The Social Chain AG
Berlin/Germany

Consolidated management report and
consolidated financial statements
as at 31 December 2019

TRANSLATION
– German version prevails –

The Social Chain AG, Berlin/Germany

Group management report

1 Basic information about the Group

1.1 Business model

The Social Chain AG with registered office in Berlin/Germany is the parent company of The Social Chain Group (hereafter referred to as "TSC Group" or "Group") and essentially acts as a holding company for the Group. As a group holding company, The Social Chain AG, Berlin/Germany, is in charge of both strategic development and providing services to affiliates.

The Social Chain Group is an integrated social media company that brings together social media and social commerce. It 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).

Our social media communities have a reach of more than 80 million followers. Our own brand portfolio is formed by more than 30 brands. Goods are sold via our own online stores and third-party e-commerce platforms with the focus being on the product categories Home & Living, Beauty & Wellbeing and Food. Social experiences such as the beauty trade fair Glow by dm and the World Fitness Day create a link between the online and offline worlds. Beside the development of own brands, we also apply our social media competence and reach for providing creative marketing services for leading international lifestyle brands as for example Adidas, Coca-Cola and McDonalds.

Core markets of Social Chain Group are Europe with a focus on Germany and the UK as well as America, where the focus is on the US. Asia is another strategic target market.

In addition to the creation and development of new, own brands, Social Chain Group deliberately relies on strategic acquisitions. Therefore, the Group's acquisition policy focuses on companies whose brands and services can be marketed with above-average success via social media. Moreover, companies broadening and enhancing our integrated social media expertise also constitute acquisition targets.

1.2 Group structure and organisation

The financial year 2019 is marked by considerable organisational and structural measures. The Social Chain AG 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. In technical terms, 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 19 August 2019 with 99.8% of the shareholders present. The renaming to The Social Chain AG was also approved. The Company is entered with the Charlottenburg local court [*Amtsgericht*] under number HRB 128790 B as a stock corporation under German law [*Aktiengesellschaft*].

The contributed company The Social Chain Group AG was newly founded in the year 2018. In 2018 and 2019, The Social Chain Group AG acquired various equity investments, which mainly form the basis for today's activities in the area of social media.

After its establishment, Lumaland AG acquired numerous different equity investments and essentially operated in selling products directly to end consumers via Amazon.

Due to the contribution of The Social Chain Group AG, the consolidated statement of profit and loss of the 2019 consolidated financial statements include the new The Social Chain AG (formerly: Lumaland AG) at twelve months and The Social Chain Group AG and its investment companies at three months.

On top of the contribution, the company renamed The Social Chain AG acquired further companies in pursuing its strategic acquisition policy. In December 2019, this mainly concerned KoRo Handels GmbH and Urbanara GmbH, both located in Berlin/Germany. KoRo Handels GmbH focuses on online super food and is exclusively marketed via social media. Urbanara GmbH sells home accessories made of natural materials.

As at 31 December 2019, a total of 34 companies are consolidated in The Social Chain Group AG (hereafter referred to as "Social Chain Group"). An overview of the consolidated investment companies is presented in the notes to the consolidated financial statements.

The Group is controlled via its parent company The Social Chain AG, which is structured as a traditional holding company bundling all central management functions. The executive board of The Social Chain AG is comprised of Mr Wanja S. Oberhof who had already been the executive board officer of Lumaland AG.

The registered office of the Company is in Berlin, with additional offices in Manchester, London, New York and Munich. As at 31 December 2019, the Company employed 536 full-time equivalent employees.

1.3 Strategy and management system

The Social Chain AG pursues a growth strategy with special focus on international business. After setting up its subsidiaries in Great Britain and the US, The Social Chain AG invests in the North and Central European markets and increasingly in North America. For the next years, The Social Chain AG strives to further grow its market share and to intensify its business in its regional target markets.

The key parameters for the achievement of the strategic goals include, in addition to revenue and gross margin, operating cash flow and freely available cash flow.

2 ECONOMIC REVIEW

2.1 Macroeconomic and industry-specific business environment

The German economy lost momentum in 2019, although the price-adjusted gross domestic product (GDP) grew by 0.6% for the tenth year in succession in 2019 being the longest growth period in reunified Germany. Following an increase of 1.5% in 2018 and 2.5% in 2017, growth continues to lose momentum. The manufacturing sector in particular, which accounts for a good quarter of the total economy, recorded a sharp decline of 3.6%, caused in particular by weak production in the automobile industry.

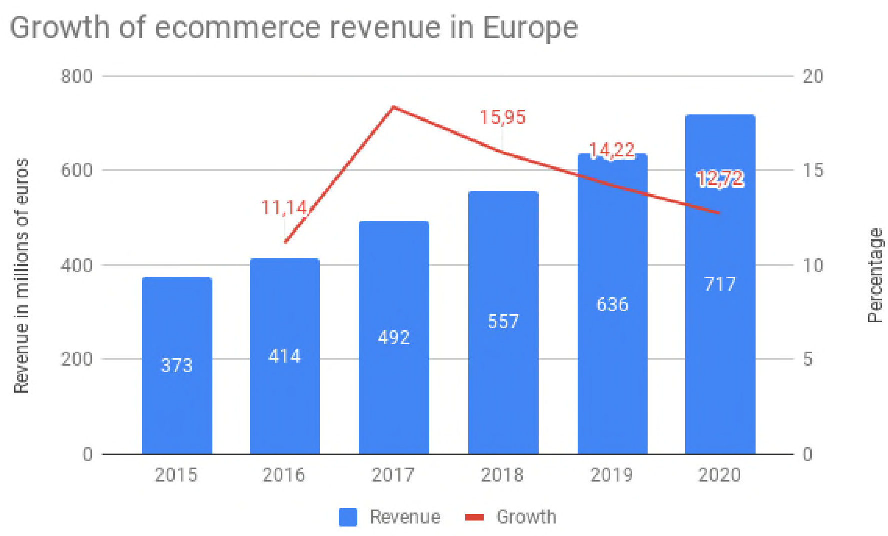
In the reporting period, the German economy primarily benefited from strong domestic demand. Private consumer spending rose by 1.6% in real terms and government spending increased by 2.5%. The number of people in employment according to the concept for German nationals (defined as people in employment living in Germany) was 45.3 million in 2019 – around 400,000 people or 0.9% more than in the prior year – and thus reached a new high. [1]

In 2019, Social Chain Group still was at an early stage of their internationalisation. Its main sales market was Europe with a clear focus on Germany and the United Kingdom. Within the EU, macroeconomic development cooled down further in 2019. Gross domestic product in the EU-27 area grew by only 1.5% after 2.15% in 2018 and 2.6% in 2017.[2]

Source: German Federal Statistical Office

Source: Eurostat

The industry-related parameters developed much more dynamically than the macroeconomic indicators. E-commerce sales with end customers (B2C) in Europe grew to bEUR 636 in 2019, which is an increase of 14% compared to the situation last year (bEUR 557).[3]



The internet penetration rates and social media usage also developed positively. With 84.0% (+1.6 %) of the total population using the internet, Europe remains by far the most internet-savvy region in the world. The percentage of active social media users in 2019 climbed by 4.4% to 55.0%, which is the equivalent of 470.5 million people. Globally speaking, this value increased by 9.2% to 3.8 billion, accounting for a penetration rate of 49.0%. Thus, social media continues to be the most dynamic media segment of the digital era.

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

Great international differences are still to be observed in the area of social media advertisement. In Germany, expenses rose to bEUR 1.41 in 2019 (2018: bEUR 1.17) whereas they amounted to bEUR 79.6 at the global level (2018: bEUR 67.5).

(Source: Statista; Statista Digital Market Outlook)

Source: Ecommerce News Europe, July 2020

2.2 Business review

2019 was a special year for the newly formed Social Chain Group and its holding company The Social Chain AG due to the corporate and organisational contribution of The Social Chain Group AG as of 30 September 2019. The 2019 financial year is therefore the first reporting period in which the Group exists in its current form and the companies contributed are only included pro rata temporis. Consequently, the prior year can only be compared with the reporting year to a limited extent and original forecasts of the former Lumaland AG are outdated in this respect. Thus, at the end of the 2019 financial year, the Group's individual business segments are still in the process of being established.

In order to place selected developments in a comparable context, individual key figures for the 2019 financial year have been calculated separately for the original Lumaland Group and compared with the previous year. The effects on the consolidated balance sheet and statement of profit and loss resulting from the contribution of TSCG AG Group on 1 October and the other acquisitions in 2019 are considered/explained separately.

Overall, consolidated revenue increased by mEUR 4.6 (+10.0%) to mEUR 50.7. For 2019, the Group recognises a net loss for the period of mEUR -21.0 (prior year: mEUR -5.7) and an EBITDA of mEUR -11.2 (prior year: mEUR -3.3). This includes one-off effects from, inter alia, additional fees incurred through consultancy and expert as a result of extensive corporate acquisitions, contributions and capital increases as well as, in the following, related integration costs. The Group recorded a net cash outflow from operating activities of mEUR -13.3 (prior year: mEUR -2.6) and a freely available cash flow, defined as the total of cash flows from operating and investing activities, of mEUR -12.7 (prior year: mEUR -2.7).

2.2.1 Assets and liabilities

	31 Dec. 2019		Prior year		Variance	
	mEUR	%	mEUR	%	mEUR	%
Fixed assets						
Goodwill	105.6	69.2	15.4	60.4	90.2	>100.0
Intangible fixed assets	12.6	8.3	0.2	0.8	12.4	>100.0
Property, plant and equipment	1.6	1.1	2.1	8.2	-0.5	-23.8
Long-term financial assets	4.7	3.1	0.0	0.0	4.7	>100.0
	124.5	81.7	17.7	69.4	106.8	>100.0
Current assets						
Inventories	9.5	6.2	5.5	21.6	4.0	72.7
Receivables	11.2	7.3	1.6	6.3	9.6	>100.0
Cash and cash equivalents	6.3	4.1	0.5	1.9	5.8	>100.0
	27.0	17.6	7.6	29.8	19.4	>100.0
Prepaid expenses	1.0	0.7	0.2	0.8	0.8	>100.0
	152.5	100.0	25.5	100.0	127.0	>100.0

	31 Dec. 2019		Prior year		Variance	
	mEUR	%	mEUR	%	mEUR	%
Equity	97.5	63.9	4.8	18.8	92.7	>100.0
Deferred taxes	3.4	2.2	0.0	0.0	3.4	>100,0
Provisions	5.7	3.7	0.5	1.9	5.2	>100.0
Liabilities						
Banks	10.3	6.8	9.4	36.9	0.9	9.6
Other	35.3	23.2	10.5	41.2	24.8	>100.0
	45.6	30.0	19.9	78.1	25.7	>100.0
Deferred income	0.3	0.2	0.3	1.2	0.0	0.0
	152.5	100.0	25.5	100.0	127.0	>100.0

The development of the balance sheet is marked especially by the contribution of The Social Chain Group AG.

The balance sheet total of The Social Chain Group amounted to mEUR 152.5 as at 31 December 2019 (2018: mEUR 25.5). Non-current assets of mEUR 124.5 (2018: mEUR 17.7) mainly include goodwill of mEUR 105.7 (2018: mEUR 15.4) and intangible fixed assets of mEUR 12.5 (2018: mEUR 0.2).

The goodwill of former Lumaland Group stated in the balance sheet declined to mEUR 13.6 in 2019 due to systematic amortisation of mEUR 1.8. This is offset by a mEUR 0.1 growth of goodwill of the former Lumaland Group to a total of mEUR 13.7 following the proportionate increase made in the financial year 2019 in the shareholding in Belsonno GmbH, Berlin/Germany, from previously 87.97% to 100.0% as well as in the shareholding in LINKS Logistics GmbH, Berlin/Germany from previously 95.0% to 100.0%.

Group-wide goodwill also increased by mEUR 94.3 due to the contribution of The Social Chain Group AG group of consolidated companies as of 1 October 2019, the acquisitions 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. This is matched by amortisation of mEUR 2.3 of the newly acquired goodwill and write-downs of mEUR 0.7.

The following intangible fixed assets were recognised in the framework of the initial measurement of the contributed and newly acquired companies:

Intangible asset	Fair value mEUR	Useful life Years
Goodwill	94.3	10
Assets related to marketing	11.6	5–10
Assets related to technology	0.3	5
Assets related to customers	0.2	2-4

Non-current assets account for 81.5% (prior year: 69.4%) of total assets and are almost entirely financed on a long-term basis.

Current assets of mEUR 27.0 are composed of inventories, receivables, cash reserves, securities and other current assets.

Former Lumaland Group’s share in current assets amounts to mEUR 17.9 compared to mEUR 7.6 in the prior year.

In comparison with the prior year, trade receivables rose by mEUR 6.9 to mEUR 7.3, which is largely attributable to receivables from invoiced social media projects of the newly contributed The Social Chain Group AG group of consolidated companies.

As at 31 December 2019, the Group recognises equity of mEUR 97.5 compared to mEUR 4.8 in the prior year. The equity ratio amounted to 63.9% (prior year: 18.8%) as at the reporting date.

The following capital increases were carried out in the financial year 2019:

- In June, 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, the share capital and capital reserves were increased by kEUR 210 and mEUR 3.1, respectively, through contribution of the shares in Wonista GmbH against the issuance of new shares.
- In October, 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 Group AG group of consolidated companies against the issuance of new shares.
- In November, 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 consolidated debt primarily includes provisions, liabilities and deferred income. Liabilities comprise bank loans and overdrafts of mEUR 1.8 as well as liabilities of mEUR 0.1 due in more than one year. In comparison with the prior year, trade payables rose by mEUR 10.2 to mEUR 12.9, which is largely attributable to liabilities due to suppliers for extensive social media projects of the newly contributed The Social Chain Group AG group of consolidated companies. In contrast, trade payables of the former Lumaland Group only grew from mEUR 2.7 in the prior year to mEUR 4.8 in the reporting year.

2.2.2 Financial position

The Group's financial position is sound. Bank loans and overdrafts slightly increased by mEUR 0.9 to mEUR 10.3 in the financial year due to new borrowings taken out of mEUR 3.0 and existing borrowings of the contributed companies taken over of mEUR 1.4. This is offset by repayments of mEUR 3.5.

Consolidated cash flow

	2019 mEUR	Prior year mEUR
Cash flow from operating activities	-13.3	-2.6
Cash flow from investing activities	0.6	-0.1
Cash flow from financing activities	16.2	2.4
Variance	3.5	-0.3
Initial consolidation	2.3	0.0
Opening balance	0.5	0.8
Closing balance	6.3	0.5

The Group's net cash outflow from operating activities for 2019 amounted to mEUR -13.3 (prior year: mEUR -2.6), with an operating cash outflow from the former Lumaland Group of mEUR -17.6 and an operating cash inflow from the contributed companies of mEUR +4.3.

The net cash inflow from investing activities of mEUR 0.6 (prior year: net cash outflow of mEUR 0.1) mainly included payments made to acquire KoRo Handels GmbH, Berlin/Germany. Payments made were matched by proceeds from disposal of property, plant and equipment, essentially related to the sale of two properties by Ravensberger Matratzen GmbH, Bad Oeynhausen/Germany (cash inflow of mEUR 1.3).

The net cash inflow from financing activities amounted to mEUR 16.2 in the financial year (prior year: mEUR 2.4) and is largely attributable to cash capital increases of mEUR 17.7 (see statements on assets and liabilities). Interest paid within the former Lumaland Group of mEUR 0.7 was slightly higher than in the prior year (mEUR 0.5); additional interest of mEUR 0.1 was incurred within the group due to the newly included companies.

All in all, cash funds rose by mEUR 5.8 from mEUR 0.5 in the prior year to mEUR 6.3 as at 31 December 2019.

2.2.3 Financial performance

	TSC Group		Former Lumaland AG Group			
	2019		2019		Prior year	
	mEUR	%	mEUR	%	mEUR	%
Revenue	50.7	100.0	39.2	100.0	46.1	100.0
Cost of materials*	-25.7	-50.7	-21.1	-53.8	-22.3	-48.4
Gross profit	25.0	49.3	18.1	46.2	23.8	51.6
Personnel expenses	-12.2	-24.1	-5.8	-14.8	-6.3	-13.7
Other expenses	-25.3	-49.9	-20.8	-53.1	-21.1	-45.8
Other income	1.3	2.6	0.7	1.8	0.3	0.7
EBITDA	-11.2	-22.1	-7.8	-19.9	-3.3	-7.2
Amortisation, depreciation and write-downs	-5.5	-10.8	-2.0	-5.1	-2.0	-4.3
EBIT	-16.7	-32.9	-9.8	-25.0	-5.3	-11.5
Net finance income/ expense	-4.4	-8.7	-4.0	-10.2	-0.5	-1.1
EBT	-21.1	-41.6	-13.8	-35.2	-5.8	-12.6
Income taxes	0.1	0.2	-0.1	-0.3	0.1	0.2
Consolidated profit/ loss for the year	-21.0	-41.4	-13.9	-35.5	-5.7	-12.4

* incl. increase/decrease in inventories

In 2019, the consolidated revenue increased by mEUR 4.6 (+10.0%) to mEUR 50.7. Revenue is constituted of the revenue of the former Lumaland AG for the entire financial year plus the newly contributed The Social Chain Group AG as of 1 October 2019. The revenue of the former Lumaland Group diminished from mEUR 46.1 in the prior year to mEUR 39.2 in the reporting year, especially as a consequence of supply shortages at the end of the year.

The 2019 Christmas seasonal business of Lumaland AG was stressed by the non-recurring effect of the longer integration process during the contribution of The Social Chain Group AG and was therefore weaker than originally expected. The reason for this were insufficient stock levels as a result of a lack of third-party financing of goods due to the acquisition process lasting several months and entries in the commercial register not being completed.

The newly contributed The Social Chain Group AG group of consolidated companies generated total revenue of mEUR 11.5 in the consolidation period:

The consolidated revenue is allocated to the following business segments:

Segment (kEUR)	2019	2018
E-commerce	41,657	46,072
Social Media	7,458	0
Other	1,566	0
Total	**50,681**	**46,072**

Cost of materials was up mEUR 3.4 on the prior year, increasing to mEUR 25.7. Within the former Lumaland Group, the cost of materials ratio increased from 48.4% to 53.8% mainly as a result of the change in the product mix.

Personnel expenses in the former Lumaland Group declined from mEUR 6.3 in the prior year to mEUR 5.8 in the reporting year. Due to the contribution of Social Chain Group AG group of consolidated companies, personnel expenses in the newly formed group as a whole rose to mEUR 12.2 in the aggregate.

Other operating expenses amounted to mEUR 25.3 in the reporting year (prior year: mEUR 21.1). Major expenses relate to costs associated with the capital increases and corporate acquisitions and contributions of the financial year (mainly consultancy, expert opinions and transaction costs) of mEUR 1.8 overall as well as losses from the disposal of properties of mEUR 0.4 and other one-off expenses totalling mEUR 0.7.

Concerning non-cash expenses for amortisation and write-downs of goodwill amounting to mEUR 4.8, we refer to the explanations given under “Assets and liabilities”.

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

Overall, the Group’s business performed slightly below expectations, mainly due to the fact that 2019 saw the merger of two complex groups of companies and the main focus was on the integration of both groups. In addition, 2019 was characterised by a moderate Christmas seasonal business due to supply shortages, which also affected the Group’s financial performance. Consequently, the financial position as a whole is characterised by a net cash outflow from operating activities, which is offset by the Group’s advance financing to achieve future growth forecasts through capital contributions, thus a net cash inflow from financing activities.

3 Opportunities and risks

The identification and rapid exploitation of opportunities and the mitigation of risks are essential for our Company.

- We define opportunities and risks as events which, when they occur, lead to positive or negative deviations from our company objectives.
- In the current reporting period, we did not identify any risks that might endanger the existence of Social Chain Group as a going-concern.

As an international company, Social Chain Group is exposed to a great number of macroeconomic, financial, industry and company-specific risks and opportunities. This opportunities and risks report presents such risks and opportunities considered material for Social Chain Group.

The systematic identification and exploitation of opportunities constitutes a key element for ensuring sustained growth. Opportunities are considered in the context of potential risks and are only pursued if they outweigh the risks associated with them, if risk management is possible and any risk impact can be regarded as limited.

3.1 Opportunities

Based on the definition of an opportunity as a positive deviation from our company objectives and our ambitious targets, we have identified significant opportunities with the potential to significantly exceed our targets:

- Continued above-average market growth for social media advertising (industry opportunity)
- Participation in the further expansion of online trading/e-commerce (industry opportunity)
- Expansion into the Asian market (regional opportunity)
- Development of a data platform (Links) connecting all data points from social commerce and social media (technological opportunity)
- Systematic acquisition of companies to improve the business model (M&A opportunity)

In the following, the individual opportunities listed above will be explained in more detail.

Continued above-average market growth for social media advertising (industry opportunity)

In recent years, social media platforms have complemented existing media such as TV and print. Everyday media use has attained high levels especially among young target groups and in some cases has overtaken established media. The advertising industry and, particularly, brand owners with a large media budget have increasingly shifted budgets to online media. In the US, online media budgets are already reaching 30.0% of the entire market. Social media advertising budgets are growing disproportionately and, with a usual time delay, will adjust to the high usage percentage. Due to its brand awareness and successfully carried out campaigns for renowned brands such as Coca-Cola and Uber, Social Chain Group is extremely well positioned to participate in the growing budgets.

Participation in the further expansion of online trading (industry opportunity)

In all industries, online trading has been growing at double-digit rates for years and this trend is predicted to continue for the coming years. The other distribution channels such as stationary trade are recording more and more losses of customers and revenue. With its social commerce activities, Social Chain Group is a pure online dealer selling its own branded products in the consumer market (B2C provider). To market the products, in particular, so-called influencer marketing is used. Operating in the areas Home & Living, Food, Sport and Beauty, the Group serves high-growth sectors. Social Chain is therefore able to participate at an above-average level in the strong market growth of online trading as well as in the market trend due to its brand and product diversity. In addition, the social media platforms are increasingly turning into sales channels, such as Instagram Shopping, which open up enormous opportunities for the Social Chain Group based on its products and its social media expertise.

Expansion into the Asian market (regional opportunity)

Social Chain Group realises its unique business model combining social media and social commerce primarily in Germany, the UK, and the US, with the latter having been and still being a particular focus of investment activities. Beside the aforementioned markets, especially the Asian market will be associated with special opportunities for the Social Chain Group over the next years. Strategic partnerships are intended to ensure both the sourcing of products with stable supply chains and the tapping of new sales markets. These activities will focus on China and the South East Asian market. The combination of social media marketing, social media-oriented products and physical conventions such as Glow appears highly promising.

Development of a data platform (Links) connecting all data points from social commerce and social media (technological opportunity)

Social Chain Group emerged from two groups of companies. The focus of the former Lumaland Group was product sourcing and distribution. The former The Social Chain Group AG and its subsidiaries focused on social media with own media channels (publisher) and social media marketing (agency). Both former subgroups applied IT systems to operate their business. The unique business model combining social commerce and social media offers a special opportunity to connect all data from the respective activities in compliance with legal and data protection requirements. With suitable BI systems, trends can be recognised at an early stage, the development of products can be controlled in line with the target group and sales can be channel-optimised – accompanied by influencer marketing. In the years to come, Social Chain Group will make considerable capital investments in building up suitable IT systems and processes to seize this special opportunity.

Systematic acquisition of companies to improve the business model (M&A opportunity)

In addition to high organic growth, the Social Chain Group's business model also provides for a permanent acquisition and disposal of companies. The Group has already acquired a large number of companies, had them integrated and created value by providing expertise and capital. The combination of newly acquired companies with other existing intangible fixed assets, such as proper social media channels or D2C brands, opens up great opportunities. The acquisitions aim at implementing the business model combining social media and social commerce in the regions Germany, UK and US. Social Chain Group has been and continues to be an attractive buyer of companies and is appreciated as an M&A partner due to its competence and special assets. This offers considerable opportunities for above-average growth of revenue and earnings.

3.2 Risks and risk management

Structure and responsibilities of risk management

The early identification, analysis and management of potential risks is an elementary component of the corporate strategy of TSC AG, resulting from the recognition that the consistent application of the principles of a functioning risk management system also makes it possible to identify and exploit opportunities. In order to identify risks and opportunities at an early stage and to address them consistently, we rely on a risk management system that also comprises the risk early recognition system pursuant to Sec. 9 (2) German Stock Corporation Act (AktG). This risk management system governs the identification, recording, assessment, documentation and reporting of risks. Thus, the overall risk position is constantly kept at a sustainable level. At present, we are not aware of any risks that may significantly threaten the Company's success.

The Social Chain AG has implemented a risk management system which is subject to ongoing development. The Company's executive board bears the main responsibility for the Group's risk management.

In detail, the individual components of the Company's risk management process comprise:

- Identifying risks, describing their nature, causes and impact
- Analysing identified risks regarding their probability of occurrence and possible consequences
- Assessing risks by comparing them with pre-defined criteria for risk acceptance (e.g. standards and norms)
- Managing/controlling risks through measures that reduce hazards and/or the probability of occurrence or make the consequences controllable
- Monitoring risks with the aid of parameters providing information about current risks (risk indicators)
- Recording risks to document all processes that take place in the context of risk analysis and assessment

The risk management system is structured as follows: There is a risk manager who regularly informs the executive board about risks and their assessment. In addition, the risk manager makes ad hoc reports if a current situation requires it. Principally, the risk manager is in charge of

- identifying, measuring and documenting risks;
- defining the responsibilities of risk management and clearly allocating them to individual departments or persons;
- defining and implementing risk management processes; in some cases, these are newly established or existing processes require adjustment;
- raising necessary funds and resources;
- educating and training employees;
- taking measures pertaining to the risk strategy and risk improvement;
- making decisions on the risk strategy: What risks are be avoided, taken, mitigated, transferred to others and in what form?

Furthermore, it is planned to set up a risk committee over the next twelve months which, together with the risk manager, will implement the tasks outlined above promptly and comprehensively.

The internal control comprises the totality of all regulations and measures, principles and procedures for achieving corporate objectives. In particular, it is intended to ensure the security and efficiency of business operations, the effectiveness, economy and propriety of accounting and compliance with the relevant legal provisions, as well as the reliability of financial reporting.

Responsibility for the systems of risk management, compliance management and internal control is borne by the executive board. Their effectiveness is monitored by the supervisory board.

Identified risks

In the reporting period, the Company did not identify any risks that might endanger the existence of Social Chain Group as a going-concern. The following is a list of our identified top risks:

- Changes to regulatory requirements (regulatory risk)
- Insufficient innovative strength for online shops and changes in sales platforms (industry risk)
- Lack of suitable executive staff and employees (industry risk)
- New regulatory requirements for data protection (regulatory risk)
- Threat to cyber security (internal risk)
- Market dominance of social media platforms and changes in algorithms (industry risks)
- Emergence of new financially strong competitors (market risk)
- Slumps in demand (market risk)
- Impairment of goodwill and other intangible fixed assets (financial risk)
- Price, default and liquidity risks as well as risks from cash flow fluctuations (financial risks)

In the following, the individual risks listed above will be explained in more detail.

<u>Changes to regulatory requirements (regulatory risk)</u>

Due to business activities in various countries, risks may arise from changing regulatory requirements. Changes in the regulatory framework may require adjustments to processes and business activities, which may result in cost increases or revenue reductions. Potential risk scenarios include additional costs related to customs duties, product safety, working conditions, product range, consumer protection, changes in the use of social media content, labelling requirements for advertising and new packaging materials. Current risk drivers arise from the planned regulatory adjustments, such as the DSM (Digital Single Market) initiative, the planned Platform-to-Business (P2B) regulation and the expected “New Deal for Consumers”. Other emerging regulatory challenges include, in particular, Brexit and stricter environmental regulations, such as the ban on disposable plastics.

Social Chain Group monitors the regulatory environment and permanently obtains information about expected and implemented regulatory adjustments.

Insufficient innovative strength for online shops and changes in sales platforms (industry risk)

In order to meet the growing and changing demands on D2C products and services and to take advantage of market opportunities, innovative adaptations to the various shops of the individual group companies are regularly required. Neglect of the necessary adjustments or inadequate implementation of such measures can lead to customer churn and, as a result, to significant losses of revenue. In addition, changes to distribution platforms such as Amazon can have a negative impact on revenue and profitability through algorithm and commission changes.

Lack of suitable executive staff and employees (industry risk)

Profitable growth of a corporate group requires suitable executive staff and qualified employees. In order to reach and/or exceed the goals, an entrepreneurial mindset, creativity and personal development with managerial capabilities are necessary. Social Chain Group is a group with many young and talented founders. There is a risk that the founders and employees may not wish to work permanently in a listed group or may not develop their skills.

Social Chain Group creates an entrepreneurial environment favourable to talent management and continuously monitors executives and employees. To this end, remote workplaces and open structures allow talented employees to be addressed globally in order to avoid location-dependent shortages of qualified staff.

New regulatory requirements for data protection (regulatory risk)

As a social commerce enterprise, the Social Chain Group needs to collect and process customer data, including personally identifiable information, in order to complete orders, collect incoming payments and effectively interact with customers. In this respect, the Company is subject to numerous laws and rules based on the confidentiality, integrity and availability of personal data, including, in particular, every aspect of data protection and the protection of privacy (e.g. GDPR). As a popular example, the GDPR entered into force in May 2018 introducing considerable penalties for violations.

To mitigate these risks, the legal department, the data protection officers and the Data & IT team continuously monitor data protection requirements and developments, provide support in the preparation and introduction of appropriate documentation and processes and offer appropriate advice, expertise and training. This control also includes close cooperation and coordination, especially with IT security teams, in order to contribute to the protection of customer data by implementing appropriate technical and organisational measures.

Threat to cyber security (internal risk)

Cyber security risks from internal or external attacks and weaknesses in internal controls can affect key aspects of our customer-related applications, warehouse IT systems, payment systems and internal IT systems. Prominent cyber security risks include failures due to Distributed Denial-of-Service (DDoS)/ransomware attacks, data loss due to security breaches, faulty process flows due to integrity violations or a combination of these.

As a growing and well-known company, Social Chain Group constitutes a potential target on account of its size, its valuable data and its dependency on IT systems. To counter the threats of cyber security, the Group enhances its security and compliance efforts by investing in new technologies and specialised internal resources.

Our IT security continuously monitors relevant areas and maintains processes for ensuring data security.

Market dominance of social media platforms and changes in algorithms (industry risks)

Social Chain Group is a high-reach publisher on social media platforms. In addition, the Group works as an agency with third-party customers. Its own D2C brands are primarily advertised via influencer marketing, which is the advertising of products through influencer posts on social media platforms. Therefore, part of its business model is based on accessing the platforms and exploiting their reach.

Prominent social media platforms are permanently changing their business models and modifying their algorithms. Understanding the consequences of these changes and reacting promptly is essential to the Group's business model. It cannot be ruled out that reach is lost, own social media channels are blocked or followers lose interest in the content.

Moreover, the large providers are increasingly crowding out smaller ones and expanding their market power. Worldwide, American and Chinese providers are dominating the market. It cannot be precluded that adverse consequences arise from political influence or increasing market dominance.

Social Chain Group is close to the market through a multitude of well-trained own employees, influencers and founders and has relevance for the platforms through its own content production. The development of the platforms, their users and content is permanently monitored.

Emergence of new financially strong competitors (market risk)

Social media is a new and internationally growing media industry dominated by large global players. New financially strong competitors can penetrate the market and change it with high capital investments including:

- Established media companies orientating their business model more towards social media
- E-commerce companies orientating their business model towards social media with high capital investments
- Financial investors with large funds

Social Chain Group is observing the changes in the market and sees opportunities from its current portfolio in addition to a growing potential competition.

Slumps in demand (market risk)

Like other companies, Social Chain Group is generally dependent on consumer behaviour in the German, UK and US markets. In addition, media consumption and social media usage is important for the Group's development.

It cannot be ruled out that there will be a changed or reduced interest in the Group's D2C products. Moreover, conventions such as Glow may lose some of their appeal or framework conditions such as the number of visitors admitted may change for the worse. Bans on events can also lead to a decline in revenue.

Social Chain Group's activities are broadly based, leaving it independent of a single entity or activity. Several flows of proceeds and product ranges avoid high dependencies and have proven robust even in the event of a crisis.

Impairment of goodwill and other intangible fixed assets (financial risk)

Social Chain Group was, inter alia, formed by the acquisition of companies and a great number of contributions of company shares against the issuance of new shares or stocks. Moreover, companies were acquired in return for cash payments with purchase prices being higher than the recognised equity. For every transaction, valuation reports were prepared and asset values were determined using the DCF method.

The positive difference was allocated to tangible and intangible fixed assets based on the PPA method and any remaining difference was recognised as goodwill in the consolidated balance sheet. Recoverability of the assets included in the balance sheet and of goodwill depends on the achievement of the underlying multi-year corporate budget plan. It cannot be excluded that individual companies or assets do not attain the target values as expected and, thus, goodwill or the assets recognised in the balance sheet will suffer an impairment loss.

Social Chain Group constantly monitors the results and development of all companies and assets and is able to counteract negative developments at an early stage.

Price, default and liquidity risks as well as risks from cash flow fluctuations (financial risks)

The Social Chain AG Group is subject to general price and default risks, but does not consider these to be very significant. In particular, the social commerce business is not exposed to any default risk as payments are made via credit card or payment service providers such as PayPal. In the social media segment, the default risk is countered by verifying and assessing the creditworthiness of the future business partner before entering into joint projects as well as by regularly agreeing part payments. Due to the products homogeneity, the price risk in the social commerce business is considered to be low.

Currency risks are also assessed to be low as all companies in the Group are almost entirely restricted to their respective domestic markets, both for purchasing and selling, so as a result of like-for-like settlements there are no significant currency risks here either.

4 Outlook

In almost all its activities, the development of Social Chain Group is also dependent on overall economic development and the resulting consumer power. Due to the unpredictable impact of the corona pandemic, the possibility to forecast the future development is significantly restrained compared to under normal circumstances where there is no global pandemic. Nevertheless, there are a number of indicators allowing a conditional forecast.

4.1 Macroeconomic and industry-related framework conditions

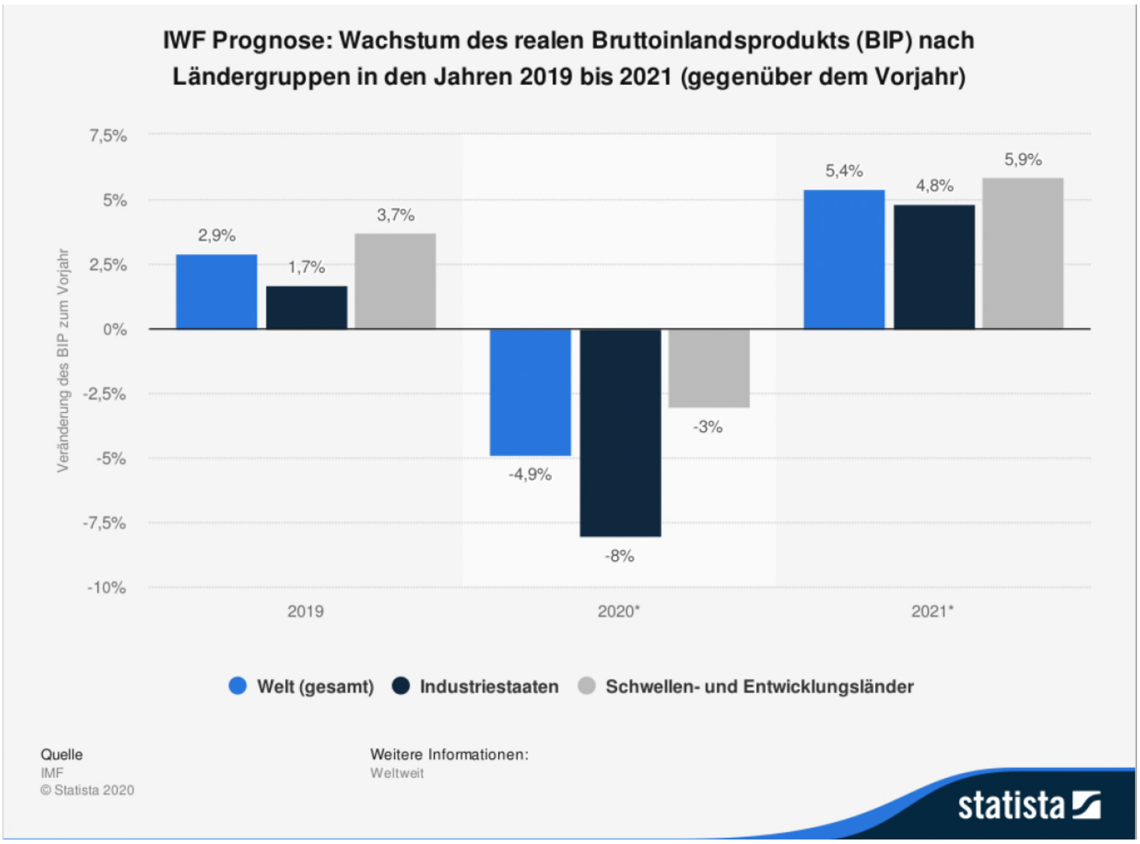
The prospects for overall economic development worldwide for the 2020 financial year and subsequent years are unclear. While the economic effects of the corona crisis had initially affected China, the epidemic has been spreading all over the world since March 2020. The core regions of activity of Social Chain Group, Germany, the UK and the US, are also heavily affected.

Social Chain Group is affected to varying degrees by the effects of the corona crisis. Revenue in the agency and social commerce businesses decreased by a double-digit percentage in the first half of 2020 whereas the Glow convention event business dropped to zero. The Company has revised their revenue and earnings trends and assessed the expected corona impact. Overall, the corona crisis has a negative effect on revenue and earnings development. However, the Company still assumes revenue growth and a clear earnings improvement for the Group in the financial year 2020 in comparison with the prior year. Capital investments to acquire further companies will be pursued without any modifications.

The economic extent and duration of the corona effects remain uncertain in the longer term and depend on future developments that cannot be accurately predicted at this stage. This concerns, inter alia, the severity and transmission rate of the coronavirus, the extent and effectiveness of the containment measures taken, including restrictions on mobility, and the impact of these and other factors on the economy.

As a consequence of the corona pandemic, the International Monetary Fund last updated its forecast for the development of global GDP in June 2020. Accordingly, the IMF expected a decrease of 4.9% worldwide. In the eurozone, the IMF anticipates GDP to lose 10.2%. The following forecasts are made for the current core markets of Social Chain Group: Germany (-7.8%), United Kingdom (-10.2%), United States (-8.0%). For 2021, almost all markets are predicted to grow considerably, with global GDP increasing by 6.4%.

https://www.dw.com/de/iwf-sagt-deutlich-st%C3 %A4rkeren-einbruch-der-weltwirtschaft-voraus/a-53926873#:~:text=2021 %20erwartet%20der%20IWF%20ein,von%2010 %2C2 %20Prozent%20erwartet



Despite corona, e-commerce – unlike stationary retail – remains on a growth path. However, based on corona-related revaluations, the growth rate is now estimated to slow down substantially. eMarketer anticipates global retail revenue in e-commerce to increase to a growth rate of 16.5% in 2020 (compared to 20.2% in 2019).

Advertising via social media will also continue to gain importance, as opposed to traditional advertisement. However, a 2020 forecast adjusted for Covid-19 suggests considerable differences in volume between the social media core markets of The Social Chain AG: US (bEUR 33.6), UK (bEUR 5.1), Germany (bEUR 1.5).

(Source: Statista; Statista Digital Market Outlook)

Taken as a whole, social media usage is expected to rise significantly, especially in markets that are still below average. In Germany, the industry's association Bitkom has ascertained a clear increase in user activity since the beginning of the corona crisis. eMarketer estimates the daily time spent on social media by US users to increase to 82 minutes, thus reaching a new high, which will, however, not be exceeded in subsequent years. In principle, the trend towards better mobile internet connectivity should help the growth of social media which are used almost exclusively on mobile devices.

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

4.2 Expected economic development of Social Chain Group

Effects of the corona crisis have been taken into account in preparing our forecast. However, there are individual business segments showing an extremely low visibility. The forecast concerning the relevant financial performance indicators is therefore subject to uncertainty as an accurate evaluation of the duration and impact of the coronavirus' spread is currently impossible. On the one hand, the impairment in public life has led to a sharp decrease in business development in the area of social events and trade fairs in the financial year 2020. On the other hand, we see a positive development in the area of e-commerce.

Based on the business development observed so far and the successful integration of the companies and brands acquired until today, Social Chain Group, given an improved gross profit margin in e-commerce, anticipates revenue to increase strongly by more than 150% in the 2020 financial year compared to 2019. This is due on the one hand to the fact that the new equity investments acquired in 2019 will be consolidated for a full twelve months for the first time in 2020, and on the other hand to organic growth, particularly in the e-commerce segment.

We expect earnings declines in the areas of social media and social experiences to be more than offset by growth in social commerce and e-commerce. In this context, we anticipate considerable restrictions in the social experiences segment and an only hesitant recovery of marketing revenues in the social media sector. In contrast, revenue from marketing social brands, especially in the product categories Food, Home and Living, will considerably increase.

The fact that the integration phase, which had started with the inclusion of The Social Chain Group AG into Social Chain Group in October 2019, is now largely complete will also contribute to this. Thus, we are able to make full use of cost-side synergies. Moreover, our positioning as a learning, fully integrated social media organisation enables us to use economies of scale when building up new brands. These effects will not become fully apparent until the 2021 financial year.

The stronger international positioning will gain momentum in 2020. This is supported by acquisitions such as of the Californian performance specialist A4D Inc. and a joint venture with Jassen Group to open up the Chinese market, which enhances our positioning in the US and establishes a bridge to the most important social media market worldwide, to Asia.

In the financial year 2020, the cash flow from operating activities will be particularly burdened by high expenses arising from the post-merger integration and working capital requirements for building up inventories in the growing social commerce business. The corresponding need for liquidity and financing for completed and planned acquisitions have been and will be covered by taking out bank loans as well as by a capital increase in the third quarter of 2020 in the subscribed amount of initially around mEUR 20.0, which has already been made in the amount of mEUR 10.0. Based on the current planning, the Group does hence dispose of sufficient liquidity.

Overall statement on the reporting on outlook

The Social Chain Group is well positioned in the corona crisis and beyond. In a relatively short time, we formed an integrated social media company that is able to accelerate its organic growth through targeted acquisitions. Our business model with its manifold revenue from the combination of social media and social commerce proves robust also during economic crises.

5. Dependency report

In the financial year 2019, The Social Chain AG was partially dependent on the private individual Georg Kofler within the meaning of Sec. 312 AktG. In accordance with Sec. 312 (1) AktG, the executive board therefore prepared a report on relations with affiliated companies:

The executive board declares that our Company received appropriate consideration for each of the legal transactions set out in the report on relations with affiliated companies according to the circumstances known to us at the time these legal transactions were made. There have been no measures taken or refrained from within the meaning of Sec. 312 AktG.

Berlin/Germany, 30 September 2020

Wanja S. Oberhof

Chief Executive Officer The Social Chain AG

The Social Chain Aktiengesellschaft, Berlin/Germany

Consolidated balance sheet as at 31 December 2019

A S S E T S	31 Dec. 2019 EUR	31 Dec. 2019 EUR	31 Dec. 2018 EUR
A. FIXED ASSETS			
I. Intangible fixed assets			
1. Internally generated industrial rights and similar rights and assets	16,207.00		0.00
2. Purchased industrial rights and similar 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-term 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			
I. Inventories			
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

E Q U I T Y A N D L I A B I L I T I E S	31 Dec. 2019 EUR	31 Dec. 2019 EUR	31 Dec. 2018 EUR
A. CONSOLIDATED EQUITY			
I. 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. Consolidated net profit/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 and overdrafts	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

The Social Chain Aktiengesellschaft, Berlin/Germany

Consolidated statement of profit and loss for the financial year 2019

			2019 EUR		2018 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 statement 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 equipment. 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 exemption option conferred under Sec. 246 (3) HGB to abstain from preparing according to the provisions 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 performed 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 Companies House under company number 10611522. The English companies are included in the consolidated financial statements of The Social Chain AG. To fulfil the formal requirements for taking advantage 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 shareholder. 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 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 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 shareholder. 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. Amortised 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 affected, 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:

In shares	Ordinary 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 contributions 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.

<u>Information on equity investments pursuant to Sec. 160 (1) no. 8 German Stock Corporation Act (AktG)</u>

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 and overdrafts	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.

Segment (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 merchandise 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 expenses 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 personnel 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 consultancy, 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 remuneration 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 remuneration 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 average 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 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 register 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 Nutrition 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 collateralising 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 executive board is authorised, with the approval of the supervisory board, to exclude shareholders’ subscription 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) sentence 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 Dec. 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
I. 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	0.00
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	0.00	1,720.50	0.00
	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	0.00	0.00	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	0.00	134,174.76	0.00
3. Shares in associates	0.00	3,996,200.00	0.00	0.00	0.00	3,996,200.00	0.00	-45,380.35	198,952.65	0.00	0.00	153,572.30	3,842,627.70	0.00
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	0.00
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	0.00
6. Other loans	1,560.00	111,680.00	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
	Increase/decrease 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	4,865,743.90	-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

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 or 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 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.

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 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.

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 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 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, 30 September 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Gerald Reiher Wirtschaftsprüfer (German Public Auditor)	Signed: Christoph Krause Wirtschaftsprüfer (German Public Auditor)