456*	—

(4) Notes to the income statement

Revenues

In the financial year, revenues of kEUR 802 (previous year: kEUR 2,679) were generated, mainly resulting from service allocations to affiliated companies. The previous year's revenues included sales of goods which accounted for corresponding material expenses of kEUR 1.031.

Other operating income

Other operating income mainly includes group recharges in the amount of kEUR 3,076 (previous year: kEUR 1,637) as well as the gain from the sale of the shares in Solidmind Nutrition GmbH in the amount of kEUR 1,978. Income from other periods amounts to kEUR 18 (previous year: kEUR 68) and the income from the reversal of provisions to kEUR 8 (previous year: kEUR 37).

Other operating expenses

Other operating expenses mainly include legal and consulting expenses (kEUR 3,432; previous year: kEUR 1,736), outbound freight (kEUR 2,795; previous year: kEUR 1,478), rental expenses (kEUR 636; previous year: kEUR 401), other third-party services (kEUR 590; previous year: kEUR 189) as well as closing and auditing expenses (kEUR 486; previous year: kEUR 321).

There were no expenses or income from the compounding or discounting of provisions in the 2020 financial year or in the previous year.

Impairment on financial assets

The impairments on financial assets in the 2020 financial year relate to the impairment of the shares in drtv.agency GmbH amounting to kEUR 795, the full impairment of the shares in LINKS Logistik GmbH in the amount of kEUR 26, the impairment of sweet dreams GmbH of kEUR 119 and datalytics GmbH amounting to kEUR 6.

As of December 31, 2019, the shares in LINKS Operations & Intelligence GmbH were fully impaired by kEUR 3,263. Further impairments relate to the shares in LINKS Logistik GmbH in the amount of kEUR 212 and the shares in Hold your Sports GmbH in the amount of kEUR 73.

Other disclosures

Members of the Executive Board and the Supervisory Board

The following members were appointed to the Executive Board in the 2020 financial year:

Wanja S. Oberhof Chairman of the Executive Board (CEO), since May 1, 2018

The Executive Board was granted sole power of representation and is exempt from the restrictions of Section 181 of the German Civil Code (BGB). Mr. Oberhof received individual power of attorney. Use is made of the exemption provision in Section 286 (4) of the German Commercial Code (HGB) with regard to the information on the remuneration of the Executive Board.

The following individuals were appointed as Supervisory Board members in the 2020 financial year:

Dr. Georg Kofler	Chairman, Managing Director of the Georg Kofler GmbH Group, since May 1, 2019
Henrike Luszick	Ordinary Member, Member of the Executive Board of Bridgemaker, since May 11, 2020
Henning Giesecke	Deputy Chairman, Diplomkaufmann, since August 19, 2019
Ingo Schiller	Court-appointed ordinary member, businessman, since June 22, 2016 (until May 11, 2020)

In addition to the reimbursement of their expenses—including a value added tax charged for the exercise of the Supervisory Board office—the members of the Supervisory Board receive a fixed remuneration amounting to EUR 50,000.00 for each individual member. The remuneration is due for payment to the members of the Supervisory Board in four equal installments at the end of each calendar quarter. If members of the Supervisory Board leave the Supervisory Board in the course of a financial year, they receive the remuneration on a pro-rata basis. The above-mentioned stipulation for the remuneration of the Supervisory Board is applicable for the first time for the financial year beginning on January 1, 2019.

Employee

During the 2020 financial year, the company had an average of 27 (previous year: 53) employees.

Consolidation scope

The Social Chain AG prepares the consolidated financial statements for the largest and smallest consolidation scope. The consolidated financial statements of The Social Chain AG are disclosed in the Federal Gazette (Bundesanzeiger) and are also available on the Internet at www.socialchain.de.

Appropriation of the annual result

The Executive Board and Supervisory Board will propose to the Annual General Meeting that the net loss for the year of EUR 6,684,404.16 be carried forward to new account.

Events after the balance sheet date

Mr. Christian Senitz was appointed to the Executive Board of The Social Chain AG on March 1, 2021.

On January 1, 2021, TSC AG assumed a loan liability of kGBP 1,056 on the part of its subsidiary Social Chain Ltd., Manchester, GB, owed to Dacapo S.á.r.l., a shareholder of TSC AG, and therefore assumed both the liability to Dacapo S.á.r.l. and the receivable due from Social Chain Ltd. in the same amount as part of a refinancing agreement. The novated loan has a term of 27 months, repayable on March 31, 2023, and will bear interest at an interest rate of 3.0% p.a.

On January 25, 2021, TSC AG granted its subsidiary The Food Chain GmbH, Berlin, a loan of kEUR 500 with the purpose of financing the acquisition by The Food Chain GmbH of a 10.0% stake in the Plenty of Meat GmbH, Gilching. The loan is due on March 31, 2023 and bears interest at 3.0% p.a.

On January 25, 2021, TSC AG granted FFLV Inc., Delaware, USA, a loan of kUSD 1,500 with the purpose of financing the outstanding purchase price installment for the 10.0% stake in the A4D Group, Carlsbad, CA, USA. The loan is due on March 31, 2023 and bears interest at 3.0% p.a.

On March 16, 2021, the Executive Board resolved to issue convertible bonds with a total nominal value of up to kEUR 25,000, divided into up to 25,000 bearer bonds ("convertible bonds") with equal rights, each with a nominal amount of EUR 1,000.00 ("Convertible bond 2021/2024"). The Convertible bond 2021/2024 is to be offered to the company's shareholders for subscription by means of indirect subscription rights in accordance with Section 186 (5) of the Stock Corporation Act (AktG) by Quirin Privatbank AG, Kurfürstendamm 119, 10711 Berlin ("issuing bank"). By resolution on March 16, 2021, the Supervisory Board approved the resolution of the Executive Board.

On April 1, 2021, Media Chain Products GmbH, Berlin, a fully owned subsidiary of TSC AG, concluded a framework agreement for a reverse repurchase agreement with UniCredit Bank AG, Berlin, on the basis of which Media Chain Products GmbH (pledgor) is entitled to sell and assign its trade receivables to UniCredit Bank AG on a revolving basis. UniCredit Bank AG is entitled to resell the receivables to Media Chain Products GmbH at any time specified by it against payment of a buyback price. Within the scope of this agreement, TSC AG has committed itself to joint and several liability for all obligations of Media Chain Products GmbH arising from this agreement.

In the financial year 2021, until the date of preparation of the present financial statements, TSC AG received loans totaling kEUR 23,000 from shareholders, of which kEUR 13,700 were repaid.

Final Declaration on the Dependency Report

In the financial year 2020, The Social Chain AG was partially dependent on the private individual Georg Kofler within the meaning of Section 312 of the German Stock Corporation Act (AktG). In accordance with Section 312 (1) of the German Stock Corporation Act (AktG), the Executive Board therefore prepared a report of the Executive Board on relations with affiliated companies for the relevant control period in the financial year 2020. The final declaration of this report is the following:

"The Executive Board declares that our company received appropriate consideration for each of the legal transactions set out in the report of the Executive Board on relations with affiliated companies in accordance with the circumstances known to the Executive Board at the time these legal transactions were carried out. There have been no measures taken or refrained from within the meaning of Section 312 of the German Stock Corporation Act (AktG)."

Berlin, 16 June 2021

The Social Chain AG, Berlin

The Executive Board

Wanja S. Oberhof **Christian Senitz**

The following independent auditor's report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the annual financial statements of The Social Chain AG as of and for the financial year ended December 31, 2020 and the combined management report. The combined management report is not included in this Prospectus.

INDEPENDENT AUDITOR'S REPORT

To The Social Chain AG, Berlin/Germany

Audit Opinion

We have audited the annual financial statements of The Social Chain AG, Berlin/Germany, which comprise the balance sheet as at 31 December 2020, and the income statement for the financial year from 1 January to 31 December 2020, and the notes to the financial statements, including the presentation of the recognition and measurement policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Corporation in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

Responsibilities of the Executive Directors for the Annual Financial Statements

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.

- evaluate the appropriateness of the accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

Berlin/Germany, 18 June 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Gerald Reiher	Christoph Krause
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Unaudited condensed consolidated interim financial statements of DS Holding GmbH as of and for the six-months ended June 30, 2021 (prepared in accordance with the German Commercial Code (*Handelgesetzbuch*)

1. Consolidated balance sheet

Assets

	EUR	30/06/2021 EUR	31/12/2020 EUR
A. Fixed Assets			
I. Intangible assets			
1. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	2,801,642.28		1,739,540.48
2. Goodwill	22,024,587.85		24,844,079.26
3. Prepayments on intangible assets	8,624.82		0.00
		24,834,854.95	26,583,619.74
II. Property, plant and equipment			
1. Land, property rights and buildings including buildings on third-party land	11,125,864.53		11,347,247.28
2. Technical equipment and machinery	46,973.36		51,807.89
3. Other equipment, operating and business equipment	8,486,820.49		5,716,473.06
4. Prepayments and assets under construction	6,448.00		6,448.00
		19,666,106.38	17,121,976.23
III. Financial assets			
1. Shares in affiliates	174,726.90		169,665.44
2. Participations	2,064,079.46		2,365,734.46
		2,238,806.36	2,535,399.90
		46,739,767.69	46,240,995.87
B. Current assets			
I. Inventories			
1. Merchandise	53,781,449.62		26,446,002.66
2. Prepayments	2,442,982.92		1,039,876.87
		56,224,432.54	27,485,879.53
II. Receivables and other assets			
1. Trade receivables	62,388,990.19		54,667,694.96
2. Trade receivables from affiliated companies	218,907.44		0.00
3. Receivables from affiliated companies	196,055.97		1,814,662.02
4. Receivables from companies in which a participation is held	210,545.87		100,366.64
5. Other assets	13,211,669.78		12,827,012.15
		76,226,169.25	69,409,735.77
III. Cash on hand, bank balances and cheques		6,342,472.18	2,053,952.35
		138,793,073.97	98,949,567.65
C. Prepaid expenses		733,394.02	293,285.02
		186,266,235.68	145,483,848.54

Equity and Liabilities

	EUR	30/06/2021 EUR	31/12/2020 EUR
A. Equity			
I. Subscribed capital	16,000,000.00		16,000,000.00
II. Capital reserves	32,419,844.03		32,306,584.39
III. Other revenue reserves	50,000.00		50,000.00
IV. Equity difference from currency translation	-55,067.24		-160,282.04
V. Consolidated retained earnings	3,308,296.42		32,401.72
VI. Non-controlling interests	2,562,408.10		66,867.46
		54,285,481.31	48,295,571.53
A.2 Difference from capital consolidation		250,301.26	0.00
B. Provisions			
1. Provisions for pensions and similar obligations	39,927.77		0.00
2. Tax provisions	2,592,791.34		1,230,119.11
3. Other provisions	16,032,622.31		13,778,836.69
		18,665,341.42	15,008,955.80
C. Liabilities			
1. Liabilities to banks	61,474,444.72		47,826,041.43
2. Advance payments received on orders	10,807.04		2,459.48
3. Trade liabilities	38,533,727.56		30,484,156.69
4. Trade liabilities to affiliated companies	0.00		0.00
5. Liabilities to affiliated companies	931.11		0.00
6. Other liabilities	12,532,784.00		3,843,863.61
thereof taxes EUR 4,440,960.25 (previous year: EUR 1,300,502.23) thereof social security contributions EUR 25,834.22 (previous year: EUR 13,532.43)			
		112,552,694.43	82,156,521.21
D. Deferred income		512,417.26	22,800.00
		186,266,235.68	145,483,848.54

2. Consolidated income statement

	30/06/2021		30/06/2020	
	EUR	EUR	EUR	EUR
1. Revenues	203,707,121.80		182,862,267.08	
2. Other operating income thereof income from currency translation EUR 509,026.95 (previous year: EUR 1,636,057.64)	4,288,596.62		3,330,755.88	
3. Material expenses		207,995,718.42		186,193,022.96
a) Cost of purchased goods	-143,346,099.30		-133,877,989.04	
b) Cost of purchased services	-1,450,091.21		-1,096,030.92	
		-144,796,190.51		-134,974,019.96
4. Personnel expenses				
a) Wages and salaries	-13,248,016.29		-10,421,776.24	
b) Social security contributions and retirement benefits and other employee benefits	-2,133,732.81		-1,705,783.55	
		-15,381,749.10		-12,127,559.79
5. Depreciation and amortization				
a) of intangible assets and property, plant and equipment	-4,042,208.96		-3,790,260.51	
b) of current assets in excess of the depreciation customary in the Group	-8,927.49		-10,352.75	
		-4,051,136.45		-3,800,613.26
6. Other operating expenses thereof expenses from currency translation EUR 808,675.57		-28,937,324.54		-24,499,722.29
. (previous year: EUR 915,718.02)				
		-193,166,400.60		-175,401,915.30
7. Income from participations	1,214,550.10		187,789.56	
8. Other interest and similar income	301,040.69		323,814.55	
9. Interest and similar expenses	-1,075,458.82		-682,457.19	
		440,131.97		-170,853.08
10. Income taxes		-3,800,477.45		-2,806,258.29
11. Result after taxes		11,468,972.34		7,813,996.29
12. Other taxes		-16,790.63		-6,605.16
13. Net profit of the year		11,452,181.71		7,807,391.13
14. Profit carryforward from previous year		27,214.94		6,659,551.03
15. Withdrawals from revenue reserves		-4,790,785.06		-558,454.48
16. Net profit attributable to non-controlling interests		-1,980,315.17		-5,314.35
17. Interim dividend		-1,400,000.00		0.00
18. Consolidated retained earnings		3,308,296.42		13,903,173.33

3. Consolidated cashflow statement

	01/01/2021-30/06/2021	01/01/2020-30/06/2020
	EUR	EUR
1. Cashflow from operating activities		
Net profit of the year (including net profit attributable to non-controlling interests)	11,452,181.71	6,876,807.06
Depreciation/amortization (+)/Appreciation (-) of fixed assets	4,051,136.45	3,799,491.15
Increase (+)/decrease (-) of provisions	1,969,114.83	17,084,077.50
Other non-cash expenses (+)/income (-)	294,489.83	94,821.41
Increase (-)/decrease (+) of inventories, trade receivables and other assets, which are not classified as investing or financing activities	-31,077,748.26	-86,537,387.55
Increase (+)/decrease (-) of trade liabilities and other liabilities, which are not classified as investing or financing activities	19,524,161.12	24,820,979.71
Gains (-)/losses (+) from the disposal of fixed assets	16,329.82	-283.03
Interest expense (+) / interest income (-)	773,906.63	358,642.64
Other investment income (-)	-1,214,550.10	-187,789.56
Income tax expense (+)/ income (-)	3,800,477.45	3,736,842.36
Income tax payments (-)	-2,446,996.19	-6,558.13
Cashflow from operating activities	7,142,503.29	-29,960,356.44
2. Cashflows from investing activities		
Proceeds (+) from the disposal of property, plant and equipment	-14,833.82	-540.97
Cash paid (-) for investments in property, plant and equipment	-1,393,726.79	-396,624.77
Proceeds (+) from the disposal of intangible assets	11,437.76	0.00
Cash paid (-) for investments in intangible assets	-1,175,394.55	-118,919.45
Proceeds (+) from the disposal of financial assets	48,860.08	44,085.21
Cash paid (-) for investments in financial assets	-107,726.50	-41,804.66
Proceeds (+) from the disposal of consolidated and other business entities	88,421.50	0.00
Cash paid (-) for the acquisition of comsolidated entities and other business entities	0.00	0.00
Interest received (+)	305,663.53	285,762.86
Dividends received (+)	1,214,550.10	187,789.56
Cashflows from investing activities	-1,022,748.69	-40,252.22
3. Cashflows from financing activities		
Proceeds (+) from capital contributions from shareholders of the parent company	0.00	0.00
Cash paid (-) in connection with capital reductions to shareholders of the parent company	0.00	0.00
Proceeds (+) from the issue of bonds or from borrowings	12,678,571.72	10,013,162.36
Repayments (-) of bonds and borrowings	-8,831,989.77	-823,410.15
Paid interest (-)	-1,079,570.16	-644,405.50
Paid dividends (-)	-6,188,276.87	0.00
Cashflows from financing activities	-3,421,265.08	8,545,346.71
4. Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents (Subtotal of 1 to 3)	2,698,489.52	-21,455,261.95
Changes in cash and cash equivalents due to currency translation, changes in valuation and scope of consolidation	1,590,030.31	-3,127.25
Cash and cash equivalents at the beginning of the period	2,053,952.35	-11,473,759.55
Cash and cash equivalents at the end of the period	6,342,472.18	-32,932,148.75

4. Consolidated equity statement

	Parent company's equity						Non-controlling interests			
	Subscribed capital	Capital reserves	Other revenue reserves	Equity difference from currency translation	Net profit/loss of the year attributable to parent company	Total	Non-controlling interests before equity difference from currency translation and net profit/loss of the year	Other components of cumulative consolidated result Equity difference from currency translation attributable to non-controlling interests	Total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As of 01/01/2020	**16,000,000.00**	**32,306,584.39**	**50,000.00**	**-37,051.86**	**6,659,551.03**	**54,979,083.56**	**60,210.75**	**671.24**	**60,881.99**	**55,039,965.55**
Other changes										
Allocation/withdrawal to/from revenue reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated net profit/loss of the year	0.00	0.00	0.00	-418.50	6,871,492.71	6,871,074.21	5,314.35	418.50	5,732.85	6,876,807.06
Changes in consolidation scope	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	15,910.01	-558,454.48	-542,544.47	0.00	0.00	0.00	-542,544.47
Consolidated result of the year	0.00	0.00	0.00	15,491.51	6,313,038.23	6,328,529.74	5,314.35	418.50	5,732.85	6,334,262.59
As of 30/06/2020	**16,000,000.00**	**32,306,584.39**	**50,000.00**	**-21,560.35**	**12,972,589.26**	**61,307,613.30**	**65,525.10**	**1,089.74**	**66,614.84**	**61,374,228.14**
As of 01/01/2021	**16,000,000.00**	**32,306,584.39**	**50,000.00**	**-160,282.04**	**32,401.72**	**48,228,704.07**	**71,770.03**	**-4,902.57**	**66,867.46**	**48,295,571.53**
Allocation to revenue reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other changes										
Allocation/withdrawal to/from revenue reserves	0.00	0.00	0.00	0.00	-6,190,785.06	-6,190,785.06	0.00	0.00	0.00	-6,190,785.06
Consolidated net profit/loss of the year	0.00	0.00	0.00	-2,207.83	9,471,866.54	9,469,658.71	1,980,315.170	2,207.83	1,982,523.00	11,452,181.71
Changes in consolidation scope	0.00	113,259.64	0.00	-6,444.45	-5,186.78	101,628.41	513,017.64	0.00	513,017.64	614,646.05
Other changes	0.00	0.00	0.00	113,867.08	0.00	113,867.08	0.00	0.00	0.00	113,867.08
Consolidated result of the year	0.00	0.00	0.00	105,214.80	9,466,679.76	9,685,154.20	2,493,332.81	2,207.83	2,495,540.64	12,180,694.84
As of 30/06/2021	**16,000,000.00**	**32,419,844.03**	**50,000.00**	**-55,067.24**	**3,308,296.42**	**51,723,073.21**	**2,565,102.84**	**-2,694.74**	**2,562,408.10**	**54,285,481.31**

5. Development of the Group's fixed assets

							Accumulated depreciation					Carrying amounts	
	01/01/2021	Currency effect	Additions	Disposals	Reclassi-fications	30/06/2021	01/01/2021	Currency effect	Additions	Disposals	30/06/2021	30/06/2021	31/12/2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
I. Intangible assets													
1. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	5,507,140.47	41.18	1,352,070.89	-25,526.00	0.00	6,833,726.54	-3,766,198.47	0.00	-279,974.03	14,088.24	-4,032,084.26	2,801,642.28	1,740,942.00
2. Goodwill	40,740,227.69	0.00	8,590.81	0.00	0.00	40,748,818.50	-15,895,762.23	0.00	-2,828,468.42	0.00	-18,724,230.65	22,024,587.85	24,844,465.46
3. Prepayments on intangible assets	182,915.09	0.00	-174,290.27	0.00	0.00	8,624.82						8,624.82	182,915.09
	46,430,283.25	41.18	1,186,371.43	-25,526.00	0.00	47,591,169.86	-19,661,960.70	0.00	-3,108,442.45	14,088.24	-22,756,314.91	24,834,854.95	26,768,322.55
II. Property, plant and equipment													
1. Land, property rights and buildings including buildings on third-party land	13,611,047.42	0.00	0.00	0.00	0.00	13,611,047.42	-2,263,800.14	0.00	-221,382.75	0.00	-2,485,182.89	11,125,864.53	11,347,247.28
2. Technical equipment and machinery	114,258.91	0.00	0.00	0.00	0.00	114,258.91	-62,451.02	0.00	-4,834.53	0.00	-67,285.55	46,973.36	51,807.89
3. Other equipment, operating and business equipment	11,057,777.88	25,171.57	1,393,726.79	-20,863.67	0.00	12,455,812.57	-3,376,578.27	-2,504.76	-609,076.72	19,167.67	-3,968,992.08	8,486,820.49	7,681,199.61
4. Prepayments and assets under construction	6,448.00	0.00	0.00	0.00	0.00	6,448.00	0.00	0.00	0.00	0.00	0.00	6,448.00	6,448.00
	24,789,532.21	25,171.57	1,393,726.79	-20,863.67	0.00	26,187,566.90	-5,702,829.43	-2,504.76	-835,294.00	19,167.67	-6,521,460.52	19,666,106.38	19,086,702.78
III. Financial assets													
1. Shares in affiliates	88,197.00	5,061.46	3.00	0.00	17,740.11	111,001.57	63,725.33	0.00	0.00	0.00	63,725.33	174,726.90	151,922.33
2. Loan to affiliates	0.00	-5,820.42	48,230.50	-42,410.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Participations	2,118,234.46	0.00	59,496.00	-6,250.00	-1.00	2,171,479.46	0.00	0.00	-107,400.00	0.00	-107,400.00	2,064,079.46	2,118,234.46
4. Prepayments on financial assets	17,740.11	0.00	0.00	0.00	-17,740.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,740.11
	2,224,171.57	-758.96	107,729.50	-48,660.08	-1.00	2,282,481.03	63,725.33	0.00	-107,400.00	0.00	-43,674.67	2,238,806.36	2,287,896.90
	73,443,987.03	24,453.79	2,687,827.72	-95,049.75	-1.00	76,061,217.79	-25,301,064.80	-2,504.76	-4,051,136.45	33,255.91	-29,321,450.10	46,739,767.69	48,142,922.23

6. Notes to the consolidated interim financial statements

6.1. General information

The provisions of Sections 290 et seq. of the German Commercial Code (HGB) were applied in the preparation of the interim consolidated financial statements.

The consolidated interim financial statements were prepared in accordance with the accounting and valuation requirements of the German Commercial Code. The total cost method was chosen for the consolidated income statement. In order to improve the clarity of the presentation, notes pertaining to other items and "thereof" statements were also partly made here.

DS Holding GmbH has its registered office in Stapelfeld and is registered in the commercial register of the District Court in Lübeck (HR B Reg. No. 11907 HL).

6.2. Accounting and valuation principles

The annual financial statements of the companies included in the consolidated interim financial statements of DS Holding GmbH were prepared in accordance with accounting and valuation principles that remain unchanged from the previous year.

In detail, the following valuation principles are applied:

Intangible fixed assets purchased from third parties are capitalized at cost and depreciated on a straight-line basis in accordance with their expected useful life, pro rata temporis in the year of acquisition. Software acquired for a fee is amortized over a customary useful life of five years.

The goodwill resulting from capital consolidation is amortized on a straight-line basis over the expected economic useful life of 10 years.

Property, plant and equipment is measured at acquisition or production cost less scheduled, use-related depreciation. In addition to the direct costs, production costs of self-built plants also include proportionate overhead costs and depreciation caused by production. No interest on borrowed capital is included in the cost of production. Depreciation and amortization are carried out on a straight-line basis over the customary useful life.

In the case of German companies, low-value fixed assets of property, plant and equipment with acquisition costs of up to € 250 in the year of acquisition are immediately depreciated. Fixed assets with acquisition costs of more than € 250 but less than € 1,000 were combined in a compound item and depreciated over a useful life of 5 years. If the compound item is not insignificant, the item is assessed for any overvaluation. Depreciation of additions to property, plant and equipment is otherwise carried out on a pro-rata basis.

Financial assets were measured at cost in accordance with the lower of cost or market principle.

Inventories were measured at acquisition cost in accordance with the lower of cost or market principle. All identifiable risks in inventories resulting from above-average storage periods, reduced usability and/or lower replacement costs are taken into account by means of appropriate value reductions. In all cases, the valuation was loss-free, i.e. to the extent that the expected selling prices less the costs incurred up to the sale result in a lower fair value, corresponding impairments were made. Purchases of goods in foreign currencies are valued at the rate of the invoice date. Apart from customary retention of title, inventories are not subject to third-party rights.

Receivables and other assets were measured at their nominal value. For the general credit risk, a general bad debt allowance of 2% (previous year: 2%) was made for those receivables that are not covered by a credit insurer. Identifiable risks were taken into account by means of individual value adjustments.

Cash on hand and bank balances were valued at face value, cash on hand and bank balances in foreign currencies were translated at the exchange rate on the balance sheet date.

Prepaid expenses are payments made before the balance sheet date, but representing expenses for a certain period after that date.

Equity is accounted for at nominal value.

Tax provisions and other provisions take into account all uncertain liabilities and impending losses from pending transactions. They are recognised at the settlement amount required in accordance with conservative commercial assessment.

Liabilities are recognised at their settlement amounts. Liabilities in foreign currencies are valued at the acquisition rate or at the spot exchange rate on the balance sheet date.

For the determination of deferred taxes due to temporary or quasi-permanent differences between the commercial valuations of assets, liabilities, deferred income and expense and their tax valuations or due to tax loss carryforwards, these are measured at the company-specific tax rates at the time of the reduction of the differences and the amounts of the resulting tax burden or relief are not discounted. In addition, differences resulting from consolidation measures pursuant to Sections 300 to 307 of the German Commercial Code (HGB) are also taken into account, but not differences from the initial recognition of goodwill or a negative difference from capital consolidation. Insofar as tax loss carryforwards are acquired in the course of the acquisition of a subsidiary, for which a possible set-off is to be expected within the next five years, the possibility of taking into account deferred tax assets as part of the purchase price allocation until the end of the adjustment period within the meaning of Sections 301 (2) sentence 2 of the German Commercial Code (HGB) is used without affecting profit or loss. Deferred tax assets are netted with deferred tax liabilities. Any excess amounts of deferred tax assets resulting from differences in the annual financial statements of the consolidated companies are not capitalised exercising the relevant accounting assessment option. Differences result from differences in the valuations of liabilities and the recognition of provisions for impending losses. The calculation of deferred taxes is based on an effective tax rate of 26% (previous year: 26%).

The company has issued profit participation rights amounting to over € 312 thousand. The profit participation rights bear interest at 3% p.a. and participate in the company's profit distributions with a share of 1.17%. The repayment of the nominal amount is due on December 31, 2022. In the event of an increase in Group EBITDA compared to 2012, variable remuneration must be paid out at the repayment date in addition to the nominal amount, which reflects the increase in EBITDA since 2012. The variable remuneration amount that is expected to be paid out in addition to the nominal amount at the repayment date was recognised on a pro-rata basis in the "other provisions".

Currency translations of receivables and liabilities denominated in foreign currencies whose remaining term does not exceed one year are valued at the spot exchange rate on the balance sheet date in accordance with Section 256a of the German Commercial Code (HGB). Statements containing "thereof" information regarding currency translation disclosed in the consolidated income statement report both realised and unrealised exchange rate differences.

Taxes are calculated quarterly based on taxable income. Corrections according to Section 60 of the German Income Tax Act (EstG) were waived in 2020.

6.3. Scope of consolidation

The scope of consolidation is determined on the basis of the list of shareholdings. In the first half of 2021, the subsidiaries DS Care 4 U GmbH, Lüttow-Valluhn (inclusion as of April 1, 2021) as well as Landmann Germany GmbH, Stapelfeld and Landmann International GmbH, Stapelfeld, with their investments in Landmann Hungária Kft, Landmann Ltd UK and Landmann Polska Sp. z o.o. were included in the scope of consolidation as of January 1, 2021.

As part of the acquisition of Landmann Germany GmbH, an additional € 2,000 thousand was capitalised in property, plant and equipment (instruments and tools). Inventories in current assets were acquired for € 3,200 thousand. DS Holding GmbH undertook the financing of the share purchase.

Further changes compared to the previous year did not occur in the scope of consolidation in the first half of 2021.

The consolidated financial statements comprise DS Holding GmbH as well as thirteen domestic and five foreign subsidiaries:

Capital consolidation
DS Holding GmbH

	Carrying amount of shareholding €	Equity €	Adjustment €	Goodwill €
DS	62,225,887.04	30,954,951.18	142,466.69	31,128,469.17
DSMT (formerly: KS)	61,590.40	25,000.00	0.00	36,590.40
DS Q	90,127.96	78,947.75	-52,024.27	63,204.48
DSI	60,000.00	60,000.00	0.00	0.00
PTC	1,219.57	-506.40	0.00	1,725.97
DSM	25,235.90	25,000.00	0.00	235.90
BEEM	528,000.00	525,000.00	0.00	3,000.00
DS AV	28,699.00	25,000.00	0.00	3,699.00
INT	27,044,163.60	1,520,235.75	0.00	25,523,927.85
VISION	154,661.18	100,717.55	0.00	53,943.63
DSL	25,000.00	25,000.00	0.00	0.00
DSC4U	110,873.50	102,283.69	0.00	8,589.81
LAG	247,500.00	247,500.00	0.00	0.00
LAI	25,388.20	25,002.00	0.00	386.20
LAI—HU	5,914.37	41,221.25	0.00	-35,306.88
LAI—PL	5,914.37	1,096,563.37	0.00	-1,090,649.00
LAI—UK	5,914.37	389,308.48	0.00	-383,394.11
	90,646,089.46	**35,241,224.62**	**90,442.42**	**55,314,422.42**

7.4. Consolidation principles

Capital consolidation for companies that are consolidated for the first time as a result of an acquisition is carried out according to the acquisition method at the time when the company became a subsidiary. The recognized value of the shares owed by the parent company is offset against the amount of the subsidiary's equity attributable to those shares. Equity is recognised at the amount corresponding to the fair value at the time of consolidation of the assets, liabilities and deferred income and expense to be included in the consolidated financial statements. A difference which remains after offsetting is reported as goodwill, if it arises as an excess of assets, but is disclosed under the item "Difference from capital consolidation" below equity, if it arises as an excess of equity.

The relevant date for determining the fair value of the assets, liabilities, deferred income/expense and special items to be included in the consolidated financial statements and the relevant date for capital consolidation is generally the date on which the company became a subsidiary.

Receivables and liabilities between Group companies are offset against each other (debt consolidation).

Intercompany results from deliveries of goods and deliveries of fixed assets between the consolidated companies were eliminated.

In the consolidated income statement, intra-group sales and other intra-group income are offset against the corresponding expenses in accordance with Section 305 (1) of the German Commercial Code (HGB) (expense and income consolidation).

6.5. Notes to the consolidated balance sheet

The development of the individual items of the fixed assets is presented in the statement of the development of the Group's fixed assets, indicating the depreciation and amortisation for the financial year.

The goodwill arising from the respective first-time consolidation is as follows:

Information on shareholdings

Scope of consolidation:

1) DS Produkte GmbH, Stapelfeld (“DS”)	100.00%
2) DS MEWITEC GmbH, Stapelfeld (“DSMT”) (Formerly: Kauf-Star GmbH)	100.00%
3) DSQ Honkong Ltd., Hong Kong (“DS Q”)	87.55%
4) DS Select GmbH, Stapelfeld (“DSL”)	100.00%
5) DS Impact GmbH, Stapelfeld (“DSI”) (DS Invest Verwaltungsgesellschaft mbH)	100.00%
6) Pacific Trade Connection Ltd., Hong Kong (“PTC”)	100.00%
7) DS Marketing GmbH, Stapelfeld (“DSM”)	100.00%
8) DS Aviation GmbH, Stapelfeld (“DS AV”)	100.00%
9) BEEM Germany GmbH, Stapelfeld (“BEEM”)	100.00%
10) In-trading GmbH, Bad Segeberg (“INT”)	100.00%
11) DS Care 4 U GmbH, Lüttow-Valluhn (“DSC4U”)	100.00%
12) Landmann Germany GmbH, Stapelfeld (“LAG”)	49.00%

For its part, DS Produkte GmbH has shareholdings in:	
DS Direct GmbH, Stapelfeld(“DSDC”)	100.00%
For its part, DS Marketing GmbH has shareholdings in:	
Vision Personalservice GmbH, Valluhn (“VISION”)	100.00%
For its part Landmann Germany GmbH has shareholdings in:	
Landmann International GmbH, Stapelfeld (“LAI”)	100.00%
For its part, Landmann International GmbH has shareholdings in:	
Landmann Hungària Kft. (“LAI-HU”)	100.00%
Landmann Ltd. UK (“LAI-UK”)	100.00%
Landmann Polska Sp. z.o.o. (“LAI-PL”)	100.00%

All companies are fully consolidated.

Trade receivables and receivables from affiliated companies have a term of up to 1 year. The receivables from affiliated companies do not contain any receivables from shareholders and do not relate to trade receivables.

Other provisions mainly relate to provisions for returns and personnel provisions.

The remaining terms of the liabilities are shown in the following liabilities schedule:

Schedule of liabilities as of June 30, 2021

		thereof remaining term		
in € thousand	**Total**	**up to 1 year**	**over 1 year**	**over 5 years**
- Liabilities to banks	61,474	38,096	0	23,378
(- Liabilities to banks previous year)	(47,826)	(24,423)	0	(23,403)
- Advance payments received on orders	11	11	0	0
(- Advance payments received on orders—previous year)	(2)	(2)	0	0
- Trade payables	38,534	38,534	0	0
(- Trade payables—previous year)	(30,484)	(30,484)	0	0
- Other payables	12,533	12,221	312	0
(- Other payables—previous year)	(3,844)	(3,532)	(312)	0
Total	112,552	88,862	312	23,378
(Total—previous year)	(82,156)	(58,441)	(312)	(23,403)

Overall, liabilities with a remaining term of up to one year amount to around € 89 million. The total amount of all liabilities with a remaining term of more than five years is around € 23 million.

Liabilities to banks in the amount of € 61 million are secured, among other things, by the assignment of receivables, the collateral assignment of inventories and property, plant and equipment, the assignment of shares as security, the pledging of bank accounts and land charges on the company’s property.

Netting of deferred tax assets and liabilities (total difference analysis) resulted in an overhang of deferred tax assets as of the balance sheet date. The company does not make use of the capitalisation option pursuant to Section 274 (1) sentence 2 of the German Commercial Code (HGB), so that the asset overhang is not recognised in the balance sheet. As of the balance sheet date, deferred tax assets amounted to € 55 thousand (previous year: € 569 thousand) and deferred tax liabilities to € 39 thousand (previous year: € 102 thousand).

Calculation scheme of deferred taxes as of June 30, 2021

Balance sheet item	Amount stated in commercial balance sheet in €	Amount stated in tax balance sheet in €	Difference in €	deferred tax 26% in €	type of deferred tax (asset or liability)
Provisions for impending losses	-210,346.24	0.00	-210,346.24	-54,690.02	asset
Receivables DSP	42,282,367.97	42,265,865.23	16,502.74	4,290.71	liability
Liabilities DSP	-27,785,040.04	-27,844,721.96	59,681.92	15,517.30	liability
Receivables DS Ho	2,231.25	2,231.25	0.00	0.00	liability
Liabilities DS Ho	-249,265.68	-249,265.68	0.00	0.00	liability
Receivables Group without DSP, DSHo	19,381,349.43	19,322,336.66	59,012.77	15,343.32	liability
Liabilities Group without DSP, DSHo	-8,115,580.73	-8,129,854.35	14,273.62	3,711.14	liability
	Total of deferred tax assets		as of 30/06/2021	€	-54,690.02
	Total of deferred tax assets		as of 31/12/2020	€	-569,187.39
	Total of deferred tax assets		Change		€ 514,497.36
	Total of deferred tax liabilities		as of 30/06/2021		€ 38,862.47
	Total of deferred tax liabilities		as of 31/12/2020		€ 101,586.79
	Total of deferred tax liabilities		Change	€	-62,724.32

6.6. Notes to the consolidated income statement

The revenues of DS Holding GmbH are broken down according to geographically determined markets as follows:

	in EUR thousand
Domestic revenues	191,072
International revenues	20,864
less discounts and other deductions	-8,229
	203,707

Revenues were mainly generated from merchandise.

Other operating income includes income from the reversal of provisions of € 281 thousand (previous year: € 21 thousand), currency translation income of € 1,449 thousand (previous year: € 1,639 thousand) and other prior-period income of € 120 thousand (previous year: € 129 thousand).

7.7. Derivative financial instruments

As of the balance sheet date, the following derivative financial instruments existed, which are used to hedge against market price risks in relation to interest and currency exchange rates and which are partially included in the valuation units under commercial law in accordance with Section 254 of the German Commercial Code (HGB) as amended:

	Nominal volume		Fair value (market value)		Provision for im pending losses		Prem ium recognized	
	Derivatives in valuation unit	Standalone derivatives	Derivatives in valuation unit	Standalone derivatives	Derivatives in valuation unit	Standalone derivatives	Derivatives in valuation unit	Standalone derivatives
	€	€	€	€	€	€	€	€
Hedging of currency risks								
Foreign currencies: Swap/ FX Forwards/ FX Spot	16,440,592.10	0.00	367,912.46	-126,252.90	0.00	126,763.31	0.00	0.00
Currency option FX Swap / FX Options	0.00	28,327,650.45	0.00	443,452.91	0.00	71,683.80	0.00	0.00
Structured forw ard exchange contracts	0.00	18,269,233.40	0.00	195,551.14	0.00	11,899.13	0.00	0.00
Cancell Forward / Callable Forward	0.00	4,155,844.16	0.00	-57,029.13	0.00	57,029.13	0.00	0.00
Total Return Swap	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	16,440,592.10	**50,752,728.00**	**367,912.46**	**455,722.02**	**0.00**	**267,375.37**	**0.00**	**0.00**
Hedging of interest risks								
CAPs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The nominal volumes are given as totals in absolute terms, i. e. the purchase and sale contracts are added up as absolute amounts. Conversion into EUR at the closing rate as of June 30, 2021.

The nominal volume of the hedging transactions stated in the table above is presented without offsetting and results from the total of all purchase and sale amounts. The amount of the nominal volume allows conclusions to be drawn about the extent of the use of derivatives, but does not reflect the risk of the DS Holding Group from the use of derivatives.

The valuation methods underlying the determination of the fair value of derivatives are as follows: Forward exchange contracts and instruments for hedging interest rate risks are valued by discounting future cash flows. Currency options are valued using Black-Scholes models, depending on how they are structured.

The net balance of the fair values of the hedged item and the hedging instrument results in the valuation result of the valuation unit. According to commercial valuation principles, a negative valuation result requires the recognition of a provision for impending losses from pending transactions, while a positive valuation result is not taken into account. DS Produkte GmbH accounts for the valuation units in accordance with net hedge presentation method.

Forward exchange transactions and currency options were concluded to hedge the highly probable planned inventory procurement transactions in USD as part of the customary supply and service transactions of DS Produkte GmbH.

DS Products, DS Direct and BEEM Germany hedge against the risk of variable cash flows due to a change in exchange rates within the scope of the respective micro-valuation unit. The total nominal volume of all highly probable expected procurement transactions amounted to € 67,193 thousand on the reporting date. Nominal volumes were translated into EUR using the spot exchange rate for USD on the balance sheet date. Planned procurement transactions with a maximum term of one year are included in the corresponding valuation units as of June 30, 2021. As of the reporting date, there was no negative overhang of the fair values of the transactions included in the valuation unit. A provision amounting to € 267 thousand (previous year: € 2,189 thousand) was recognized for the negative fair value of the derivatives not included in valuation units.

The hedged items which are part of valuation units have highly homogeneous risks. Accordingly, it is to be expected that the opposing changes in the value of the hedged items and the hedging transactions will almost completely compensate for the respective hedged risk in the future and that the hedging relationships are highly effective.

The effectiveness is assessed using the Critical Terms Match method, as the essential parameters for the instruments included are identical. The interest component of the forward exchange contracts included in the valuation units is excluded from the valuation unit. Effectiveness is measured using the spot-to-spot method.

Premium payments paid or received for currency options and interest rate caps were recognized accordingly in the balance sheet item other assets or other liabilities. The same applies to accrued interest from interest rate hedging transactions.

6.8 Use of exemption provisions

The following companies with the legal form of a German GmbH are either directly or indirectly linked to DS Holding GmbH by means of a profit and loss transfer agreement:

- DS Produkte GmbH
- in-trading GmbH
- BEEM Germany GmbH
- DS Aviation GmbH
- DS MEWITEC GmbH (formerly: Kauf-Star GmbH)
- DS Marketing GmbH
- DS Direct GmbH
- DS Impact GmbH (formerly: DS Invest Verwaltungsgesellschaft mbH)
- Vision Personalservice GmbH
- DS Select GmbH
- DS Care 4 U GmbH
- Landmann Germany GmbH
- Landmann International GmbH

The aforementioned companies are included as German subsidiaries in the consolidated financial statements of DS Holding GmbH and make use of the exemption provision of the Sections 264 (3) and 264b of the German Commercial Code (HGB) with regard to this inclusion. All shareholders of the aforementioned companies approved the exemption for the financial year of 2021. The relevant resolutions of the shareholders are disclosed in accordance with Section 325 of the German Commercial Code (HGB).

6.9. Other information

There were no transactions of particular importance having a material financial effect which occurred after the balance sheet date.

Other financial obligations not included in the balance sheet consist of:

	up to 1 year	over 1 year
	€ thousand	€ thousand
Option	0	560
Rent/Lease Agreement	2,195	22,087
Leases	866	1,819
	3,061	23,906

As of the balance sheet date on June 30, 2021, the number of employees employed by the Group was 457. Of these, 28 employees are trainees. On average, a total of 386 employees and a further 27 trainees were employed in 2020.

The managing directors having sole power of representation in the reporting period were:

- Ralf Dümmel, Kaufmann, Hamburg
- Dr. Hanno Hagemann, Dipl. Kaufmann, Bad Segeberg
- Andreas Schneider, Betriebswirt, Hamburg

The managing directors are exempt from the restrictions of Section 181 of the German Civil Code (BGB). With regard to the managing director’s remuneration, use is made of the safeguard clause in accordance with Section 314 (1) No. 6a in conjunction with Section 286 (4) of the German Commercial Code (HGB).

Stapelfeld on August 28, 2021

17. GLOSSARY

Acquisition	The Company's acquisition of DS Holding and its subsidiaries.
Adjusted EBITDA	Earnings before interest, taxes, depreciation and amortization adjusted for non-operating effects, which comprise (i) share based compensation, (ii) uplisting preparation, (iii) M&A / financing, (iv) write-offs, (v) new business ramp-up costs, (vi) IT migration (PMI) and (vii) certain other non-recurring expenses.
AktG	The German Stock Corporation Act (*Aktiengesetz*).
Articles of Association	The articles of association of the Company.
Assumed Liability	The assumption of a liability of the former DS Holding shareholders by the Company in an amount of €4,080 thousand.
Authorization	The authorization granted by the shareholders' meeting of the Company on May 11, 2020 to the Management Board, with the approval of the Supervisory Board, to issue, once or repeatedly, until May 10, 2025 convertible bonds or bonds with warrants up to an aggregate principal amount of €300,000,000,000.00 and to grant the holders or creditors option or conversion rights to up to 4,075,887 no-par value registered shares of the Company with a maximum aggregate proportion of the share capital of up to €4,075,887.00 in accordance with the terms and conditions of such bonds.
Authorized Capital 2020/I	Pursuant to section 3 para. 6 of the Company's articles of association, the management board is authorized until May 10, 2025, subject to the consent of the supervisory board, to increase, once or repeatedly, our share capital by up to a total of €608,058.00 through the issuance of up to 608,058 new shares with no par value against contributions in cash or in kind.
Authorized Capital 2021/I	Pursuant to section 3 para. 11 of the Company's articles of association, the management board is authorized until July 14, 2026, subject to the consent of the supervisory board, to increase, once or repeatedly, our share capital by up to a total of €5,111,421.00 through the issuance of up to 5,111,421 new shares with no par value against contributions in cash or in kind.
BaFin	The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
Berenberg	Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany (telephone: +49 (0)40 350 600), LEI 529900UC2OD7II24Z667.
Bondholders	Holders of the Convertible Bonds.
Brexit	The withdrawal of the U.K. from the EU on February 1, 2020.
CAGR	Compound annual growth rate, *i.e.*, the mean growth rate per year of a relevant value.
Clasen Bio	Carl Wilhelm Clasen Group.
Clearstream	Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

CLTV.. Customer lifetime value.

Code.. The German Corporate Governance Code, as amended on December 16, 2019.

Commission's Proposal.......................... On February 14, 2013, the European Commission published a proposal for a directive for a common financial transaction tax in certain participating member states of the European Union, including Germany.

Company .... The Social Chain AG with its registered office at Gormannstraße 22, 10119 Berlin, Germany (telephone: +49 (0)30 208 4840-10; website: www.socialchain.com), LEI 529900ZARRZWUT1YO213, and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany, under docket number HRB 128790 B.

Conditional Capital 2017/I..................... Pursuant to Section 3 para. 7 of the Company's articles of association, the Company's share capital is conditionally increased by up to €76,000.00 through the issuance of up to 76,000 no-par value registered shares.

Conditional Capital 2019/II .... Pursuant to Section 3 para. 9 of the Company's articles of association, the Company's share capital is conditionally increased by up to €242,000.00 through the issuance of up to 242,000 no-par value registered shares.

Conditional Capital 2020/I..................... Pursuant to section 3 para. 8 of the Company's articles of association, the Company's share capital is conditionally increased by up to €4,075,887.00 through the issuance of up to 4,075,887 no-par value registered shares.

Conditional Capital 2020/II .... Pursuant to Section 3 para. 10 of the Company's articles of association, the Company's share capital is conditionally increased by up to €700,971.00 through the issuance of up to 700,971 no-par value registered shares.

Conditional Capital 2021/I..................... On July 30, 2021, the Company's shareholders meeting resolved to increase our share capital by up to €125,877.00 through the issuance of up to 125,877 no-par value registered shares.

Consumer Rights Directive.................... Directive (EU) 2011/83 of the European Parliament and of the Council of October 25, 2011 on consumer rights, as amended.

Convertible Bond 2021/2024.................. The Convertible Bonds combined.

Convertible Bonds .... The convertible bonds issued on April 7, 2021, with an aggregate principal amount of up to €25,000,000,000.00 divided into up to 25,000 equal bearer bonds with a nominal value of €1,000 each.

Cosmetics Regulation .... Regulation (EC) No. 1223/2009 of the European Parliament and of the Council of November 30, 2009 on cosmetic products.

COVID-19 .... A strain of the coronavirus and the infectious disease caused by it.

COVID-19 Act .... German Act on Reducing the Effects of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) dated March 27, 2020.

CRM	Customer relationship management.
CSR	Corporate social responsibility.
Data Protection Act	The German Federal Data Protection Act (*Bundesdatenschutzgesetz*).
DCF	Discounted cash flow.
DENIC	DENIC e. G.
Dividend Agent	A domestic bank or financial service institute (*inländisches Kredit oder Finanzdienstleistungsinstitut*), a domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or a domestic securities trading bank (*inländische Wertpapierhandelsbank*), including the domestic branches of foreign banks or financial service institutions, which holds the shares in custody or manages such shares and that pays out or credits the shareholder's investment income or that pays the investment income to a foreign entity, or the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if it pays the investment income to a foreign entity, or the Company itself if and to the extent shares that are held in collective safe custody (*girosammelverwahrt*) by the central securities depository.
Domestic Agent	A domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks and financial service institutions).
DS Aviation	DS Aviation GmbH.
DS Group	DS Holding together with its subsidiaries.
DS Holding	DS Holding GmbH.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EEA	European Economic Area.
ESG	Environmental, social and governance.
EU	The European Union.
Euro and €	The single European currency adopted by certain participating member states of the European Union, including Germany.
Existing Shares	11,492,043 ordinary registered shares with no par value (*Stückaktien*) of the Company.
Financing Transactions	The Company will issue 1,145 thousand new shares via a capital increase resulting in a net cash inflow of €50,000 thousand, based on an assumed share price, which is equal to the assumed price per new share for the calculation of the consideration transferred for 100% of DS Holding shares less cost of financing. The Company will also enter into several loan agreements resulting in cash inflows of (i) €19,000 thousand, bearing interest of 4.75% per annum and (ii) € 50,000 thousand, bearing interest of 1.96% per annum.

Flat Tax .... For individuals who are tax-resident in Germany (generally, individuals whose domicile or usual residence is located in Germany) and who hold their shares in the Company as private assets, the withholding tax of 25% plus solidarity surcharge of currently 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if applicable) will generally serve as a final tax (*i.e.*, once such tax has been deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his annual tax return (*Abgeltungsteuer*)).

Food Regulation...................................... Regulation (EC) No. 178/2002 of the European Parliament and of the Council of January 28, 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety.

GDPR... Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

Germany.. The Federal Republic of Germany.

Group... The Social Chain AG together with its consolidated subsidiaries.

Health Claims Regulation...................... Regulation (EC) No. 1924/2006 of the European Parliament and of the Council of December 20, 2006 on nutrition and health claims made on foods.

HGB .... The German Commercial Code (*Handelsgesetzbuch*).

ICANN... The Internet Corporation for Assigned Names and Numbers.

IFRS... International Financial Reporting Standards, as adopted by the European Union.

ISIN.. International Securities Identification Number.

KoRo Minority Shareholders .... Certain minority shareholders of KoRo Handels GmbH.

KYC .... Know your customer.

Landmann Business................................ Landmann Polska Sp.z.o.o, Landmann Hungaria Kft and Landmann Ltd (United Kingdom) and the assets of the former Landmann GmbH & Co. Handels KG.

LEI .... Legal entity identifier.

LFGB .... The German Code on Foodstuffs, Consumer Goods and Fodder (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch).*

Listing .... Listing of the Existing and the New Shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

Listing Agent... Berenberg.

Management Board .... The management board (*Vorstand*) of the Company.

MAR .... Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, as amended.

MMA	The Madrid Agreement Concerning the International Registration of Marks of April 14, 1891, as last amended on September 28, 1979.
Minimum Holding Period	A continuous period of at least 45 days occurring within a period of 45 days prior and 45 days after the due date of the dividends.
NemV	The German Ordinance on Food Supplements (*Verordnung über Nahrungsergänzungsmittel).*
New Shares	2,855,000 newly issued ordinary registered shares with no-par value (*Stückaktien*) of the Company from a capital increase against contributions in kind resolved by the management board on October 19, 2021, approved by the supervisory board on the same day, utilizing the authorized capital resolved by the Company's ordinary shareholders' meeting on July 30, 2021 together with the exclusion of subscription rights.
P2B	The planned platform-to-business regulation.
Parent-Subsidiary Directive	Article 2 of Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended.
PMMA	The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of June 27, 1989, as last amended on October 3, 2007.
Portfolio Participation	Portfolio dividends, *i.e.*, dividends earned on direct shareholdings in a distributing corporation of less than 10% of its share capital at the beginning of the respective calendar year.
PPA	Purchase price allocation.
Product Liability Act	The German Product Liability Act (*Produkthaftungsgesetz*).
Product Safety Directive	Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001 on general product safety, as amended.
Pro Forma Balance Sheet	The pro forma balance sheet as of June 30, 2021 prepared by the Company.
Pro Forma Financial Information	The pro forma financial information prepared by the Company.
Pro Forma Notes	The accompanying pro forma notes to the pro forma financial information prepared by the Company.
Pro Forma Statement of Profit or Loss	The pro forma statement of profit or loss for the period from January 1, 2021 to June 30, 2021 prepared by the Company.
Prospectus	This prospectus.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended.
Qualified Participation	At least 1.0% of the share capital of the Company.
Regulated Market	The Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

Regulation on Textile Labeling	Regulation (EU) No 1007/2011 of the European Parliament and of the Council of September 27, 2011 on textile fiber names and related labeling and marking of the fiber composition of textile products, as amended.
Short Selling Regulation	Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps, as amended.
SOP 2017	The Stock Option Program 2017 of Lumaland AG.
SOP 2019	The Stock Option Program 2019.
SOP 2020	The Stock Option Program 2020.
SOP 2021	The Stock Option Program 2021.
Supervisory Board.................................	The supervisory board (*Aufsichtsrat*) of the Company.
Supplements Directive............................	Directive 2002/46/EC of the European Parliament and of the Council of June 10, 2002 on the approximation of the laws of the member states relating to food supplements.
Tele Media Act.......................................	The German Tele Media Act (*Telemediengesetz*).
Trade and Cooperation Agreement	Agreement between the EU and the U.K. dated January 1, 2021, setting out the overall political, legal and economic framework governing the parties' future relationship.
TSC	The Company together with its fully consolidated subsidiaries.
TSC AG	The Social Chain AG.
TSCG AG	The Social Chain Group AG.
UmwG...	The German Transformation Act (*Umwandlungsgesetz*).
U.K....	The United Kingdom.
Uplisting	Admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard).
U.S...	The United States of America.
U.S. Acquisitions....................................	The M&A transactions in 2020 in the U.S.
WACC	The weighted average cost of capital.
WpHG	The German Securities Trading Act (*Wertpapierhandelsgesetz*).
WpÜG...	The German Securities and Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

18. RECENT DEVELOPMENTS AND OUTLOOK

On September 16, 2021, Apeiron Investment Group announced that it had acquired all of our 495,282 shares in SynBiotic SE at a price of €17.50 per share, thereby increasing its share to circa 45% of the share capital in SynBiotic SE. SynBiotic SE is a biotech company focused on developing and distributing Cannabidiol (CBD) products listed on the Frankfurt Stock Exchange which pursues an EU-focused buy-and-build investment approach. The core business of SynBiotic SE is the research and development of new cannabinoid and terpene-based solutions to major social problems such as pain, sleep-disorders and anxiety. In addition, SynBiotic SE deals with the production of various cannabinoids and develops and distributes pharmaceutical and dietary supplements as well as cosmetic products under its own brands. Synbiotic SE no longer appears in the planning of our operating activities since mid-2020. The shareholding in SynBiotic SE represented a purely financial investment to the Company.

Following the acquisition of a 34.82% stake in KoRo Handels GmbH in 2019, the Company has gradually increased its shareholding in KoRo Handels GmbH to 58.18% as of the date of this Prospectus. The Company also granted a put option to the KoRo Minority Shareholders holding 41.39% of the shares, which has been exercised on July 5, 2021. However, no agreement has yet been reached with the KoRo Minority Shareholders on the put option purchase price, as the KoRo Minority Shareholders believe that the purchase price has to be substantially higher.

There are currently ongoing constructive negotiations regarding a potential settlement of the case involving evaluation of various solutions to the dispute. A conceivable outcome would be that the KoRo Minority Shareholders will withdraw their exercise of the put options from July 5, 2021. This would mean that the KoRo Minority Shareholders would keep their 41.39% of shares in KoRo Handels GmbH and that the Company would not be required to pay the put option purchase price.

On October 19, 2021, the Group, DS Holding and the DS Holding shareholders as of that time entered into an agreement concerning the contribution of all shares in DS Holding to the Group. The contribution is expected to be effected in December 2021. In exchange for the contribution of their DS Holding shares, the former DS Holding shareholders will receive a total of €100.281 million in cash as well as 2,855,000 newly issued shares in the Group, corresponding to 24.84% of the Group's share capital immediately before the contribution and the assumption of a liability of the former DS Holding shareholders by the Company in an amount of €4,080 thousand.

The cash purchase price is to be financed through a combination of debt and equity capital. The equity capital shall be raised by way of an accelerated book building after the listing of the shares in TSC in the regulated market of the Frankfurt Stock Exchange (Prime Standard), which we would also carry out regardless of the implementation of the pending DS Holding acquisition. The new shares will be offered solely to institutional investors. Statutory subscription rights of TSC shareholders will be excluded.

We consider the acquisition of DS Holding to be a landmark in our growth path and expect a near doubling of the Group's revenues compared to the Group's 2021 revenues. DS Holding is an internationally operating brand and trading company with currently more than 4,000 non-food consumer goods in the verticals of kitchen, household, Do-it-yourself (DIY), garden, personal care, healthcare, sport, fitness & textile. For the fiscal year ending on December 31, 2021, we expect annual revenues of DS Holding of more than €270 million. With the acquisition of DS Holding, we expect total revenues for the Group of €620 million for the fiscal year ending on December 31, 2021 on a pro forma consolidated basis (*i.e.*, assuming the consolidation of DS Holding as of January 1, 2021). For the end of the six-month period ended June 30, 2021, the pro forma consolidated EBITDA was around €12 million. We estimate the EBITDA-effective synergy effects of the transaction at a total €40 million to €50 million in the first three years after acquisition. The number of our employees will increase to more than 1,400. We expect considerable growth on the basis of the integration of DS Holding and we anticipate to reach revenues of more than €1 billion by the end of 2023. Upon completion of the DS Holding acquisition, we expect Ralf Dümmel to be appointed to the Management Board as chief product officer.

Based on preliminary numbers, revenue in the nine-month period ended September 30, 2021 amounted to €216 million representing an increase by 137.41% when compared with the nine-month period ended September 30, 2020 and our gross margin amounted to 34.2 % in the nine-month period ended September 30, 2021 compared to 45.4% in the nine-month period ended September 30, 2020. Based on preliminary numbers, in the nine-month period ended September 30, 2021 EBITDA amounted to negative €10.8 million and Adjusted EBITDA to negative €2.9 million compared to negative €3.6 million and €0.5 million, respectively, in the nine-month period ended September 30, 2020.

Except as described above, there have been no significant changes to our financial position, financial performance, cash flows or trading position between June 30, 2021 and the date of this Prospectus.