

The Social Chain AG

Berlin

Condensed Group management report and interim
consolidated financial statements
as of 30th June 2020

The Social Chain AG, Berlin

Interim group management report

1 Basic information about the Group

1.1 Business model

The Social Chain AG with registered offices in Berlin is the parent company of The Social Chain Group (hereafter referred to as "TSC Group" or "Group") and acts essentially as the holding company for the Group. As Group holding company, The Social Chain AG, Berlin, is responsible for both the strategic development and also the provision of services to affiliates.

The Social Chain Group is an integrated social media company that combines social media and social commerce under one roof. Social Chain is a pioneer in the creation, development and scaling of social media brands. The Social Chain AG's strategy focuses on brands, social experiences and product ranges that are identified, developed and marketed via social media primarily directly to end consumers (direct-to-consumer brands).

Its social media communities reach more than 80 million followers. Its brand portfolio includes more than 30 brands. Goods are sold via our own online shops and third-party e-commerce platforms. The focus is on the product categories Home & Living, Beauty & Wellbeing and Food. Social experiences like the beauty trade fair Glow by dm and the World Fitness Day connect the online and offline worlds. Besides developing our own brands, we also leverage our social media competence and reach to provide creative marketing services for leading international lifestyle brands such as Adidas, Coca-Cola and McDonalds.

The core markets for the Social Chain Group are Europe with a focus on Germany and the UK and also America with a focus on the USA. Another strategic target market is Asia.

In addition to the creation and development of new brands of its own, The Social Chain Group deliberately relies on strategic acquisitions. Therefore, its acquisition policy concentrates on companies whose brands and services can be marketed particularly successfully via social media. Other acquisition targets are companies which broaden and boost our integrated social media know-how.

1.2 Group structure and organisation

After last year's financial year, which was dominated by considerable organisational and structural measures, the first half of 2020 saw only minor changes to the group structure. The shares in KoRo-Handels GmbH, Berlin, and in Urbanara GmbH, Berlin, acquired in December 2019 were further topped up. In addition, 51.0% of the shares in datalytix.io GmbH, Munich, were acquired. The shares in Solidmind Nutrition GmbH were increased in a first step to 51.99% before being completely sold as of 30 June 2020. This leaves the number of consolidated companies at altogether 34 companies. An overview of the consolidated holdings with their registered offices and headcount in the Group can be found in the notes.

1.3 Strategy and management system

The Social Chain AG pursues a growth strategy with a particular focus on international business. After setting up subsidiaries in Great Britain and the USA, The Social Chain AG is now investing in the North and Central European markets and increasingly also in North America. For the coming years, The Social Chain AG will be striving to boost its market share and intensify business in the geographical target markets.

The key management parameters for achieving the strategic goals include not only revenue and gross margin but also operating cash flow and freely available cash flow.

2 Economic review

2.1 Macro-economic and industry-specific business environment

Global development is currently highly impacted by the corona pandemic. Initially, the effects of the corona crisis were felt in China, but since March 2020 the epidemic has been affecting the global economy.

The core regions for the Social Chain Group's activities, Germany, UK and USA, have also been massively hit. Especially in the second calendar quarter of 2020, there was a year-on-year slump in the core markets of the Social Chain Group with Germany (-11.3%)¹, Great Britain (-21.5%)² and USA (-9%)³.

After a weakish start in the 1st quarter, the e-commerce market grew quite robustly in Q2.⁴ Thus, e-commerce remains despite corona – unlike stationary retail – on a growth course. However, corona-related re-assessments indicate that the growth rate will be considerably slower. eMarketer anticipates an increase in global retail revenues in e-commerce in 2020 to a growth rate of 16.5% (compared to 20.2% in 2019).

Advertising via social media will also continue to gain in importance – unlike in traditional advertising – in 2020. On the other hand, a Covid-19-adjusted forecast for 2020 shows considerable volume differences in the social media core markets of The Social Chain AG: USA (EUR 33.6 bn), United Kingdom (EUR 5.1 bn), Germany (EUR 1.5 bn).⁵

¹ Source: GDP in Q2 2020 10.1% lower than in previous quarter (destatis.de)

² Source: GDP quarterly national accounts, UK: April to June 2020 (office for national statistics)

³ Source: Gross Domestic Product, Third Quarter 2020 (Advance Estimate) (Bureau of Economic Analysis)

⁴ Source: e-commerce plus of 9.2 percent in the first half of 2020 – Sustained more e-commerce in "daily needs" (behv.org)

⁵ Source: Statista; Statista Digital Market Outlook

Altogether, the use of social media is expected to rise significantly, especially in the still quite underdeveloped markets. In Germany, the Bitkom industry association has determined a significant increase in user activity since the start of the corona crisis. In the USA, eMarketer estimates that 2020 will see a new peak as daily use rises to 82 minutes, which is not expected to be exceeded in the subsequent years, however. In principle, the trend towards better mobile internet connectivity will probably promote the growth of social media, which are used almost exclusively on mobile devices.⁶

(Source: We are social/Hootsuite: Digital 2020, Global Report)

2.2 Business review

The Group in its current form was created with the inclusion of The Social Chain Group AG Group on 1 October 2019. The figures quoted for the first half of 2019, which include solely the old Lumaland Group, are therefore not fully comparable to the interim financial statements as of 30 June 2020.

In order to place selected developments in a comparable context, individual key figures for the first half of 2020 have been computed separately for the original Lumaland Group and compared to the prior year. The effects on the consolidated balance sheet and income statement resulting from the TSCG AG Group being included as of 1 October 2019 and from the other acquisitions up to 30 June 2020 are considered/discussed separately.

Overall, consolidated revenue increased EUR 50.4 m to EUR 71.8 m compared to the first half of 2019. For the first half of 2020, the Group recognises a net loss for the year of EUR -1.7 m (prior year: EUR -1.4 m) and EBITDA of EUR +6.1 m (prior year: EUR -0.1 m). This includes the accounting profit from selling the shares in Solidmind Nutrition GmbH as of 30 June 2020 with a realised gain of EUR 10.1 m and also one-off expenses of EUR 1.8 m. The Group recorded a net cash outflow from operations of EUR -10.2 m (2019: EUR -13.3 m) and a freely available cash flow, defined as the total of cash flow from operating and investing activities, of EUR -10.8 m compared to EUR -12.7 m in 2019.

⁶ Source: We are social/Hootsuite: Digital 2020, Global Report

2.2.1 Assets and liabilities

| | 30 Jun 2020 | | 31 Dec 2019 | | Change | |
|-------------------------------|--------------|--------------|--------------|--------------|-------------|------------------|
| | EUR m | % | EUR m | % | EUR m | % |
| Fixed assets | | | | | | |
| Goodwill | 103.2 | 55.3 | 105.6 | 69.2 | -2.4 | -2.3 |
| Intangible fixed assets | 11.8 | 6.3 | 12.6 | 8.3 | -0.8 | -6.3 |
| Property, plant and equipment | 1.5 | 0.8 | 1.6 | 1.1 | -0.1 | -6.3 |
| Long-term financial assets | 4.9 | 2.6 | 4.7 | 3.1 | 0.2 | 4.3 |
| | <u>121.4</u> | <u>65.0</u> | <u>124.5</u> | <u>81.7</u> | <u>-3.1</u> | <u>-2.5</u> |
| Current assets | | | | | | |
| Inventories | 12.6 | 6.8 | 9.5 | 6.2 | 3.1 | 32.6 |
| Receivables | 40.6 | 21.8 | 11.2 | 7.3 | 29.4 | >100.0 |
| Cash and cash equivalents | 10.9 | 5.8 | 6.3 | 4.1 | 4.6 | 73.0 |
| | <u>64.1</u> | <u>34.4</u> | <u>27.0</u> | <u>17.6</u> | <u>37.1</u> | <u>>100.0</u> |
| Prepaid expenses | 1.0 | 0.6 | 1.0 | 0.7 | 0.0 | 0.0 |
| | <u>186.5</u> | <u>100.0</u> | <u>152.5</u> | <u>100.0</u> | <u>34.0</u> | <u>22.3</u> |

| | 30 Jun 2020 | | 31 Dec 2019 | | Change | |
|------------------------------|--------------|--------------|--------------|--------------|-------------|-------------|
| | EUR m | % | EUR m | % | EUR m | % |
| Equity funds | | | | | | |
| Equity | 100.5 | 53.9 | 97.5 | 63.9 | 3.0 | 3.1 |
| Outstanding capital increase | 2.1 | 1.1 | 0.0 | 0.0 | 2.1 | >100.0 |
| | <u>102.6</u> | <u>55.0</u> | <u>97.5</u> | <u>63.9</u> | <u>5.1</u> | <u>5.2</u> |
| Deferred taxes | 3.0 | 1.6 | 3.4 | 2.2 | -0.4 | -11.8 |
| Provisions | 6.2 | 3.3 | 5.7 | 3.7 | 0.5 | 8.8 |
| Liabilities | | | | | | |
| Banks | 10.5 | 5.7 | 10.3 | 6.8 | 0.2 | 1.9 |
| Other | 62.3 | 33.4 | 35.3 | 23.2 | 27.0 | 76.5 |
| | <u>72.8</u> | <u>39.1</u> | <u>45.6</u> | <u>30.0</u> | <u>27.2</u> | <u>59.6</u> |
| Prepaid expenses | 1.9 | 1.0 | 0.3 | 0.2 | 1.6 | >100.0 |
| | <u>186.5</u> | <u>100.0</u> | <u>152.5</u> | <u>100.0</u> | <u>34.0</u> | <u>22.3</u> |

The balance sheet total of The Social Chain Group amounted to EUR 186.5 m as of 30 June 2020 compared to EUR 152.5 m as of 31 December 2019. The non-current assets of EUR 121.4 m (31 December 2019: EUR 124.5 m) include essentially goodwill of EUR 103.2 m (31 December 2019: EUR 105.6 m) and intangible assets of EUR 11.8 m (31 December 2019: EUR 12.6 m).

The reported goodwill of The Social Chain AG Group rose due to increases in the stakes in Urbanara GmbH, drtv.agency GmbH, KoRo Handels GmbH and Solidmind Nutrition GmbH and also due to the acquisition and initial consolidation of datalytix.io GmbH by altogether EUR 7.3 m to EUR 112.9 m. On the other hand, the goodwill reported in the first half of 2020 fell by EUR 1.1 m due to the adjustment (reduction) of the acquisition price for the Do your Sports GmbH on the back of a settlement reached on the agreed earn-out clause, and by EUR 6.0 m due to scheduled depreciation and by EUR 2.6 m due to the deconsolidation and disposal of Solidmind Nutrition GmbH to altogether EUR 103.2 m.

Non-current assets account for 65.0% (31 December 2019: 81.7%) of total assets and are financed almost entirely on a long-term basis.

The current assets of EUR 64.1 m (31 December 2019: EUR 27.0 m) are comprised of inventories, receivables, cash reserves, securities and other current assets. The EUR 29.4 m increase in receivables to EUR 40.6 m arose in the main from the herein reported disposal receivables from selling Solidmind Nutrition GmbH of EUR 13.0 m.

The Group's equity funds are comprised of the equity capital and the contributions rendered to carry out resolved capital increases.

As of 30 June 2020, the Group recognises equity capital of EUR 100.5 m, compared to EUR 97.5 m as of 31 December 2019. The equity ratio amounted to 53.9% on 30 June 2020 (31 December 2019: 63.9%).

In the first half of 2020, the following capital increases were carried out:

- In February 2020, the share capital was increased by EUR 170 k and the capital reserves by EUR 3.74 m by contribution of the shares in Urbanara GmbH against the issuance of new shares
- In March 2020, the share capital was increased by EUR 76 k and the capital reserves by EUR 1.44 m by contribution of additional shares in Solidmind Nutrition GmbH against the issuance of new shares.

The additionally contributed shares in drtv.agency GmbH are recognised under the contributions rendered to carry out the resolved capital increase. The corresponding entry of the capital increase was carried out on 14 July 2020.

The consolidated debt primarily includes provisions, liabilities and deferred items.

Liabilities comprise liabilities to banks of altogether EUR 5.2 m (31 December 2019: EUR 1.8 m) and trade payables of EUR 0.3 m (31 December 2019: EUR 0.1 m) due in more than one year.

The increase in liabilities arose in the main from raising loans from shareholders of EUR 8.8 m and from third parties of EUR 7.5 m

2.2.2 Financial position

The Group's financial position is sound. Liabilities to banks rose in the current financial year by EUR 0.2 m to EUR 10.5 m, due to the taking up of new financial loans of EUR 3.3 m and the increase in current-account liabilities of EUR 2.1 m, partly offset by repayments of EUR 5.2 m.

Consolidated cash flow

| | TSC AG Group 1 Jan – 30 Jun 2020 EUR m | Former Lumaland AG Group 1 Jan – 30 Jun 2020 EUR m | 1 Jan. – 31 Dec 2019 EUR m |
|-------------------------------------|--|--|-------------------------------|
| Cash flow from operating activities | -10.2 | -7.3 | -13.3 |
| Cash flow from investing activities | -0.6 | -0.8 | 0.6 |
| Cash flow from financing activities | 15.7 | 12.7 | 16.2 |
| Change | 4.9 | 4.6 | 3.5 |
| Initial consolidation | -0.3 | 0.0 | 2.3 |
| Opening balance | 6.3 | 2.6 | 0.5 |
| Closing balance | 10.9 | 7.2 | 6.3 |

The Group's operating cash outflow for the first half of 2020 amounted to EUR -10.2 m, with an operating cash outflow of the former Lumaland Group of EUR -7.3 m and an operating cash outflow of the contributed and further newly acquired companies of altogether EUR - 2.9 m.

The cash outflow from investing activities of EUR 0.6 m (2019: cash inflow of EUR 0.6 m) arose in the main from a further participation acquisition by Lions Chain GmbH relating to the acquisition of 12.5% in VYTAL Global GmbH of EUR 0.5 m.

The cash inflow from financing activities for the first half of 2020 amounted to EUR 15.7 m (2019: EUR 16.2 m), largely due to raising loans from shareholders of altogether EUR 8.8 m and from other third parties of altogether EUR 7.5 m. Interest payments in the former Lumaland Group of EUR 0.2 m were slightly down on the EUR 0.3 m in the prior half year; the newly included companies led to additional interest of EUR 0.5 m in the Group.

All in all, cash and cash equivalents increased EUR 4.9 m from EUR 6.3 m on 31 December 2019 to EUR 10.3 m as of 30 June 2020.

2.2.3 Financial performance

| | TSC AG Group | | Former Lumaland AG Group | | | |
|--|---------------------|-------|--------------------------|-------|--------------------|-------|
| | 1 Jan - 30 Jun 2020 | | 1 Jan - 30 Jun 2020 | | 1 Jan -30 Jun 2019 | |
| | EUR m | % | EUR m | % | EUR m | % |
| Revenue | 71.8 | 100.0 | 20.2 | 100.0 | 21.4 | 100.0 |
| Cost of materials* | -41.8 | -58.2 | -9.3 | -46.0 | -9.1 | -42.5 |
| Gross profit | 30.0 | 41.8 | 10.9 | 54.0 | 12.3 | 57.5 |
| Personnel expenses | -13.5 | -18.8 | -2.6 | -12.9 | -2.4 | -11.2 |
| Other expenses | -21.3 | -29.7 | -11.2 | -55.4 | -10.2 | -47.7 |
| Other income | 10.9 | 15.2 | 3.8 | 18.8 | 0.2 | 0.9 |
| EBITDA | 6.1 | 8.5 | 0.9 | 4.5 | -0.1 | -0.5 |
| Amortisation, depreciation and write-downs | -7.1 | -9.9 | -0.9 | -4.5 | -1.0 | -4.7 |
| EBIT | -1.0 | -1.4 | 0.0 | 0.0 | -1.1 | -5.2 |
| Net finance income/expense | -0.9 | -1.3 | -0.2 | -1.0 | -0.3 | -1.4 |
| EBT | -1.9 | -2.7 | -0.2 | -1.0 | -1.4 | -6.6 |
| Income taxes | 0.2 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Consolidated profit/loss for the year | -1.7 | -2.4 | -0.2 | -1.0 | -1.4 | -6.6 |

* incl. increase/decrease in inventories

In the first half of 2020, The Social Chain AG Group's consolidated revenue rose EUR 50.4 m (>100%) compared to the prior year to EUR 71.8 m. The revenue of the period under report corresponds to the revenue of the former Lumaland AG, The Social Chain Group AG Group contributed as of 1 October 2019 and also the subsequently acquired and contributed companies. The revenue of the former Lumaland Group dropped slightly from EUR 21,4 m in the first half of 2019 to EUR 20.2 m in the first half of 2020. The Social Chain Group AG companies contributed in the second half of 2019 and the further acquired companies generated a total revenue of EUR 51.6 m in the first half of 2020.

The costs of materials rose compared to the prior year by EUR 32.7 m to EUR 41.8 m. In the former Lumaland Group, the costs of materials ratio rose from 42.5% in the first half of 2019 to 46.0% in the first half of 2020, largely due to changes in the product mix.

The personnel expenses altogether increased by EUR 11.1 m to EUR 13.5 m, whereby the personnel expenses of the former Lumaland Group rose from EUR 2.4 m in the prior year to EUR 2.6 m in the year under report.

The other operating expenses of EUR 21.3 m (prior year: EUR 10,2 m) mainly include advertising and selling expenses, rent and consulting costs. The increase compared to the prior year is due to the changes in scope of consolidation. The other operating expenses include one-off expenses of EUR 1.8 m. The other operating income contains gains from selling Solidmind Nutrition GmbH of EUR 10.1 m.

Concerning the non-cash expenses for write-down of goodwill of altogether EUR 6.0 m, we refer to the explanations given under "Assets and liabilities".

2.2.4 Overall statement on business performance and the Group's position

Altogether, the Group's business in the first half of 2020 developed in line with expectations, largely due to the fact that 2019 saw the merger of two complex groups of companies and the main focus was on integrating the two groups. In addition, from March the first half of 2020 was influenced by the outbreak of the corona epidemic, with the experience and social media business being particularly impacted, which on the other hand was more than offset

by positive developments in e-commerce business. Altogether, the business model has proven to be very robust in difficult corona times.

4 Opportunities and risk change report

Since the consolidated financial statements were drawn up, there have been no material changes in the opportunities and risks for the Group's expected development presented at length in those statements.

4.1 Opportunities change report

The opportunities presented in the 2019 consolidated financial statements continue to apply unchanged for financial year 2020. For the detailed explanations of the opportunities we refer to the group management report as of 31 December 2019.

4.2 Risk change report

In the first half of 2020, no risks were identified which could jeopardise the Social Chain Group as a going concern. The risks identified as of 31 December 2019 continue to apply for financial year 2020.

5 Outlook change report

The development of the TSC Group is also dependent in almost all of its activities on the overall economic development and the resulting purchasing power. Due to the still unpredictable effects of the corona pandemic, it is much harder to forecast the future development compared to a normal situation without a global pandemic. Nevertheless, there are a number of indicators which permit a cautious forecast.

Our forecasts published in the 2019 consolidated financial statements took the effects of the corona crisis into consideration. However, there are individual business segments in which extremely low visibility continues to prevail. The forecast concerning the relevant financial performance indicators is therefore subject to uncertainties because a precise evaluation of the duration and effects from the spreading of the coronavirus is currently not possible. On the one hand, the impact on daily life is having a very negative effect on business development in the area of social events and trade fairs in financial year 2020. On the other hand, we see a positive development in the area of e-commerce, social commerce.

On the basis of the past business development and the successful integration of acquired companies and brands, the Social Chain Group continues to assume that, given an improved gross margin in e-commerce, it will be able to increase its revenue in financial year 2020 compared to 2019 by well over 150%. We have presented the expected development of our other key figures for financial year 2020 in the 2019 outlook report. This also remains unchanged compared to the statements in the management report.

Berlin, 16 November 2020

Wanja S. Oberhof

Chief Executive Officer of The Social Chain AG

The Social Chain Aktiengesellschaft, Berlin

Consolidated balance sheet as of 30 June 2020

| ASSETS | 30.06.2020 EUR | 31.12.2019 EUR | EQUITY AND LIABILITIES | 30.06.2020 EUR | 31.12.2019 EUR |
|--|-------------------|-------------------|---|-------------------|-------------------|
| A. FIXED ASSETS | | | A. CONSOLIDATED EQUITY | | |
| I. Intangible fixed assets | 114.948.847,12 | 118.128.161,09 | I. Subscribed capital | 10.189.718,00 | 9.944.118,00 |
| II. Property, plant and equipment | 1.545.438,56 | 1.635.406,11 | II. Capital reserves | 119.148.738,52 | 113.972.338,52 |
| III. Long-term financial assets | 4.969.174,22 | 4.722.392,15 | III. Adjustment item for foreign currency translation | 105.533,82 | -72.713,48 |
| | <hr/> | <hr/> | IV. Consolidated net accumulated losses | -29.866.893,76 | -27.797.908,85 |
| | 121.463.459,90 | 124.485.959,35 | Consolidated equity of the parent | <hr/> | <hr/> |
| B. CURRENT ASSETS | | | | 99.577.096,58 | 96.045.834,19 |
| I. Inventories | 12.552.786,96 | 9.470.034,49 | V. Non-controlling interest | 874.968,94 | 1.448.012,70 |
| II. Receivables and other current assets | 40.581.820,44 | 11.177.638,74 | | <hr/> | <hr/> |
| III. Other securities | 13.076,07 | 14.023,27 | | 100.452.065,52 | 97.493.846,89 |
| IV. Cash-in-hand and bank balances | 10.854.297,85 | 6.336.207,69 | B. CONTRIBUTIONS RENDERED TO CARRY OUT RESOLVED CAPITAL INCREASE | 2.093.046,00 | 0,00 |
| | <hr/> | <hr/> | C. PROVISIONS | 6.202.616,84 | 5.733.061,53 |
| | 64.001.981,32 | 26.997.904,19 | D. LIABILITIES | 72.782.315,94 | 45.605.981,81 |
| C. PREPAID EXPENSES | 1.031.609,65 | 985.033,78 | E. DEFERRED INCOME | 1.916.691,15 | 253.487,37 |
| | <hr/> | <hr/> | F. DEFERRED TAX LIABILITIES | 3.050.315,42 | 3.382.519,72 |
| | 186.497.050,87 | 152.468.897,32 | | <hr/> | <hr/> |
| | <hr/> | <hr/> | | 186.497.050,87 | 152.468.897,32 |

The Social Chain Aktiengesellschaft, Berlin

Income statement for 1 January to 30 June 2020

| | 1 Jan - 30 June 2020 EUR | 1 Jan - 30 June 2019 EUR |
|--|-----------------------------|-----------------------------|
| 1. Revenue | 71.751.335,27 | 21.389.245,25 |
| 2. Increases/decreases in finished goods and work in progress | 557.558,40 | -1.625,32 |
| 3. Other operating income | 10.877.541,14 | 180.321,23 |
| | 83.186.434,81 | 21.567.941,16 |
| 4. Cost of materials | -42.384.431,91 | -9.134.103,11 |
| 5. Personnel expenses | -13.461.505,17 | -2.341.409,90 |
| 6. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment | -7.083.517,98 | -997.978,64 |
| 7. Other operating expenses | -21.287.581,03 | -10.174.403,44 |
| 8. Results from associates | -176.040,93 | 0,00 |
| 9. Other interest and similar income | 987,35 | 6.031,91 |
| 10. Interest and similar expenses | -723.362,56 | -286.044,42 |
| 12. Result from ordinary activities | -1.929.017,42 | -1.359.966,44 |
| 13. Income taxes | 193.464,97 | -31.293,87 |
| 14. Earnings after taxes | -1.735.552,45 | -1.391.260,31 |
| 15. Other taxes | -15.356,54 | -278,25 |
| 16. Consolidated loss for the period | -1.750.908,99 | -1.391.538,56 |
| 17. Non-controlling interest | -318.075,92 | 659,46 |
| 18. Consolidated accumulated losses brought forward | -27.797.908,85 | -7.136.958,62 |
| 19. Consolidated net accumulated losses | -29.866.893,76 | -8.527.837,72 |

**The Social Chain AG,
Berlin**

Abridged notes to the interim consolidated financial statements as of 30 June 2020

1 Basic information about the interim consolidated financial statements

The Social Chain AG shares are traded in the unlisted securities segment of Düsseldorf Stock Exchange under DE000A1YC996.

The subject matter of these abridged interim consolidated financial statements is The Social Chain AG and its subsidiaries (hereinafter the "Group" or "The Social Chain Group"). 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 the creation, the development and the scaling of social media brands. The Social Chain AG's strategy focuses on brands, social experiences and product ranges that are identified, developed and marketed via social media primarily directly to end consumers (direct-to-consumer brands).

The abridged interim consolidated financial statements and the supplementary interim group management report as of 30 June 2020 were not subjected to an audit review or an audit pursuant to Section 317 Commercial Code. The abridged interim consolidated financial statements were drawn up on the basis of a going concern assumption.

Information on the identification of the Company as per the register court

| | |
|--|----------------------------|
| Company name as per commercial register: | The Social Chain AG |
| Registered offices as per commercial register: | Berlin |
| Register filing: | 28 April 2004 |
| Register court: | Charlottenburg Local Court |
| Register no.: | HRB 128790 |

General principles

The Company prepared its interim consolidated financial statements on the basis of the legal requirements pursuant to Sections 290 ff. Commercial Code and in euros. In addition, the provisions of the Corporation Act were heeded. Pursuant to Section 115 Securities Trading Act, they include interim financial statements and an interim management report.

The present interim consolidated financial statements in essence applied the same accounting and valuation methods as for drawing up the consolidated financial statements for financial year 2019.

2. Consolidation principles

2.1. Changes in the scope of consolidation

The consolidated financial statements include all material domestic and foreign companies that are directly or indirectly controlled by The Social Chain AG.

Compared with 31 December 2019, the scope of consolidation was extended to include a newly consolidated company, datalytix.io GmbH, Munich, Germany. The direct capital stake in Datalytix.io GmbH is 51%. On the other hand, one company, Solidmind Nutrition GmbH, was deconsolidated and sold, so that as of 30 June 2020 The Social Chain Group had altogether 34 included companies.

On 23 December 2019, The Social Chain AG concluded a share sale and contribution agreement with the shareholder of drtv.agency GmbH and of datalytix.io GmbH, under which all the shares in drtv.agency GmbH and in datalytix.io GmbH were to be transferred to The Social Chain AG against pro-rata cash payment and pro-rata granting of treasury shares as part of a non-cash capital increase (contribution). Concerning the purchase of the shares in datalytix.io GmbH, the resolved EUR 36,084 capital increase was carried out in January 2020.

Under a share purchase, contribution, assignment and option agreement dated 23 December, The Social Chain Group agreed to increase its shares in KoRo Handels GmbH from 34.82% to altogether 51.72%. Thereafter, with effect from 31 December 2019 The Social Chain AG acquired 5.45% of the shares in KoRo Handels GmbH as part of a cash purchase. The Social Chain AG acquired a further 5.46% of the shares through the KoRo Handels GmbH capital increase carried out by The Social Chain AG with exclusion of the other shareholders with effect from 1 January 2020 after satisfaction of the condition precedent of payment for the capital increase being credited to the KoRo Handels GmbH business accounts. This increased the stake in KoRo Handels GmbH held by The Social Chain AG to 10.91%, whilst the stake held by The Social Chain Group GmbH fell from 34.82% to 32.81%. Altogether, as of 30 June 2020, The Social Chain AG thus indirectly holds 43.72% of the shares in KoRo Handels GmbH. The remaining further 8.49% stake increase to achieve the 51.72% majority stake in KoRo Handels GmbH was carried out after 30 June 2020 as part of a contribution against the issuance of treasury shares, following satisfaction of the condition precedent that the capital increase be filed in the commercial register in 2020. Due to a differing shareholder voting agreement, by dint of which The Social Chain Group AG was entitled to 100% of the voting rights in KoRo Handels GmbH, with effect since December 2019 TSCG AG has been entitled to exercise the right to control shareholder resolutions and thus under Sections 290 ff. Commercial Code KoRo Handels GmbH has been included in The Social Chain AG consolidated financial statements 2019 and the present interim financial statements as of 30 June 2020.

As of 31 December 2019, TSC AG indirectly held 30.01% of the shares in Solidmind Nutrition GmbH via TSC Group AG. Due to an existing shareholder voting agreement between the former shareholder and The Social Chain AG which gave The Social Chain AG the complete right to control shareholder resolutions in the former sole shareholder, under Sections 290 ff. Commercial Code Solidmind Nutrition GmbH was included in The Social Chain AG consolidated financial statements as of 31 December 2019. Pursuant to the contribution and transfer agreement notarised on 19 December 2019, as of 11 March 2020 TSC AG acquired a further 21.98% of the shares in Solidmind Nutrition GmbH and thus held indirectly altogether 51.99% of the shares. Under a contribution and sale 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 Nutrition GmbH of altogether 51.99% to SynBiotic SE, a co-shareholder in Solidmind Nutrition GmbH, with effect from 1 January 2020 and in return for the granting of treasury shares, altogether 520,000 shares. Economic ownership was transferred on 30 June 2020, so that Solidmin Nutrition GmbH was deconsolidated and sold as of the balance-sheet date.

The following affiliated subsidiaries were fully consolidated in the interim consolidated financial statements as of 30 June 2020:

| Name of the company | Registered offices: | Capital share 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 |
| Datalytics GmbH *) | Munich, Germany | 51.00 | - | 51.00 |
| DEF Media GmbH | Berlin, Germany | - | 100.00 | 100.00 |
| drtv. agency GmbH | Stuttgart, Germany | 51.00 | - | 51.00 |
| Hold your sports GmbH | Berlin, Germany | 100.00 | - | 100.00 |
| KoRo Handels GmbH | Berlin, Germany | 10.91 | 32.81 | 43.72 |
| LINKS Logistics GmbH | Berlin, Germany | 100.00 | - | 100.00 |
| Lions Chain GmbH | Berlin, Germany | - | 100.00 | 100.00 |
| Lumaland Inc. | East Lansing, 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 |
| sweet dreams GmbH | Berlin, Germany | 100.00 | - | 100.00 |
| The Social Chain Group AG | Berlin, Germany | 100.00 | - | 100.00 |
| Urbanara GmbH | Berlin, Germany | 100.00 | - | 100.00 |
| World Fitness GmbH | Berlin, Germany | - | 100.00 | 100.00 |

*) Extension of the scope of consolidation in the interim consolidated financial statements as of 30 June 2020

2.2. Currency translation

The following exchange rates were applied for translating the respective balance sheets and income statements of those subsidiaries with registered offices in the U.K. and in the USA:

| | <u>GBP in EUR</u> | <u>USD in EUR</u> |
|--|-------------------|-------------------|
| Reference date rate contribution date – 30 September 2019 (historical rate equity capital) | 0.88573 | 1.0889 |
| Reference date rate – 30 June 2020 | 0.91243 | 1.1198 |
| Average rate – H1 2020 | 0.87432 | 1.1015 |

3. Notes to the abridged interim consolidated financial statements

Notes to the balance sheet

Intangible assets

The reported goodwill of The Social Chain AG Group rose through increases in the stakes in Urbanara GmbH, drtv.agency GmbH, KoRo Handels GmbH and Solidmind Nutrition GmbH and the acquisition and initial consolidation of datalytix.io GmbH by altogether EUR 7.3 m to EUR 112.9 m. On the other hand, the goodwill reported in the first half of 2020 fell by EUR 1.1 m due to the adjustment (reduction) of the acquisition price for the Do your Sports GmbH on the back of a settlement reached on the agreed earn-out clause, and by EUR 6.0 m due to scheduled depreciation and by EUR 2.6 m due to the deconsolidation and disposal of Solidmind Nutrition GmbH to altogether EUR 103.2 m.

Equity capital

The share capital is divided into no-par shares. The shares are registered.

Subscribed capital and capital reserves:

| In shares | Ordinary shares | |
|---|-------------------|------------------|
| | 30 June 2020 | 2019 |
| Issued as of 1 January | 9,944,118 | 2,833,333 |
| Issued for cash | - | 1,045,626 |
| Exercise of share options | | |
| Issued as part of a merger | 245,600 | 6,065,159 |
| Issued as of 30 June – fully paid (Comparison: 31 December 2019) | 10,189,718 | 9,944,118 |
| Authorised – nominal value EUR 1.00 | | |

By resolution of the annual general meeting on 28 August 2018, the executive board was authorised, with the supervisory board's approval, to increase the share capital on one or more occasions until 27 August 2023 by up to altogether EUR 1,416,666.00 against contributions in cash or 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 EUR 1,216,666.00 by issuance of up to 1,216,666 registered no-par shares (Conditional Capital 2018/I).

By resolution of the annual general meeting on 19 August 2019, the executive board was authorised, with the supervisory board's approval, to increase the share capital on one or more occasions until 18 August 2024 by up to altogether EUR 4,520,054.00 against contributions in cash or kind (Authorised Capital 2019/I). The Approved Capital 2019/I replaced the Approved Capital 2018/I.

By resolution of the annual general meeting on 19 August 2019, the executive board was authorised, with the supervisory board's approval, to issue on one or more occasions until 18 August 2024 bearer or registered convertible or warrant bonds to a total amount of EUR 75,000,000.00 with or without maturity date and to grant the holders conversion or option rights to subscribe for altogether up to 1,274,474 registered no-par shares with a pro-rata amount of the share capital of altogether up to EUR 1,274,474.00 (Conditional Capital 2019/I). The Conditional Capital 2019/I replaces the Conditional Capital 2018/I.

By resolution of the annual general meeting on 19 August 2019, the executive board was authorised, with the supervisory board's approval, to issue up to 242,000 subscription rights until 18 August 2024, which entitle holders to subscribe for altogether up to 242,000 registered no-par shares with a calculated stake in the share capital of EUR 1.00 each (Conditional Capital 2019/II). The Conditional Capital 2019/II replaces the Conditional Capital 2017/I.

By resolution of the annual general meeting on 11 May 2020, the executive board is authorised, with the supervisory board's approval, to increase the share capital on one or more occasions until 10 May 2025 against contributions in cash and/or kind by altogether up to EUR 5,094,859.00 (Authorised Capital 2020/I). The Approved Capital 2020/I replaces the Approved Capital 2019/I.

By resolution of the annual general meeting on 11 May 2020, the share capital was conditionally increased by up to EUR 4,075,887.00 by issuance of up to 4,075,887 registered no-par shares. (Conditional Capital 2020/I).

By resolution of the annual general meeting on 11 May 2020, the share capital was conditionally increased by up to EUR 700,971.00 by issuance of up to 700,971 registered no-par shares. (Conditional Capital 2020/II)

During the financial year, EUR 5,176,400.00 were transferred to the capital reserves.

In February 2020, the share capital was increased by EUR 170 k and the capital reserves by EUR 3.74 m by contribution of the shares in Urbanara GmbH against the issuance of new shares.

In March 2020, the share capital was increased by EUR 76 k and the capital reserves by EUR 1.44 m by contribution of additional shares in Solidmind Nutrition GmbH against the issuance of new shares.

Liabilities

In the current financial year, new bank loans of EUR 3,250 k, loans from shareholders of EUR 8,770 k and loans from other third parties of EUR 7,500 k were raised. Borrowings of EUR 2,310 k were taken out. On the other hand, EUR 5,172 k in bank loans were repaid.

The residual terms of liabilities developed as follows:

| in EUR k | | Residual term up to 1 year | Residual term 1 to 5 years | Residual term more than 5 years | Total |
|---|------------------|-------------------------------|-------------------------------|---------------------------------------|--------|
| Liabilities to banks | 30 June 2020 | 5,346 | 4,893 | 277 | 10,516 |
| | 31 December 2019 | 8,546 | 1,792 | 0 | 10,338 |
| Advance payments received for orders | 30 June 2020 | 3,053 | 0 | 0 | 3,053 |
| | 31 December 2019 | 3,816 | 0 | 0 | 3,816 |
| Trade accounts payable | 30 June 2020 | 25,601 | 292 | 0 | 25,893 |
| | 31 December 2019 | 12,821 | 111 | 0 | 12,932 |
| Liabilities to affiliated companies | 30 June 2020 | 447 | 0 | 0 | 447 |
| | 31 December 2019 | 4,267 | 0 | 0 | 4,267 |
| Other liabilities | 30 June 2020 | 32,846 | 0 | 0 | 32,846 |
| | 31 December 2019 | 14,253 | 0 | 0 | 14,253 |
| <i>of which taxes</i> | 30 June 2020 | 1,546 | 0 | 0 | 1,546 |
| | 31 December 2019 | 2,485 | 0 | 0 | 2,485 |
| <i>thereof related to social security</i> | 30 June 2020 | 281 | 0 | 0 | 281 |
| | 31 December 2019 | 138 | 0 | 0 | 138 |

Notes to the income statement

Revenue

The revenue realised in the first half of 2020 is comprised of the revenue of the former Lumaland Group, the revenue of The Social Chain Group AG contributed as of 1 October 2019 and also the subsequently acquired companies. The revenue of the Group breaks down into the following business segments:

| Segment (EUR k) | H1 2020 | H1 2019 |
|-----------------|-------------|-------------|
| e-Commerce | 54.8 | 17.8 |
| experience | 9.2 | 0.0 |
| social media | 7.0 | 0.0 |
| other | 0.8 | 3.6 |
| Total | 71.8 | 21.4 |

Other disclosures

Other financial obligations

Besides the obligations evident from the balance sheet, there were the following other financial obligations on the reporting date:

| EUR k | | Residual term up to 1 year | Residual term 1 to 5 years | Residual term more than 5 years |
|-----------------------------------|---------------------|-------------------------------|-------------------------------|---------------------------------------|
| Rental and rental ancillary costs | 30 June 2020 | 2,559 | 3,386 | - |
| | 31 December 2019 | 2,265 | 4,297 | - |
| Vehicle leasing | 30 June 2020 | 21 | 13 | - |
| | 31 December 2019 | 35 | 31 | - |
| Grand total | 30 June 2020 | 2,580 | 3,399 | - |
| | 31 December 2019 | 2,300 | 4,328 | - |

Composition of the executive board and the supervisory board

In financial year 2020, the following persons were appointed to the executive board:

Wanja S. Oberhof chair of the executive board (CEO), merchant, since 1 May 2018

The executive board is authorised to represent the Company alone and is exempt from the restrictions of Section 181 Civil Code. Mr Oberhof was granted right of sole representation. The exemption rule of Section 314 (3) Commercial Code in conjunction with Section 286 (4) Commercial Code concerning the disclosure of executive board remuneration was exercised.

In financial year 2020, the following persons were appointed to the supervisory board:

| | |
|-------------------------|--|
| Dr. Georg Kofler | Chair, merchant, since 1 May 2019 Deputy chair, 12 February 2018 up to 30 April 2019 |
| Henrike Lusick | Executive board member at Bridgemaker, since 11 May 2020 |
| Henning Giesecke | Chair, merchant, since 12 February 2018, up to 30 April 2019 Deputy chair, since 19 August 2019 |
| Ingo Schiller | Ordinary member appointed by court order, merchant, since 22 June 2016 (until 11 May 2020) |

Besides reimbursement of their out-of-pocket expenses – including any value-added tax they incur for their supervisory board – the members of the supervisory board receive a fixed remuneration set at EUR 50,000.00 for each individual member. The remuneration is due for payment to the members of the supervisory board in four equal instalments at the end of every calendar quarter. Members leaving the supervisory board during the course of a financial year receive the remuneration pro rata temporis. The supervisory board remuneration as set out above shall be applied for the first time for the financial year beginning on 1 January 2019.

Employees

In the first half of 2020, The Group employed on average 561 employees. Thereof, in the first half of 2020 the Group employed on average 359 employees in Germany and 202 employees abroad, 172 of which in the U.K. and 30 employees in the USA.

Events after the balance sheet date

Under a share purchase and assignment agreement dated 28 August 2020, with effect from 1 January 2020 The Social Chain AG acquired an additional 18.29% of the shares in Media-Part GmbH and thus raised its indirect and direct stake in Media-Part GmbH from 67.68% to altogether 85.97%. The remaining 14.03% of the shares were sold under the same sale agreement by the seller to HoHa Holding GmbH, a The Social Chain AG shareholder. By dint of this acquisition of the remaining shares, The Social Chain AG exercises complete control over Media-Part GmbH, which was not the case in the past due to the differing voting arrangement, now void with this sale agreement. Thus, with the date of acquisition of control, there will be a change in consolidation from the at-equity method to full consolidation.

On 25 June 2020, The Social Chain AG concluded a call-option and voting agreement with FFLV, Inc., Delaware, USA, under which The Social Chain AG acquires the right to purchase 49% of the shares in FFLV, Inc., subject to condition precedent of payment of the option price in cash. The option price is USD 3,000,000.00 and was paid in July 2020. FFLV, Inc. is the sole shareholder of FFLV SPV2 Inc., Delaware, USA, a special purpose vehicle for the acquisition of shares in A4D Holdings, Inc.. The exercising of the option is conditionally dependent on the conclusion of a sale and share transfer agreement between FFLV SPV2, Inc., and Jason Akatiff, the sole shareholder of A4D Holdings, Inc., on the acquisition and transfer of shares in A4D Holdings, Inc.

The outbreak and spreading of coronavirus in Germany in late February 2020 had a disastrous effect on the German and international economy. In financial year 2020, the Group has been impacted by the effects of the corona crisis to differing degrees. Achieving the goals we have set, especially for financial years 2020 and 2021, will depend greatly on political decisions and their effectiveness and also the resulting overall economic developments.

Concerning the effects on The Social Chain Group we refer to our remarks in the outlook report in section 5 of the management report.

Berlin, 16 November 2020

Wanja S. Oberhof

The Social Chain Aktiengesellschaft, Berlin

Consolidated statement of cash flows for the first half of 2020

| | 1 Jan - 30 June 2020 EUR | 2019 EUR |
|--|-----------------------------|-----------------------|
| Consolidated loss for the period including profit/loss of non-controlling shareholders | -1.750.908,99 | -20.964.361,27 |
| Cash flow from operating activities | -10.274.081,87 | -13.337.553,20 |
| Cash flow from investing activities | -641.440,90 | 560.692,18 |
| Cash flow from financing activities | 15.724.646,19 | 16.255.344,69 |
| Cash change in cash funds | 4.809.123,42 | 3.478.483,67 |
| Exchange-rate and valuation related changes in cash funds in equity | 177.791,99 | -17.433,97 |
| Scope of consolidation related changes in cash funds | -468.825,25 | 2.335.493,69 |
| Cash funds at the beginning of the period | 6.336.207,69 | 539.664,30 |
| Cash funds at the end of the period | 10.854.297,85 | 6.336.207,69 |

The Social Chain Aktiengesellschaft, Berlin

Consolidated statement of changes in equity for the first half of 2020

| | Consolidated equity of the parent | | | | | Non-controlling interest | Consolidated equity |
|---|-----------------------------------|------------------|------------------|------------------------------|----------------|--------------------------|---------------------|
| | Subscribed capital | Capital reserves | Foreign currency | Consolidated net accumulated | Total | | |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| As of 1 Jan. 2019 | 2.833.333,00 | 9.169.369,52 | 0,00 | -7.136.958,62 | 4.865.743,90 | -96.518,64 | 4.769.225,26 |
| Capital increase through issuance of shares | 7.110.785,00 | 104.802.969,00 | 0,00 | 0,00 | 111.913.754,00 | 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 | 1.849.363,46 |
| Currency translation | 0,00 | 0,00 | -72.713,48 | 0,00 | -72.713,48 | -1.421,08 | -74.134,56 |
| Consolidated loss for the period 2019 | 0,00 | 0,00 | 0,00 | -20.660.950,23 | -20.660.950,23 | -303.411,04 | -20.964.361,27 |
| As of 31 Dec. 2019 | 9.944.118,00 | 113.972.338,52 | -72.713,48 | -27.797.908,85 | 96.045.834,19 | 1.448.012,70 | 97.493.846,89 |
| As of 1 Jan. 2020 | 9.944.118,00 | 113.972.338,52 | -72.713,48 | -27.797.908,85 | 96.045.834,19 | 1.448.012,70 | 97.493.846,89 |
| Capital increase through issues of shares | 245.600,00 | 5.176.400,00 | 0,00 | 0,00 | 5.422.000,00 | 0,00 | 5.422.000,00 |
| Changes in scope of consolidation | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | -890.664,37 | -890.664,37 |
| Currency translation | 0,00 | 0,00 | 178.247,30 | 0,00 | 178.247,30 | -455,31 | 177.791,99 |
| Consolidated half-year loss 2020 | 0,00 | 0,00 | 0,00 | -2.068.984,91 | -2.068.984,91 | 318.075,92 | -1.750.908,99 |
| As of 30 June 2020 | 10.189.718,00 | 119.148.738,52 | 105.533,82 | -29.866.893,76 | 99.577.096,58 | 874.968,94 | 100.452.065,52 |